Annual Report
2022

Our performance

Accelerated a Process Safety Improvement Program to ensure that our assets are **'Safe to run, every day'.**

Implemented controls to avoid an event similar to the **Callide C4 incident** occurring on our other generating units and shared our learnings with other power station operators.

Sent out more than **10,000 GWh of electricity** into the National Electricity Market, a 3.5 per cent increase compared to the year before.

Began construction on the 100 MW/200 MWh **Chinchilla Battery,** which will provide fast response electricity to the grid when completed in 2023.

Significantly progressed the **Kogan Renewable Hydrogen Demonstration Plant,** appointing the construction contractor and signing an international offtaker.

Provided almost **$200,000 in sponsorship to not for profit groups** in the Banana Shire and Western Downs regional council areas to deliver long-lasting benefits to our local communities.

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About this report

This report outlines CS Energy's financial and non-financial performance for the year ended 30 June 2022 (FY2022).

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 an overview of CS Energy's performance against our FY2022 SCI and meets CS Energy's reporting requirements under the *Government Owned Corporations Act 1993,* the *Corporations Act 2001* and the Australian Accounting Standards.

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

We welcome feedback on our annual report. Please contact us at email **energyinfo@csenergy.com.au**

About CS Energy

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

We generate and sell electricity into the National Electricity Market (NEM), we are an energy retailer to commercial and industrial businesses, and we are investing in new energy assets, including solar and wind farms, renewable hydrogen and storage.

Our purpose

CS Energy is adapting our business to thrive in the rapidly changing energy world. 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.

Delivering energy today,
powering your tomorrow.

Our values

Be safe	Act with integrity	Take accountability	Make a difference

Our energy portfolio

We are creating a more diverse portfolio of energy sources to meet our customers' decarbonisation requirements and support power system security and reliability.

Our thermal generation assets are 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 have more than 310 megawatts (MW) of contracted renewables, which includes the sites in the map opposite, along with portions of the output from the Warwick and Hughenden solar farms.

We are creating energy hubs at our power station sites, beginning with Kogan Creek on the Western Downs where we are developing a grid-scale battery and a renewable hydrogen demonstration plant.

Our coal asset is the Kogan Creek Mine, which supplies 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 and storage

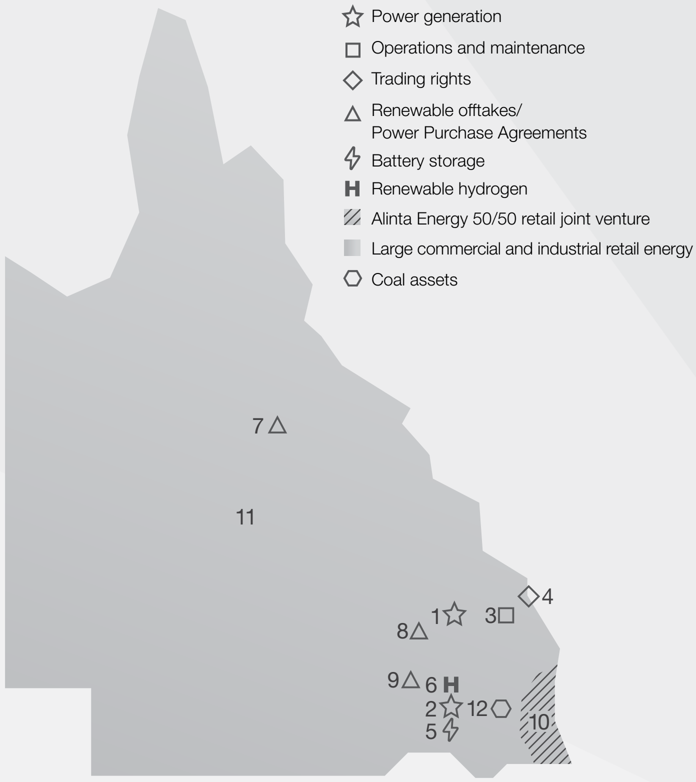
5 **Chinchilla Battery** (100 MW/200MWh) – operational 2023
6 **Kogan Renewable Hydrogen Demonstration Plant** – operational 2023
7 **Kennedy Energy Park** (Wind, solar, battery storage – 60 MW)
8 **Moura Solar Farm** (Solar – 56 MW)
9 **Columboola Solar Farm** (Solar – 162 MW)

Retail

10 **Alinta Energy 50/50 joint venture** – South East Queensland
11 **Large commercial and industrial** – Queensland

12 Coal assets

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



Our customers

We provide retail electricity services to large commercial and industrial customers throughout Queensland. This includes mines, ports and, through our whole-of government contract, Queensland Government agencies and departments. We offer our customers value-add solutions such as demand management and electric vehicle charging.

In South East Queensland we have a 50/50 retail joint venture with Alinta Energy to support household and small business customers in the Energex Distribution Area. Through the joint venture, CS Energy generates and supplies wholesale electricity, and Alinta Energy manages the retail business.

In the wholesale market our customers are large businesses that use financial derivatives to manage their exposure to pool price volatility.

Our communities

CS Energy works to build positive, long-lasting relationships with the communities that host our operations. More than 50 per cent of our employees live in the communities surrounding the Callide Power Station in Central Queensland and the Kogan Creek Power Station on the Western Downs.

Our power stations are located near rural residential and farming properties, and we work with and listen to our near neighbours to minimise the impact of our operations on their properties.

We invest in our local communities through our annual sponsorship and donation programs, and by procuring goods and services from local suppliers wherever possible.

Our strategy

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

PURPOSE

Delivering energy today, powering your tomorrow.

VALUES

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

IMPERATIVE

Adapt now to thrive in a rapidly changing energy world

VISION

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

STRATEGIC PRIORITIES

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

Progress against strategic targets

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

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

CS Energy's progress against the key targets in our FY2022 SCI is summarised in the table below.

Summary of performance against FY2022 targets

Strategic Priority		FY2022 target	FY2022 actual	Results commentary
Strengthen our foundations	All injury frequency rate (AIFR)[1]	≤26	31.15	**Page 15**
	Significant Environmental Incidents (SEI)[2]	0	2	**Page 21**
Optimise our assets	Commercial availability (%)[3]	87.7	67.4	**Page 24**
Maximise our returns	Underlying Profit ($M)[4]	154.3*	117.6	**Page 26**
Deliver future energy	C&I market share (%)[5]	16	12.5	**Page 12**
	Product solutions[6]	25% of customers	28.4	**Page 12**
	Final investment decisions on future energy projects	Utility scale battery	Business case approved by shareholding Ministers	**Page 13**

* This figure reflects the target in CS Energy's Mid-Year Review. The budget figure in the FY2022 SCI is $189.6M.

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

2 SEI is an incident that has a significant impact on the environment or resulted in enforcement action by a regulator.

3 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.

4 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.

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

6 Product solutions is 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

In FY2022 CS Energy advanced strategic projects that will underpin our portfolio renewal strategy and laid the foundations for adopting an 'ESG' reporting framework.

Business performance

Our commercial availability result of 67.4 per cent was a marked improvement on the previous year when the Callide Unit C4 incident significantly impacted our performance. Increased generation from our portfolio contributed to our improved Underlying EBITDA for FY2022 of $117.6 million (2021: $88.6 million), however availability was still under target. Callide Unit C4 remained offline for the entirety of FY2022 and is currently expected to return to service in April 2023.

In FY2022 we began a program to prioritise our maintenance expenditure to keep our plant operating safely and at its best to meet changing demand. In conjunction with our Asset Management Alliance partner Downer, we carried out a $37 million overhaul program of two generating units at Callide Power Station. These works brought approximately 220 contractors to the Biloela region and generated more than $3 million in flow-on economic benefits to local service industries such as accommodation providers, caterers and transport companies.

There was unprecedented market volatility and intervention in the NEM in the final quarter of FY2022, which was driven by a confluence of factors that have been publicly reported. Throughout this period, CS Energy's highest priority was ensuring the safe and reliable operation of our power stations to support security of electricity supply. We bid all of our available capacity into the market, regardless of whether the Administered Price Cap was invoked or the market was suspended.

CS Energy recorded a net loss after tax of $95.5 million (2021: $269.6 million net loss after tax). A range of accounting adjustments drove this result, including mark to market fair value adjustments on derivatives, asset impairment reversals of Callide B and C, and a remeasurement of the Gladstone Interconnection and Power Pooling Agreement. As a result, CS Energy has not provided for a dividend for the year.

Diversifying our revenue streams is essential for CS Energy to become a commercially sustainable business. Our retail business continued to grow this year, achieving a 12.5 per cent share of the Queensland large commercial and industrial market (FY2021: 11.4 per cent). The driver of this growth has been our customer-centric approach, to developing tailored product solutions for each customer based on their specific energy needs. There is a high degree of interest from customers in having renewables as a significant portion of their load. CS Energy is catering for this demand through our portfolio of solar and wind offtakes in regional Queensland.

The Queensland Government's Renewable Energy and Hydrogen Jobs Fund is a key vehicle for government-owned corporations to increase their ownership of renewable energy and hydrogen projects, and create employment opportunities. This year we welcomed the government's announcement that it would provide $28.9 million from the fund towards the Kogan Renewable Hydrogen Demonstration Plant and a refueller network. The government also announced it would invest funds towards a 400 MWh battery that CS Energy will construct at Powerlink Queensland's Greenbank substation.

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.

Process safety

CS Energy accelerated its Process Safety Improvement Program this year, in response to the Callide Unit C4 incident. The CS Energy Board endorsed a Process Safety and Operational Integrity Policy which defines our commitment to preventing process safety incidents and maintaining good practice process safety management.

A consistent, systematic, whole-of-organisation process safety management system is being embedded to support continuous improvement and to prevent significant incidents from occurring. Refresher training was rolled out to employees to ensure they are familiar with process safety, how it is supported by our systems and the role they play in improving the safety of our plant.

In relation to the Callide Unit C4 incident, Dr Sean Brady's external, independent investigation is ongoing and is expected to be completed in the second half of 2022. 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 sites and share learnings with industry.

Environmental, social and governance reporting

CS Energy recognises that we have a responsibility to minimise our impact on the environment; build positive relationships with our stakeholders; and have strong governance processes for managing our risks and meeting our compliance obligations. This year the Board asked management to investigate how CS Energy could adopt a framework for Environmental, Social and Governance (ESG) reporting.

CS Energy currently monitors and reports on a range of ESG-centric initiatives and metrics across our business, some reported externally in publications such as our Annual Report and Energy Charter disclosure report. Reporting against an ESG framework will capture and align these to ensure their impact is maximised and enable the identification of additional improvement opportunities across all ESG pillars.

CS Energy plans to move towards ESG-centric reporting in FY2023, which will be aligned with global developments and Queensland Government policy.

Acknowledgements

On behalf of the Board, thank you to CS Energy's employees for your commitment to our purpose of *Delivering energy today, powering your tomorrow.* Thank you also to our shareholding Ministers for your ongoing support of our strategy to transform CS Energy into a diversified energy business

Jim Soorley
Chairman

CEO's review

This year CS Energy accelerated our future energy investments to create a more flexible and diversified portfolio that meets our customers' requirements and Queensland's future energy needs.

We have made significant progress in executing our strategy launched in 2019, which was centred around the imperative for CS Energy to adapt to thrive in a rapidly changing energy world.

The changes to the market landscape have accelerated since then, as Australia shifts inexorably towards a low emission decentralised energy system. In response, we stepped up our strategic activities to position the business for a commercially sustainable future.

Future energy

CS Energy achieved significant momentum in our future energy initiatives in FY2022. We continued to grow the customer base of our large commercial and industrial retail business and announced milestones in a range of new and continuing projects that will diversify our portfolio.

This year CS Energy signed a Memorandum of Understanding with global renewable energy leader EDF Renewables to progress the development of the Banana Range Wind Farm in Central Queensland. Under the agreement, CS Energy is considering both an offtake agreement and equity participation in the proposed 230 megawatt project. Construction is expected to commence in 2024 before coming online in 2026, generating enough energy to power 15,000 homes.

At Kogan Creek Power Station we achieved key milestones for the renewable hydrogen and battery projects that will form part of the energy hub we are creating at the site. The energy hub concept is about maximising the infrastructure already in place at our Kogan Creek site, such as land, water, grid connection and a highly skilled workforce. It is an approach that we plan to replicate in Central Queensland, where our Callide Power Station is located, by developing a 'CQ Hub'.

CS Energy agreed to form a joint venture with natural gas producer Senex Energy to develop the Kogan Renewable Hydrogen Demonstration Plant. Senex is the ideal JV partner for CS Energy in this space given the role hydrogen is likely to play in replacing gas as a source of energy over time.

We also announced IHI Engineering Australia as the construction contractor for the demonstration plant and work is expected to begin in November 2022. It is great to see that IHI has been utilising some local suppliers for early works, with details obtained through the Toowoomba and Surat Basin Enterprise's Hydrogen Skills Portal, which was co-developed with CS Energy.

Construction commenced in July 2022 on the Chinchilla Battery, a large-scale battery next to Kogan Creek Power Station that will be operational by the end of 2023. The 100 MW/200 MWh battery will act as a sink for excess solar energy during the day, then discharge energy in the evening to support peak demand.

In South East Queensland, CS Energy announced an exciting partnership with Powerlink Queensland to install a 200MW/400MWh battery, with Powerlink's Greenbank substation the current preferred location. In FY2023, CS Energy and Powerlink will work together on a range of planning activities and provide the local community with the opportunity to learn more about the project.

We continue to adapt our plant to ensure it remains competitive. The $37 million overhaul program at Callide Power Station in FY2022 included the installation of new air atomised igniters on Callide Unit B2, replicating successful improvements made to its sister unit B1 in 2020. The $4.1 million works are expected to provide Unit B2 with greater reliability during load changes and reduced fuel oil usage, with benefits to be realised from early FY2023.

People, safety and environment

Our safety performance in FY2022 was disappointing as our All Injury Frequency Rate increased to 31.15. This reflected a number of minor first aid injuries to hands during the overhaul works at Callide Power Station. We have increased our focus on visible leadership and safety interactions, and delivered interactive workshops on hand safety.

We introduced an internal mentoring program to support the career development of our people at all levels. The program matches mentors and mentees from across the business by identifying mutual interests and complementary knowledge. We have also maintained gender pay parity and our status as a WORK180 Endorsed Employer for Women.

We did not meet our environmental key performance indicator of zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. We reported two such incidents relating to Callide Power Station – PFAS and Callide Ash Dam B. Our team has taken a proactive approach on both of these incidents, working collaboratively with the Department of Environment and Science.

Callide Unit C4

The Callide Power Station recovery is continuing following the incident on Unit C4 on 25 May 2021. Throughout FY2022 we worked with our Callide C JV partner InterGen Australia on returning Unit C4 to service. Work is underway on site and the unit's forecast return to service date is April 2023.

Dr Sean Brady's external, independent investigation into the cause of the incident is ongoing and is expected to be completed in the second half of 2022. CS Energy has introduced a range of safety improvements in response to the incident and has shared our initial learnings with other power station operators. We are committed to making further improvements based on the findings of Dr Brady and sharing any further relevant learnings with industry.

We have made significant progress in executing our strategy, which was centred around the imperative for CS Energy to **adapt to thrive in a rapidly changing energy world.**

Acknowledgements and looking ahead

Thank you to everyone at CS Energy for your contribution to our performance this year. In FY2023 we will begin executing our refreshed strategy and I look forward to working with CS Energy's employees to realise our vision of *Leading Queensland's energy transformation to create a better future.*

Thank you also to the Board for your guidance and leadership as we work to capture the opportunities that are ahead for our people, communities, and customers.

Andrew Bills
CEO

The year ahead

A refreshed strategy

CS Energy launched our current strategy in 2019, which we have reported against in this annual report. Over the past three years, CS Energy has recorded significant progress against our strategy. We continue to adapt our plant to ensure it remains competitive and we have built significant momentum in diversifying our business, including establishing a Future Energy division, investments in batteries, renewables and hydrogen, and growth of our retail business. This progress has been achieved while the energy landscape has continued to evolve at pace.

In FY2022, CS Energy completed a strategic review to ensure our strategy reflected our business maturity and remains relevant given the pace of the energy transformation. This included seeking feedback from our employees.

Our strategic direction, which aims to transform from a traditional energy generator to a diverse energy business, has not changed. This means our purpose of 'Delivering energy today, powering your tomorrow' remains the same.

We have updated our vision to 'Leading Queensland's energy transformation to create a better future'. This recognises that CS Energy is committed to being a leader in transforming Queensland's energy system. It highlights that there is significant opportunity that can be harnessed to create a better future for our people and communities, for our customers, for our assets and our business and ultimately for Queensland.

We have also refined our strategic priorities to reflect the following focus areas for our business going forward.

Strategic priorities for FY2023

Strategic priority	Focus areas
Master the fundamentals	• Safe to run every day. Protect people, the environment and our assets. • Ensure we have the right technology, systems, processes and tools for the job. • Build an inclusive and diverse culture where innovation thrives. • Comply with our obligations to deliver what is expected of us.
Navigate the transformation	• Invest in, and maintain, our existing assets to support the energy transformation. • Maintain a commercial business to support future investments. • Transform our existing power station sites to integrated future energy hubs. • Work with our people, stakeholders and communities to share the benefits of the energy transformation. • Grow our service and product offering to deliver on our customers' needs.
Enable the future	• Invest in renewables, lower emission technology and large-scale storage. • Expand our retail business. • Develop a domestic and export hydrogen business.

CS Energy's refreshed strategy is being launched in early FY2023 and future reporting will align to our refreshed strategy.

2022 in review

Deliver future energy

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.

Providing our customers with diversified energy solutions

FY2022 at a glance:

- **Commenced construction on the 100MW/200MWh Chinchilla Battery and announced a second battery project in South East Queensland.**
- **Appointed IHI Engineering Australia to construct the Kogan Renewable Hydrogen Demonstration Plant.**
- **Signed a Memorandum of Understanding with EDF Renewables to progress the development of the Banana Range Wind Farm in Central Queensland.**

CS Energy is developing a portfolio of future energy projects to diversify our revenue streams and encourage renewable energy development in Queensland. We are pursuing diversification opportunities that expand our customer base, leverage technology and renewables, and respond to opportunities in distributed generation.

A priority for CS Energy is creating future energy opportunities near our regional operations to help these communities benefit from the energy transformation. We are repurposing our existing sites into "energy hubs", beginning with Kogan Creek where we announced significant investments in renewable hydrogen and grid-scale batteries in FY2022. These energy hubs will utilise our sites' existing attributes of grid connection, water, land and workforce to create new opportunities.

Moving forward, CS Energy will investigate further opportunities in fast-dispatch assets, renewables, storage and energy solutions that assist our customers.

Retail energy

CS Energy's expansion into the large commercial and industrial (C&I) retail market remains a critical factor in both supporting our existing asset base while simultaneously providing an avenue to diversify revenue streams. We provide large energy users with bespoke solutions that bring together a variety of energy sources tailored to meet their business goals. This includes renewables, thermal generation, electric vehicle charging and demand management.

By 30 June 2022 CS Energy had achieved a 12.5 per cent share of the Queensland C&I market with a total annual portfolio load of ~3.0 terawatt hours. The driver of 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, renewable energy targets, 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 billing system and the development of additional renewable and structured products.

CS Energy is a signatory to the National Customer Code for Energy Brokers, Consultants and Retailers and is committed to acting with honesty and integrity. We were an active participant in the development of the voluntary code, which aims to build trust between energy brokers and energy retailers to achieve better customer outcomes.

Since 2017 we have had a retail joint venture partnership (JV) with Alinta Energy to supply electricity to household and small business customers in South East Queensland (SEQ). Under the agreement CS Energy generates and supplies wholesale electricity, and Alinta Energy manages the retail business.

The earlier part of FY2022 saw the continuation of the lingering impacts of COVID-19 on retail markets from the year prior and a decline in customer numbers.

Customer uptake improved in the second half of the year as both international and domestic factors contributed to significant volatility in the NEM, prompting large numbers of customers to re-enter the market looking for a better deal. Multiple smaller retailers entered administration or advised their customers to shop around for a more competitive electricity contract, adding to the increased customer movement.

The deal structure of the Alinta Energy JV helped isolate it from much of the market volatility and its customer numbers increased on the back of a competitive product offering and other retail competitors exiting the market. As a result, Alinta saw an increase in customer numbers of seven percent on FY2021 numbers.

Batteries can rapidly respond when there is a sudden gap in electricity supply in the grid, which helps to **reduce wholesale price volatility.**

Renewable energy offtakes

CS Energy has added more than 300 megawatts of contracted renewables to our portfolio in recent years to support our customers' decarbonisation requirements and help Queensland reach its target of 50 per cent renewables by 2030. We offer renewables to our customers through our partnerships with solar and wind facilities and underpin them with energy from our thermal generation assets.

Our renewables portfolio includes significant offtakes from the Columboola Solar Farm on the Western Downs, the Kennedy Energy Park in North West Queensland and the Moura Solar Farm in Central Queensland, along with smaller offtakes from other projects in Queensland.

In May 2022 we signed a Memorandum of Understanding (MoU) with EDF Renewables to progress the development of the Banana Range Wind Farm in Central Queensland. Under the MoU, CS Energy is considering both an offtake agreement and equity participation in the 230 MW project.

