Annual Report 2020

Our performance

- Achieved our **safest year on record,** with an All Injury Frequency Rate of 24.2.
- Dispatched more than **11,800 gigawatt hours of electricity** into the National Electricity Market, providing reliable electricity for Australian homes and businesses.
- Declared a **dividend of $74 million** to our owners the Queensland Government to spend on services and infrastructure for the people of Queensland.
- Invested **$147 million in overhauls and capital projects** at our power stations to ensure they operate safely and reliably.
- Added more than **200 megawatts of renewable energy** to our portfolio through new Power Purchase Agreements.
- Maintained **gender pay parity** and our accreditation as a WORK180 Endorsed Employer for Women.
- **Gave back to our local communities** by providing more than $230,000 in sponsorships in the Western Downs and Banana Shire Regional Council areas.

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About this report

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

Each year we prepare a Statement of Corporate Intent (SCI), which outlines our strategies, objectives and targets for the year ahead. This annual report provides a detailed review of CS Energy's performance against our SCI for the financial year ended 30 June 2020 (FY2020).

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

Our purpose

Delivering energy today,
powering your tomorrow.

Since 1997 CS Energy has provided reliable electricity to homes and businesses in the National Electricity Market (NEM).

As the new decade begins, we are 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.

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 more than 550 people who live and work in the Queensland communities where we operate.

Our values

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

Our portfolio

CS Energy provides reliable and competitively priced electricity. We generate and sell electricity in the NEM where we have a trading portfolio of more than 3,500 megawatts (MW).

☆ Power generation
□ Operations and maintenance
◇ Trading rights
△ Renewable offtakes/
Power Purchase Agreements
▨ Alinta Energy 50/50 retail joint venture
■ Large commercial and industrial retail energy
⬡ Coal assets

We operate Kogan Creek and Callide power stations, and trade energy generated by Gladstone Power Station, in excess of the requirements of the Boyne Island aluminium smelter. We provide operations and maintenance services to the Callide C Power Station joint venture and CleanCo's Wivenhoe Power Station.

We're diversifying beyond our traditional business of thermal power generation into other parts of the energy value chain. We have renewable energy offtake arrangements with the Kennedy Energy Park, Moura Solar Farm and Columboola Solar Farm.

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

Our coal assets are Kogan Creek Mine, which supplies coal to Kogan Creek Power Station, and the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla.

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 **Wivenhoe Power Station** (Hydroelectric – 570 MW)
Until mid-FY2021.

4 **Callide C Power Station**

Trading rights

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

Renewable offtakes/Power Purchase Agreements

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

Retail

Alinta Energy 50/50 joint venture
Large commercial and industrial

9 Coal assets

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

Responding to COVID-19

CS Energy's response to COVID-19 focused on keeping our people and communities safe, supporting our customers and maintaining a reliable supply of electricity to the NEM.

We followed the latest advice from the relevant authorities and committed to meeting, to the maximum extent possible, the 10 principles set out in the Australian Energy Regulator's Statement of Expectations of energy businesses released in March 2020.

Looking after the health and wellbeing of our people

CS Energy implemented comprehensive measures to prevent the spread of COVID-19 at our sites, including social distancing, hygiene protocols, education and increased cleaning. We also provided proactive communication to our people about the avenues available to them to support their wellbeing during COVID-19, such as our free Employee Assistance Program and online resources on managing wellbeing. In June we introduced additional COVID-safe measures in preparation for our major overhaul program at Callide Power Station, which brought 200 extra workers to the site. Our Outage Hygiene Management Plan for the overhaul was reviewed by Queensland Health and provided extra controls around lifts, transport, meal breaks, crib huts and contractor accommodation. No positive cases of COVID-19 have been recorded at our sites or office to date. However, strict protocols remain in place to protect our people in the event of a positive COVID-19 diagnosis.

Maintaining electricity supply

The COVID-19 pandemic shone a spotlight on the critical role of essential workers and service providers in the community. CS Energy's power stations have kept generating electricity since the onset of COVID-19, achieving 87.7 per cent availability for the June quarter and helping to power homes and businesses throughout the NEM. We adjusted the operating profile of our plants to assist in preventing unplanned outages and postponed non-critical work that did not impact plant reliability or overhaul readiness. In particular, we deferred the major overhaul program at Callide Power Station by two months so it started in June to avoid the predicted peak of COVID-19 in Australia.

Keeping our business running – from work and home

CS Energy implemented business continuity plans for critical activities at our sites. We moved quickly to segregate our critical operational, maintenance and market trading staff from the rest of the workforce to reduce any potential risk of infection. From March we supported all personnel whose roles are not essential to the generation of electricity to work from home. We utilised video meeting technology and accelerated the rollout of software collaboration tools to enable our people to work effectively from home and stay connected with their colleagues. The majority of our power station workers are now back on site and we are transitioning our Brisbane employees back to the office in a phased process. Where possible, we have offered our employees the opportunity to continue working some of their hours from home to capture the mutual benefits of the new ways of working during the lockdown.

Supporting our customers

Our customers are large organisations in the commercial and industrial retail market in Queensland. As a foundation signatory to the Energy Charter, CS Energy is committed to putting customers at the centre of our business. We provided regular updates to customers about our business response to the pandemic and offered assistance if they were experiencing financial difficulties due to COVID-19. We helped our customers to familiarise themselves with government support measures of relevance to them, such as the Queensland Government's $500 rebate on energy bills for small and medium businesses and the Industry Support Package to assist large businesses.

Backing our local communities

Our response to COVID-19 recognised both the health and economic impacts of the pandemic in the community. The comprehensive health and hygiene measures at our sites were designed to protect not just our people, but also provide a key line of defence against community transmission. As the economic impact of COVID-19 in Australia became clear, we shortened payment terms for our suppliers who are small to medium businesses. We introduced 14-days default payment terms for the more than 1,000 small and medium enterprises (SMEs) that we use, helping them to better manage their cashflows. We refocused our procurement efforts to ensure that we secure at least 30 per cent of our goods and services from SMEs, many of which are in the communities where our power stations are located. CS Energy also guaranteed wages for our casual contractors if they caught coronavirus or had to self-isolate and offered rent relief to our tenants if they were experiencing financial hardship.

CS Energy implemented **business continuity plans** for critical activities at our sites

Chairman's message

CS Energy delivered strong returns in FY2020 for our shareholders and the people of Queensland.

As one of three Queensland publicly-owned generators, CS Energy provides competitively-priced and reliable energy for Queenslanders. We are proud of the contribution that we make to the economy by powering some of the state's biggest industries and employers.

Our power stations also export a significant amount of energy into New South Wales and help underpin security of supply in the NEM.

Financial performance

CS Energy's underlying earnings have remained strong but were down on last year due to declining pool prices and reduced plant availability. Queenslanders have had the lowest average wholesale electricity prices in the NEM for the past three years and this is reflected in the state's average spot price in FY2020 of $53.41/MWh.

The reduction in plant availability was largely the result of a significant overhaul program at our Callide and Kogan Creek power stations carried out in the first half of the year. We invested $146.6 million in overhauls and capital projects to ensure our power stations continue to operate safely, efficiently and reliably.

Our hedging activities helped minimise our exposure to the market conditions, resulting in CS Energy recording an underlying EBITDA of $309.5 million in FY2020 (2019: $479.6 million).

A forecast reduction in future electricity prices saw CS Energy recognise the partial impairment of the Callide B and C generating units of $191.7 million and $161.7 million respectively. This, coupled with other accounting adjustments, resulted in a net loss after tax of $77.6 million in FY2020.

Despite this, our underlying earnings result enabled CS Energy to provide for a dividend of $73.9 million to our owner the Queensland Government. Dividends from CS Energy and other government corporations are invested back into essential infrastructure and services for the people of Queensland.

We are continuing to make investments in our trading and retail systems to support our goal of becoming a fully integrated energy business. We are already seeing the benefits of this investment with improvements in revenues being realised in our trading performance.

Proposed class action

On 18 June 2020, law firm Piper Alderman announced that it was representing group members in a proposed class action proceeding against CS Energy related to the price of electricity. We are extremely disappointed by this proposed class action and its privately-funded backers, LCM Finance. We are particularly concerned on behalf of all Queensland consumers about some of the promises being made to vulnerable families by a privately-funded class action in what has been a tough year for many.

No formal notification has been received from Piper Alderman and consequently no such proceeding has yet been commenced. CS Energy will vigorously defend the class action if it does proceed. Any potential liability and costs of the proposed proceeding cannot be assessed at this time.

Supporting the community during COVID-19

As CS Energy implemented our business and customer response to COVID-19, we quickly realised that we had an important role to play in supporting our local communities during this challenging period.

In March 2020 we brought forward our spending by shortening our payment terms for small and medium enterprises (SMEs) from 30-days to 14-days. SMEs are the backbone of the Queensland economy and assist supply chains for larger organisations. Shortening our payment terms is just one small way that CS Energy can help SMEs manage their cashflow during this period.