The Banana Range Wind Farm will be located in the same region as our Callide Power Station and will provide approximately 150 jobs during construction. This project appealed to CS Energy because of its potential to create employment and procurement opportunities for the local community.

We continue to explore further opportunities in response to strong interest from our customers to adding renewables to their loads.

Batteries

Investing in grid-scale batteries is an important next step for CS Energy in creating a more flexible and diversified energy portfolio. Fast-start energy storage assets like batteries will enable us to more effectively respond to changing demand in the NEM and help put downward pressure on consumers' power bills.

Batteries can rapidly respond when there is a sudden gap in electricity supply in the grid, which helps to reduce wholesale price volatility. They also support greater usage of renewable energy by charging during the day when solar output is high and then discharging during the evening peak demand period.

CS Energy is pursuing a multiple battery strategy, beginning with the Chinchilla Battery that we announced in March 2022. The 100 MW/200 MWh battery will form part of the energy hub that CS Energy is creating at our Kogan Creek site.

The Chinchilla Battery will be made up of 80 Tesla Megapacks and will be connected to the grid via Powerlink's 275 kV Western Downs substation. The $150 million project will create up to 80 jobs during construction and up to 10 jobs when operational.

Downer is the main construction contractor for the project. Construction started in July 2022 and it will be operational by the end of 2023.

CS Energy has also announced a strategic alliance with Powerlink Queensland to install a 200MW/400MWh battery in South East Queensland. Powerlink will provide land and connection services for CS Energy to install a grid-scale battery at their Greenbank site, in return for access to a range of system support services.

The Greenbank Battery project is unique in Australia, as it is the first of its kind where an energy company will collaborate with a transmission company to develop an asset for the benefit of both the power system and the market for energy generation and system security services.

Providing our customers with diversified energy solutions (continued)

Renewable hydrogen

CS Energy is investigating the potential of ‘green’ hydrogen, which is hydrogen produced using renewable energy. Hydrogen has multiple applications – as a fuel for transport or heating, a way to store electricity, or as a raw material in industrial processes.

We are developing the Kogan Renewable Hydrogen Demonstration Plant, which is a hydrogen production facility that will be built next to CS Energy’s Kogan Creek Power Station. The Queensland Government will provide $28.9 million towards the project and a refuelling network from its Queensland Renewable Energy and Hydrogen Jobs Fund.

The renewable hydrogen production facility will comprise a solar farm, battery, hydrogen electrolyser, hydrogen fuel cell, hydrogen storage and out loading facility. The aim is to produce renewable hydrogen and provide energy and other grid services while gaining expertise from an operational hydrogen project from production, storage, transport and handling.

During the year CS Energy and IHI Corporation Japan completed a joint feasibility study into the project and confirmed the optimum design of the demonstration plant and suitability of the site. CS Energy appointed IHI Engineering Australia (a subsidiary of IHI Corporation Japan) to construct the demonstration plant and work will begin on site in the second half of 2022.

The demonstration plant will produce up to 75,000 kilograms of renewable hydrogen annually. Discussions are well advanced with potential offtakers in the domestic heavy transport sector and CS Energy is investigating options for modular hydrogen refuelling stations in the South East Queensland and Western Downs freight corridor.

CS Energy will also export renewable hydrogen to the Republic of Palau as part of a collaboration with Sojitz Corporation and Nippon Engineering Consultants. The project will assess the potential of renewable hydrogen for use in fuel cells and marine vessels in Palau to reduce its reliance on fossil fuels and has received subsidies from Japan’s Ministry of the Environment.

In May 2022 CS Energy and Senex Energy announced their intention to form an unincorporated joint venture on this project. Senex Energy’s experience in the gas sector will be invaluable during the demonstration and as we evaluate future opportunities to increase renewable hydrogen production to commercial scale.

Electric vehicle charging

CS Energy moved into electric vehicle (EV) charging because we know that we must diversify our business as Australia moves towards a renewable energy future. We identified a need amongst our commercial and industrial customers for a simple, low cost charging solution that took the hassle and confusion out of switching to EVs for large organisations.

We offer a suite of electric vehicle (EV) charging products through our partnerships with technology providers Jet Charge and EVSE. Our offering includes AC and DC chargers, each of which can be configured for a client’s needs, such as home, fleet, or public access charging.

CS Energy is TAFE Queensland’s preferred EV charging solution provider and is on QFleet’s EV Standing Offer Arrangements for EV charging equipment solutions. To date, CS Energy has completed numerous EV charging infrastructure installations across Queensland Government sites including TAFE Queensland, Queensland Health, Emergency Services, hospitals, QFleet and a range of other Queensland Government sites. Sites now number in excess of 40, with around 300 chargers installed.

Uptake of electric vehicles in Australia is gaining momentum as many organisations, particularly Queensland Government QFleet customers, upgrade their fleets to position themselves for the future and reduce their costs and carbon footprint.

In the future, CS Energy is looking to expand its charging technology options, move to new technology and products when available, and prepare to accommodate exciting new developments like vehicle to grid charging technology.

Strengthen our foundations

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

Health and safety

FY2022 at a glance:

- **Refreshed our Safety Interaction and Critical Control processes to enhance visible safety leadership at our power stations.**
- **Accelerated a Process Safety Improvement Program to ensure that our assets are 'Safe to run, every day'.**
- **Achieved an All Injury Frequency Rate of 31.15.**

All Injury Frequency Rate

CS Energy's number one priority is ensuring that everyone at our sites returns home safely at the end of their workday. We are building a safety culture aligned with the Human Synergistics constructive culture where our people feel empowered to speak up if they see something that is not safe.

Our health and safety strategy aims to create a culture of citizenship, which means people care for themselves and others and continually learn from mistakes and successes. In personal safety, we focus on three key areas: people, places we work, and practices, and there are close linkages with our process safety program.

People

We did not meet our key safety metric of an All Injury Frequency Rate (AIFR) of 26 or less, finishing FY2022 with an AIFR of 31.15. Forty-eight people were injured, an increase of five compared to the year before. The increase is due to a number of first aid injuries being recorded during the last three months of overhaul works at Callide Power Station.

This result is disappointing and can partially be attributed to a long overhaul season and multiple unplanned outages during the year, which represent our highest risk periods. Despite this increased risk exposure there was only one lost time injury.

CS Energy believes that visible leadership is a key driver of safety performance. To minimise the incidence of injuries, we have focussed on visible leadership through workplace safety interactions and the verification of critical controls to manage risks and hazards. This approach is supported by visible key performance indicators and enhanced audit tools.

To set our leaders up for success we provided them with training to enhance their understanding of their legal duties and obligation and to lift capability in risk assessment, incident investigation and pre-start coaching.

Places we work

CS Energy continued to implement comprehensive measures to prevent the spread of COVID-19 at our sites, including social distancing, hygiene protocols, education and increased cleaning depending on the risk profile of each location. We follow the latest advice and take a risk-based approach to implementing measures for people entering our power station sites.

We continued to respond to the COVID-19 pandemic to ensure the health and wellbeing of employees, contractors and local communities.

To manage the extra workers on site for the Callide overhauls this year, we implemented additional COVID-Safe measures including:

- Screening of overhaul contractors through rapid antigen testing and completion of a Health Check Declaration prior to their arrival at site for the first time.
- Random RAT testing throughout the overhauls.
- Limiting 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.

Health and safety (continued)

We are embedding a consistent, systematic, whole-of-organisation process safety management system, ensuring **continuous improvement and the elimination of significant incidents.**

It is a condition of entry to CS Energy workplaces that all employees, contractors and visitors can be tested at any time for alcohol or other drugs. This year we consulted with our workforce on proposed changes to our Alcohol and Other Drugs Procedure to reduce the allowable Breath Alcohol Content from 0.05 to 0.00 in line with industry standards. The procedure change process is due to take effect in FY2023.

A Safety Culture survey was undertaken in FY2022 to reassess employee perceptions of the value CS Energy places on safety. The outcomes of this survey will inform our strategic priority areas for FY2023.

Practices

During the year we established a Serious Injury and Fatality (SIF) plan to update all relevant procedures, and educational tools to increase knowledge of our SIF risks and the most effective controls.

We commenced a project to expand our Corporate Governance and Risk (CGR) platform to integrate incident and hazard management. This project is significant as it aims to increase workforce engagement and allow end-to-end reporting and analysis of health and safety, environment and process safety risks.

The implementation of our targeted Health and Wellbeing Strategy was another key focus area in FY2022. This strategy targets three strategic risk areas: mental health, core health and physical and musculoskeletal fitness. Some of the programs we provide for our employees include:

- An **Employee Assistance Program** with free, independent, confidential counselling for all employees and their families on work or personal issues. We have also maintained our accreditation in the suicide prevention program **Mates in Energy** and provide Mates in Energy Connectors at all sites. Connectors are CS Energy employees trained to identify suicidal behaviour and keep people safe while connecting them to help.
- **Health and wellbeing programs** include fatigue management, drug and alcohol education, free COVID-19 and influenza vaccinations and skin cancer checks.
- A **proactive physiotherapy program** for employees to manage their physical fitness for work.
- Work and home office **ergonomic workstation assessments.**

Process safety improvement program

At CS Energy, process safety and personal safety are integrated in our health and safety management system.

In response to the Callide Unit C4 event, this year we accelerated a Process Safety Improvement Program. Process safety is about keeping our plant hazards under control to ensure the safe operation of our power stations and protect our people, communities and the environment.

The CS Energy Board endorsed a Process Safety and Operational Integrity Policy which defines our commitment to preventing process safety incidents and maintaining good practice process safety management to ensure our assets are safe to run every day. We are embedding a consistent, systematic, whole-of-organisation process safety management system, ensuring continuous improvement and the elimination of significant incidents.

We began rolling out refresher awareness training to our employees to ensure that they are familiar with process safety, how it is supported by our systems and the role they play in improving our process safety. We are working to establish a learning culture where our people understand our hazards, know the controls and know that the controls work.

Our people

FY2022 at a glance:

- **Introduced an internal mentoring program to support the development of our people at all levels.**
- **Maintained gender pay parity and our status as a WORK180 Endorsed Employer for Women.**
- **Worked with our people and unions through the Callide Futures Group to plan for the future at our oldest site, Callide B Power Station.**

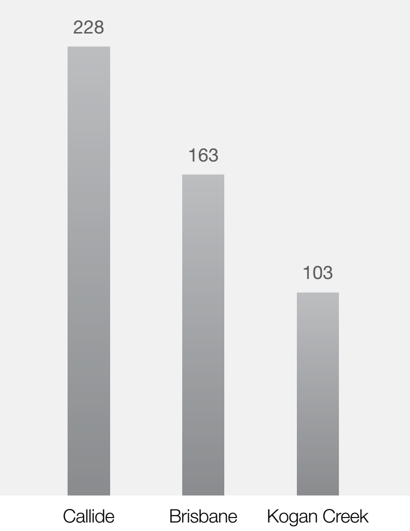
Our workforce

We employ 494 people (as of 30 June 2022) 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.

Thirteen percent of CS Energy's workforce is from a non-English speaking background and one percent is from an Aboriginal or Torres Strait Islander background.

Workforce by location



Culture, inclusion and diversity

CS Energy is building a safe, constructive and high-performance culture to support the delivery of our strategy.

We have a suite of benefits and initiatives to create a more inclusive work environment and diverse workforce. This includes gender pay parity, flexible working arrangements, domestic and family violence leave, and being a WORK180 Endorsed Employer for Women.

Our Inclusion and Diversity Leadership Team sets our overall direction in this area and works closely with employee Inclusion and Diversity Support Networks who support company initiatives at the site level and share employee ideas and insights.

CS Energy has developed a revised Inclusion and Diversity Strategy for implementation over three years from FY2023. This strategy continues the work undertaken since 2016 to create a culture that builds respect, fosters inclusiveness, promotes diversity and embraces the unique qualities of all our employees.

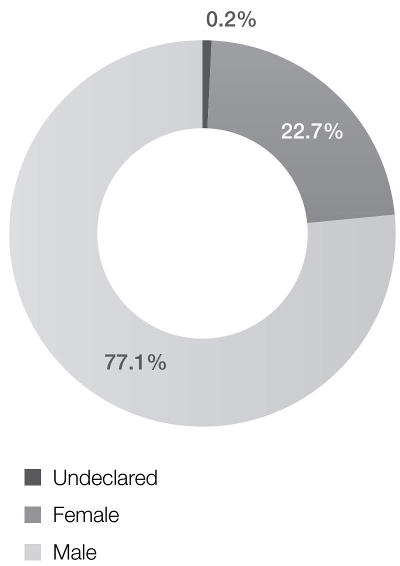
Additional targets have been created for culturally and linguistically diverse, disability, neurodiversity, LGBTQIA+ and generational groups, in addition to our existing gender and Indigenous targets.

In 2022, CS Energy conducted a Human Synergistics Engagement and Culture survey – the previous survey was conducted in 2019. The results of the survey have highlighted a number of improvement areas which will be the focus of action planning aimed at strengthening company culture.

Learning and development

At CS Energy, we want to help our people realise their full potential. They have a wealth of knowledge and skill, and it is vital we nurture and grow this as we deliver our strategy in the future. During the year we introduced a range of initiatives to capitalise on the internal expertise of employees and create meaningful career opportunities.

Workforce by gender



An internal mentoring program was launched in March 2022 to match mentors and mentees from across the business by identifying mutual interests and complementary knowledge. The program is supported by educational modules to further enhance our internal mentoring and coaching capability.

Our new Leadership Development Framework supports and uplifts leadership capabilities while also keeping most of the development and facilitation in-house using existing knowledge and tailored online learning.

The talent and succession planning cycle provides an ongoing method of identifying key talent and developing succession plans, in line with developing career pathways for employees. The process further supports targeted opportunities for employees to address capability gaps and enhance future leadership potential.

Our people (continued)

An internal mentoring program was launched in March 2022 to match mentors and mentees from across the business by identifying **mutual interests and complementary knowledge.**

Graduates, apprentices and trainees

Our graduate, apprenticeship and trainee programs contribute to the future talent pipeline of Australia's energy industry and provide employment opportunities in the regions in which we operate.

Ten people started graduate, apprentice or trainee positions with CS Energy in FY2022. This year's intake was one of our most diverse, with six females and four males working in disciplines such as engineering, electrical, mechanical and business administration.

We continued our summer undergraduate program by hosting three undergraduates in the fields of engineering and IT. We again used the CareerSeekers program as one of our channels for recruiting undergraduates. CareerSeekers is a not for profit organisation that works with companies to provide work for refugees and asylum seekers.

Callide Futures Group

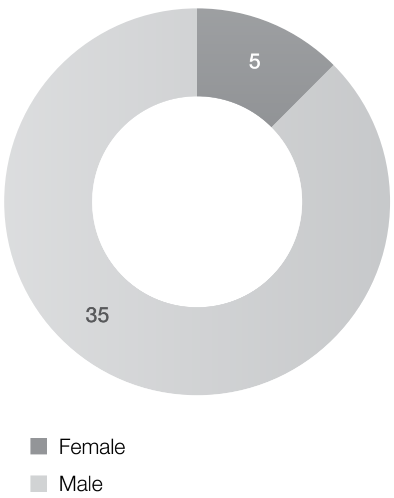
We are working with our people and unions through the Callide Futures Group (CFG) to plan for the future at our oldest site, Callide B Power Station. Callide B was commissioned in 1988 and has an expected technical life of 40 years. The CFG is assessing how to best position the Callide B workforce to take up new opportunities and support an orderly transformation of the energy sector.

The CFG commissioned a demographic survey of the Callide workforce to obtain a better understanding of employees' interest in reskilling, relocation and other options for the future. Approximately 76 per cent of eligible employees participated in the survey, providing valuable insights into their future intentions and the support measures that we need to have in place.

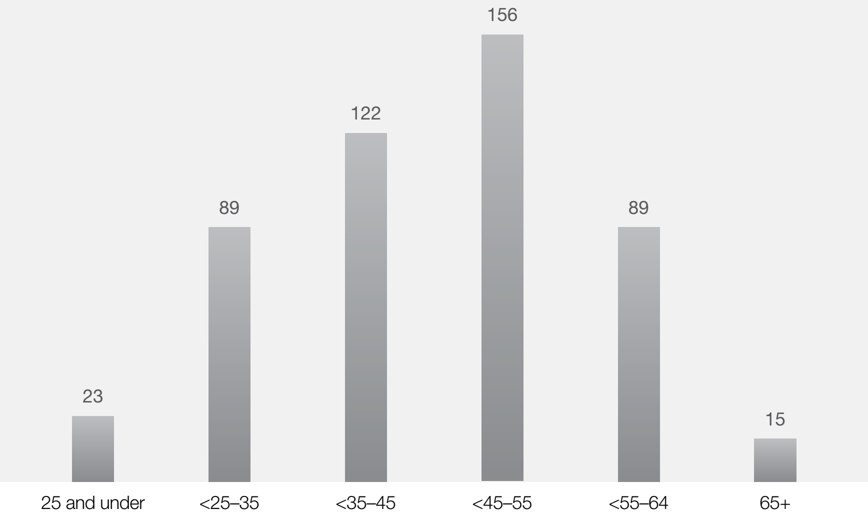
More than 100 survey respondents indicated their interest in discussing their future career options with an independent HR consultant, which CS Energy facilitated in early 2022. These conversations were designed to provide individuals with strategies to prepare for the energy transformation.

The CFG is developing a roadmap to document the short, medium and long actions associated with supporting the transformation of the Callide B Power Station in key areas including asset planning, community, workforce and future energy.

Senior leadership by gender



Workforce age profile



Community

FY2022 at a glance:

- **Through an independent research program, we gained a deep understanding of the needs and expectations of our external stakeholders and identified ways in which we can build further trust within our communities, as we transform our business.**
- **Invested almost $200,000 in the Banana Shire and Western Downs regional council areas in initiatives that deliver long-lasting benefits to our local communities.**
- **Collaborated with the Toowoomba and Surat Basin Enterprise on two projects to encourage local participation in the hydrogen value chain.**

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

At CS Energy, we have adopted a social value framework, which is a holistic approach to decision-making where we recognise both financial and social benefits and impacts; and acknowledge that each depends on the other for the decision to maximise positive outcomes.

Social value is about our contribution to society – our people, business partners, customers, shareholders, the economy, the environment and local communities.

We continue to embed 'social value' into our business strategy, planning and processes. We have included a social performance metric in our refreshed strategy and will report against this metric in next year's annual report. The social performance metric seeks to measure our engagement and strength of relationship with a local community through a range of qualitative and quantitative measures.

Investing in our local communities

CS Energy is committed to investing in the regions where we work to build vibrant, liveable communities. Through our community sponsorships program we provide financial support to projects, events, and initiatives that deliver long-lasting benefits to our local communities and meet at least one of our six investment focus areas:

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

We award sponsorships in two rounds each financial year, with individual sponsorships typically ranging from $1,000 to $20,000. In FY2022 we provided almost $200,000 to 26 community groups in the Banana Shire and Western Downs regional council areas.

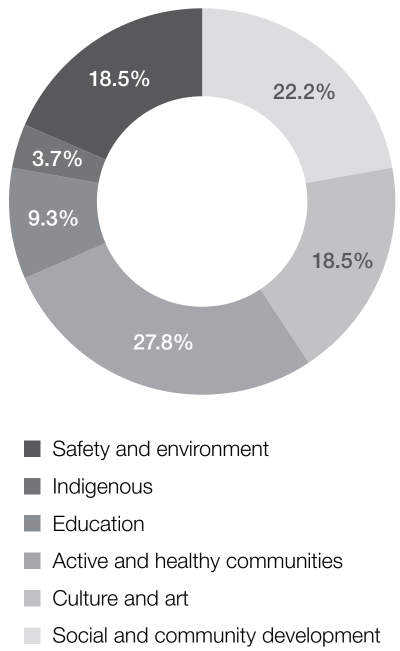
We also contribute to our local communities by making charitable donations and through our Workplace Giving Program. In FY2022 we provided more than $15,000 in donations to organisations like Drought Angels and GIVIT, LifeFlight Helicopter Rescue and prostate cancer charity Stronger for Longer.

Creating opportunities in the energy transformation

As we work to diversify our portfolio, CS Energy is mindful of the significant role we play in the towns and communities in which we operate, and where the majority of our employees live and work. This is why our future energy investment is primarily focussed on the regions where we operate.

We are exploring greenfield opportunities as well as repurposing our existing sites into "energy hubs". These energy hubs will utilise the existing attributes of our power station sites – highly skilled workforces, available land, water and transmission connections. This approach is most advanced at Kogan Creek, which is the site of our green hydrogen and battery investments.

Sponsorship by focus area



CS Energy has collaborated with the Toowoomba and Surat Basin Enterprise (TSBE) on two projects to encourage local participation in the hydrogen value chain. The first is a hydrogen supplier portal to ensure that existing skills and capability in the region can be utilised to support hydrogen projects in the region.

CS Energy and TSBE have also partnered with the Western Downs Council and Construction Skills Queensland on an industry-led investigation to identify the new skills needed to create a sustainable and long-term industry via the Southern Qld Hydrogen Industry Institute. The project will run across the construction and maintenance phase of the Kogan Renewable Hydrogen Demonstration Plant.