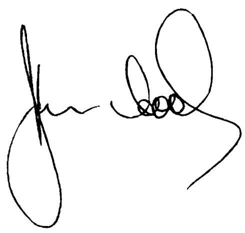
In other support measures, we guaranteed wages for our casual contractor workforce if they caught COVID-19 or had to self-isolate, and offered rent relief to our leasehold tenants on the Western Downs. These measures were in addition to our annual community sponsorships and donations, which in FY2020 totalled more than $230,000. We also donated $87,000 to many worthy causes such as bushfire relief.

In further recognition of the impact of COVID-19 on Queenslanders and the state economy, CS Energy's Executive Leadership Team (ELT) will not receive a wage increase in FY2021 or performance incentive payments. This was a decision that the ELT made prior to the Queensland Government's announcement in June 2020 of a 12-month wage freeze that will apply to all government owned corporations, and is consistent with this approach.

Acknowledgements

Thank you to my fellow directors and the CS Energy ELT for your support and advice as we guide the business through this unprecedented period. Thank you in particular to CS Energy's employees for your incredible work over the past year, particularly in responding to COVID-19.

Moving forward, our number one priority, as always, is to safely deliver reliable and competitively-priced electricity to power our economy.



Jim Soorley
Chairman

We quickly realised we had an important role to play in **supporting our local communities** during this challenging period

Key performance indicators

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

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

In our FY2020 SCI, CS Energy committed to achieving the following targets.

Summary of performance against FY2020 targets

Category	Measure[1]	FY2019 Actual	FY2020 Target	FY2020 Actual
Safety	All Injury Frequency Rate (AIFR)[2]	31.8	≤30	24.2
Environmental	Significant Environmental Incidents (SEI)	0	0	0
Financial	Return on Gross Fixed Assets (%) (ROGFA)[3]	17.6	12.9	12.1
Financial	Free Cash Flow Yield (%) (FCFY)[2]	13.1	5.7	4.1
Thermal plant	Equivalent Availability Factor (%) (EAF)	87.1	78.3	75.6

1 Please refer to our glossary for definitions of each measure.

2 AIFR is a rolling 12-month target based on the rate of injuries per one million hours worked.

3 The ROGFA and FCFY targets for FY2020 are 12.9 per cent and 5.7 per cent, respectively, which are the yearly percentages of the four-year rolling average ROGFA (15.5 per cent) and the FCFY (11.3 per cent).

CEO's review

In FY2020, CS Energy became a safer, more agile business delivering flexible energy solutions for our customers.

As Australia's shift to renewable energy accelerated this year, CS Energy made significant progress in delivering on our strategy to become an integrated energy player.

We recorded another year of solid returns for our shareholders, which was achieved against a backdrop of reduced plant availability and challenging market conditions.

CS Energy also reacted quickly as COVID-19 ushered in enormous changes to how Australians live and work, by continuing to provide reliable, competitively priced electricity to our customers while keeping our people and communities safe.

On a personal note, this was a year when I became one of the thousands of Australian men who are prostate cancer survivors. My cancer was picked up during a routine health screening, which was provided as part of a CS Energy health and wellbeing program.

When I joined CS Energy a couple of years ago, I was impressed by the suite of employee health initiatives. I told the Health and Safety team that the programs were "potentially lifesaving". I could not have foreseen that one of the lives saved would be mine.

My cancer was diagnosed early and I have recovered well. Many people are not so lucky, so I remind anyone reading this column that your health is paramount. Pay attention to your wellbeing and make sure you have regular health checks.

Health and safety

This year CS Energy bettered our historic safety performance in FY2019 to achieve our lowest ever All Injury Frequency Rate (24.2) and meet our key safety metric of an AIFR of less than 30. Behavioural safety, supervisor training, hazard and personal risk assessment have all been focus areas that contributed to this result.

Our early response to COVID-19 demonstrated the priority that CS Energy places on the health and safety of people at our sites. From January we began informing our people of the risks from COVID-19 and ensuring that we were prepared for a pandemic.

As the pandemic became a reality, CS Energy introduced social distancing and hygiene controls at our sites, and gave employees the resources and support required if their roles were able to be carried out from home. What was particularly pleasing was the speed at which we implemented fundamental changes to how we work and operate – which is a skill we will need to develop further given the pace of change occurring in the energy market.

We implemented our business continuity plans for critical activities and restricted access to key areas of our power stations such as control rooms. Critical operational and maintenance staff were segregated to reduce any potential risk of infection.

In April we made the tough decision to delay our Callide major overhaul program by several months to ensure that it did not coincide with the then predicted peak of COVID-19 infections in Australia. Once we commenced the Callide overhauls in mid-June, we did so working closely with Queensland Health on extra COVID-safe measures to keep overhaul workers and the local community safe.

Like so many organisations around the country, social distancing has now become how we do business at CS Energy. We have remained connected as a workforce by embracing technology such as video conferencing and collaboration apps, recognising that this could be our 'new normal' for quite some time.

Business performance

CS Energy delivered a strong financial result in FY2020, despite the impact of a major overhaul program, COVID-19 and lower pool prices.

While a number of challenging trends in electricity prices and demand were already developing before COVID-19, the pandemic has strongly impacted global energy commodity usage and pricing. This has flowed into the domestic energy market, with lower gas prices and increased competitiveness of gas generation, resulting in lower utilisation of coal fired assets in the NEM.

The shift towards renewables also continued at a rapid pace, with 625 megawatts of large scale renewables coming online during the year and the penetration of rooftop solar growing, reducing daytime demand.

Our forward contracting activity reduced CS Energy's exposure to conditions in the spot market, resulting in positive underlying earnings and enabling us to provide for a dividend of $73.9 million for our shareholders.

Our plant availability was 75.6 per cent for FY2020 against a target of 78.3 per cent, largely as a result of a significant planned overhaul program, along with several unplanned boiler tube leaks.

CS Energy's mixed portfolio positions us well in the market as customers seek to reduce their carbon footprint with **firmed, cost-effective energy**

We progressed our asset flexibility testing program, with the first modification work scheduled for Callide Unit B1 in early FY2021. This work will be critical in the coming years as solar continues to carve out daytime demand, meaning CS Energy's thermal general assets must be available when the market needs them most – in the morning and evening peak demand periods.

Diversification progress

Our future energy work is the centrepiece of our diversification efforts to achieve a commercially sustainable future for CS Energy. We are transitioning from being a wholesale energy generator to a customer-focused energy business.

CS Energy's mixed portfolio of thermal generation assets and our growing number of renewable energy offtakes positions us well in the market as customers seek to reduce their carbon footprint with firmed, cost-effective energy.

This year we grew our customer base in Queensland's large commercial and industrial retail market, differentiating ourselves as a provider of customised energy solutions. We expanded our offering by providing blended renewable, electrical vehicle charging and demand management products.

An independent survey of our retail customers this year ranked CS Energy's overall service performance as 8.23 out of 10 against an industry average of 6.17 out of 10, which is a fantastic result for our new retail team.

We must continue to get closer to our customers, not just because it makes good business sense, but because it is part of our commitment as a foundation signatory to The Energy Charter.

In FY2020 we also partnered with QUT and others in an $8.5 million research and development project to produce hydrogen from renewable energy in Brisbane. CS Energy is excited to be involved in this innovative project assessing a clean energy fuel of the future which also aligns with our long-term business objectives and will help Queensland transition to a renewable energy future.

People and culture

This year we continued to build a more inclusive and diverse workforce. We moved closer to achieving our 2022 gender diversity targets, with women representing 22 per cent of the workforce, holding nine per cent of non-traditional roles (target of 10 per cent by 2022) and being placed in more than half of the leadership roles we recruited for in FY2020.

Our efforts to build a more constructive culture are also coming to fruition, with results from two internal surveys this year showing a positive shift in our culture, particularly in downward communication.

I am particularly proud of CS Energy's ongoing ability to offer young people a start to their career in the energy industry, at a time when the employment market is challenging for this generation. This year four engineering graduates and seven apprentices and trainees started with the business, and we are recruiting for more apprentices and trainees in FY2021.

Acknowledgements

I would like to thank everyone for responding so effectively to the challenges of COVID-19 and remaining focused on delivering safe, reliable and competitively priced energy to our customers and communities this year. Thank you also to the Board for your guidance and leadership.

Andrew Bills
CEO

Our strategy

Our refreshed strategy launched in FY2019, builds on our purpose of *Delivering energy today, powering your tomorrow.*

With continuing uncertainty in the market, our strategy is more important than ever and we have made significant progress in delivering on our objectives.

The market themes we identified in explaining the rationale for our strategy continued to play out during FY2020. These included increasing amounts of large and small scale renewable generation, the growing role of technology and more sophisticated and involved consumers. While some of these themes progressed as expected, others changed pace dramatically over the year.

One of those trends that changed significantly in FY2020 was the decline in commodity prices, in particular gas prices, which resulted in an increase in gas-fired generation. COVID-19 was a significant driver of change in electricity prices, energy consumption patterns and increased focus on technology in the second half of the year.