Community (continued)

Understanding the expectations of our communities and stakeholders

Understanding our stakeholders' expectations and perceptions of our business assists in putting social value into action. We can use this information to assist in making better, more informed business decisions that have mutually beneficial outcomes for us and our stakeholders.

CS Energy partnered with an independent research company to engage with a cross section of CS Energy's most important stakeholders to measure the health of our relationships, identify what is material to them, and how we are performing against their expectations.

In summary, stakeholders rated CS Energy highly on trust and reputation, however performance ratings differed across stakeholder types.

Whilst CS Energy performed well amongst suppliers, contractors and partners on these drivers, there was room to improve perceptions amongst local councils and other regional stakeholders to ensure trust is increased.

Responsible procurement

As a Queensland owned and based company, CS Energy strives to work with local suppliers wherever possible. CS Energy supports the Queensland Government's procurement objectives of using local content and using ethical suppliers. We apply the Queensland Government Procurement Policy and Best Practice Principles.

In FY2022 we sourced 77 per cent of our goods and services from businesses located in Queensland. We also commenced a review of our supplier base to identify Indigenous businesses.

CS Energy has retained shortened payment terms of 14 days for small to medium enterprises (SMEs), a policy which we first introduced during the COVID-19 pandemic to help businesses manage their cashflows. We work with approximately 1,000 SMEs, many of which operate in the same regions as our power stations.

More broadly, CS Energy understands that we have a role to play in helping prevent modern slavery in our supply chains. As an eligible reporting business, CS Energy complies with the Australian Government's *Modern Slavery Act 2018* and our Modern Slavery reports are available publicly on our website and the Australian Border Force's online register.

Financial advice for vulnerable energy customers

We recognise that we have a responsibility as a generator and retailer to make electricity as affordable as possible for people. That is why, through our involvement with the Energy Charter, CS Energy joined a collaboration across the supply chain to provide funding for the Uniting Energy Support Program. The program delivers tailored, one-on-one advice and assistance to electricity customers in Queensland, New South Wales and Victoria who are struggling with issues of energy affordability.

More than $200,000 was injected into the program by CS Energy and APA Group, EnergyAustralia, Energy Queensland, Endeavour Energy, Essential Energy, Jemena, Powerlink Queensland and Powershop/ Meridian Energy. CS Energy contributes $20,000 annually to this program.

Strengthening our relationship with First Nations people

In FY2022, working with a Rockhampton based Indigenous leader, we delivered an Indigenous Perspectives Consultation Report, which provided 32 recommendations to improve outcomes for Aboriginal and Torres Strait Islander People in our local communities.

These actions are focused on:

- establishing trusting, long-term relationships with Aboriginal and Torres Strait Islander People in the communities that host CS Energy's operations, and supporting them to implement projects or initiatives that are in the best interests of First Nations People
- increasing the number of Aboriginal and Torres Strait Islander people employed by CS Energy; and
- increasing the use of Indigenous businesses as CS Energy suppliers or contractors.

We have embarked on the development of our first Reconciliation Action Plan to turn this positive intent into meaningful action. To drive and influence our work in this area, we have appointed a full time, permanent Indigenous Engagement Advisor within the business.

Environment

FY2022 at a glance:

- **Conducted cultural heritage archaeological investigations at the Kogan Creek Mine with traditional owners to manage sites of cultural significance.**
- **Extended our ash sales agreement with Pozzalanic Enterprises to support the continued beneficial reuse of ash from Callide Power Station.**
- **Maintained our certification against the international environmental standard ISO 14001:201.**

Our approach to environmental management

CS Energy acknowledges that as a leading energy provider we have a responsibility to operate with genuine care for the environment and transform to a cleaner energy future. To achieve our vision we are focussing on the following three strategic pillars: we care, we engage, we innovate.

We care

To maintain our social licence to operate, we use an environmental management system (EMS) that meets the international environmental standard ISO 14001:2015. The EMS is a framework that allows us to assess our environmental performance against corporate responsibilities, environmental licenses and other legal requirements.

In FY2022, our EMS was independently re-certified as meeting ISO 14001:2015.

We engage

We actively engage with our stakeholders. At Kogan Creek, we have maintained our Cultural Heritage Agreement with the Barunggam Traditional Owner group, which sets our cultural heritage management practices, including consultation with Traditional Owners. This year we carried out archaeological surveys at the Kogan Creek Mine and agreed action plans with the Traditional Owners to manage sites of cultural significance.

At Callide Power Station we actively engaged with neighbouring landholders and the broader community regarding our PFAS monitoring program, which is outlined in further detail in this section.

We innovate

We innovate as we transform the business to a cleaner energy future. In FY2022, CS Energy achieved regulatory approval of the Kogan Creek Mine Progressive Rehabilitation and Closure Plan. We introduced irrigation into re-vegetation activities and progressed rehabilitation design for the Callide ash dams.

For our future energy projects we worked with stakeholders to maximise environmental benefits from the renewable energy projects and energy offtake agreements.

Strengthen our foundations

Environmental performance

Inputs and outputs (CS Energy owned assets)

Indicator	2021	2022
Greenhouse gas emissions (tCO_2-e)[1]	9,624,000	9,984,000
Greenhouse gas emissions intensity per energy sent out (tCO_2-e/GWhso)[1]	973	983
Coal used (t)	5,325,000	5,530,000
Ash reused (% of ash produced)	21	19
Water used[2] (ML)	12,700	10,850
Water use intensity[2] (ML/GWhso)	1.28	1.07
Significant Environmental Incidents	0	2

1 National Greenhouse and Energy Reporting (NGER) Scope 1 emissions only. Preliminary data. CS Energy will submit its finalised NGER data to the Clean Energy Regulator at the end of October 2022.

2 Raw and bore water sourced externally to the sites.

Environment (continued)

PFAS sampling results snapshot[1]

No. of properties tested	Over drinking water guidelines[2]	Under drinking water guidelines
82	23	59

1 Results of sampling conducted from February 2021 to June 2022.

2 At least one sample point over drinking water guidelines.

Our primary 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. We did not meet this target in FY2022, reporting two such incidents relating to Callide Power Station:

- PFAS and
- Callide Ash Dam B.

Our response to these incidents is covered below.

Callide PFAS monitoring program

CS Energy continues to work proactively with the Department of Environment and Science (DES) and the local community as we respond to historical use of PFAS at Callide 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 progress our understanding of source areas of PFAS at Callide Power Station and how those areas might be remediated, how PFAS has left the power station site and how it has moved through the groundwater downstream of the site.

We commissioned hydrogeological studies, which have linked PFAS in the groundwater and surface water near Callide Power Station. PFAS in surface waters sampled along the northern boundary (during and after rainfall events) of the power station was also potentially linked to Batchfire Resources, and is the subject of ongoing investigation.

CS Energy has appointed a soil remediation specialist to contain PFAS at Callide Power Station as part of a program to stop further PFAS leaving the power station site.

We have continued our ongoing monitoring of bores on adjacent landholder properties, the results of which are outlined in the table above. We are supplying drinking and domestic water to 22 households.

We have also completed three rounds of a quarterly technical sampling program. This has included a smaller number of landholders and some on-site and off-site groundwater and surface monitoring locations in our current investigation area.

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 via community information sessions. A dedicated stakeholder engagement manager is available to speak with landholders regularly. In addition, CS Energy offers affected landholders free, confidential support via our Employee Assistance Program providers, Assure Programs.

The DES issued CS Energy with an Environmental Evaluation notice in relation to PFAS in December 2021. An Environmental Evaluation is a compliance tool under the *Environmental Protection Act 1994* that aims to evaluate and facilitate a solution for an event that has caused, or is likely to cause, environmental harm.

We have worked closely with the DES on our PFAS monitoring program, structuring our response to date as if we were already under an Environmental Evaluation framework. The Environmental Evaluation requires CS Energy to take certain action by specific timeframes. This includes appointing a suitably qualified person to carry out the requirements of the notice, along with a contaminated land auditor, both of which were actioned before the notice was received.

We are also required to develop a Sampling Analysis and Quality Plan and undertake sampling, which is underway. In September 2022 CS Energy submitted a response to the Environmental Evaluation. Our submission included a summary of sampling methodologies and results to date, along with recommendations for the soil remediation at the power station and future sampling.

CS Energy will continue to work closely with DES to monitor PFAS movement in the environment.

Callide Ash Dam B

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 in waste containment facilities.

At Callide we have a strict ash dam management plan that includes triggers for action when the dam reaches certain levels. In November 2021 the dam reached a level that triggered reporting to DES. We worked cooperatively with DES on a subsequent Environment Protection Order (EPO) to reduce water levels in the ash dam.

The higher-than-usual levels in the Callide ash dam were the result of heavy rainfall throughout the wet season and the site water recycling plant being temporarily offline. Over the summer months we carried out a range of measures to reduce the water levels and by February 2022 CS Energy had met all of the conditions of the EPO, which DES has subsequently closed.

Beneficial reuse of ash

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.

In FY2022 we extended our existing ash sales agreements at Callide Power Station with key offtaker Pozzolanic Enterprises and executed a new agreement for the sale of cenospheres, further increasing future opportunities for the beneficial use of ash from that site.

Large quantities of bottom ash were used in the construction of ash cells and as an initial temporary capping material at the Callide Power Station Waste Containment Facility.

During the year we continued supplying ash from Kogan Creek Power Station in modest volumes with further testing underway by both the cement industry and academic institutions.

The combined beneficial use percentage of Callide and Kogan Creek power stations decreased from 21 per cent in FY2021 to 19 per cent in FY2022 due to plant availability and the loss of Callide Unit C4.

CS Energy is an active participant of the Australian Ash Development Association with the objective of investigating and developing market opportunities for the use of ash in various industry applications such as construction, agriculture and manufacturing.

Tracking our emissions

CS Energy's operates and maintains our coal-fired power stations to ensure they remain within their emissions limits and support reliability of electricity supply for consumers. At the same time, we are transforming our business by investing in renewable hydrogen, batteries, and solar and wind energy.

Emissions produced at our coal-fired power stations include greenhouse gas emissions (CO_2) and oxides of nitrogen and sulphur dioxide, as well as particulates. These emissions shift slightly each year depending on factors such as the volume of coal consumed, coal quality, plant maintenance and the mix of our generation fleet in service.

The total greenhouse emissions produced by our coal-fired power stations increased in FY2022, predominantly due to higher output from all units (except Callide Unit C4). Portfolio greenhouse emissions intensity was higher due to increased output from the Callide B units, which have the highest emissions intensity in CS Energy's owned portfolio.

We report our annual emissions to the Clean Energy Regulator and National Pollutant Inventory. Full details of our FY2022 emissions will be published on the websites of these organisations in the first half of 2023 as part of their annual reporting cycles.

Using water efficiently

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.

The dry cooling technology at Kogan Creek Power Station results in a relatively small amount of water used in electricity generation (90 per cent less than conventional wet cooling systems). Water is sourced from storm runoff and local bores, which offsets the additional cost of the cooling technology.

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 Awoonga-Callide and Stag Creek pipelines to reduce evaporation.

Our water use from external sources decreased in FY2022 compared to the prior year, despite an increase in electricity generation. This was due to increased generation from the water efficient Kogan Creek Power Station and increased water recycling at both sites.

Optimise our assets

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

Thermal generation assets

FY2022 at a glance:

- **Improved commercial availability of 67.4 per cent but still below target.**
- **Completed a $37 million overhaul program of two units at Callide Power Station.**
- **Reappointed Golding Contractors as the operator of Kogan Creek Mine following an open market procurement process.**

CS Energy's operating assets are the coal-fired 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.

The Australian Energy Market Operator (AEMO) has forecast that demand for baseload thermal generation in daylight hours will decline significantly as more renewable energy, particularly solar, comes online.

This evolving market requires changes to how we operate and maintain our plant on a daily and seasonal basis to optimise the value of our assets and support security of supply in the grid. For example, changing our generation patterns, overhaul strategies and maintenance cycles.

Our thermal generators need to be ready to provide baseload support when renewable generation isn't available overnight, and during the peak demand periods in the early morning, late afternoon and evening.

We have been undertaking a plant flexibility program to increase the ability of our units to consistently and reliably reduce load as far as possible in low demand periods and change loads from minimum to maximum in response to demand.

Plant performance and maintenance

CS Energy's FY2022 commercial availability result of 67.4 per cent was below the target of 87.7 per cent, mostly due to unavailability during high pool price periods in summer months, in particular at Kogan Creek. However, it was a marked improvement on the FY2021 commercial availability of 48 per cent.

Callide Unit C4 was unavailable for the entirety of FY2022 and is forecast to return to service in April 2023.

CS Energy carries out overhauls on a cyclical basis in accordance with relevant asset management strategies for our generating units. This maintenance is required to maintain process safety, plant availability targets and reliability, and to preserve a unit's specified useful life and output.

In FY2022 we began a program to prioritise our maintenance expenditure to keep our plant operating safely and at its best to meet changing demand. This involved undertaking more frequent, targeted maintenance.

We completed a $37 million overhaul program at Callide Power Station in conjunction with our Asset Management Alliance partner Downer. This comprised sequential overhauls of Unit C3 and Unit B2 from March to July 2022. The works brought approximately 220 contractors to Biloela under strict hygiene and safety measures to help stop the spread of COVID-19.

Priorities for FY2023 are a $35 million overhaul of Kogan Creek Power Station in September 2022 and the reinstatement of Unit C4 at Callide Power Station.

Increasing the flexibility of our generating units

This year saw continued investment in our plant to improve the capability of units to meet the changing demand profile in the NEM.

New air atomised igniters were installed on Callide Unit B2 during its overhaul, replicating successful improvements made to its sister unit B1 in 2020. The $4.1 million works are expected to provide Unit B2 with greater reliability during load changes and reduced fuel oil usage, with benefits to be realised from early FY2023.

Managing our coal supplies

Coal supplies for the power stations owned by CS Energy (Kogan Creek, Callide B and CS Energy's share of Callide C) are all contracted under long-term coal supply arrangements, with no exposure to international coal prices.

We own the Kogan Creek Mine, which supplies approximately 2.5 million tonnes of black coal per year to the Kogan Creek Power Station. In FY2022 we reappointed Golding Contractors as the operator of Kogan Creek Mine near Chinchilla following an open market procurement process. Golding Contractors have proven to be an efficient mine operator and provided a highly competitive bid for the ongoing operations of the mine.

Callide Power Station receives up to 5.8 million tonnes of black coal annually from the neighbouring Callide Mine, owned by Batchfire Resources. The coal is purchased under a long-term contract and is not market-linked.

In FY2022 we began a program to prioritise our maintenance expenditure to keep our plant **operating safely and at its best** to meet changing demand.

Maximise our returns

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

Financial overview

FY2022 at a glance:

- **Increased underlying earnings reflecting volatile market conditions and improved portfolio performance.**
- **Cash payments of $95.8 million for major overhauls, Callide Unit C4 reinstatement, Chinchilla Battery construction and other investments across the portfolio.**
- **No dividend was provided for the current financial year.**

Financial performance

CS Energy's Underlying EBITDA for FY2022 of $117.6 million (2021: $88.6 million) was $29.0 million higher compared to the prior year, reflecting an increase in the earned electricity price per unit of production and increased portfolio generation from the balance of our operating plant (excluding Callide Unit C4). Both Callide B units and the Kogan Creek unit exceeded their availability compared to the prior period.

The commercial availability result of 67.4 per cent (2021: 48 per cent) for our operating plant (excluding Callide Unit C4) was a marked improvement on the year before when the Callide C4 incident on 25 May 2021 resulted in units B1, B2 and C3 at Callide being offline for between 23 and 36 days in FY2021. However availability was still under target. Callide Unit C4 remained offline for the entirety of FY2022 and is currently expected to return to service in April 2023.

Both planned overhauls and unplanned outages impacted portfolio availability in FY2022. Callide Unit C3 was offline for a minor overhaul between March and May 2022 (48 days), and there was a major overhaul of Callide Unit B2 in the May to July 2022 period (71 days). Unplanned outages across the portfolio during high pool prices in the summer months also resulted in loss of availability (64 days), significantly impacting gross margin earnings during this period.

CS Energy entered into forward wholesale electricity contracts in prior periods to reduce the exposure to pool price volatility in FY2022. This contracting strategy, combined with the value delivered through the retail commercial and industrial market and the residential retail business, delivered an average realised price for the year of $61.36/MWh (2021: $49.01/MWh). However, this result was significantly below the time weighted average pool price of $162.06/MWh (2021: $61.76/MWh), with spot prices across the NEM increasing 162 per cent on last year, reflecting lower availability of coal-fired plant (forced and unplanned outages), high international commodity prices for coal and gas driven by geopolitical tensions, new entrant delays and periods of high demand. Due to the reduced generation from our power stations over the summer months, CS Energy incurred significant additional costs to manage our contract position.

CS Energy recorded a net loss after tax of $95.5 million (2021: $269.6 million net loss after tax). The primary drivers of this result were the mark to market fair value adjustments on derivatives of $338.4 million (2021: $139.6 million), the asset impairment reversals of $36.1 million for the Callide B cash generating unit, $97.4 million for the Callide C cash generating unit, $4.5 million for Glen Wilga land, and impairment of the work in progress balance for the Kogan Renewable Hydrogen Demonstration Plant of $4.8 million. It also included a remeasurement of the Gladstone IPPA onerous contract as a $107.0 million provision increase. The principal driver of the change in value of these transactions relates to, in most part, a forecast increase in future electricity prices and a higher forecast commodity price for coal.

Cash generated from operations for the year was a net outflow of $298.7 million. This result primarily reflects the net investment of cash collateral to support variation margin payments of $309.2 million in respect of ASX forward traded exchange contracts and operating borrowing costs paid of $30.5 million.

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

Key financial performance measures

	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000
Underlying EBITDA[1]	441,358	479,633	309,464	88,649	117,585
Underlying EBIT[1]	301,648	339,955	166,806	(18,866)	34,693
NPAT	230,980	160,309	(77,600)	(269,608)	(95,482)
Net cashflow from operating activities	499,977	337,041	306,994	(50,883)	(298,677)
Net cashflow for payments for property, plant and equipment	(68,001)	(107,458)	(137,818)	(85,749)	(95,763)
Net cashflow	(95,307)	(405)	23,547	(19,192)	(21,341)
Underlying interest cover[2] (times)	4.36	7.33	4.75	(0.59)	1.17
Underlying return on capital employed[2]	23.2%	28.2%	16.7%	(2.6%)	3.5%

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.

Capital structure

CS Energy increased borrowings by $334.4 million this year as a result of the financial impact of Callide Unit C4 remaining offline, delays to the receipt of material damage and business interruption insurance compensation proceeds related to the incident, and the increase in collateral payments associated with the energy market trading activities of the Group. This increase was primarily funded through a $200 million temporary increase in the Working Capital Facility to $425 million (2021: $225 million) and a new debt facility established for $112 million to fund the construction of the Chinchilla Battery.

Capital investment

Throughout FY2022 CS Energy continued to focus on effective project delivery and cost discipline across the business. Cash payments for property, plant and equipment was $95.8 million for FY2022. This included the planned sequential overhauls of units B2 and C3 at Callide Power Station, the Callide C4 reinstatement works, construction of the Chinchilla Battery, and a range of other plant investments across the portfolio.

Non-International Financial Reporting Standards Information

In addition to International Financial Reporting Standards (IFRS), the CS Energy Board of Directors looks at certain other non-IFRS financial measures to illustrate the underlying performance of the business.

The non-IFRS financial measures are defined as follows:

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

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

Market performance

FY2022 at a glance:

- **New demand records set in Queensland, with greater intra-day range of scheduled demand.**
- **Significant pool price volatility in the second half of the financial year.**
- **Energy transformation continued, with some participants changing their investment programs and asset life in response.**

Portfolio overview

CS Energy sells electricity in the NEM from the 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.

Across FY2022, our trading portfolio delivered 10,048 GWh of energy to the NEM in addition to participating in Frequency Control Ancillary Service (FCAS) markets.

CS Energy operates in strict accordance with our obligations under the comprehensive rules and regulations associated with the NEM. We are strongly committed to complying with all market, corporation and competition laws and regulations and we've dedicated substantial resources to ensuring we meet our obligations.

Market developments across FY2022

The energy sector continues to transform as higher percentages of renewable energy connect across the NEM. FY2022 saw this trend continue, with 1,037 MW of grid-connected wind and solar, 100 MW of grid-connected storage and 611 MW (to May 2022) of rooftop solar PV commissioning throughout the year.

The energy transformation is forecast to accelerate in the coming years, with AEMO's Integrated System Plan published in June 2022 retaining the step change scenario as the most likely scenario to eventuate.

In response to the forecast trajectory of the NEM's transformation, some participants have announced that they will bring forward the retirement dates of selected assets or reduce the capital investment programs for thermal units. This has impacted thermal unit reliability which was a contributing factor to events observed in the second half of FY2022.

The new federal Labor Government revised Australia's emission reduction target, increasing it to 43 per cent below 2005 levels by 2030, up from the previous government's commitment of 26-28 per cent below 2005 levels by 2030.

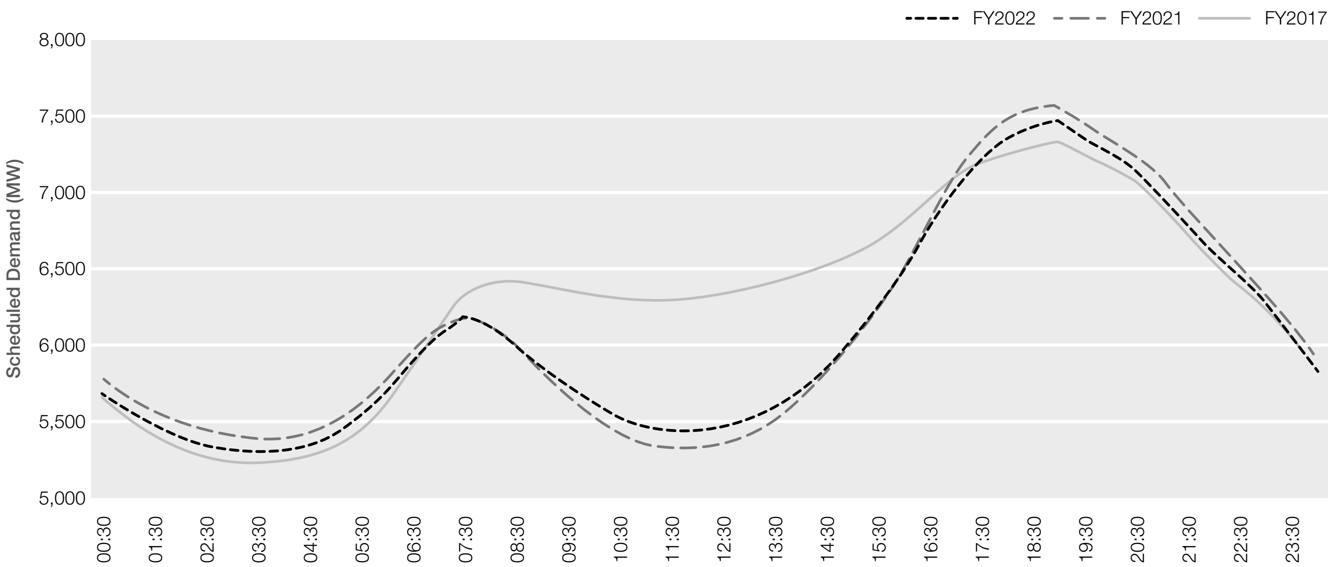
On 1 October 2021 the NEM shifted from 30-minute settlement to five-minute settlement periods in the wholesale electricity spot market. This change aligned the physical dispatch of electricity with financial settlement.

New demand records

The integration of additional lower-emission technology across the NEM continued to change the scheduled demand profile. Record maximum scheduled demand of 10,119 MW was observed in Queensland on 8 March 2022.

On the same day, there was a record swing between minimum and maximum scheduled demand of 3,696 MW. The integration of additional rooftop solar PV into the NEM is the main contributor to the ongoing decrease in minimum scheduled demand. This changing demand is placing pressure on thermal units, pushing them to operate towards their technical limits.

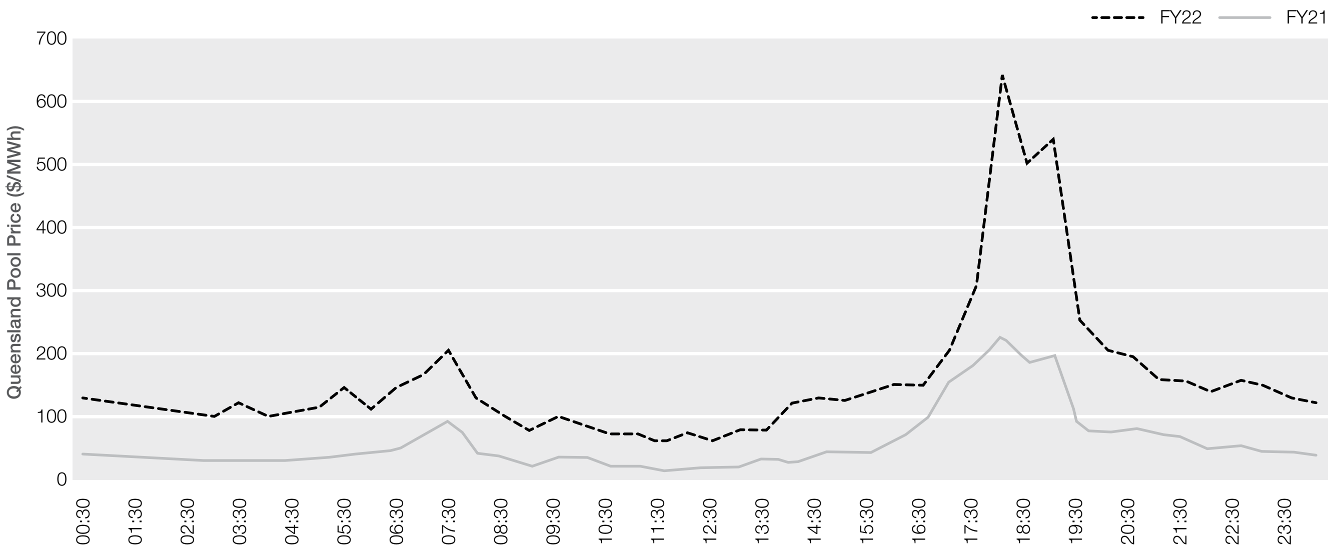
Average Queensland Time of Day Scheduled Demand



Maximise our returns

With strong demand, high international commodity prices, new entrant delays and uncertainties around thermal unit performance, **forward markets have increased.**

Average Queensland Time of Day Pool Price



AEMO temporary market suspension

On 12 June 2022, the Cumulative Price Threshold (CPT) of $1,359,100 was triggered in Queensland. The CPT was triggered in other mainland regions of the NEM on 13 June 2022.

On 15 June 2022 AEMO suspended the market across all NEM jurisdictions. AEMO stated that the market suspension occurred because it had "become impossible to continue operating the spot market while ensuring a secure and reliable supply of electricity for consumers in accordance with the National Electricity Rules"[1]. This is the first time all NEM jurisdictions have been suspended. Conditions subsequently eased as thermal units returned from outages and the market suspension was removed on 24 June 2022.

CS Energy bid all of our available capacity into the market regardless of whether the Administered Price Cap was invoked or the market was suspended, as our priority was to ensure electricity supply for consumers wasn't interrupted.

1 (Source: AEMO media release 15/6/2022 – AEMO suspends NEM Wholesale Market)

Pool prices reflect market volatility

Queensland pool prices averaged $162.06/MWh across FY2022, a 162 per cent increase on FY2021. FY2022 is the highest average price year since the commencement of the NEM. There were 4,890 negative pool price periods in Queensland (FY2021: 3,833) and 284 price events that exceeded $5,000/MWh (FY2021: 146).

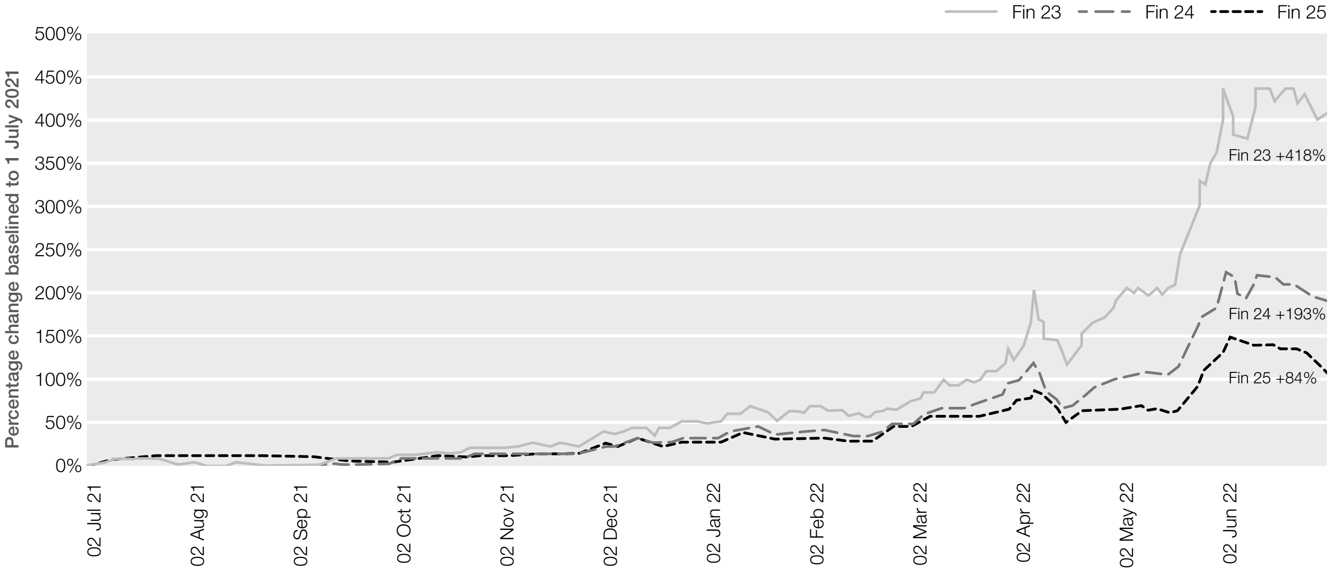
In FY2022, there were two days that were in the top 10 highest price days since the commencement of the NEM. The average shape of Queensland's pool price was more volatile relative to previous years, with higher average daytime and evening peak prices.

Market performance (continued)

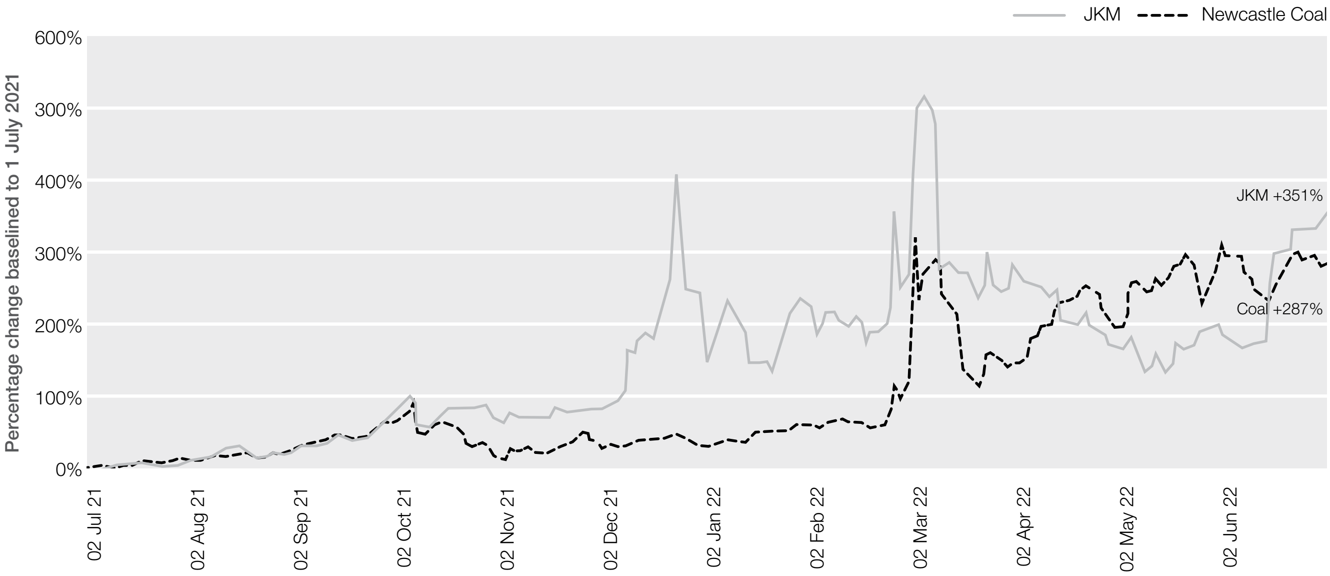
Forward outlook

With strong demand, high international commodity prices, new entrant delays and uncertainties around thermal unit performance, forward markets have increased. FY2023, FY2024 and FY2025 electricity contract markets have increased 418 per cent, 193 per cent and 84 per cent respectively compared to the start of the year. Coal, gas and electricity contract markets are shown in the charts below.

Queensland electricity forward curve



JKM and Newcastle Coal forward curve



Maximise our returns

Corporate Governance Report

CS Energy reports against the Corporate Governance Guidelines for Government-Owned Corporations and the eight Principles of Corporate Governance issued by the ASX.

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

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

- The Hon. Cameron Dick MP, Treasurer and Minister for Trade and Investment
- The Hon. Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement

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 2022, the Board comprised five independent, non-executive Directors. Profiles of CS Energy's directors can be found on page 38 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 FY2022 there were three Board committees to assist the Board in the execution of its duties and to consider key business issues:

- Culture and Remuneration Committee
- Safety and Performance Committee
- Finance, Risk and Assurance Committee

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

Composition of Board committees FY2022

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

Corporate Governance Report

Corporate Governance Report (continued)

Board and Committee meeting attendance FY2022

	Board		Finance, Risk and Assurance Committee		Culture and Remuneration Committee		Safety and Performance Committee	
Director	H	A	H	A	H	A	H	A
Jim Soorley	18	16[1]	–	5[2]	4	4	4	4
Brian Green	18	17	5	4	4	3	4	4
Julie-Anne Schafer	18	17	5	5	4	4	–	–
Toni Thornton	18	18	5	5	3	2	–	–
Christina Sutherland	18	17	5	5[2]	–	3[2]	3	3

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.
1 Two special Board meetings were held by a subset of the Board.
2 Not a member of the Committee but attended for part or entirety of meeting.

Notes:

From 1 July 2021, the Audit and Finance Committee and the Enterprise Risk Committee were combined to form the Finance, Risk and Assurance Committee.

- Director Soorley continued as a Member on the Culture and Remuneration Committee and the Safety and Performance Committee.
- Director Green continued as the Chair of the Safety and Performance Committee, a Member of the Culture and Remuneration Committee and appointed as a Member of the Finance, Risk and Assurance Committee.
- Director Schafer continued as the Chair of the Culture and Remuneration Committee and appointed as a Member of the Finance, Risk and Assurance Committee.
- Director Thornton was appointed as the Chair of the Finance, Risk and Assurance Committee and appointed as at 1 September was appointed as a Member to the Culture and Remuneration Committee
- Director Sutherland was appointed as a member to the Safety and Performance Committee and Finance, Risk and Assurance Committee both effective 1 September 2021.
- The Board members also attended five formal briefings during the year on the status of CS Energy's response to the cyber security incident.

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.

The Culture and Remuneration Committee and the Board reviews the performance of the Chief Executive Officer and Executives on an annual basis in accordance with the Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements and in accordance with CS Energy processes.

Please refer to page 40 of this report for biographies of executive level managers at CS Energy in FY2022.

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 during the year.

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 also adopted its own Director's Code of Conduct during 2022. 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.

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 discharge and monitor these responsibilities.

Corporate Governance Report (continued)

Queensland Energy Class Action

This year CS Energy continued our defence of a class action relating to electricity prices. CS Energy has filed its defence in this matter and discovery has commenced in earnest. The parties continue to work through a number of procedural matters in the furtherance of the litigation.

We continue to 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

Finance, Risk and Assurance Committee

The Finance, Risk and Assurance 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 Finance, Risk and Assurance 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 FY2022 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 FY2022

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 to CS Energy from its shareholding Ministers in FY2022.

Principle 7: Recognise and manage risk

The identification and management of risk is essential to a strong governance framework. At CS Energy, the Finance, Risk and Assurance Committee 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 Finance, Risk and Assurance 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.

Cyber security and privacy

On 27 November 2021 CS Energy became aware that a ransomware incident had occurred on our ICT network. The incident occurred on CS Energy's corporate network and did not impact safety or operations at our power stations.

We immediately notified relevant state and federal agencies, and worked closely with them and other cyber security experts to restore our systems and investigate the incident. We remained in regular contact with our employees and customers.

There is no indication that the incident was a 'state-based' attack. Our cyber security experts have attributed the attack to a known group of cyber criminals.

Our investigation identified that historical personal data of some CS Energy employees was accessed during the incident. CS Energy takes this issue extremely seriously and is committed to protecting the privacy of personal information provided to us for the purpose of our business activities.

We contacted relevant current and former employees to inform them about the data breach and steps they could take to protect their information online. We also provided them with access to free support from IDCARE, Australia's national identity and cybersecurity community support service. The Office of the Australian Information Commissioner (OAIC) was notified in accordance with our obligations under the *Privacy Act 1988.*

We have made, and continue to make, significant improvements to the security of our systems. We undertook a comprehensive post-incident review of our systems and continue to implement measures to update our security technology, procedures, training and awareness. We also remain committed to managing personal information with respect and in accordance with all relevant privacy laws.

Corporate Governance Report (continued)

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. CS Energy did not pay bonuses to its Executive Leadership Team in FY2022.

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 FY2022.

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 a number of 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 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.

Brian chairs the Safety and Performance Committee. He is a member of the Finance, Risk and Compliance Committee and the Culture and Remuneration Board Committees.

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, water, energy, 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 Icon Water. She is a Board member of ActewAGL, is the Independent External Chair of the Audit and Risk Committee for the 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 is also a non-executive member of the Office of the National Rail Safety Regulator and part time member of the Australian Reinsurance Pool Corporation.

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 award winner.

Julie-Anne chairs the Culture and Remuneration Committee.

Board of Directors (continued)

Christina Sutherland

Non-Executive Director

L.L.B, MAICD

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, is a member of the Queensland Law Society and a member of the Australian Institute of Company Directors. She is experienced in risk and compliance and is currently employed as a Risk and Regulatory Manager in the resources sector.

Toni Thornton

Non-Executive Director

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM, LLM (Ent Gov)

Director since 1 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. Toni has been a non-executive director for over 12 years with current directorships include Habitat Early Learning, Millovate Pty Ltd and listed company G8 Education 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, Devcorp and Triathlon Queensland.

Toni has more than 12 years' experience in audit at Board level, is a licensed real estate agent and during her time at Goldman Sachs was a responsible executive with the ASX holding both derivative and RG146 accreditation. She has also completed an Accelerated Executive Management program through AGSM (The Australian School of Business), the Goldman Sachs JBWere Non-Profit Leadership Program and the Goldman Sachs Executive Director Leadership Program and has recently completed a Master of Law (Enterprise Governance) through Bond University.

Toni chairs the Finance, Risk and Assurance Committee.

Executive Leadership Team

Andrew Bills

Chief Executive Officer

MBA, BA, AICD

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

Prior to joining CS Energy, Andrew worked for Origin Energy 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.

Leigh Amos

Executive General Manager Plant Operations

BEngTech, MBA

Leigh Amos joined CS Energy 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.

Darren Busine

Executive General Manager Energy Markets, Technology and Commercial

BEc, FCPA, SFFin, GAICD

Darren has more than 30 years' experience in senior commercial and executive roles. At CS Energy he is responsible for the trading and analytics, strategy and planning, information technology, commercial resources and procurement and purchasing functions. Darren also serves on a number of CS Energy subsidiary and joint venture Boards and Management Committees.

Darren joined CS Energy in 2016 as Chief Financial Officer. In 2017 he was appointed as Executive General Manager Revenue Strategy and in September 2021 he was appointed to his current role of Executive General Manager Energy Markets, Technology and Commercial.

Prior to joining CS Energy, Darren was the Chief Financial Officer with a number of energy industry businesses including the two major Queensland Distribution entities Energex and Ergon Energy and also at Energy retailer QEnergy. Prior to joining the energy industry, Darren spent 10 years with Suncorp in senior finance roles.

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

Executive Leadership Team (continued)

Emma Roberts

Executive General Manager Future Energy

LLB (Hons), BAppSc (Ecology)

Emma Roberts leads CS Energy's Future Energy division, which is spearheading the development of a new low-cost, decarbonised and flexible energy portfolio for the business. The division includes business development, future energy asset design and project management, retail sales, customer products, and policy and regulatory advocacy.

Her in-depth knowledge of the National Electricity Market, coupled with her commercial acumen and leadership skills, has seen Emma hold a variety of senior roles since joining CS Energy in 2012. These include Senior Legal Counsel, Acting Executive General Counsel and Company Secretary, and Head of Future Energy.

Emma has developed a strong reputation for leading cross-functional teams to deliver positive business outcomes. She led the establishment of CS Energy's retail function and has driven CS Energy's pivot towards a customer-focussed culture as the business diversifies in response to the transformation of the energy system.

Emma holds degrees in law and applied science. Prior to joining CS Energy, she was a senior associate at McCullough Robertson Lawyers for eight years, working in the corporate and intellectual property teams.

Andrew Varvari

Chief Financial Officer

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

Andrew Varvari leads CS Energy's key corporate functions of finance; energy and financial risk; people and culture; corporate affairs; legal; risk, compliance and assurance; and Board secretariat. 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, in which he seeks to leverage greater alignment and cross functional working relationships, while providing strategic, advice and support across CS Energy's portfolio. Andrew is a director of CS Energy's various subsidiaries and a representative on the Callide C Project Joint Venture.

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 2022

Directors' report

30 June 2022

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 2022.

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.

Brian chairs the Safety and Performance Committee. He is a member of the Finance, Risk and Assurance Committee and the Culture and Remuneration Board Committees.