Notwithstanding the continually changing energy landscape, our focus remains on running a successful thermal generation business and evolving into a diversified energy business. Our strategy remains valid, and we have adapted our response based on the changing pace across the market, including specific actions we took in response to COVID-19.

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**

FY2020 strategic highlights

Strategic priority	Focus areas	FY2020 achievements
Strengthen our foundations	**Safety, people, culture, community and environment are at the core of everything we do.**	• Lowest ever All Time Injury Frequency Rate. • Continued positive shift in our culture. • Zero Significant Environmental Incidents. • Invested in our communities through sponsorships and donations. ▶ **See page 12**
Optimise our assets	**How we operate our assets is rapidly changing as energy demand changes due to renewables. Flexibility, reliability and cost must be optimised to provide the best commercial outcome.**	• Accelerated our plant flexibility program. • Major overhauls at Kogan Creek and Callide power stations. • Formed Asset Management Alliance with Downer to drive plant reliability. • Improved our data and analytics capability. ▶ **See page 18**
Maximise our returns	**We must run a commercially competitive business, with a strong cost focus and a disciplined approach to investment decisions.**	• Continued strong underlying earnings enabled us to provide a dividend. • Forward contracts reduced our exposure to pool price volatility. • Retail business delivering value. ▶ **See page 21**
Deliver future energy	**Pursuing diversification opportunities that expand our customer base, leverage technology and renewables, and respond to opportunities in distributed generation.**	• Grew our large commercial and industrial market share in Queensland and Alinta JV mass market footprint in SEQ. • Expanded our offering to customers to include blended renewable and electrical vehicle charging products. • Signed new renewable power purchase agreements. • Funded multi-party hydrogen R&D project. ▶ **See page 27**

Strengthen our foundations

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

FY2020 at a glance:

- Achieved our lowest ever All Time Injury Frequency Rate of 24.2.
- Increased the proportion of women working in leadership and non-traditional roles.
- Results from internal surveys showed a continued positive shift in our culture.
- Met our target of zero Significant Environmental Incidents.
- Invested more than $230,000 in sponsorships in the local communities surrounding our operations.

Health and safety

Our growing safety maturity saw CS Energy meet our key safety target and achieve our safest year on record.

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

Since 2017 we have executed a four-part health and safety strategy that focuses on injury and illness prevention, leadership and culture, fit and healthy people and simple systems. The strategy has driven significant improvements in our safety culture, practices and performance, which continued in FY2020.

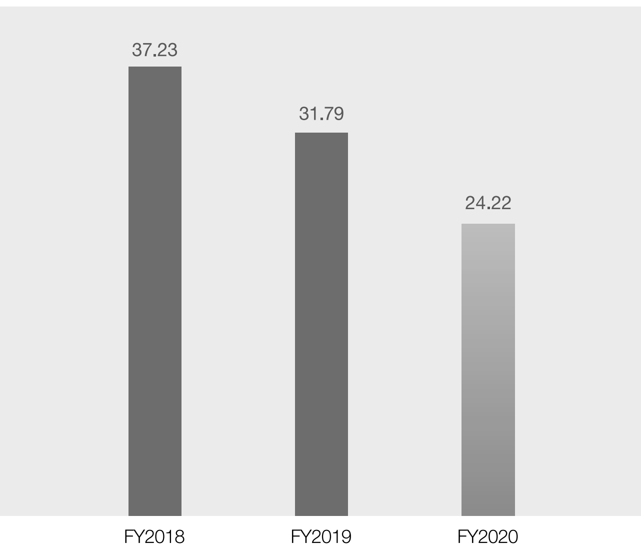
Injury and illness prevention

CS Energy recorded an All Injury Frequency Rate (AIFR) of 24.2 against a target of less than 30 in FY2020. This is the first time since reporting began that CS Energy has met our AIFR target and reflects how initiatives such as the CODE behavioural safety program have been embraced by our workforce.

CS Energy's number one priority in responding to the COVID-19 pandemic was ensuring the safety of our employees, contractors and local communities. Our comprehensive response included social distancing, hygiene protocols, education and increased cleaning. At time of writing there had been no COVID-19 cases at CS Energy sites.

We also continued to embed process safety into our business, consolidating process safety risks with our broader health and safety risks and establishing a Process Safety Frequency Rate metric to effectively measure our performance.

All injury frequency rate



Safety leadership and culture

At CS Energy we believe that our safety culture is determined by a combination of people, environment, and practices, which are held together by the 'glue' of strong leadership. We provide the 'CODE' behavioural safety program to all employees and permanent contractors, along with additional training for our leaders. CODE, which CS Energy developed in conjunction with Sentis, applies psychology to motivate people to place safety at the forefront of every decision that they make in the workplace. The program has led to significant improvements in our safety culture and performance since its introduction in 2017 and was a finalist in the Australian Psychological Society's Workplace Excellence Awards in September 2019.

Fit and healthy people

We have a responsibility to provide a safe workplace where our people are protected from the health and hygiene hazards associated with their work. In addition to our routine health hazard monitoring on our sites, this year CS Energy worked with representatives across the Queensland energy industry to better understand potential health hazards present during our overhauls and ensure we have robust controls.

CS Energy has processes in place to manage the risks from fatigue, alcohol and drugs, including maximum hours of work and random alcohol and drug testing. We consulted extensively with our employees and union stakeholders during FY2020 in order to introduce an updated alcohol and other drugs testing program in early FY2021.

We also provide a range of programs to help our people pursue a healthy, happy lifestyle including free counselling, flu vaccinations and skin cancer checks. With many of our employees either working from home or working differently to limit contact between teams during the COVID-19 lockdown, we adopted initiatives such as virtual ergonomic assessments of home offices and daily mental wellbeing check-ins.

Simple systems

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

This year, we released the second edition of our Health and Safety Handbook, which is the core tool that our people use to work safely at CS Energy. This revision included key changes in legislation and procedures, plus the inclusion of process safety and the transport 'Chain of Responsibility'. We also developed Standard Work Instructions and began using them across our sites to improve the way we assess risks.

The establishment of our Asset Management Alliance with Downer facilitated collaboration on safety system planning, management and reporting for overhauls. Additional projects in data reporting, recording and dashboarding were initiated to improve reporting and reduce double handling of data between the alliance partners on projects.

Our people

Despite the challenges of responding to COVID-19, we continued to build a more inclusive and diverse workplace and provide our people with the tools they need to deliver our strategy.

CS Energy is focused on attracting, retaining and developing a skilled workforce to achieve a safe, constructive and high-performance culture. At the end of FY2020, we employed 557 people across Queensland (548.45 full-time equivalents).

This year we continued our suite of cultural improvement, learning, and inclusion and diversity initiatives. We also held our second Hack Day to promote collaboration and innovation, and fostered the next generation of the energy industry through our graduate, apprentice and trainee programs.

Supporting our people and business continuity

Significant effort was dedicated to managing our response to COVID-19. We consulted with employees and unions to successfully develop a response plan for all CS Energy sites, ensuring we could continue to generate electricity while complying with directives from State and Federal governments.

During the June quarter large parts of our organisation worked from home while workers critical to the ongoing operation of our power stations worked at our sites. CS Energy utilised video and new collaboration software to enable our people to work effectively from home and stay connected with their colleagues.

As the pandemic eased in Queensland in June, most of our power station workers returned to site and transition plans were put in place for a phased return of our Brisbane employees to the office. Learnings from remote working are being implemented as we transition to new ways of working.

Continued positive shifts in our culture

At CS Energy we believe that the health of our organisational culture has a direct impact on our company performance and our ability to achieve our strategic priorities. Over the past five years, we have worked to build a constructive, high performance culture based on the Human Synergistics cultural model and monitor our progress with regular employee surveys.

Results from two internal 'pulse surveys' conducted in FY2020 showed a positive shift in our culture, particularly in downward communication which was a key area for improvement identified in previous surveys. In FY2021 we will respond to opportunities for improvement in recognising outstanding individual performance and articulating our strategy to our employees.

Embedding inclusion and diversity

Since 2016 we have increased our efforts to foster inclusion and diversity at CS Energy. We believe that building a workplace that better reflects the communities in which we operate is not just the right thing to do, it also leads to greater innovation and improved business performance.