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, water, energy, 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 Icon Water. She is a board member of ActewAGL, is the Independent External Chair of the Audit and Risk Committee for the Department of Transport and Main Roads Queensland and an independent member of the Department of Energy and Public Works Audit and Risk Committee. Julie-Anne is also a non-executive member of the Office of the National Rail Safety Regulator and part time member of the Australian Reinsurance Pool Corporation.

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.

Julie-Anne chairs the Culture and Remuneration Committee.

Toni Thornton

BA PolSCi Ec, GradCert AppFin, LLM (Ent Gov)

Non-Executive Director
Director since 1 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. Toni has been a non-executive director for over 12 years with current directorships that include Habitat Early Learning, Millovate Pty Ltd and listed company G8 Education 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, Devcorp and Triathlon Queensland.

Toni has more than twelve 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 Executive Director Leadership Program and has recently completed a Master of Laws (Enterprise Governance) through Bond University.

Toni chairs CS Energy's Finance, Risk and Assurance Committee.

Christina Sutherland

LLB

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 subcommittees.

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.

Dividends

There were no dividends paid or declared in respect of the current financial year (2021: Nil).

Review of operations

Health and safety

The Group's number one priority is ensuring that everyone at our sites returns home safely at the end of their workday. In 2022, we had an All Injury Frequency Rate (AIFR) of 31.15 against a target of ≤26.

During 2022 we have had extended unplanned and planned maintenance outages which represent our highest risk periods. Despite this increased risk exposure through a long overhaul season, during 2022 the Group recorded one lost time injury during a 12-month period since reporting begun. In total forty-eight people were injured, compared to forty-three people the previous year.

Our health and safety strategy aims to create a culture of citizenship – which means people care for themselves and others and continually learn from mistakes and successes. To achieve this, we focused on three key areas: people, places we work, and practices:

People – Pro-actively enable the health and well-being of our people and support our leaders for success.

- Visible leadership is a key driver of safety performance. In 2022 the Group focused on visible leadership through work front safety interactions and the verification of critical controls supported by visible key performance indicators (KPIs) and enhanced audit tools and visible data.
- Safety Leadership has been a key focus in 2022 with training provided for leaders to enhance understanding of their legal duties and obligations, and to lift capability in risk assessment, incident investigation and pre-start coaching.

Places we work – Systematically reduce risks to our people.

- A Safety Culture survey was undertaken in 2022 to reassess employee perceptions of the value the Group places on safety. The outcomes of this survey will inform our strategic priority areas for 2023.

Practices – Simple fit for purpose efficient systems for our people.

- A major project is under way in 2022 to expand our Corporate Governance and Risk (CGR) platform to integrate incident and hazard management. Undertaking this project will increase workforce engagement and allow end to end reporting and analysis of Health and Safety, Environment & Process Safety related risk. This will provide the Group with a single, holistic system to ensure a progressive and safe working environment.
- Our Alcohol and Other Drugs procedure has been revised with whole of workforce consultation to reduce the BAC from 0.05 to 0.00 in line with industry standards.
- A Serious Injury and Fatality (SIF) plan has been established. This will involve updating all SIF related procedures, bowties and educational tools to increase knowledge of our SIF related risks and their effective controls.
- The implementation of our targeted Health and Wellbeing Strategy has also been a focus for 2022. This strategy has targeted three strategic risk areas: Mental Health, Core Health and Physical and Musculoskeletal Fitness.

Callide Unit C4 recovery

Throughout the financial year, CS Energy worked with InterGen Australia, our Callide C Joint Venture partner, on the recovery and reinstatement of the Callide Power Station Unit C4 following the incident on 25 May 2021. The unit's forecast return to service date is currently 7 April 2023.

CS Energy has introduced a range of safety improvements in response to the incident and has shared our initial learnings with other power station operators. We will make further improvements based on the findings of the external, independent investigation and share any further relevant learnings with industry when they are available.

Performance

During the year CS Energy was subject to a ransomware incident that occurred on the corporate network, during this period the power stations were unaffected in their ability to safely generate and dispatch electricity to the National Electricity Market. As a result, the incident did not have a material impact on the financial performance of the business.

	Consolidated results	
	2022 $'000	2021 $'000
Loss after income tax	(95,482)	(269,608)

The Group's loss after income tax was $95.5 million for the year (2021: $269.6 million loss after income tax). The primary drivers of this result were the derivative remeasurement loss $338.4 million and the Gladstone Inter-connection & Power Pooling Agreement (IPPA) onerous contract net expense $83.8 million. This also included the asset impairment reversals for the Callide B Power Station $36.1 million, Callide C Power Station $97.4 million and Glen Wilga Land $4.5 million and the impairment of the work in progress balance for the Kogan Hydrogen Demonstration plant $4.8 million.

Changes to the accounting treatment of software solutions and Software-as-a-service which came into effect in 2021 has resulted in software assets expense $8.9 million (as opposed to being capitalised), including $6.3 million of assets that were restated back in 2021.

Underlying earnings for the business was up compared to the prior year, the principal drivers of which include a higher earned electricity price per unit of production and increased portfolio generation from our operating plant (excluding Callide Unit C4). The Callide Unit C4 remained offline for the entire financial year following the incident on 25 May 2021.

Directors' report

30 June 2022

The Group's trading generation portfolio produced 10,048GWh (2021: 9,709GWh), an increase of 339GWh due to commercial availability increasing to 67.4% (2021: 48%). Availability was impacted by the planned minor overhaul of Callide C Unit 3 Power Station, which was offline between March 2022 and May 2022 for 48 days, and the planned major overhaul of Callide B Unit 2 Power Station, which was offline between May 2022 and July 2022 for 71 days. Unplanned and planned maintenance outages across the portfolio during the high pool priced summer months, also resulted in loss of availability (64 days), significantly impacting gross margin earnings during this period.

The Group's contracting strategy delivered an average realised price for the year that was approximately $12/MWh higher compared to the prior year. However, this was significantly below the time weighted average pool price of $162/MWh (2021: $61/MWh), which represented a 162 per cent increase on last year due to a combination of lower availability of coal-fired plant across the National Electricity Market (forced and maintenance related unplanned outages), high international commodity prices for coal and gas driven by geopolitical tensions, new entrant delays and periods of high demand caused by cooler temperatures.

The Group 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 Unit C4, up to a maximum period of 24 months. The Group also expects to receive Material Damage insurance proceeds to offset the cost to rebuild the Callide Unit C4. The process of submitting and closing out a claim with the insurers is progressing and remains open as at 30 June 2022. The recoverability of insurance proceeds is therefore not virtually certain at 30 June 2022. In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* the insurance proceed has been recognised as a contingent asset as its recoverability is considered probable.

The Callide C Joint Venture Owners have each notified the Australian Energy Market Operator that the Callide Unit C4 will remain offline for a period of 24 months until 7 April 2023.

The total cost of capital investment in the Power Station assets during the year was $115.3 million (2021: $83.4 million), the increase in investment is primarily due to the Callide Unit C4 Rebuild capital costs and the Chinchilla Battery storage construction.

New business

During 2022, the Group's Queensland Commercial and Industrial Retail Business has continued to grow, including through its first sale of a 100% Renewable Energy Retail Agreement to a flagship customer. 2022 also saw the introduction of a new retail billing system – providing much better service and more efficiency in the billing and payments areas. Further investment into end to end system and process capability for the growing retail business will continue.

In 2022 CS Energy made a final investment decision for the Chinchilla Battery Project, which will see the construction of a 100MW/200MWh Battery on land adjacent to the Kogan Creek Power Station, with the battery to be operational in mid-2023. In addition, CS Energy made a final investment decision for the Greenbank Battery Project, which is a NEM first collaboration with Powerlink to provide both energy and network stability services and is Queensland's largest battery approval to date at 200MW/400MWh. The Greenbank Battery Project is to be partially funded by the Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF). Further, the CS Energy Board approved the construction of the Kogan Renewable Green Hydrogen Demonstration plant, which will sit on land adjacent to the Kogan Creek Power Station and will commence production of up to 50,000kg of 100% renewable hydrogen per annum in 2023. CS Energy has also agreed to enter into an unincorporated joint venture with Senex Energy in relation to the Renewable Green Hydrogen Demonstration Plant, with CS Energy maintaining a 75% majority share. CS Energy is currently negotiating offtakes for this renewable green hydrogen, and preparing a business case for a potential refuelling network for green hydrogen in the Western Downs.

In the South East Queensland retail mass market, CS Energy, through its joint venture with Alinta Energy has continued to offer competitive retail pricing to households and small businesses, with customer numbers increasing across 2022.

Policy and regulatory developments

The policy and regulatory reform in the Australian electricity market continued to accelerate in 2021-22 with actions at the national and jurisdictional levels. At the national level, the Energy Security Board continued its Post-2025 Market Design work with a focus on transmission access reform and the development of a capacity mechanism. It is anticipated that the Energy Security Board will table its recommendations to Energy Ministers by the end of 2022.

Throughout the year, significant market design issues were brought forward for consultation and implementation 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. The 'Pricing Methodology Guidelines: System Strength Pricing' and 'Amendment of the Market Ancillary Services Specification Distributed Energy Resources (DER) and General Consultation' consultations progressed the implementation of mechanisms to value system strength and fast frequency response respectively. Rule changes for 'Capacity Commitment Mechanism and Synchronous Services Markets' and 'Primary Frequency Response Incentive Arrangements' are exploring how to appropriately value these services. 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 than this, the AEMC is undertaking a 'Transmission Planning and Investment Review' to assess whether existing frameworks for transmission infrastructure planning and investment are fit-for-purpose.

The Federal election in May 2022 saw a change in government. While details of cornerstone policies are yet to be developed, what is clear is the commitment to transitioning the national energy system to net zero. CS Energy expects this focus to continue to drive the policy and regulatory reform agenda in the Australian electricity market. CS Energy is proactive in this 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 recognises that we have a responsibility to minimise our impact on the environment; build positive relationships with our stakeholders; and have strong governance processes for managing our risks and meeting our compliance obligations.

CS Energy currently monitors and reports on a range of Environmental, Social and Governance initiatives and metrics across our business, some reported externally in publications such as our Annual Report and Energy Charter disclosure report.

CS Energy plans to move towards Environmental, Social and Governance focused reporting in 2023, which will be aligned with global developments and Queensland Government policy.

Other matters

CS Energy continued our defence of a class action relating to electricity prices. CS Energy has filed its defence in this matter and has commenced discovery, while the parties work through several procedural matters in relation to the litigation.

We continue to 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.

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 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, or acting as an authorised representative of the Company and its controlled entities including as a director of a company in which a Group entity holds shares or a company associated with a Group entity, except where the liability arises out of conduct attributable to 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.

No proceedings have been bought or intervened in on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001.*

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 108.

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* 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 2022, and the numbers of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Finance, Risk and Assurance Committee		Culture and Remuneration Committee		Safety and Performance Committee	
Director	H	A	H	A	H	A	H	A
Jim Soorley	18	16[1]	N/A	5[2]	4	4	4	4
Brian Green	18	17	5	4	4	3	4	4
Julie-Anne Schafer	18	17	5	5	4	4	N/A	N/A
Toni Thornton	18	18	5	5	3	2	N/A	N/A
Christina Sutherland	18	17	5	5[2]	N/A	3[2]	3	3

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.
1 – Two special Board meetings were held by a subset of the Board.
2 – Not a member of the Committee but attended for part or entirety of meeting.

With effect from 1 July 2021 the Audit and Risk Committee and the Enterprise Risk Committee were combined, this resulted in the following Committee appointments:

- Director Soorley continued as a Member on the Culture and Remuneration Committee and the Safety and Performance Committee.
- Director Green continued as the Chair of the Safety and Performance Committee, a Member of the Culture and Remuneration Committee and appointed as a Member of the Finance, Risk and Assurance Committee.
- Director Schafer continued as the Chair of the Culture and Remuneration Committee and appointed as a Member of the Finance, Risk and Assurance Committee.
- Director Thornton was appointed as the Chair of the Finance, Risk and Assurance Committee and appointed as a Member to the Culture and Remuneration Committee effective 1 September 2021.
- Director Sutherland was appointed to the Safety and Performance Committee and Finance, Risk and Assurance Committee effective 1 September 2021.
- The Board members also attended five formal briefings during the year on the status of CS Energy's response to the cyber security incident.

Matters subsequent to the end of the financial year

Debt Facilities:

The Group has restructured its debt facilities with Queensland Treasury Corporation.

On 1 July 2022, collateral amounts of $407 million previously funded through the working capital facility associated with the trading activities of the Group were repaid via the proceeds of the initial drawdown of $407 million from the Variable Rate Loan Collateral Facility.

The Group's 2022-23 State Borrowing Program approvals include:

- A three-year temporary Variable Rate Loan – Collateral Facility with a limit of $600 million in 2023, decreasing to $400 million in 2024 and $250 million in 2025, associated with the trading activities of the Group;
- Refinancing the $112.1 million Chinchilla Battery variable rate loan to a 10-year principal and interest loan; and
- Two new principal and interest variable rate loan facilities amounting to $194 million to be utilised in various projects once they have been approved by the Board.

The working capital facility limit reverted to $225 million on 1 July 2022 from $425 million, refer to Section 1 Going concern.

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

James Gerard Soorley
Chairman

Antonia Thornton
Director

Brisbane
26 August 2022

CS Energy Limited

Statements of Profit or Loss

for the year ended 30 June 2022

		Consolidated		Parent (1)	
	Notes	2022 $'000	2021 Restated $'000	2022 $'000	2021 Restated $'000
Sales of electricity	1	**1,668,597**	1,042,189	**571,846**	591,086
Operation and maintenance services		**57,220**	39,746	**108,240**	73,434
Other income	1	**2,071**	2,947	**1,212**	1,959
Fuel		**(129,323)**	(115,996)	**(106,152)**	(73,202)
Electricity and energy services expense	2	**(894,066)**	(511,917)	**(774,869)**	(392,026)
Services and consultants		**(147,426)**	(97,912)	**(121,755)**	(62,653)
Finance costs	2	**(41,221)**	(38,450)	**(39,040)**	(37,008)
Employee benefit expense	2	**(112,241)**	(106,955)	**(88,134)**	(86,363)
Raw materials and consumables		**(59,251)**	(48,700)	**(41,175)**	(34,195)
Capacity payments and operating leases		**(42,410)**	(41,025)	**(42,366)**	(40,616)
Other expenses (2)	2	**(69,482)**	(67,333)	**(34,013)**	(26,730)
Fair value (loss)/gain through profit/(loss)	6	**(338,386)**	(139,551)	**(338,386)**	(139,551)
Depreciation and amortisation (2)	14, 15	**(82,892)**	(107,515)	**(20,829)**	(28,615)
Asset impairment adjustments	14	**133,157**	(123,465)	**62,506**	(54,052)
Onerous contract net expense	16	**(83,836)**	(71,208)	**(83,836)**	(71,208)
Dividends received		**-**	-	**-**	240,338
Loss before income tax		**(139,489)**	**(385,145)**	**(946,751)**	**(139,402)**
Income tax benefit/(expense) (2)	17	**44,007**	115,537	**284,024**	113,859
Loss for the year		**(95,482)**	**(269,608)**	**(662,727)**	**(25,543)**

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

(2) Accounting Policy change for Software-as-a-service costs previously capitalised in 2021 has been re-classed to operating costs, the depreciation has been adjusted and the tax effect has been recalculated for these costs.

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

Statements of Other Comprehensive Income

for the year ended 30 June 2022

	Consolidated		Parent	
	2022 $'000	2021 Restated $'000	2022 $'000	2021 Restated $'000
Loss for the year	**(95,482)**	**(269,608)**	**(662,727)**	**(25,543)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	**(625,126)**	(205,370)	**(625,126)**	(205,370)
Items that will not be reclassified to profit or loss				
Actuarial gain/(loss) on defined benefit plan, net of tax	**5,433**	7,701	**5,433**	7,701
Other comprehensive income for the year, net of tax	**(619,693)**	**(197,669)**	**(619,693)**	**(197,669)**
Total comprehensive income for the year	**(715,175)**	**(467,277)**	**(1,282,420)**	**(223,212)**
Total comprehensive income for the year is attributable to:				
Owners of CS Energy Limited	**(715,175)**	**(467,277)**	**(1,282,420)**	**(223,212)**

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 2022

		Consolidated		Parent	
	Notes	2022 $'000	2021 Restated (1) $'000	2022 $'000	2021 Restated (1) $'000
Assets					
Current assets					
Cash and cash equivalents	3	**18,834**	40,175	**4,945**	29,945
Loans and receivables	5	**843,722**	319,933	**567,715**	258,897
Inventories	12	**119,198**	133,269	**58,494**	69,065
Derivative financial instruments	6	**3,540,859**	233,621	**3,540,859**	233,621
Total current assets		**4,522,613**	**726,998**	**4,172,013**	**591,528**
Non-current assets					
Derivative financial instruments	6	**1,121,613**	103,965	**1,121,613**	103,965
Property, plant and equipment (1)	14	**1,033,053**	891,516	**215,903**	120,101
Right- of- use assets	15	**1,181**	2,362	**1,181**	2,362
Net deferred tax assets (1)	17	**418,192**	108,602	**475,185**	154,182
Retirement benefit assets	13	**29,296**	22,766	**29,296**	22,766
Equity accounted investments	25	**1**	1	**-**	-
Investment in subsidiaries	26	**-**	-	**51,815**	52,815
Loans to related parties	5	**-**	-	**253,919**	584,816
Other receivables		**474**	2,379	**-**	2,379
Total non-current assets		**2,603,810**	**1,131,591**	**2,148,912**	**1,043,386**
Total assets		**7,126,423**	**1,858,589**	**6,320,925**	**1,634,914**
Liabilities					
Current liabilities					
Trade and other payables	7	**383,888**	230,661	**337,258**	202,269
Lease liabilities	15	**1,555**	1,484	**1,555**	1,484
Provisions	16	**77,018**	57,102	**69,094**	50,362
Derivative financial instruments	6	**4,524,921**	344,290	**4,524,921**	344,290
Borrowings	8	**312,820**	-	**312,820**	-
Total current liabilities		**5,300,202**	**633,537**	**5,245,648**	**598,405**
Non-current liabilities					
Lease liabilities	15	**-**	1,555	**-**	1,555
Borrowings	8	**578,958**	557,353	**578,958**	557,353
Derivative financial instruments	6	**1,407,963**	184,931	**1,407,963**	184,931
Provisions	16	**393,498**	320,236	**290,120**	212,014
Total non-current liabilities		**2,380,419**	**1,064,075**	**2,277,041**	**955,853**
Total liabilities		**7,680,621**	**1,697,612**	**7,522,689**	**1,554,258**
Net assets/(liabilities)		**(554,198)**	**160,977**	**(1,201,764)**	**80,656**

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

Statements of Financial Position

as at 30 June 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 Restated (1) $'000	Parent 2022 $'000	Parent 2021 Restated (1) $'000
Equity					
Share capital	18	**1,064,070**	1,064,070	**1,064,070**	1,064,070
Accumulated losses (1)	19	**(973,300)**	(883,251)	**(1,620,866)**	(963,572)
Reserves	19	**(644,968)**	(19,842)	**(644,968)**	(19,842)
Capital and reserves attributable to owners of CS Energy Limited		**(554,198)**	**160,977**	**(1,201,764)**	**80,656**
Total equity		**(554,198)**	**160,977**	**(1,201,764)**	**80,656**

(1) 2021 balances for Consolidated and Parent were restated to align with International Financial Reporting Interpretations Committee (IFRIC) decision in regards to Software-as-a-service costs. Refer to Note 2 and Note 14 for more details.

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 2022

Consolidated	Notes	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2021 (1) Restated					
Balance at 1 July 2020		**1,063,497**	**185,528**	**(621,344)**	**627,681**
Comprehensive income for the year					
Loss for the year		-	-	(269,608)	(269,608)
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 - Restated		**-**	**(205,370)**	**(261,907)**	**(467,277)**
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	573	-	-	573
Balance at 30 June 2021 (1) Restated		**1,064,070**	**(19,842)**	**(883,251)**	**160,977**
Changes in equity for 2022	Notes				
Balance at 1 July 2021 - Restated		**1,064,070**	**(19,842)**	**(883,251)**	**160,977**
Comprehensive income for the year					
Loss for the year		-	-	(95,482)	(95,482)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(625,126)	-	(625,126)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,433	5,433
Total comprehensive income for the year		**-**	**(625,126)**	**(90,049)**	**(715,175)**
Balance at 30 June 2022		**1,064,070**	**(644,968)**	**(973,300)**	**(554,198)**

(1) 2021 balances for Consolidated and Parent were restated to align with International Financial Reporting Interpretations Committee (IFRIC) decision in regards to Software-as-a-service. Refer to Note 2 and Note 14 for more details.

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

Statements of Changes in Equity

for the year ended 30 June 2022

Parent

	Notes	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2021 (1) Restated					
Balance at 1 July 2020		**1,063,497**	**185,528**	**(945,730)**	**303,295**
Total comprehensive income for the year					
Loss for the year		-	-	(25,543)	(25,543)
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 - Restated		**-**	**(205,370)**	**(17,842)**	**(223,212)**
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	573	-	-	573
Balance at 30 June 2021 (1) Restated		**1,064,070**	**(19,842)**	**(963,572)**	**80,656**
Changes in equity for 2022	Notes				
Balance at 1 July 2021 - Restated		**1,064,070**	**(19,842)**	**(963,572)**	**80,656**
Total comprehensive income for the year					
Loss for the year		-	-	(662,727)	(662,727)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(625,126)	-	(625,126)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,433	5,433
Total comprehensive income for the year		**-**	**(625,126)**	**(657,294)**	**(1,282,420)**
Balance at 30 June 2022		**1,064,070**	**(644,968)**	**(1,620,866)**	**(1,201,764)**

(1) 2021 balances for Consolidated and Parent were restated to align with International Financial Reporting Interpretations Committee (IFRIC) decision in regards to Software-as-a-service costs. Refer to Note 2 and Note 14 for more details.

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 2022

	Notes	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Cash flows from operating activities					
Cash receipts from customers		**1,577,305**	1,229,885	**650,028**	789,162
Cash payments to suppliers and employees		**(1,557,798)**	(1,033,914)	**(1,243,654)**	(725,986)
Cash generated from/(used) in operations		**19,507**	**195,971**	**(593,626)**	**63,176**
Cash margining contributions		**(309,236)**	(201,578)	**(309,236)**	(201,578)
Interest received		**52**	707	**50**	706
Operating borrowing costs paid		**(30,478)**	(32,118)	**(30,478)**	(32,118)
Tax equivalent payment		**21,478**	(13,865)	**21,478**	(13,865)
Net cash inflow/(outflow) from operating activities	4	**(298,677)**	**(50,883)**	**(911,812)**	**(183,679)**
Cash flows from investing activities					
Payments for property, plant and equipment		**(95,763)**	(85,749)	**(45,790)**	(63,123)
Repayments of loans from related parties		**-**	-	**559,503**	(111,803)
Investment in subsidiaries		**-**	-	**-**	10,000
Dividends received		**-**	-	**-**	240,338
Deposit with General Government Sector advances facility		**40,158**	182,786	**40,158**	182,786
Investment in term deposits		**-**	10,000	**-**	-
Net cash inflow/(outflow) from investing activities		**(55,605)**	**107,037**	**553,871**	**258,198**
Cash flows from financing activities					
Dividends paid		**-**	(73,862)	**-**	(73,862)
Proceeds from loans		**21,605**	-	**21,605**	-
Net proceeds from short-term borrowings		**312,820**	-	**312,820**	-
Lease payments		**(1,484)**	(1,484)	**(1,484)**	(1,484)
Net cash inflow/outflow from financing activities		**332,941**	**(75,346)**	**332,941**	**(75,346)**
Net (decrease)/ in cash and cash equivalents		**(21,341)**	(19,192)	**(25,000)**	(827)
Cash and cash equivalents at the beginning of the financial year		**40,175**	59,367	**29,945**	30,772
Cash and cash equivalents at the end of the year	3	**18,834**	**40,175**	**4,945**	**29,945**

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

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.

These financial statements are general purpose financial statements for the year ended 30 June 2022 and were authorised for issue by the Board of Directors on 26 August 2022.

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 2022;
- 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.

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 2022 reflect a net liability position for the Group of $554.2 million (2021: net asset position $161.0 million) and a net liability position for the Parent of $1,201.8 million (2021: net asset position $80.7 million).

Included in this outcome is a net financial derivative fair liability position of $1,270.4 million. These financial derivative transactions manage the exposure the business has to financial market risk, with sales of electricity measured based on a combination of sales of electricity to the NEM and net realised gains/(losses) on electricity contracts.

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.

The Group also had access to a short term working capital facility with the Queensland Treasury Corporation (QTC), which included a temporary increase in the facility limit during the year from $225 million to $425 million up until and inclusive of 30 June 2022. The working capital facility limit reverts to $225 million on 1 July 2022 (refer Note 9).

Queensland Treasury Corporation has confirmed in a letter to Management dated 28 June 2022 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 Queensland Treasury Corporation; and
- the continued support of the Queensland Government.

The Group's debt facilities with the Queensland Treasury Corporation 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. Queensland Treasury Corporation 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.

Consolidated and Parent						
QTC Facility	**Approved Borrowings**		**Utilised at balance date**		**Unused at balance date**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Portfolio linked loan	557,353	557,353	557,353	557,353	-	-
Variable rate loan - Chinchilla Battery	112,100	-	21,605	-	90,495	-
Total	**669,453**	**557,353**	**578,958**	**557,353**	**90,495**	**-**

Consolidated and Parent						
QTC Facility	**Approved Borrowings**		**Utilised at balance date**		**Unused at balance date**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Working capital facility	425,000	225,000	312,820	-	112,180	225,000
Total	**425,000**	**225,000**	**312,820**	**.**	**112,180**	**225,000**

New and amended accounting standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group has adopted a change in its accounting policy for capitalising the customisation costs for Software-as-a-service after the review of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC).

These costs would have been previously capitalised but are now treated as operating expenditure where the entity can not distinguish these costs as non distinct nor they have the ability to control the relevant asset.

This change in policy has been adopted retrospectively and prior comparative periods have been restated. Refer to Note 2 and Note 14 for detailed breakdown of the Software-as-a-service balance.

Issued standards and interpretations not early adopted.

The Group has not early adopted any changes to Australian Accounting Standards Board.

Events occurring after the reporting period

Debt Facilities

The Group has restructured its debt facilities with Queensland Treasury Corporation.

On 1 July 2022, collateral amounts of $407 million previously funded through the working capital facility associated with the trading activities of the Group were repaid via the proceeds of the initial drawdown of $407 million from the Variable Rate Loan Collateral Facility.

The Group’s 2022-23 State Borrowing Program approvals include:

- A three-year temporary Variable Rate Loan - Collateral Facility with a limit of $600 million in 2023, decreasing to $400 million in 2024 and $250 million in 2025, associated with the trading activities of the Group;
- Refinancing the $112.1 million Chinchilla Battery variable rate loan to a 10-year principal and interest loan; and
- Two new principal and interest variable rate loan facilities amounting to $194 million to be utilised in various projects once they have been approved by the Board.

The working capital facility limit reverted to $225 million on 1 July 2022.

Section 2: Results for the year

Note 1 - Revenue

Accounting policy

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 physical energy is hedged through the use of various financial 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Sales of electricity to the NEM	**1,664,405**	559,937	**705,001**	249,395
Net realised gains/(losses) on electricity contracts designated as cashflow hedges	**(503,613)**	17,957	**(503,613)**	17,957
Total sales of electricity - wholesale	**1,160,792**	**577,894**	**201,388**	**267,352**
Sales of electricity - retail	**507,805**	464,295	**370,458**	323,734
Total sales of electricity	**1,668,597**	**1,042,189**	**571,846**	**591,086**

Other income

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest income	**20**	1,251	**18**	1,250
Other income	**2,051**	1,696	**1,194**	709
Total other income	**2,071**	**2,947**	**1,212**	**1,959**

Note 2 - Expenses

Electricity and energy services

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Wholesale energy	**524,320**	214,331	**498,787**	181,449
Market and transmission fees	**228,952**	209,889	**154,452**	137,807
Ancillary services	**73,008**	31,857	**68,108**	29,526
Environmental charges	**64,203**	52,870	**53,522**	43,244
Other electricity and energy services expenses	**3,583**	2,970	**-**	-
Total electricity and energy services expenses	**894,066**	**511,917**	**774,869**	**392,026**

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Finance costs - cash	**29,560**	32,172	**29,560**	32,172
Onerous contract provision - non cash	**7,577**	3,566	**7,577**	3,566
Rehabilitation provision - non cash	**4,084**	2,712	**1,903**	1,270
Total finance costs	**41,221**	**38,450**	**39,040**	**37,008**

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 Queensland Treasury Corporation. As the Group did not make any debt repayments in 2022, the market realisation charge is $ nil (2021 $ nil).

The cash based interest costs on the Group's long-term borrowings are calculated by Queensland Treasury Corporation, in accordance with its book rate methodology, which equates to amortised cost using the effective interest rate method.

Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

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

Employee benefit expense

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Wages and salaries expense	**97,185**	97,112	**76,272**	78,029
Defined contribution superannuation expense	**7,359**	7,251	**5,747**	5,819
Defined benefit plan expense	**1,231**	1,669	**1,231**	1,669
Employee performance payments	**6,466**	923	**4,884**	846
Total employee benefits expense	**112,241**	**106,955**	**88,134**	**86,363**

Accounting policy

The Group recognises a liability and an expense for performance payments based on a range of performance indicators for the period to which the performance payment 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	
	2022 $'000	2021 Restated $'000	2022 $'000	2021 Restated $'000
Administration expense	**23,451**	21,818	**10,983**	10,875
Insurance	**26,042**	10,444	**13,449**	4,434
Loss on disposals	**666**	11,324	**103**	43
Retail Services	**9,825**	12,357	**-**	-
Technology	**9,498**	11,390	**9,478**	11,378
Total other expenses	**69,482**	**67,333**	**34,013**	**26,730**

Accounting policy

Other expenses relate to General administration expenses including advertising and marketing, travel, training, stationery and telecommunication costs, Insurance, Capital loss, Retail services and Technology costs. In 2022 the consolidated balance included $0.6 million (2021: $11.3 million) relating to the disposal of assets specific to Callide Unit C4.

The Group has adopted a change in its accounting policy for capitalising the customisation costs for Software-as-a-service after the review of the guidance provided by International Financial Reporting Interpretations Committee (IFRIC).

These costs would have been previously capitalised but are now treated as operating expenditure where the entity can't distinguish these costs as non distinct nor they have the ability to control the relevant asset.

This change in policy has been adopted retrospectively and prior comparative periods have been restated . Refer to Note 14 for detailed breakdown of the Software-as-a-service balance.

All other expenses are expensed when incurred.

		Prior year balance	Policy change	Restated balance
		2021 $'000	2021 $'000	2021 $'000
Consolidated	Technology	(17,668)	(6,278)	(11,390)
Parent	Technology	(17,656)	(6,278)	(11,378)

Section 3: Financial assets and financial liabilities

Note 3 - Cash and cash equivalents

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash at bank and on hand (1)	**18,834**	40,175	**4,945**	29,945
Total cash and cash equivalents	**18,834**	**40,175**	**4,945**	**29,945**

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

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

	Consolidated		Parent	
	2022 $'000	2021 Restated $'000	2022 $'000	2021 Restated $'000
Loss before income tax	**(139,489)**	(385,145)	**(946,751)**	(139,402)
Income tax benefit/(expense)	**44,007**	115,537	**284,024**	113,859
Depreciation and amortisation	**82,892**	107,515	**20,829**	28,615
Impairment (loss reversal)	**(133,157)**	123,465	**(62,506)**	54,052
Net loss/(gain) on sale of non-current assets	**666**	11,323	**103**	(42)
Fair value adjustment to derivatives	**182,880**	124,267	**182,880**	124,267
Provision for doubtful debts	**4,002**	4,259	**-**	-
Non-cash retirement benefits adjustment	**1,231**	1,669	**1,231**	1,669
Finance cost on provisions	**11,661**	6,278	**9,480**	4,836
Rehabilitation change in value	**1,128**	(602)	**1,128**	(602)
Onerous contract re-measurement and provision utilised	**83,836**	71,208	**83,836**	71,208
Dividends received	**-**	-	**-**	(240,338)
Accounting policy change (1)	**-**	6,278	**-**	6,278
Change in operating assets and liabilities:				
(Increase) decrease in receivables	**(562,370)**	(96,042)	**(346,766)**	(74,057)
(Increase) decrease in inventories	**14,071**	(24,824)	**10,571**	(19,921)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	**153,132**	8,633	**128,556**	8,923
(Decrease) increase in financial instruments	**-**	4,700	**-**	4,700
(Increase) decrease in deferred tax liabilities	**(43,167)**	(129,402)	**(278,427)**	(127,724)
Net cash (outflow)/inflow from operating activities	**(298,677)**	**(50,883)**	**(911,812)**	**(183,679)**

(1) 2021 balances for Consolidated and Parent were restated to align with International Financial Reporting Interpretations Committee (IFRIC) decision in regards to Software-as-a-service costs. Refer to Note 2 and Note 14 for more details.

Note 5 - Loans and receivables

Current Assets	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Trade receivables	**418,724**	150,441	**144,174**	91,901
Advances Facility (1)	**-**	40,158	**-**	40,158
Income tax receivable	**5,710**	27,188	**5,710**	27,188
Other receivables	**13,343**	9,028	**12,473**	7,984
Prepayments	**2,826**	9,427	**2,239**	7,975
Collateral (2)	**403,119**	83,691	**403,119**	83,691
Total current loans and other receivables	**843,722**	**319,933**	**567,715**	**258,897**

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

Non-current assets	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Loans (Net) to related parties (1)	**-**	**-**	**253,919**	**584,816**

(1) Refer to Note 23 (b)

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 Limited 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 2022 (2021: $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 Queensland Government entities or supported with bank guarantees. The Group does not recognise an impairment loss on balances owed by Queensland Government entities.

The lifetime expected credit loss on C&I retail receivables is $nil as at 30 June 2022 (2021: $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 decreased to $5.8 million as at 30 June 2022 (2021: $6.9 million).

Queensland Treasury Corporation 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 Queensland Treasury Corporation and held on behalf of Queensland Treasury. The funds are 100% guaranteed by Queensland Treasury Corporation. 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 the Group's credit risk management strategy.

Note 6 - Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2022 $'000	2021 $'000
Current assets		
Electricity derivative contracts - cash flow hedges	**-**	1,272
Electricity derivative contracts - fair value through profit or loss	**3,540,859**	232,349
Total current derivative financial instrument assets	**3,540,859**	**233,621**
Non-current assets		
Electricity derivative contracts - cash flow hedges	**6,287**	11,046
Electricity derivative contracts - fair value through profit or loss	**1,115,326**	92,919
Total non-current derivative financial instrument assets	**1,121,613**	**103,965**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2022 $'000	2021 $'000
Current liabilities		
Electricity derivative contracts - cash flow hedges	**651,608**	70,445
Electricity derivative contracts - fair value through profit or loss	**3,873,313**	273,845
Total current derivative financial instrument liabilities	**4,524,921**	**344,290**
Non-current liabilities		
Electricity derivative contracts - cash flow hedges	**225,816**	7,238
Electricity derivative contracts - fair value through profit or loss	**1,182,147**	177,693
Total non-current derivative financial instrument liabilities	**1,407,963**	**184,931**

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)	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 GWh	2021 GWh
Derivatives designated as hedging instruments						
12 months or less	**-**	1,272	**651,608**	70,445	2,623	4,714
1 - 5 years	**6,287**	11,046	**225,816**	7,238	6,120	2,034
Total	**6,287**	**12,318**	**877,424**	**77,683**	**8,743**	**6,748**

(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 $34 to $209 per MWh (2021: $32 to $79 per MWh).

	Consolidated and Parent	
	2022 $'000	2021 $'000
Hedging Instrument		
Changes in fair value (used for calculating hedge ineffectiveness)	**774,145**	298,415
Hedged Item		
Changes in value (used for calculating hedge ineffectiveness)	**773,016**	297,765
Hedge ineffectiveness		
Hedge ineffectiveness recognised in profit/(loss) (1)	**(1,821)**	1,285
Cash flow hedge reserve (before tax)		
Balance in cash flow hedge reserve related to continuing hedges	**832,754**	60,431
Balance in cash flow reserve for which hedge accounting is no longer applied	**88,628**	(32,085)
Cash flow hedge reserve (before tax)	**921,382**	**28,346**

(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	
		2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net realised losses	Fair value through profit/(loss)	**(155,506)**	(15,284)	**(155,506)**	(15,284)
Net unrealised losses	Fair value through profit/(loss)	**(182,880)**	(124,267)	**(182,880)**	(124,267)
Total changes in fair value of non-hedged accounted derivatives recognised in profit/(loss)		**(338,386)**	**(139,551)**	**(338,386)**	**(139,551)**

Note 7 - Trade and other payables

Current liabilities

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Trade payables	**196,525**	116,364	**167,996**	91,865
Other payables (1)	**159,296**	95,996	**143,195**	92,103
Environmental surrender obligation	**19,051**	18,301	**19,051**	18,301
Unearned revenue	**9,016**	-	**7,016**	-
Total current liabilities trade and other payables	**383,888**	**230,661**	**337,258**	**202,269**

(1) Balance includes $113.3 million (2021: $71.7 million) payable to counterparties relating to contract for difference settlements.

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

Current liabilities - borrowings

	Consolidated and Parent	
	2022	**2021**
	$'000	**$'000**
Unsecured loans		
Queensland Treasury Corporation loans	**312,820**	**-**

The market value of Queensland Treasury Corporation loans as at 30 June 2022 was $313.0 million (2021: $ nil).

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

Non-current liabilities – borrowings

	Consolidated and Parent	
	2022	**2021**
	$'000	**$'000**
Unsecured loans		
Queensland Treasury Corporation Loans	**578,958**	557,353

The market value of Queensland Treasury Corporation loans as at 30 June 2022 was $559.9 million (2021: $635.2 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 Queensland Treasury Corporation.

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

Queensland Treasury Corporation 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 Queensland Treasury Corporation and Queensland Treasury.

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2022	**2021**
	$'000	**$'000**
Financial liabilities		
Queensland Treasury Corporation Loans		
Opening balance	**557,353**	557,353
Proceeds from borrowings	**334,425**	-
Closing balance	**891,778**	**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.

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 2022					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	**891,778**	**991,345**	**332,562**	**77,663**	**581,120**
Trade and other payables including lease liabilities	**385,443**	**385,443**	**385,443**	**-**	**-**
Derivative financial liabilities					
Electricity contracts	**5,932,884**	**5,960,529**	**4,541,206**	**1,419,323**	**-**
Total	**7,210,105**	**7,337,317**	**5,259,211**	**1,496,986**	**581,120**
30 June 2021					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	557,353	672,629	23,447	91,830	557,353
Trade and other payables including lease liabilities	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**

Liquidity risk (continued)

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 2022					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	**891,778**	**991,345**	**332,562**	**77,663**	**581,120**
Trade and other payables including lease liabilities	**338,812**	**338,812**	**338,812**	**-**	**-**
Derivative financial liabilities					
Electricity contracts	**5,932,884**	**5,960,529**	**4,541,206**	**1,419,323**	**-**
Total	**7,163,474**	**7,290,686**	**5,212,580**	**1,496,986**	**581,120**
30 June 2021					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	557,353	672,629	23,447	91,830	557,353
Trade and other payables including lease liabilities	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**

Queensland Treasury Corporation Facilities

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Facilities used at balance date				
Queensland Treasury Corporation Facilities	**891,778**	557,353	**891,778**	557,353
Total	**891,778**	**557,353**	**891,778**	**557,353**
Unused at balance date				
Queensland Treasury Corporation Working Capital Facility (1)	**112,180**	225,000	**112,180**	225,000
Queensland Treasury Corporation Eligible Undertaking (2)	**700,000**	700,000	**700,000**	700,000
Queensland Treasury Corporation Variable Rate Loan Facility (3)	**90,495**	-	**90,495**	-
Total	**902,675**	**925,000**	**902,675**	**925,000**
Total facilities available	**1,794,453**	**1,482,353**	**1,794,453**	**1,482,353**

(1) The Group has access to working capital facility to manage day to day cash flow requirements. The Under Treasurer approved a temporary increase to the working capital facility of $425 million to provide additional liquidity for CS Energy to meet it's collateral requirements. The working capital facility reverts to a limit of $225 million on 1 July 2022.

(2) The Eligible Undertaking is utilised to manage compliance with CS Energy Limited's Australian Financial Services Licence and is not available as cash.

(3) The Variable Rate Loan Facility was established with a facility limit of $112.1 million to fund the construction of the Chinchilla Battery investment.

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 2022. A summary of the credit quality of financial assets that are neither past due nor impaired is assessed by reference to publicly available external credit ratings as reflected in the following table:

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Cash and cash equivalents				
AA+ to AA-	**-**	40,175	**-**	29,945
A+ to A-	**18,834**	-	**4,945**	-
Total	**18,834**	**40,175**	**4,945**	**29,945**
Trade and other receivables				
AAA+ to AAA-	**18,879**	-	**18,043**	-
AA+ to AA-	**19,340**	92,060	**19,340**	92,060
A+ to A-	**405,809**	83,691	**405,809**	83,691
BBB+ to BBB-	**4**	-	**4**	-
AEMO (1)	**259,566**	54,945	**24,382**	35,304
Other non-rated (2)	**140,598**	91,616	**100,137**	50,221
Total	**844,196**	**322,312**	**567,715**	**261,276**
Derivative financial assets				
AA+ to AA-	**78,933**	8,931	**78,933**	8,931
A+ to A-	**4,106,686**	301,255	**4,106,686**	301,255
BBB+ to BBB-	**69,349**	749	**69,349**	749
Non-rated	**407,504**	26,651	**407,504**	26,651
Total	**4,662,472**	**337,586**	**4,662,472**	**337,586**

(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 2022. 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 non-current fixed and variable interest rate borrowings expose the Group to fair value risk.

The Group's borrowings with Queensland Treasury Corporation have been classified as loans with a fixed and floating 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 Queensland Treasury Corporation and has access to funds via a portfolio linked loan, which has an interest only in perpetuity repayment profile. The Group also has access to a variable rate loan to fund the Chinchilla battery investment, which is an interest only facility, however will convert to a principal and interest basis with repayments once the facility is fully drawn.