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

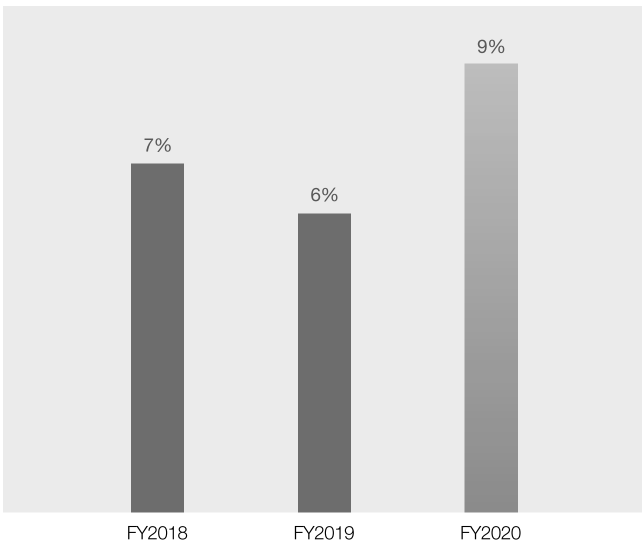
Attracting a steady increase in the number of women working at CS Energy in the past 12 months saw us move closer to achieving our 2022 gender diversity targets. Women represent 22 per cent of the workforce (target of 26 per cent), hold nine per cent of non-traditional roles (target of 10 per cent by 2022) and were placed in more than half of the leadership roles that we recruited for in FY2020. Following engagement with our employees, we refreshed our Inclusion and Diversity Framework, creating two key bodies:

- An **Inclusion and Diversity Leadership Team,** comprising of senior leaders in the business, which is responsible for defining our approach to inclusion and diversity, and setting the strategic direction and goals.
- **Inclusion and Diversity Support Networks** at each site, which include employees and leaders who work to raise awareness of inclusion and diversity, share employee ideas and insights, and support initiatives and events.

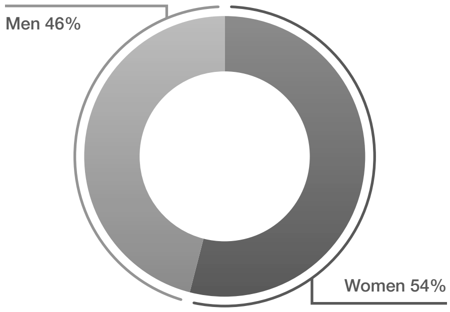
The proportion of Indigenous employees in the business is 0.9 per cent against a target of 3 per cent by 2022. In FY2021 we will work to address this by developing community partnerships, cultural awareness training and a pilot Indigenous mentoring program.

In FY2021 we will also enhance our workforce's understanding of inclusion and diversity, its link to a safe and high-performance culture and the importance of leaders in role modelling more inclusive practices.

Women in Non Traditional Roles



FY2020 Leadership Hires by Gender



Hack Day drives innovation

In February 2020 we held our second annual Hack Day to foster collaboration and innovation among our workforce. This year's event focused on improving efficiency by encouraging participants to either eliminate a process, make it more efficient or develop a new process that will create value for the business.

Seventeen ideas presented at the 2020 Hack Day were selected for implementation at a cost of $1.4 million and an estimated return of $3.5 million. Among the successful ideas were streamlined procure to pay and permit to work processes, reduced air-cooled fan servicing costs at Kogan Creek Power Station and trucking of bottom ash at Callide Power Station.

Providing learning and development opportunities

Our Learning Strategy balances technical and compliance training with organisational capability development that focuses on behaviours, mindset, professionalism and emotional intelligence. Priority learning and development for our business includes entry level development, compliance based training, leadership development, operator capability and embedding the safety cultural improvement program.

We quickly adjusted our training and development programs in response to COVID-19 to provide alternative delivery methods such as online learning, webinars and video tutorials. There was an enhanced focus on leadership development during and post COVID-19, which will continue into the recovery and reboot phase.

In FY2021, 'Rise', a Resilience at Work program will be rolled out to strengthen the wellbeing of employees in response to COVID-19 and the challenges CS Energy faces in the changing energy market. We will also enhance our online offerings and adopt a blended learning style that balances new technologies and face-to-face learning.

Developing our graduates, apprentices and trainees

The CS Energy Graduate Program aims to help graduates bridge the gap between university and working life. Four engineering graduates commenced our two-year graduate program in FY2020 and will rotate across each of our sites. Two of the successful candidates participated in our undergraduate vacation practice program, which is designed to attract future engineers to the business and serve as a pipeline to the Graduate Program.

Our apprenticeship and trainee programs contribute to the future talent pool of the energy industry and provide employment opportunities in the regions in which we operate. Our intake this year comprised four mechanical apprentices at Callide Power Station and three business administration trainees at our Brisbane Office. We also recruited for two business administration trainees to commence at Callide in FY2021.

Laying the groundwork for a just transition at Callide

Coal-fired generators must begin to develop more flexible operations to enable them to continue to operate sustainably as long as possible.

CS Energy is committed to working with our employees and other key stakeholders to ensure a smooth transition when our oldest power station Callide B is eventually closed. Callide B Power Station was commissioned in 1988 and has an expected technical life of 40 years.

The final decision regarding the closure of Callide B will be made by our owners the Queensland Government. We are a member of the Energy Skills Advisory Committee under the auspices of the Just Transition Group – a Ministerial Advisory Committee established by the Queensland Government to support workers and communities affected by the transition of the energy sector.

The Just Transition Group endorsed the formation of a smaller Biloela Working Group as a case study for assessing potential approaches to supporting workforces and communities experiencing energy-related economic transitions. The Biloela Working Group membership includes a range of stakeholders such as the Callide Power Station General Manager, Banana Shire Council Mayor, and community and local business representatives.

Enterprise agreements

CS Energy maintains separate enterprise agreements for each of our power station sites 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.

Negotiations for a new CS Energy Corporate Office Enterprise Agreement commenced during the year, with the current agreement expiring in February 2020. In February 2020, CS Energy reached in-principle agreement with unions for a new Corporate Office Enterprise Agreement. The new Agreement will be voted on by employees and provided to the Fair Work Commission for approval, following approval by the Queensland Government's Cabinet Budget Review Committee.

Negotiations also commenced during the year for a new Kogan Creek Power Station Enterprise Agreement, to replace the previous agreement that expired on 31 July 2020.

CS Energy employees employed under the CS Energy Wivenhoe Power Station Enterprise Agreement 2018 will transfer to CleanCo on 1 November 2020. Upon transfer they will maintain their existing conditions, including no forced redundancies.

Environment

We installed new technology at our power stations to provide us with more accurate and reliable information about our emissions.

CS Energy's environmental performance is directly linked to our social licence to operate. We take our environmental responsibilities extremely seriously and focus not just on compliance, but on continuous improvement.

In FY2020 CS Energy successfully maintained certification to the international environmental standard ISO 14001:2015. We also refreshed our Environment Policy and commenced a rehabilitation study in support of ongoing vegetation rehabilitation at our Kogan Creek Mine site.

Our environmental framework

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

CS Energy's updated Environment Policy outlines how we manage our business to minimise our impact on the environment and recognises that CS Energy has a role to play in helping transition Australia towards a lower carbon future. The Board-approved policy has clear links to CS Energy's Code of Conduct and empowers all employees and contractors to report any environmental incident or concern to their supervisor.

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

Monitoring our impact

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

Our main environment target is zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. In FY2020 CS Energy achieved our environment target of no Significant Environmental Incidents.

Improving our emissions monitoring

CS Energy controls and monitors the emissions produced at our power stations from the coal-fired electricity generation process. We report our emissions to the National Pollutant Inventory (NPI) and the Clean Energy Regulator's National Greenhouse and Energy Reporting Scheme who publish emissions data on their websites for relevant companies and facilities in Australia. CS Energy's FY2020 emissions data is expected to be published on the NPI and Clean Energy Regulator's websites in the first half of 2021 as part of their annual reporting cycles.

In FY2020 we updated the equipment and methodology that we use for reporting our NPI emissions such as nitrogen oxides and particulate matter. New continuous emissions monitoring systems (CEMS) technology was installed at Kogan Creek and Callide C power stations. The CEMS provides more accurate and reliable information about our emissions, and enabled us to improve how we calculate our NPI data.

Using water efficiently

Water is a vital input to the electricity generation process at CS Energy's power stations. We use a combination of recycled, raw and town water, and have water management strategies to ensure the sustainable and efficient use of this precious resource.

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

Since 2016, an onsite water clarification plant has recycled stormwater for use in plant operations at Kogan Creek Power Station, resulting in a 20 per cent annual reduction in bore water use. The power station can also treat additional sources of water for use in the boiler, where high quality water is required, providing a back-up water source in the event of drought or a bore failure.

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

In December 2019, CS Energy supported local drought relief efforts by donating surplus water from Callide Power Station to farmers and graziers that have the pipelines crossing their properties. The surplus water was available as a one-time offer and was due to reduced water requirements at Callide Power Station in FY2020. CS Energy made a total of 100 megalitres available, with a maximum of two megalitres per landowner.

Strengthening our ash management practices

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

In FY2020 a $10.75 million project was completed to build a new ash storage facility for Kogan Creek Power Station to replace an older ash cell that was nearing capacity. The new Kogan Creek ash cell was constructed as a partially lined structure according to a design approved by the Department of Environment and Science. The liner minimises seepage through the floor area of the structure and the choice of liner accommodates settlement of the structure at capacity.

Sustainable practices at Kogan Creek Mine

Innovative techniques were used to revegetate an old levee at the Kogan Creek Mine during the year. The custom rehabilitation plan included trucking in composted green waste from Brisbane and Ipswich City Council areas, and incorporated a carefully selected seed blend of pasture grasses, legumes and local occurring native species. Monitoring of the site is ongoing.

Also during FY2020, CS Energy finalised plans to reduce Kogan Creek Mine's reliance on diesel as a fuel and therefore emissions, by installing solar panels and a battery system. Works will begin in FY2021.