The Group is working with Queensland Treasury Corporation and Queensland Treasury to implement a debt management strategy which is targeted to be in place by 30 June 2023.

The Group incurs market value realisation charges when it makes repayments of principal to Queensland Treasury Corporation. The market value realisation charges are included as an adjustment to finance charges in the Statements of Profit or Loss.

Queensland Treasury Corporation manages to an overall target duration for the Group's fixed-rate 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).

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 2021.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	**1% decrease $'000**
Cash and cash equivalents	**188**	**(188)**
Borrowings	**(412)**	**464**

Consolidated	**2022**			**2021**		
	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	**18,834**	**-**	**0.14%**	40,175	-	0.13%
Advances facility	**-**	**-**	**0.54%**	40,158	-	0.77%
Total financial assets	**18,834**	**-**	**0.16%**	**80,333**	**-**	**0.66%**
Financial Liabilities						
Queensland Treasury Corporation loans - Non-current	**21,605**	**557,353**	**4.63%**	-	557,353	5.58%
Queensland Treasury Corporation loans - Current	**312,820**	**-**	**0.22%**	-	-	**0.00%**
Total financial liabilities	**334,425**	**557,353**	**3.45%**	**-**	**557,353**	**5.58%**

Capital management

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

The Group borrows exclusively from Queensland Treasury Corporation, with portfolio linked loan facilities provided reflecting an interest only in perpetuity repayment profile. Variable rate loan facilities provided are interest only, however will convert to a principal and interest basis with repayments once the facility is fully drawn. The Group is working with Queensland Treasury Corporation and Queensland Treasury to implement a debt management strategy which is targeted to be in place by 30 June 2023.

Capital management (continued)

Queensland Treasury Corporation manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the Group in accordance with agreed benchmarks. Queensland Treasury Corporation 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 seek approval from 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 2022 as a result of the Callide Unit C4 incident continuous impact, the Group breached all three financial covenants as at 30 June 2022. Following consultation, Queensland Treasury Corporation agreed to extend the limited waiver for the financial covenants until 30 June 2023. Prior to the end of the updated Waiver period ending 30 June 2023, Queensland Treasury Corporation will update the existing financial covenants and formalise a variation to the existing lending agreement with the Group. Based on the April 2022 Board approved five-year forecast, the Group is expecting to meet all the current financial covenants within the 2024 financial year.

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, foreign exchange risk, 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.

Commodity price risk (continued)

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 $'000	Impact on pre-tax profit or (loss) $'000
30 June 2022		
Electricity price - increase 10%	**(158,462)**	(8,243)
Electricity price - decrease 10%	**158,508**	7,410
30 June 2021		
Electricity price - increase 10%	(41,090)	(6,987)
Electricity price - decrease 10%	41,089	7,083

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 2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative financial assets				
Electricity contracts	**4,085,244**	**355,801**	**221,427**	**4,662,472**
Total	**4,085,244**	**355,801**	**221,427**	**4,662,472**
Derivative financial liabilities				
Electricity contracts	**(4,484,400)**	**(1,168,903)**	**(279,581)**	**(5,932,884)**
Total	**(4,484,400)**	**(1,168,903)**	**(279,581)**	**(5,932,884)**
30 June 2021				
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)**

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 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)**
Balance at 1 July 2021	**(85,893)**
Change in fair value through profit or loss (1)	**(3,068)**
Transfer to level 2	**-**
Settlement	**30,806**
Balance at 30 June 2022	**(58,155)**

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

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. Historic settled prices are used to construct the forward curve to value non-standard 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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
10% increase	**(3,119)**	(4,093)	**(5,815)**	(8,589)
10% decrease	**3,119**	4,093	**5,815**	8,589

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

Consolidated and Parent	2022 $'000	2021 $'000
Carrying amount	**891,778**	557,353
Fair Value (level 2)	**872,977**	**635,249**

The fair value of loans from Queensland Treasury Corporation 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.

Section 4: Operating assets and liabilities

Note 12 - Inventories

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Stores (1)	**64,925**	63,532	**37,093**	35,702
Fuel at weighted average cost (finished goods)	**26,797**	32,109	**19,100**	25,259
Fuel at weighted average cost (work in progress)	**25,175**	29,524	**-**	-
Environmental certificates (2)	**2,301**	8,104	**2,301**	8,104
Total Inventory	**119,198**	**133,269**	**58,494**	**69,065**

Inventories expensed relating to the generation of electricity during the year ended 30 June 2022 were $205.3 million (2021: $187.0 million).

(1) Stores balance includes a net realisable value adjustment of $11.8 million (2022) and $10.0 million (2021).

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

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 Local Government Investment Australia (LGIA) Super Fund, on retirement, disability or death. The LGIA Super Fund merged with Energy Super during the course of the year. 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 2022 resulting in a defined benefit asset being recognised at 30 June 2022 (30 June 2021: Defined benefit asset recognised).

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

Consolidated and Parent	2022 $'000	2021 $'000
Present value of the defined benefit obligation	**(48,458)**	(55,359)
Fair value of defined benefit plan assets	**73,360**	74,710
Net asset before adjustment for contributions tax	**24,902**	**19,351**
Adjustments for contributions tax	**4,394**	3,415
Total	**29,296**	**22,766**

Reconciliation

Consolidated and Parent	2022 $'000	2021 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully/partly funded:		
Balance at the beginning of the year	**51,944**	58,622
Current service cost	**1,622**	1,889
Interest cost	**988**	1,043
Actuarial (gains) and losses recognised in equity	**(9,097)**	(2,928)
Benefits paid by the plan	**(1,916)**	(7,221)
Contributions by plan participants	**523**	539
Balance at the end of the year **(net of contributions tax)**	**44,064**	**51,944**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**74,710**	72,055
Expected return on plan assets	**1,379**	1,263
Actuarial (losses) and gains recognised in equity	**(1,336)**	8,074
Benefits paid by the plan	**(1,916)**	(7,221)
Contributions by plan participants	**523**	539
Balance at the end of the year	**73,360**	**74,710**

Defined benefit obligation (continued)

Categories of plan assets

The major categories of plan assets are as follows:

Consolidated and Parent	2022 $'000	2021 $'000
Cash	**2,934**	4,483
Equity instrument	**19,807**	30,631
Debt instrument	**24,942**	11,954
Property	**11,738**	5,977
Other assets	**13,939**	21,665
Total	**73,360**	**74,710**

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. A current actuarial review is in progress.

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	2022 $'000	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Defined benefit plan obligation	**(48,458)**	(55,359)	(60,637)	(61,430)	(55,818)
Plan assets	**73,360**	74,710	72,055	77,666	79,940
Surplus	**24,902**	**19,351**	**11,418**	**16,236**	**24,122**
Experience adjustments arising on plan liabilities	**9,097**	**2,928**	**(1,436)**	**(9,788)**	**2,696**
Experience adjustments arising on plan assets	**(1,336)**	**8,074**	**(2,609)**	**1,320**	**3,520**

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	2022	2021
Discount rate	**5.0%**	2.0%
Future salary increases - 1st year	**5.0%**	1.0%
Future salary increases - long term	**3.0%**	5.0%

Significant actuarial assumptions for the determination of the defined obligation are discount rate and expected salary increases. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 3.0%	Increase by 3.2%
Salary growth rate	0.5%	Increase by 3.3%	Decrease by 3.1%

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.

Note 14 - Property, plant and equipment

Consolidated - Restated	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 2021							
Opening net book amount	864,275	74,626	24,331	18,862	26,024	54,712	1,062,830
Additions	9,709	44,189	1,051	27,810	-	626	83,385
Transfers	6,999	8,693	821	(16,513)	-	-	-
Disposals	(18,418)	-	(61)	(144)	-	-	(18,623)
Impairment expense	(74,661)	(25,109)	(1,956)	(18,979)	-	(2,760)	(123,465)
2021 Impairment Reclassification (3)	(16,877)	(6,390)	6,284	14,351	-	2,632	-
2021 Software-as-a-service Accounting Policy	-	-	(5,366)	(911)	-	-	(6,277)
Depreciation	(53,270)	(44,434)	(3,192)	-	(3,481)	(1,957)	(106,334)
Closing net book amount	**717,757**	**51,575**	**21,912**	**24,476**	**22,543**	**53,253**	**891,516**
At 30 June 2021							
Cost	2,017,627	205,579	81,336	24,476	45,866	82,714	2,457,598
Accumulated depreciation/impairment	(1,299,870)	(154,004)	(59,424)	-	(23,323)	(29,461)	(1,566,082)
Net book amount	**717,757**	**51,575**	**21,912**	**24,476**	**22,543**	**53,253**	**891,516**

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 2022							
Opening net book amount	717,757	51,575	21,912	24,476	22,543	53,253	891,516
Additions	6,275	6,839	6,415	95,784	-	1	115,314
Transfers	4,139	(2,618)	3,762	(10,292)	-	5,009	-
Disposals	(550)	(4)	(4,990)	-	-	-	(5,544)
Revaluation of Asset (1)	(19,678)	-	-	-	-	-	(19,678)
Impairment adjustments (2)	123,602	8,049	1,981	(3,821)	-	3,346	133,157
Depreciation	(54,201)	(16,045)	(5,389)	-	(3,385)	(2,692)	(81,712)
Closing net book amount	**777,344**	**47,796**	**23,691**	**106,147**	**19,158**	**58,917**	**1,033,053**
At 30 June 2022							
Cost	2,197,965	235,276	82,337	106,147	45,866	91,164	2,758,755
Accumulated depreciation/impairment	(1,420,621)	(187,480)	(58,646)	-	(26,708)	(32,247)	(1,725,702)
Net book amount	**777,344**	**47,796**	**23,691**	**106,147**	**19,158**	**58,917**	**1,033,053**

Parent - Restated	Power Station $'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 2021							
Opening net book amount	126,977	9,345	6,109	9,398	-	3,606	155,435
Additions	5,016	36,402	761	20,440	-	623	63,242
Transfers	2,585	8,754	796	(12,135)	-	-	-
Disposals	(10,605)	-	(42)	(166)	-	-	(10,813)
Impairment expense	(24,871)	(9,058)	(1,773)	(15,800)	-	(2,550)	(54,052)
2021 Impairment Adjustment (3)	(2,138)	(17,691)	5,677	11,116	-	3,036	-
2021 Software-as-a-service Accounting Policy Change (4)	-	-	(5,366)	(911)	-	-	(6,277)
Depreciation	(11,805)	(14,177)	(1,214)	-	-	(238)	(27,434)
Closing net book amount	**85,159**	**13,575**	**4,948**	**11,942**	-	**4,477**	**120,101**
At 30 June 2021							
Cost	675,441	101,311	39,945	11,942	-	7,040	835,679
Accumulated depreciation/impairment	(590,282)	(87,736)	(34,997)	-	-	(2,563)	(715,578)
Net book amount	**85,159**	**13,575**	**4,948**	**11,942**	-	**4,477**	**120,101**

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 2022							
Opening net book amount	85,159	13,575	4,948	11,942	-	4,477	120,101
Additions	3,096	30	6,347	56,180	-	-	65,653
Transfers	22,705	-	2,046	(24,751)	-	-	-
Disposals	-	-	(4,981)	-	-	-	(4,981)
Revaluation of asset (1)	(7,728)	-	-	-	-	-	(7,728)
Impairment adjustments (2)	40,447	4,864	1,939	11,975	-	3,281	62,506
Depreciation	(14,837)	(1,345)	(3,287)	-	-	(179)	(19,648)
Closing net book amount	**128,842**	**17,124**	**7,012**	**55,346**	**-**	**7,579**	**215,903**
At 30 June 2022							
Cost	784,664	121,104	42,912	55,346	-	10,388	1,014,414
Accumulated depreciation/impairment	(655,822)	(103,980)	(35,900)	-	-	(2,809)	(798,511)
Net book amount	**128,842**	**17,124**	**7,012**	**55,346**	**-**	**7,579**	**215,903**

(1) The Group has revalued its rehabilitation assets in alignment with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and decreased their value by $19.6 million for the Consolidated Group and $7.7 million for the Parent.
(2) The Group has revalued its current Cash Generating Units and adjusted their values by $133.1 million for the Consolidated Group and $62.5 million for the Parent.
(3) The assignment of impairment in 2021 were previously calculated on a weighted average of asset class basis instead of CGU specific proportionate allocation based on asset class balances. Accordingly, the balance has been restated to correctly assign impairment to each of the asset class value.
(4) In 2021 the Group has reassessed the accounting treatment of Software-as-a-service costs and have re-classed a net amount of $4.9 million, with $6.2 million expensed and allocated to Technology costs within "Other Expenses" and an amount of $1.3 million reversed as a Depreciation and Amortisation charge related to these expenses. Refer to the table below.

Property, plant and equipment	Consolidated 2021 $'000	Parent 2021 $'000
Balance as 30 June 2021 net of accumulated depreciation and impairment	896,476	125,061
Policy Change	(4,960)	(4,960)
Restated Balance at 30 June 2021 net of accumulated depreciation and impairment	891,516	120,101

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.

The Group has adopted a change in its accounting policy for capitalising the customisation costs for Software-as-a-service after the review of the guidance provided by International Financial Reporting Interpretations Committee (IFRIC). These costs would have been previously capitalised but are now treated as operating expenditure where the entity can't distinguish these costs as non distinct nor they have the ability to control the relevant asset. This change in policy has been adopted retrospectively and prior comparative periods have been restated .

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.

CS Energy has relied on external fundamental electricity market modelling to simulate the operating environment considering the outlook for market drivers, including those summarised below.

Discount rate

Discount rates are used to calculate the present value of projected future cash flows for the CGUs. The rates used are based on the 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.

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	-126	143

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.

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 two 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 two 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 rate of 13.31% (2021: 9.97%) 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	528	-528

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 Groups assets. Two of the key regulatory considerations are summarised below.

The change in Federal Government in May 2022 is likely to see a change in the regulatory landscape with the Government committed to net-zero emissions by 2050 and increasing Australia's Nationally Determined Contribution target under the United Nations Framework Convention on Climate Change (The Paris Accord) from 26-28% below 2005 levels to 43% below 2005 levels by 2030 with a desire to legislate these changes. It is expected that the initial focus will be on strengthening and adapting the Safeguard Mechanism, with possible new facility by facility emission caps and implementation of the Rewiring the Nation plan which seeks to provide $20 billion of low-cost finance over the next 20 years to upgrade the grid, Powering the Regions Fund and a National Electric Vehicle Strategy.

The energy crisis has also provided more momentum for the Energy Security Board as it continues to progress designs for a national Capacity Mechanism and Transmission Access Reform. These will be tabled at the National Energy Cabinet with final decisions expected in late 2022. Work has 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.

Impairment

During the financial year, the Group recognised a partial impairment reversal of assets at its Callide B and Callide C CGUs of $133.2 million (2021: $123.5 million impairment expense), impairment reversal of Glen Wilga land of $4.5 million and an impairment expense of $4.8 million related to the work in progress investment in the Kogan Hydrogen Demonstration Project. The Callide B CGU recognised a partial impairment reversal of $36.1 million (2021: $19.2 million impairment expense). The recoverable amount of Callide B is $152.0 million based on its value in use at the time of the partial impairment reversal. The Callide C CGU recognised a partial impairment reversal of $97.4 million (2021: $104.3 million impairment expense). The recoverable amount of Callide C is $136.7 million based on its value in use at the time of the partial impairment reversal. In accordance with the treatment prescribed under AASB136 *Impairment of Assets*, included in this outcome is the remaining forecast cost of rebuilding the damaged Callide Unit C4, whilst the expected insurance proceeds relating to material damage have been excluded.

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	2022 $'000	2021 $'000
Buildings		
Cost	**4,724**	4,724
Accumulated depreciation	**(3,543)**	(2,362)
Total right-of-use assets	**1,181**	**2,362**

Movements for the year ended 30 June 2022

Consolidated and Parent	2022 $'000	2021 $'000
Buildings		
Balance at 1 July	**2,362**	3,543
Depreciation	**(1,181)**	(1,181)
Balance at 30 June	**1,181**	**2,362**

Lease liabilities

Consolidated and Parent	2022 $'000	2021 $'000
Current	**1,555**	1,484
Non-Current	**-**	1,555
Total lease liabilities	**1,555**	**3,039**

Amounts recognised in the Statements of Profit or Loss

Consolidated and Parent	2022 $'000	2021 $'000
Interest expense on lease liabilities	**22**	35
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	**2,225**	2,688
Total amounts recognised in the Statements of Profit or Loss	**3,428**	**3,904**

Amounts recognised in the Statements of Cash Flows

Consolidated and Parent	2022 $'000	2021 $'000
Principal	**1,484**	1,416
Interest	**22**	35
Operating lease payments	**2,225**	2,688
Total cash outflow for leases	**3,731**	**4,139**

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.

Note 16 - Provisions

Current liabilities

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee benefits	**34,411**	30,583	**27,742**	25,139
Rehabilitation and site closure costs	**3,594**	3,600	**2,339**	2,304
Onerous contracts	**38,490**	22,919	**38,490**	22,919
Other provisions (1)	**523**	-	**523**	-
Total	**77,018**	**57,102**	**69,094**	**50,362**

Non-current liabilities

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Employee benefits	**1,510**	1,238	**1,070**	848
Rehabilitation and site closure costs	**188,592**	205,459	**90,640**	97,627
Onerous contracts	**189,381**	113,539	**189,381**	113,539
Other provisions (1)	**14,015**	-	**9,029**	-
Total	**393,498**	**320,236**	**290,120**	**212,014**

(1) The Group has a recognised a provision for Callide B and C in relation to Gladstone Area Water Board under recovery of water cost charges to those stations over the previous years. These provisions will continue through the useful life of the assets.

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.

Consolidated and Parent Current liabilities	2022 $'000	2021 $'000
Onerous Contracts		
Carrying amount at start of year restated	**22,919**	13,918
Provision used during the year (1)	**(23,604)**	(14,365)
Reclassification from non-current liabilities	**38,490**	22,919
Finance Costs	**685**	447
Carrying amount at end of year	**38,490**	**22,919**

Consolidated and Parent Non-current liabilities	2022 $'000	2021 $'000
Onerous contracts		
Carrying amount at start of year restated	**113,539**	47,766
Changes from re-measurement (1)	**107,440**	85,573
Reclassification to current liabilities	**(38,490)**	(22,919)
Finance costs	**6,892**	3,119
Carrying amount at end of year	**189,381**	**113,539**

(1) Total onerous contract remeasurement including provision used during the year is an increase of $83.8 million (2021 decrease of $71.2 million).

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 2022, resulting in an increase in the provision to $107.4 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.

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

		+1%	-1%
Discount rate sensitivity (+/- 1%)	$m	6.6	-6.9
		+10%	**-10%**
Electricity price sensitivity (+/- 10% pool price)	$m	8.6	-8.6

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.

Site rehabilitation and closure costs

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Carrying amount at start of year	**209,058**	213,193	**99,931**	106,471
Change from re-measurement	**(20,806)**	(6,308)	**(8,854)**	(7,271)
Provision used during the year	**(150)**	(538)	**-**	(539)
Finance costs	**4,084**	2,712	**1,902**	1,270
Carrying amount at end of year	**192,186**	**209,059**	**92,979**	**99,931**

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 non cash costs'.

External consultants with industry specific experience are used to evaluate and update rehabilitation assumptions.

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 CPI and discount rate; and
- Timing of rehabilitation.

Notes to the financial statements

30 June 2022

Section 5: Taxation

Note 17 - Taxation

Income tax expense/(benefit)

	Consolidated		Parent	
	2022 $'000	2021 Restated $'000	2022 $'000	2021 Restated $'000
Current tax on profits for the year	**10,581**	(12,653)	**(217,519)**	(45,457)
Deferred tax	**(54,701)**	(102,837)	**(66,505)**	(68,402)
Adjustments for current tax of prior periods	**113**	(47)	**-**	-
Income tax expense/(benefit)	**(44,007)**	**(115,537)**	**(284,024)**	**(113,859)**
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	**(83,942)**	(65,533)	**(68,819)**	(80,761)
(Decrease) increase in deferred tax liabilities	**29,241**	(37,304)	**2,314**	12,359
Deferred Income tax benefit attributable to profit from continuing operations	**(54,701)**	**(102,837)**	**(66,505)**	**(68,402)**

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

Loss from operations before income tax expense	**(139,489)**	(385,145)	**(946,751)**	(139,402)
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	**(41,847)**	(115,542)	**(284,025)**	(41,819)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible provided expenditure	**(10)**	(11)	**-**	-
Entertainment	**1**	3	**1**	1
Fines and penalties	**-**	60	**-**	60
Non-taxable dividends	**-**	-	**-**	(72,101)
Reversal of impairment for which no deferred tax asset is recognised	**(1,364)**	-	**-**	-
Non Taxable Income	**(900)**	-	**-**	-
	(44,120)	**(115,490)**	**(284,024)**	**(113,859)**
Adjustments for current tax of prior periods	**113**	(47)	**-**	-
Income tax expense/(benefit)	**(44,007)**	(115,537)	**(284,024)**	(113,859)

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	**(267,911)**	(88,016)	**(267,911)**	(88,016)
Actuarial gain/(loss) on defined benefit plan	**2,328**	3,301	**2,328**	3,301
Total	**(265,583)**	**(84,715)**	**(265,583)**	**(84,715)**

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 at 30%	**26,226**	**26,226**	**26,226**	**26,226**

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.

Notes to the financial statements

30 June 2022

Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2020	**-**	**29,257**	**63,958**	**-**	**9,522**	**102,737**
Credited/(charged) 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)**
At 30 June 2021	**57,491**	**55,165**	**62,717**	**12,654**	**1,843**	**189,870**
Credited to profit or loss	**55,722**	**33,599**	**(5,061)**	**-**	**(318)**	**83,942**
Under provision prior year	**-**	**-**	**-**	**-**	**392**	**392**
Charged directly to equity	**267,911**	**-**	**-**	**-**	**-**	**267,911**
(Utilisation) of losses	**-**	**-**	**-**	**(11,086)**	**-**	**(11,086)**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**	**-**
Net deferred tax assets at 30 June 2022	**381,124**	**88,764**	**57,656**	**1,568**	**1,917**	**531,029**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
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)**
At 30 June 2021	**57,491**	**50,125**	**29,979**	**12,654**	**16,940**	**167,189**
Credited/(charged) to profit or loss	**55,722**	**31,442**	**(2,085)**	**-**	**(16,260)**	**68,819**
(Charged) directly to equity	**267,911**	**-**	**-**	**-**	**-**	**267,911**
(Utilisation) of losses	**-**	**-**	**-**	**(11,086)**	**-**	**(11,086)**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**	**-**
Net deferred tax assets at 30 June 2022	**381,124**	**81,567**	**27,894**	**1,568**	**680**	**492,833**

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
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)**	**3,500**	**(37,303)**
Charged directly to equity	**(79,512)**	**3,301**	**-**	**-**	**(76,211)**
At 30 June 2021	**-**	**6,830**	**56,890**	**17,547**	**81,267**
Credited/(charged) to profit or loss	**-**	**(369)**	**30,290**	**(680)**	**29,241**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**-**	**2,328**	**-**	**-**	**2,328**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**
Net deferred tax liabilities at 30 June 2022	**-**	**8,789**	**87,180**	**16,867**	**112,836**

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2020	**69,644**	**4,029**	**-**	**3,183**	**76,856**
Credited/(charged) to profit or loss	**9,868**	**(500)**	**-**	**2,993**	**12,361**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**(79,512)**	**3,301**	**-**	**-**	**(76,211)**
At 30 June 2021	**-**	**6,830**	**-**	**6,176**	**13,006**
Charged/(credited) to profit or loss	**-**	**(369)**	**2,241**	**442**	**2,314**
Under provision prior year	**-**	**-**	**-**	**-**	**-**
Charged directly to equity	**-**	**2,328**	**-**	**-**	**2,328**
Transfer to liabilities held for distribution	**-**	**-**	**-**	**-**	**-**
Net deferred tax liabilities at 30 June 2022	**-**	**8,789**	**2,241**	**6,618**	**17,648**

Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2020	102,737	(194,781)	(92,044)
Movement during the year	87,133	113,513	200,646
At 30 June 2021	**189,870**	**(81,268)**	**108,602**
At 30 June 2021	189,870	(81,268)	108,602
Movement during the year	341,160	(31,570)	309,590
At 30 June 2022	**531,030**	**(112,838)**	**418,192**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2020	65,514	(76,858)	(11,344)
Movement during the year	101,675	63,852	165,527
At 30 June 2021	**167,189**	**(13,006)**	**154,183**
At 30 June 2021	167,189	(13,006)	154,183
Movement during the year	325,644	(4,642)	321,002
At 30 June 2022	**492,833**	**(17,648)**	**475,185**

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.

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

	2022 Shares	2021 Shares	2022 $'000	2021 $'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**	772,160
Total	**1,114,414,169**	1,114,414,169	**1,064,070**	1,064,070

Movements in ordinary share capital

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

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.

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 2022.

Note 19 - Reserves and accumulated losses

Hedging reserve – cash flow hedges

Consolidated and Parent	2022 $'000	2021 $'000
Opening balance at 1 July	**(19,842)**	185,528
Effective portion of (losses)/gains on electricity derivatives designated as cash flow hedges	**(835,207)**	(340,832)
Gains/(losses) on electricity hedges transferred to revenue	**62,883**	43,734
Electricity derivatives discontinued from hedge relationship	**(120,713)**	3,712
Net deferred tax	**267,911**	88,016
Changes in fair value of cash flow hedges net of tax	**(625,126)**	**(205,370)**
Closing balance at 30 June	**(644,968)**	**(19,842)**

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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Opening balance at 1 July	**(883,251)**	**(621,344)**	**(963,572)**	**(945,730)**
Net loss for the year	(95,482)	(269,608)	**(662,727)**	(25,543)
Actuarial gain/(loss) on the defined benefit plan	7,761	11,002	**7,761**	11,002
Defined benefit tax	(2,328)	(3,301)	**(2,328)**	(3,301)
Closing balance at 30 June	**(973,300)**	**(883,251)**	**(1,620,866)**	**(963,572)**

Section 7: Key management personnel

Note 20 - Key management personnel disclosures

Shareholding Ministers

Government Owned Corporations (GOCs) 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 Michael de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

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	Chief Financial Officer	14/12/2017	Open tenure	not less than 3 months written notice (i)	yes (iii)
Darren Busine	Executive General Manager Energy Markets, Technology & Commercial	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	Ended 08/04/2022	not less than 1 months written notice (ii)	yes (iii)
Michael Johnstone (vi)	Executive General Manager Asset Management (Acting)	09/04/2022	Acting	N/A - Acting	N/A - Acting
Malcolm Wilson	Chief Financial Officer	16/04/2018	Ended 29/10/2021	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)
Emma Roberts	Executive General Manager Future Energy (Acting)	27/09/2021	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.

(vi) Acting in EGM Asset Management position until recruitment process is completed. Duration may be extended or reduced pending the recruitment of the successful applicant.

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)	**2022**	792	-	5	27	8	-	832
Chief Executive Officer	Andrew Bills (15)	2021	779	-	5	26	5	-	815
Chief Financial Officer	Malcolm Wilson (8)	**2022**	124	-	2	10	-	103	239
Chief Financial Officer	Malcolm Wilson (15)	2021	443	-	5	26	3	-	477
Executive General Manager Energy Markets, Technology & Commercial	Darren Busine (9)	**2022**	505	-	5	27	12	-	549
Executive General Manager Revenue Strategy	Darren Busine (15)	2021	481	-	5	26	8	-	520
Executive General Manager Plant Operations	Leigh Amos (10)	**2022**	355	-	5	27	3	-	390
Executive General Manager Plant Operations	Leigh Amos (15)	2021	400	-	5	27	2	-	434
Executive General Manager Plant Operations (acting)	Michael Johnstone (12)	**2022**	68	-	1	7	2	-	78
Executive General Manager Asset Management	Colin Duck (11)	**2022**	305	-	4	22	-	6	337
Executive General Manager Asset Management	Colin Duck (15)	2021	423	-	5	26	3	-	457
Chief Financial Officer	Andrew Varvari (13)	**2022**	435	-	5	27	33	-	500
Executive General Manager Corporate Service	Andrew Varvari (15)	2021	422	-	5	26	33	-	486
Executive General Manager Future Energy (Acting)	Emma Roberts (14)	**2022**	291	-	4	22	8	-	325
		2022	**2,875**	**-**	**31**	**169**	**66**	**109**	**3,250**
		2021	**2,948**	**-**	**30**	**157**	**54**	**-**	**3,189**

(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).

2022 Notes

(7) Remuneration details for 2022 for the period 01 July 2021 – 30 June 2022.
(8) Remuneration details for 2022 for the period 01 July 2021 – 30 October 2021.
(9) Remuneration details for 2022 for the period 01 July 2021 – 30 June 2022.
(10) Remuneration details for 2022 for the period 01 July 2021 – 30 June 2022.
(11) Remuneration details for 2022 for the period 01 July 2021 – 08 April 2022.
(12) Remuneration details for 2022 for the period 09 April 2022 – 30 June 2022.
(13) Remuneration details for 2022 for the period 01 July 2021 – 30 June 2022.
(14) Remuneration details for 2022 for the period 27 September 2021 – 30 June 2022.

2021 Notes

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

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 Limited 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

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.

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) $'000	Post Employment Benefits(2) $'000	Total $'000
Jim Soorley	Chairman/Non-Executive Director	**2022**	**88**	**8**	**96**
		2021	88	8	96
Brian Green	Non-Executive Director	**2022**	**45**	**4**	**49**
		2021	49	5	54
Julie-Anne Schafer	Non-Executive Director	**2022**	**41**	**4**	**45**
		2021	45	4	49
Toni Thornton	Non-Executive Director	**2022**	**41**	**4**	**45**
		2021	42	4	46
Christina Sutherland	Non-Executive Director	**2022**	**38**	**4**	**42**
Peter Schmidt	Non-Executive Director	2021	13	1	14
Total 2022		**2022**	**253**	**24**	**277**
Total 2021		**2021**	**237**	**22**	**259**

(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.

Section 8: Other information

Note 21 - Remuneration of auditors

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Audit and other assurance services				
Auditor-General of Queensland (1)	**460**	395	**460**	395
Crowe (2) (4)	**8**	8	**-**	-
PricewaterhouseCoopers (3) (4)	**42**	37	**-**	-
Deloitte (5) (6)	**25**	28	**-**	-
Total audit and other assurance service fees	**535**	468	**460**	395

The amounts above are GST exclusive.

(1) The audit of the 2022 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 the Group's share of audit fees for the Alinta joint venture as advised.
(6) Deloitte completed the 2022 Alinta joint venture financial statements audit.

Note 22 - Commitments

Capital commitments
Commitments are for the acquisition of plant and equipment contracted for at the reporting date. Commitments have increased this year due to the new renewables projects. These are not recognised as liabilities, payable as follows:

	Consolidated		Parent	
Capital commitments	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Property, plant and equipment				
Within one year	**143,636**	20,661	**90,423**	2,944
Later than one year, but no later than five years	**58,690**	17,520	**16,904**	1,196
Total capital commitments	**202,326**	**38,181**	**107,327**	**4,140**

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	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Within one year	**1,694**	229	**1,694**	229
Later than one year, but not later than five years	**335**	237	**335**	237
Later than five years	**10,321**	-	**10,321**	-
Total operating leases	**12,350**	**466**	**12,350**	**466**

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	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Within one year	**245,767**	220,529	**142,502**	133,806
Later than one year, but not later than five years	**992,161**	933,377	**551,989**	561,336
Later than five years	**521,384**	587,084	**326,929**	387,699
Total other expenditure commitments	**1,759,312**	**1,740,990**	**1,021,420**	**1,082,841**

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	
	2022 $	**2021 $**	**2022 $**	**2021 $**
Department of Transport and Main Roads Queensland	**36,401**	34,024	**22,661**	22,491
Queensland Urban Utilities	**-**	285,868	**-**	285,868
Total	**36,401**	**319,892**	**22,661**	**308,359**

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.

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	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	**382,582**	245,067	**382,582**	245,067
Operations and maintenance received from Joint Venture	**-**	-	**51,021**	33,688
Operations and maintenance received from CleanCo TSA	**106**	4,155	**106**	4,155
Interest received on deposits from Queensland Treasury Corporation	**2**	991	**2**	991
Total	**382,690**	**250,213**	**433,711**	**283,901**

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

	Consolidated 2022 $'000	Consolidated 2021 $'000	Parent 2022 $'000	Parent 2021 $'000
Expenses				
Competitive neutrality fee paid to Queensland Treasury	**(5,774)**	(6,174)	**(5,774)**	(6,174)
Interest on Queensland Treasury Corporation borrowings	**(21,473)**	(25,064)	**(21,473)**	(25,064)
Costs paid to State of Queensland controlled entities	**(369,712)**	(155,311)	**(361,094)**	(146,473)
NTER PAYG Instalments received from/paid to Queensland Treasury (1)	**21,478**	(13,866)	**21,478**	(13,866)
Dividends paid to Queensland Treasury	**-**	(73,862)	**-**	(73,862)
Total	**(375,481)**	**(274,277)**	**(366,863)**	**(265,439)**
Assets				
Trade receivables due from subsidiaries	**-**	-	**5,939**	4,062
Trade receivables from State of Queensland controlled entities	**17,543**	4,292	**17,543**	4,292
Advances facility held with Queensland Treasury	**-**	40,158	**-**	40,158
Total	**17,543**	**44,450**	**23,482**	**48,512**
Liabilities				
Trade payables to State of Queensland controlled entities	**63,803**	38,103	**63,548**	37,854
Borrowings from Queensland Treasury Corporation	**891,778**	557,353	**891,778**	557,353
Total	**955,581**	**595,456**	**955,326**	**595,207**

(1) National Tax Equivalent Regime (NTER). Current year included a refund amounting to $27.2 million related to the prior year,

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 and payable to the Parent Entity from other entities in the Group:

	Parent 2022 $'000	Parent 2021 $'000
Balance at 1 July	**584,816**	439,569
Loans advanced	**458,840**	408,312
Loan repayments received	**(777,105)**	(263,065)
Loans payable	**(12,632)**	-
Total	**253,919**	**584,816**

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 2022 (2021 - 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 2022 in respect of:

Contingent assets
Insurance proceeds

The Group 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 Unit C4, 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 Unit C4. CS Energy has notified the Australian Energy Market Operator that the Callide Unit C4 will remain offline for a period of 24 months until 7 April 2023. While the recoverability of insurance proceeds is considered to be probable, the process of submitting and closing out a claim with insurers is progressing, and remains open as at 30 June 2022. The recoverability of insurance proceeds is therefore not virtually certain at 30 June 2022 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 2022 financial year.

Contingent liabilities
Guarantees

Guarantees are issued to third parties to support trading obligations and construction preliminary works. All guarantees are provided in the form of unconditional undertakings provided by Queensland Treasury Corporation. The total value of guarantees issued to third parties was $218.7 million (2021: $157 million). The fair value of these guarantees is $ nil (2021: $ nil).

NEM Interventions

Between 13 and 23 June 2022, AEMO directed up to 10,300 MW of generation to either be made available or generate electricity to maintain sufficient supply to the NEM. In addition, AEMO invoked an Administered Price Cap of $300/MWh and activated demand response through Reliability and Emergency Reserve Trader (RERT) contracts. Affected market participants can make claim to AEMO for additional costs resulting from the reliability interventions between 13 and 23 June. AEMO will subsequently recover proportionate costs from NEM retailers. However, these costs cannot be reliably measured at the date of this report.

PFAS

On 15 December 2021, the Queensland Department of Environment and Science issued CS Energy with an Environmental Evaluation to determine the impact of the historical use of PFAS (Per-and Poly-Fluoroalkyl Substances) at Callide Power Station on the receiving environment.

CS Energy commissioned hydro-geological studies have confirmed PFAS in the groundwater and surface water near the Callide B and Callide C Power Station site. CS Energy is continuing to sample groundwater bores on landholder properties, undertake technical sampling in strategic locations on a quarterly basis and is planning for soil remediation at the power station. CS Energy will incur some additional costs associated with the additional studies and sampling.

Note 25 - Equity accounted investments

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Equity accounted investments	**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.

Note 26 - Investment and interest in subsidiaries

	Consolidated		Parent	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Investment in subsidiaries	-	-	51,815	52,815

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 $60.4 million, of certain property damages and business interruptions. White Rock Insurance (SAC) Ltd (WRI) is a company incorporated in Bermuda.

The 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 the T75 Segregated Cell. CS Energy has funded the initial set-up of the T75 Segregated Cell.

To support initial and ongoing self-insurance activities, CS Energy has provided a parent company guarantee totalling $60.4 million as at 30 June 2022 (2021: $10 million).

The Group has an interest in the following entities:

			2022	2021
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
CSE H2 Pty Ltd	Australia	Ordinary	100	-

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

Note 27 - Joint operations

Incorporated Joint Operations

			2022	2021
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 2022, is equal to the financial position of the entities subject to the Deed of Cross Guarantee. It should be noted that the closed group is covered under the deed except for T75 CS Energy Segregated Cell and CSE H2 Pty Ltd company. CSE H2 Pty Ltd had no financial transactions in 2022.

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 2022.

Directors' declaration

30 June 2022

In the directors' opinion:

(a) The financial statements and notes set out on pages 48 to 106 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 2022 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) 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.

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

James Gerard Soorley
Chairman

Antonia Thornton
Director

Brisbane
26 August 2022

CS Energy Limited (and controlled entities)

Auditor's Independence declaration

for the year ended 30 June 2022

To the Directors of CS Energy Limited

This auditor's 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 2022, 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.

This declaration is in respect of CS Energy Limited and the entities it controlled during the period

IAsim

26 August 2022

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR’S REPORT

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 2022 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 2022, 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 of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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 $1,033.1 million and $215.9 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: o forecasted electricity demand o wholesale electricity prices o renewable energy targets o fuel costs o timing of overhaul and sustaining capital expenditure o planned plant retirements • discount rate The impairment reversal on the Callide B power station of $36.1 million and $97.4 million on the Callide C power station represented the increase in forward electricity prices over the forecast period.	My procedures included, but were not limited to: • assessing the reasonableness of the scenarios and assumptions under which the cashflows are modelled. • assessing the reasonableness of the process applied by management in allocating the probability weightings to each of the price curves. • assessing the reasonableness of the cash flow 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. • evaluate the scope, competency, and objectivity of management's internal experts used to provide the key assumption 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 assessing the reasonableness of: o management's adopted methodology and assumptions in constructing the forward electricity price curve. o discount rate and inflation rates 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 impairment reversal to the group and company assets. • assess the appropriateness of the disclosures included in Note 14 of the financial statements.

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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 $277.9 million is estimated using a discounted cash flow model, which required the exercise of significant judgement in determining the key assumptions supporting the model, including:
• forecasted electricity demand
• 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:
	  o management's adopted methodology and assumptions in constructing the forward electricity price curve.
	  o discount rate applied.

Rehabilitation and site closure provisions
The $192.2 million provision for rehabilitation 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 rehabilitation and decommissioning exists as a result of past events
• forecasting the cost of the required rehabilitation and decommissioning in today's dollars
• estimating the timing of the required rehabilitation and decommissioning
• inflation rate used to escalate the cash flows
• discount rate applied.
	My procedures related to the provision for rehabilitation 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:
	  o the annual assessment of estimated useful lives
	  o management reports and board reports
	  o 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.

CS Energy Limited

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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 methodologies and assessing their appropriateness with reference to accounting standards and 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 unrealised gains or losses on derivatives against equity if the derivatives are designated as effective hedges, or otherwise against profit or loss.	With the assistance of an external specialist, my procedures included, but were not limited to: • assessing the group's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness • assessing the appropriateness of the designation for a sample of derivatives by inspecting the hedge documentation, key terms of the hedging instrument and nature of the hedge relationship • for cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring • testing reconciliations of the cash flow hedge reserve and assessing the appropriateness of the presentation of gains and losses in the income statement. • Assessing the business rules within the hedge accounting system for accuracy and compliance with the requirements of AASB 9.

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Completeness and Accuracy of financial data due to a cyber-attack

Key Audit Matter	How my audit addressed the key audit matter
During the year, CS Energy was the target of a cyber-attack by an external party which disabled the entity's corporate ICT network. In response to the attack, CS Energy segregated the corporate network from other internal networks and enacted its business continuity plan. During the system, CS Energy accounted for the transactions manually. The pervasive nature of the incident, manual record-keeping, subsequent electronic recapturing of transactions and changes to the control environment while the system was not operating increased the risk of account balances and disclosures being incomplete or inaccurate.	My procedures included, but were not limited to: • enquiries with management to understand CS Energy's assessment of the incident, the key financial systems impacted, and the steps taken to respond to the incident • reviewing board minutes and cyber security steering committee minutes in relation to the cyber incident • reviewing the reports of management's external experts on the incident with assistance from our IT specialists. This included understanding the scope of the work performed and resulting findings • discussions with the inhouse legal counsel and reviewing correspondence between CS Energy and the relevant authorities in relation to the incident to ensure CS Energy: o fulfilled their obligation to notify relevant stakeholders o discharged their regulatory responsibilities in relation to the data breach. • reviewing and assessing the effectiveness of management's manual controls and system workarounds while the key financial systems were not operating • confirming the completeness, existence and accuracy of the opening balances in the reinstated finance system • performing additional procedures to ensure the completeness and accuracy of the transactions captured while the system was disrupted and re-keyed into the system once it was restored.

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 2022 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.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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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

26 August 2022

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Glossary and abbreviations

Term	Definition
All Injury Frequency Rate	A rolling 12-month average of the number of injuries per million hours worked.
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.
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.
JKM	The Japan Korea Marker (JKM) is a market value for Liquified Natural Gas (LNG) cargos delivered into Japan, South Korea, China and Taiwan.
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.
Newcastle Coal	The market value for coal loaded at the Newcastle Coal Terminal.
NGER	National Greenhouse and Energy Reporting.
NPAT	Net Profit After Tax.
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.
Scheduled demand	Scheduled demand is used as a basis for calculating the forecast demand used in the central dispatch process to determine regional prices and dispatch targets for scheduled and semi-scheduled generating units and Market Network Service Providers.
Significant Environmental Incidents	Incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
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.

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