Community

We invested more than $230,000 in community sponsorships and backed our communities as the economic impact of COVID-19 became clear.

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

In FY2020 we contributed to local communities through our core philanthropy and sponsorship programs, and introduced targeted measures to support our stakeholders who were most impacted by COVID-19.

Stepping up for our communities during COVID-19

We provided regular communication to communities about our response to the pandemic so they could be assured that we had adequate measures in place and that electricity generation was continuing at our sites.

In recognition of the impact of COVID-19 on our small and medium suppliers' cashflow, we shortened their payment terms from 30-days to 14-days. We also refocused our procurement efforts to ensure we secured at least 30 per cent of our goods and services from small and medium businesses, many of which are in our regions.

Other support measures included guaranteeing paid leave for our casual contractors if their employers did not have provisions in place and offering rent relief to our tenants in line with the Queensland Government's Rent Relief Principles.

Community sponsorships

Our Community Sponsorships Program is awarded in two rounds per financial year. Our sponsorships typically range from $1,000 to $20,000 and are awarded to projects that we believe will have a lasting, positive impact on the community.

Since our community sponsorships program started in 2018, we have invested more than $400,000 in the regions that host our operations. To be eligible for a sponsorship, community projects or events must align with one or more of our five investment areas of focus:

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

In FY2020, CS Energy invested $233,650 in community sponsorships across 28 groups in the Banana Shire, Western Downs and Brisbane. A full list of sponsored projects is available on our website.

Donations

During the year CS Energy made financial donations totalling more than $87,000 to many worthy causes such as the Children's Hospital Foundation and bushfire relief from the Australian Red Cross and the Salvation Army.

A large proportion of our charitable donations were funded by proceeds from the sale of scrap metal at Kogan Creek Power Station. Nine local charities shared in one-off charitable donations including Drought Angels, LifeFlight Darling Downs and South West, and the Country Women's Association Public Rural Crisis Fund. More information on our charitable donations is available on our website.

We also supported drought relief by donating surplus water from the Callide Power Station to farmers and graziers that have the Stag Creek and Awoonga-Callide pipelines crossing their property (refer to page 16).

CS Energy employees donated more than $10,000 to our workplace giving program, *Generosity* in FY2020. Since the program's inception in 2009, employees have generously donated more than $350,000 to our nine partner charities: Capricorn Helicopter Rescue, Angel Flight, Cancer Council Queensland, Blue Care, Hear and Say Centre, Greening Australia, Hannah's House, Cerebral Palsy League of Queensland and the National Heart Foundation.

Optimise our assets

How we operate our assets is rapidly changing as energy demand changes due to renewables. Flexibility, reliability and cost must be optimised to provide the best commercial outcome.

FY2020 at a glance:

- Progressed our asset flexibility testing and plant works program.
- Conducted major overhauls at Kogan Creek and Callide power stations.
- Formed Asset Management Alliance with Downer to drive plant reliability.
- Improved our data and analytics capability for predicting and preventing plant issues.

Operating assets

We completed one of our largest ever overhaul programs and advanced our asset flexibility program.

CS Energy sells electricity into the NEM from the power stations that we own, along with electricity generated by others that we hold the trading rights to.

The strategic priority of *Optimise our assets* is about how CS Energy adapts to the rapidly changing energy market. As more renewable energy comes online, there is less need for coal-fired generation in the middle of the day, but demand rapidly increases in the evening when solar is no longer available.

CS Energy's assets must be flexible, reliable and low cost to remain competitive in this market. Our priority is ensuring that our generating units are available when the market needs them most – in the morning and evening peak demand periods.

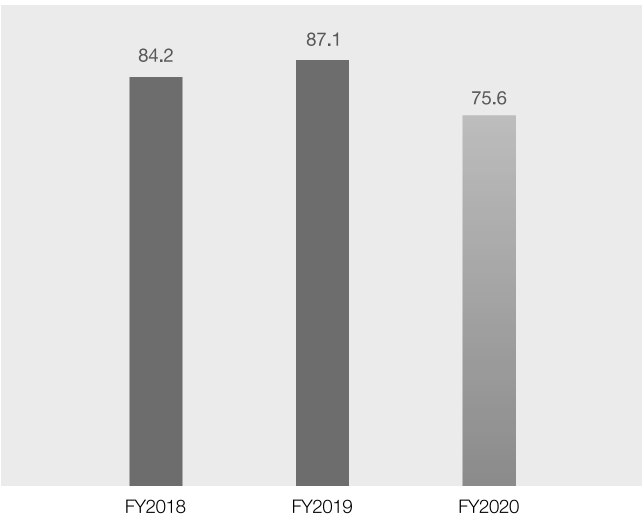
Plant performance

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

The pumped storage hydro Wivenhoe Power Station transferred to Queensland Government-owned electricity generator CleanCo on 31 October 2019, and while we have the trading rights for Gladstone Power Station (in excess of the requirements of the Boyne Island aluminium smelter) we do not own or operate that power station.

Availability for our operating assets in FY2020 was 75.6 per cent against a target of 78.3 per cent due to delays in the return to service of two units from overhauls in the first half of the year and unplanned outages caused by boiler tube leaks.

Thermal Plant Availability (%)



Availability was higher in the second half of the year, with our portfolio achieving 87.7 per cent availability for the March quarter when demand was higher due to hot weather. During the pandemic we segregated critical operational and maintenance employees at our power stations and adjusted the operating profile of our plants to assist in preventing unplanned outages.

We continued to improve how we use plant data to identify, track and respond to the issues impacting availability. Our new 'SmartHub' became operational at year-end, providing data and insights that will be used in FY2021 to better predict and prevent plant reliability issues.

Overhauls and maintenance

In FY2020 we carried out two of the largest and most complex overhauls in the history of the business at Kogan Creek and Callide power stations.

The Kogan Creek Power Station overhaul brought more than 400 temporary contractors to site for an extensive program of works, including the replacement of the horizontal reheater and an inspection of the low pressure turbine. This was followed by a major overhaul of Unit C3 at Callide Power Station, which created work for more than 300 short-term contractors and included a turbine upgrade to increase the unit's capacity by 15 MW to 420 MW – enough to power an additional 20,000 homes.

Despite post overhaul reliability being lower than anticipated due to forced outages, these overhauls addressed critical plant risks such as combustion stability, burner life and boiler element wear. The reduction of these risks is essential to maintain long term reliability.

CS Energy postponed a $60 million overhaul program of Units B1 and C4 at Callide Power Station in April so that it did not coincide with the predicted peak period of COVID-19 in Australia. The overhaul program started in June and will continue until November 2020 with strict hygiene and safety measures in place.

CS Energy appointed Downer as our alliance partner to carry out our overhaul and capital works program over the next five years. We have entered into an alliance agreement with Downer to help us achieve greater consistency in overhaul quality, safety and cost across our portfolio. The Callide Unit B1 and Unit C4 overhauls are the first to be delivered under the alliance agreement.

CS Energy's assets must be **flexible, reliable and low cost** to remain competitive in this market

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

Increasing our plant flexibility

The changing demand patterns in the NEM mean our units need to operate more flexibly – ramping up or down in response to demand, and operating at lower loads for longer, something they weren't originally designed to do.

Building on initial tests in FY2019, this year we conducted further plant flexibility trials and scoped the modifications needed to improve unit stability at lower loads and during load changes. The first modifications will be the installation of air atomised igniters at Callide Power Station's Unit B1 during its overhaul in the first half of FY2021. It is planned to operate this unit in a different manner following the overhaul to take full advantage of the improved flexibility provided by the air atomised igniters.

Kogan Creek Power Station embarked on an Australian-first by injecting a new surface active chemical, Anodamine, into the boiler steam circuit. Anodamine forms a protective barrier on metal surfaces throughout the steam water cycle. The product allows quicker responses to changes in demand, improves plant flexibility and provides protection of the boiler from internal corrosion during unit operation and when offline.

The end of the financial year saw creation of an Asset Optimisation team, and the appointment of a Plant Flexibility Engineer as a full-time resource within that team. This reassignment of resources emphasises the importance of flexible plant, and will establish and promote the plant flexibility program within CS Energy. Together with the support of our Business Transformation team, the next year should see our plants beginning to operate in a more flexible manner.

Managing our coal and water supplies

Coal and water are essential inputs to the electricity generation process. Our supply arrangements for coal and water play an important role in the commercial performance of our portfolio and competitiveness in the NEM.

CS Energy owns the Kogan Creek Mine which supplies approximately 2.5 million tonnes of black coal per year to the Kogan Creek Power Station. The mining services contract with Golding Contractors ensures the provision of low-cost coal and proper management of the resource. In FY2021 the contract will be due for renewal and a commercial process will commence for the future mining of the resource.

The dry cooling technology at Kogan Creek Power Station results in a comparatively small amount of water used in electricity generation compared to other coal-fired generators in the NEM. Water is sourced from storm runoff and local bores at little to no cost, which offsets the additional cost of the cooling technology.

At Callide Power Station, up to 5.8 million tonnes of coal is provided by Batchfire Resources' Callide Mine. The provision of consistent quality and supply of coal from the Callide Mine has supported generation at the power station.

Water for Callide Power Station is transported via a pipeline from the Awoonga Dam in Gladstone to the Callide Dam in Biloela. The Gladstone Area Water Board completed a pricing review through the Queensland Competition Authority, which has ensured competitive bulk water pricing.

Maximise our returns

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

FY2020 at a glance:

- Positive Underlying EBITDA but down on last year due to lower prices and decreased plant availability as the result of major overhauls.
- Invested $146.6 million in major overhauls and other plant investments across the portfolio.
- Forward contracts reduced our exposure to pool price volatility.
- Provided for a dividend of $73.9 million.

Financial overview

Underlying earnings remained strong in FY2020, despite reduced availability from our generation portfolio.

Financial performance

CS Energy's Underlying EBITDA for FY2020 of $309.5 million was down on the prior year, reflecting a lower earned electricity price per unit of production and reduced portfolio generation due to lower thermal plant availability.

The reduction in plant availability to 75.6% (2019: 87.1%) was due in most part to the impact of the planned overhaul of Kogan Creek Power Station, which was offline between September 2019 and November 2019 for 77 days and the planned overhaul of Unit 3 at Callide Power Station, which was offline between November 2019 and December 2019 for 56 days. Availability was also impacted by delays in the return to service of these units as well as forced outages due to boiler tube leaks.

CS Energy entered into forward wholesale electricity contracts in prior periods to reduce the exposure to pool price volatility in FY2020. This, combined with the value delivered through the retail commercial and industrial market, and the residential retail business achieved a higher realised price of $67.37/MWh (2019: $86.77/MWh) compared to the time weighted average pool price outcome for the year of $53.41/MWh (2019: $80.29/MWh).

Several accounting adjustments resulted in CS Energy recording a net loss after tax of $77.6 million, including the partial impairment of the Callide B and Callide C generating units of $191.7 million and $161.7 million respectively. These adjustments also included the impact of mark to market fair value adjustments on derivatives of $22.3 million, partially offset by the re-measurement of the Gladstone IPPA onerous contract, which resulted in a decrease in the liability provision of $128.8 million. These adjustments were due in most part to a forecast reduction in the market outlook for electricity prices.

Cash generated from operations for the year was $307.0 million. The positive result was reflective of the continued strong underlying earnings result and included net cash margining receipts of $192.3 million in respect of forward traded exchange contracts offset by tax equivalent payments of $130.4 million.

Deposits held with Queensland Treasury in the General Government Sector Advances Facility as at 30 June 2020 was $222.9 million (2019: $253.9 million), with the decrease of $31.0 million representing a transfer to the cash trading account during the year.

CS Energy has provided for a dividend of $73.9 million.

The Wivenhoe Power Station asset was transferred to CleanCo Queensland Limited on 31 October 2019 pursuant to Government regulation.

Key financial performance measures

	FY2016 $000	FY2017 $000	FY2018 $000	FY2019 $000	FY2020 $000
Underlying EBITDA[1] ($'000)	193,288	371,351	441,358	479,633	309,464
Underlying EBIT[1] ($'000)	90,499	243,462	301,648	339,955	166,806
NPAT ($'000)	(23,011)	282,584	230,980	160,309	(77,600)
Net cashflow from operating activities ($'000)	132,194	183,904	499,977	337,041	306,994
Net cashflow for payments for property, plant and equipment ($'000)	(113,595)	(86,078)	(68,001)	(107,458)	(137,818)
Net Cash Flow ($'000)	18,599	83,995	(95,307)	(405)	23,547
Underlying interest cover[2] (times)	1.46	4.11	4.36	7.33	4.75
Underlying return on capital employed[2]	7.6%	17.9%	23.2%	28.2%	16.7%

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

2 Measure calculated using Underlying EBIT.

Capital investment

Throughout FY2020 CS Energy continued to focus on effective project delivery and improving cost discipline across the business. Cash payments for property, plant and equipment was $137.8 million for FY2020. This included the planned major overhauls of the Kogan Creek Power Station and Unit C3 at Callide Power Station, and a range of other plant investments across the portfolio.

Non-International Financial Reporting Standards Information

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

The non-IFRS financial measures are defined as follows:

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

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

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

Market performance

Queensland continued to have the lowest average wholesale electricity prices in the NEM in FY2020.

CS Energy generates and sells electricity in the NEM under the *Electricity Act 1994* (Qld). We manage plant and financial risk by balancing our presence in the wholesale spot and contract markets. We operate in strict accordance with, and take very seriously, our obligations to comply with all rules and regulations governing our participation and bidding in the NEM.

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

CS Energy provides a range of ancillary services to help maintain the power system within the NEM's performance standards. These services underpin the security and reliability of electricity supply for Australians.

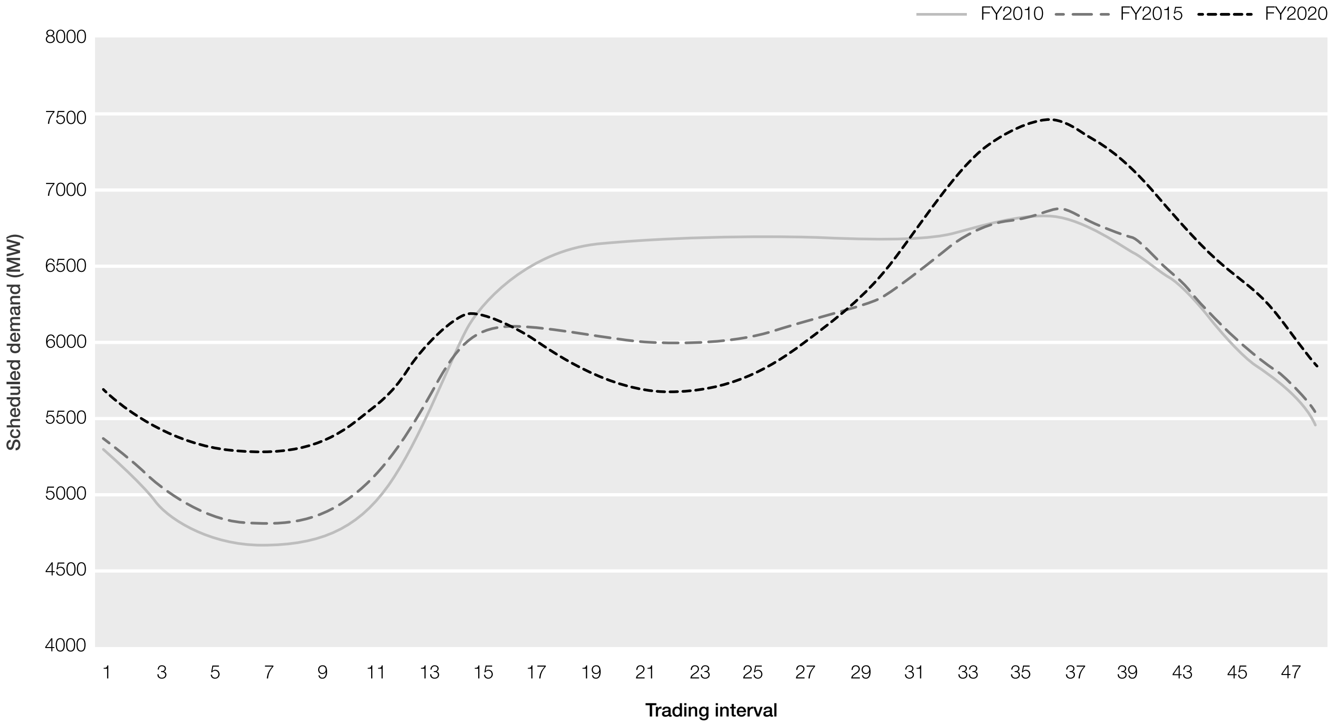
We also participate in the retail electricity market and provide additional product solutions to our customers, which is covered in more detail in the Deliver future energy section of this report on page 27.

Market report

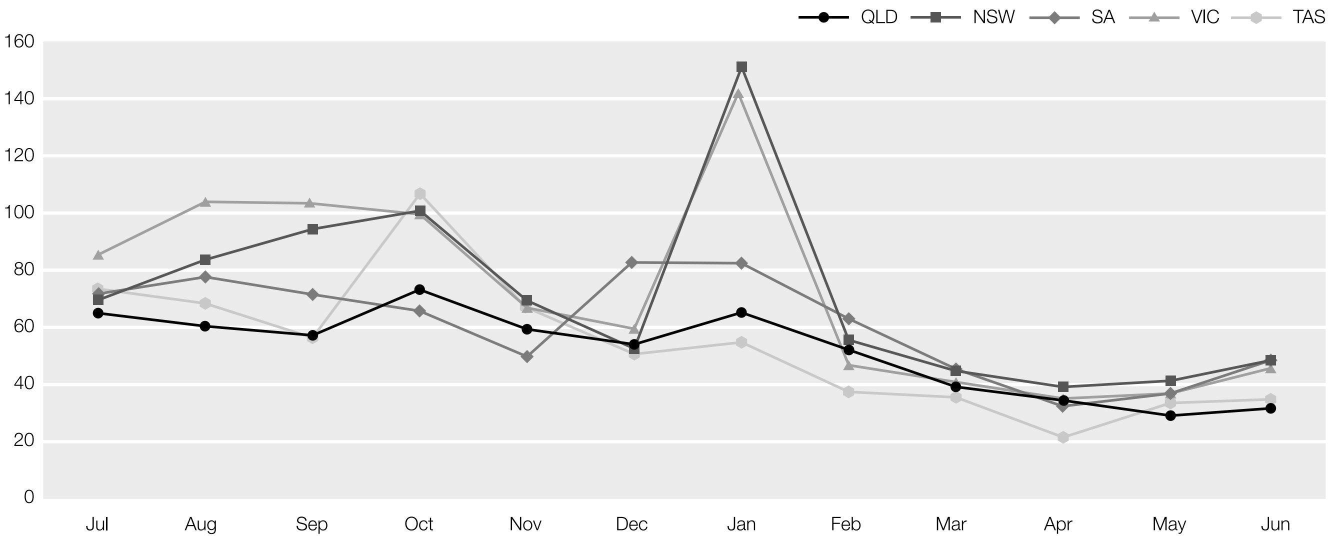
The energy sector is undergoing transition from a centralised system reliant on large fossil fuel generation to a decentralised system of geographically dispersed, renewable generators. Throughout FY2020, 625 MW of new large-scale renewable generation capacity and a further 610 MW of small-scale rooftop solar was installed in Queensland, bringing the total installed capacity of rooftop solar to 3,241 MW.

This is fundamentally changing the shape of electricity demand and that which is served by the thermal fleet. As more renewable generation comes online, this is also creating challenges for the system to remain secure as evidenced by AEMO's summer operations review report, priority actions in AEMO's renewables integration study and the Energy Security Board's system security workplan.

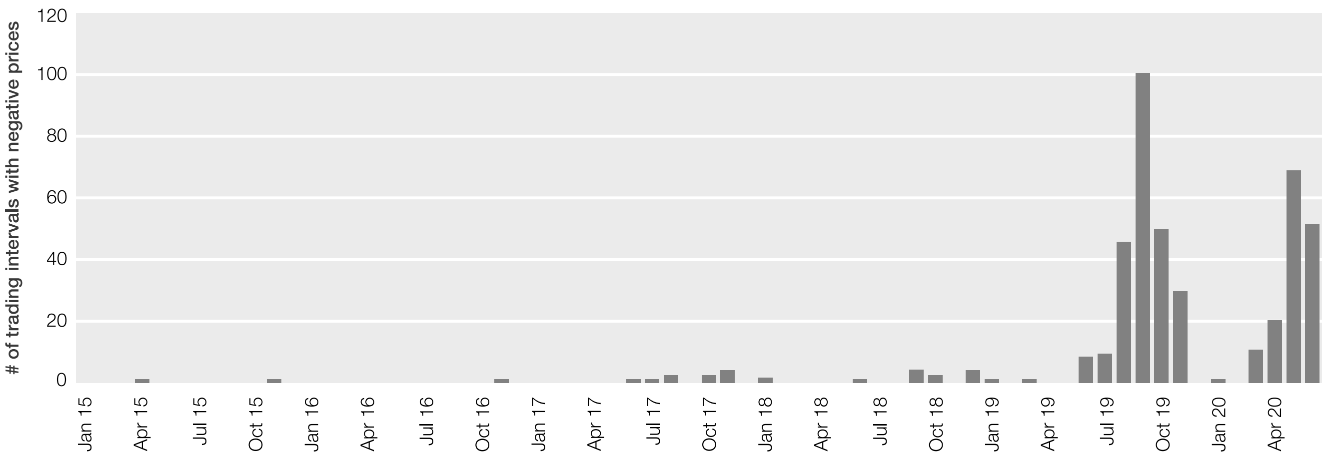
Changing shape of Queensland electricity demand



FY2020 NEM monthly average pool price ($/MWh)



Negative spot price count – Queensland



At the same time, excess supply of gas in global markets in the first half of the year resulted in domestic gas prices reducing, improving the competitiveness of gas generation relative to the coal fleet. Gas prices continued to reduce further in the second half of the year as restrictions associated with COVID-19 were instigated around the world leading to lower energy demand.

These factors resulted in a significant fall in pool prices across the NEM and lower utilisation of CS Energy's fleet than in prior periods.

Whilst some price volatility was experienced in New South Wales and Victoria in January, Queensland remained immune from upward price pressure and an observed trend is the increased number of trading intervals where the pool price is below zero.

The energy sector is transitioning to a decentralised system of **geographically dispersed, renewable generators**

Our performance in the NEM

In FY2020, CS Energy continued to strengthen our core trading capabilities. We also invested in our trading and retail systems to support our goal of becoming a fully integrated energy business.

CS Energy sent out more than 11,800 gigawatt hours of electricity to the NEM from our trading portfolio in FY2020, which was a decrease of almost 2,700 gigawatt hours on the previous year due to market conditions and reduced availability from our thermal plants.

We effectively managed the risks around the market conditions in FY2020 through forward contracts entered into in previous periods. Revenue from electricity sales was $1,207 million in FY2020, which represents a decrease on the year before.

Looking ahead, forward electricity contract market prices reflect the expectation that depressed global commodity prices and continued growth in both large and small-scale renewable generation will remain in the near term. Whilst somewhat protected from this downturn through the contractual arrangements CS Energy has in place, revenue is expected to decline into the future.

Policy and regulatory developments

In addition to the significant changes in the energy markets due to the decentralisation of energy generators, substantial policy and regulatory reform continues to occur. The *Prohibiting Energy Market Misconduct Act 2018* (Cth) (also known as the Big Stick Legislation) came into force on 10 June 2020 and is designed to address perceived conduct at both the retail and wholesale (including both physical and contract markets) level that may lead to customers either paying higher prices for electricity, or not receiving a pass through of sustained decreases in relevant costs.

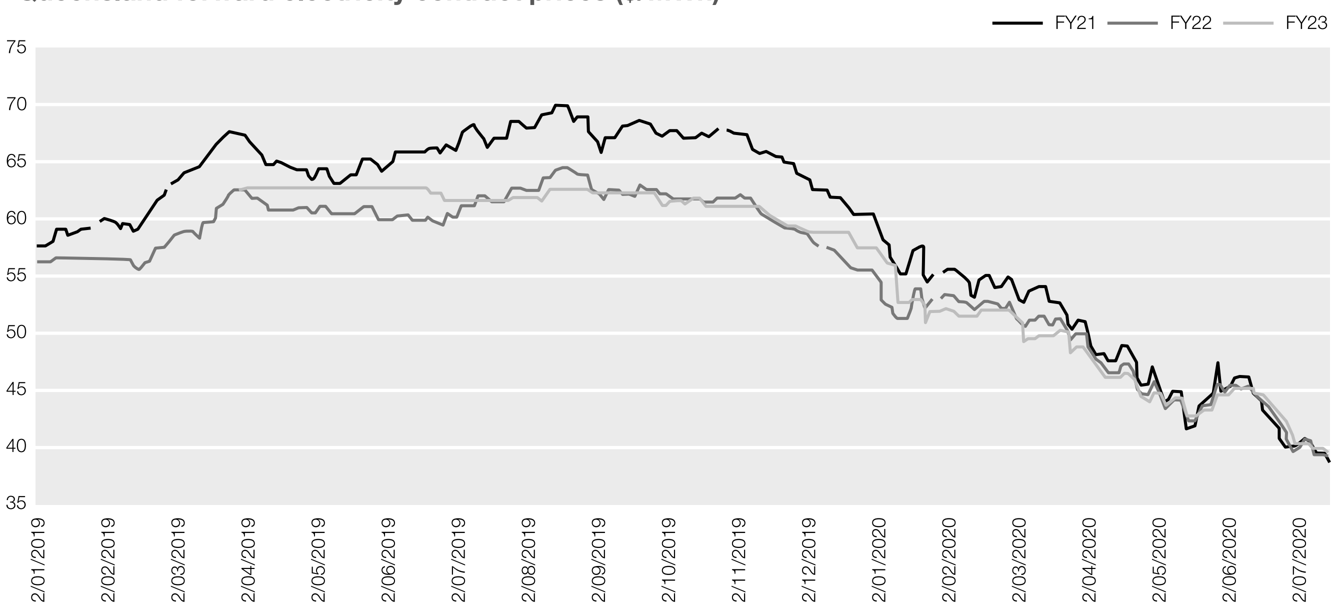
Rule changes were made in relation to both Primary Frequency Response – mandating the provision of that service for the next three years by all generators that are capable of doing so (several of CS Energy's generating units have this capability) and wholesale demand response – allowing full participation by customers that have demand response capability in the national market. The wholesale demand response mechanism commences in October 2021 and will create a new class of participant – the wholesale demand response provider.

The implementation of the five-minute settlement rule change has been deferred until 1 October 2021 (from 1 July 2021) to accommodate delays in implementation efforts by participants across the NEM caused by COVID-19 lockdowns. CS Energy continues to prepare for the commencement of this rule, with all changes to trading and retail systems on track.

Consultation on significant market design issues is currently underway, including the 'Coordination of Transmission and Generation Investment and Implementation', the Post 2025 Market Design Review being led by the Energy Security Board, and the Technology Investment Roadmap being led by the Chief Scientist, Dr Alan Finkel. Each of these reforms has the potential to further and significantly change the markets in which CS Energy operates. Accordingly, CS Energy has been, and will remain, heavily involved in all relevant consultations and industry forums relevant to those design issues.

CS Energy is proactive in the reform process, maintaining a voice in policy and regulatory developments by participating in relevant consultation processes and working groups, and through its membership of various industry bodies including the Australian Energy Council. CS Energy will also carefully monitor all market reforms and ensure that our strategy remains relevant in the face of the reforms.

Queensland forward electricity contract prices ($/MWh)



Deliver future energy

We will pursue diversification opportunities that expand our customer base, leverage technology and renewables, and respond to market reforms and opportunities in distributed generation.

FY2020 at a glance:

- Increased our large commercial and industrial retail market share and offered those customers tailored energy solutions with value add services such as renewable energy, electric vehicle charging and demand management.
- Achieved 12 per cent market share for our retail electricity joint venture with Alinta Energy in South East Queensland.
- Signed renewable energy Power Purchase Agreements with the Moura and Columboola solar farms.
- Provided $500,000 in funding for QUT's Hydrogen Process Research and Development Project.

Diversifying our revenue streams

We accelerated our revenue diversification efforts in FY2020 in response to the growing demand for new, cleaner sources of energy.

Diversifying our revenue streams is essential for CS Energy to remain a commercially sustainable business. Our strategic priority of *Deliver future energy* is about ensuring we can adapt to the changing energy landscape.

CS Energy's success in responding to the energy needs of our customers will be central to this transition. Customer behaviour is reshaping the energy market and energy companies across the supply chain have become more dynamic and customer-focused as a result.

In FY2020, CS Energy increased our presence in the large commercial and industrial retail market, establishing our value proposition and developing tailored products in response to customer needs. We also increased the proportion of renewable energy in our portfolio and explored new technologies and partnerships such as electric vehicle charging and demand management.

In the retail mass market, our joint venture with Alinta Energy in South East Queensland continued to grow its customer base among households and small business, despite strong competition and the impact of COVID-19.

Commercial and industrial retail energy

CS Energy's expansion into the large commercial and industrial retail market is a key plank of our revenue diversification efforts. Our customers, which are all based in Queensland, are large energy consumers such as mines and ports. We also provide retail services to large Queensland Government sites.

In FY2020 we significantly increased our market share in Queensland by focusing on the changing needs of large energy users and then developing tailored solutions that met their needs in terms of energy usage, decarbonisation and energy management. Our customer offering includes a variety of structured electricity solutions that bring together renewable energy, market instruments and our own reliable generation.

Our structured products provide our customers the flexibility to choose the most attractive structure for them over short, medium and longer terms. We back this up by providing smart data and insights from our customer portal and personalised support for customers' account and billing needs.

We also began offering our customers additional services such as electrical vehicle charging infrastructure and demand response services. In the future we will combine these value-add offerings with pilots and trials in new technologies, such as battery storage and virtual power plants.

We commissioned independent research to better understand customer expectations of CS Energy, benchmark our performance and explore opportunities for innovation. CS Energy recorded a customer satisfaction score of 8.23 out of 10, with our customers scoring us highest on our pricing and account management. Customers rated CS Energy much higher than suppliers in adjacent industries such as logistics and B2B services.

Electric vehicle charging solutions

CS Energy added electricity vehicle charging solutions to our suite of offerings for government, commercial and industrial customers. We identified a need amongst our customers for a simple, low cost charging solution that took the hassle and confusion out of switching to electric vehicles for large organisations.

In FY2020, CS Energy installed electric vehicle charging infrastructure at six sites in Queensland, with additional site investigations progressing. CS Energy's core offering includes smart 7 kW and 22 kW chargers from established charging manufacturers, along with access to an online portal where customers can monitor their electricity usage and costs. We can also provide fast and ultra-fast charging solutions and are in the process of installing a fast charger at Kogan Creek Power Station.

With fleet uptake of electricity vehicles expected to grow in the coming years, CS Energy is ideally positioned to be a supplier of choice. We will continue to grow this market and explore new technology like vehicle to grid 'V2G' capable chargers. These chargers, although currently at a significant cost premium, allow electric vehicles to be used as a battery and capable of discharging back to the network, improving returns for vehicle owners.

Renewable energy offtakes

As CS Energy transitions from a baseload energy generator to a diversified energy business, we will play a dual role in supporting Queensland's target of 50 per cent renewable energy by 2030. This will involve adapting our thermal generation assets to operate more flexibly (see page 20) and continuing to add renewable offtake arrangements to our portfolio.

Many of our large commercial and industrial customers require a mix of thermal and renewable generation in their loads. We offer renewables to our customers through our partnerships with wind and solar facilities, and underpin them with energy from our thermal generation assets.

In 2017, CS Energy entered into an agreement for 100 per cent of the offtake from the Kennedy Energy Park, which is a 60 MW dual solar and wind facility in far north Queensland. Although this project has experienced delays in connecting to the network, it is successfully working through the issues, and is expected to be producing at full capacity before the end of 2020. When that project does come online, a major customer of CS Energy's will enjoy the benefit of this green generation in its purchasing arrangement.

During FY2020 we signed two renewable energy Power Purchase Agreements to diversify our portfolio and support the requirements of our large commercial and industrial retail customers:

- Moura Solar Farm – CS Energy will purchase 70 per cent of the output of this development, which will be constructed in 2021. The 56 MW of generation contracted to CS Energy from this facility has been onsold to a large industrial customer.
- Columboola Solar Farm – CS Energy will purchase 100 per cent of the output of the 162 MW development and onsell it to our customers, including Griffith University, Central Queensland University and Queensland University of Technology.

In early FY2021 we signed an offtake agreement to purchase a proportion of the renewable energy produced at the University of Queensland's 64 megawatt Warwick Solar Farm. CS Energy will pass the benefit of this renewable energy from the solar farm on to our Queensland Government customers, as part of our energy supply agreement with large Queensland Government sites.

CS Energy continues to investigate other renewable energy opportunities in partnership with its customers.

In FY2020 we increased the proportion of **renewable energy in our portfolio** and explored new technologies and partnerships

Alinta Energy retail joint venture

We have a 50/50 joint venture (JV) with Alinta Energy to supply electricity to residential and small commercial and industrial retail customers in South East Queensland (SEQ). Under the agreement, CS Energy generates and supplies wholesale electricity, and Alinta Energy manages the retail business.

In FY2020 the Alinta Energy JV was operating in a difficult retail environment. Strong retail competition in the SEQ market as well as operational disruptions and delayed purchasing decisions due to COVID-19 resulted in weak sales performance throughout the year.

As at 30 June 2020 the JV had 214,000 customers, equivalent to a 12 per cent share of the SEQ mass market.

The JV increased its product offerings to customers by bundling electricity with other offers. The first of these offerings was the introduction of an energy + Kayo Sports product in September 2019, followed by the introduction of a retail gas product offering in May 2020, becoming one of only five gas retailers in SEQ.

In FY2021 the JV will continue to diversify its product offering to provide other value-added services to customers.

Hydrogen

In December 2019, CS Energy boosted the emerging hydrogen industry in Queensland by partnering with QUT and its collaborators on a $8.5 million research and development project to produce hydrogen from renewable energy in Brisbane. The multi-party project will evaluate the viability of producing hydrogen from renewable energy systems and processes.

CS Energy has provided $500,000 in funding support, adding to the $250,000 of support from the Queensland Government. The project has also received more than $3 million in financial support from the Australian Renewable Energy Agency (ARENA), with project partners including QUT, Sumitomo Electric Industries, Energy Developments Limited, Swinburne University of Technology, Griffith University and The University of Tokyo contributing the remainder.

CS Energy became involved in this project to assess future commercial opportunities for the production and use of renewable hydrogen in the energy industry. As the imperative for grid stability and fast-start technology options gather momentum, the potential for hydrogen storage technology cannot be overstated.

To evaluate these options, the partners in this project are progressing the design and implementation of a hybrid renewable energy microgrid with capacity to evaluate a range of electrolysers for production of hydrogen.

Construction of the pilot plant for renewable energy hydrogen production progressed despite COVID-19 restrictions. The building to house the pilot plant was completed in May 2020 and procurement of the in-house designed hybrid micro-grid is under contract with a local Queensland company. Delivery of key components such as electrolysers and fuel cells to complete Stage 1 of the pilot plant is expected in the first half of FY2021. Integration and commissioning of the completed pilot plant is expected early in 2021.

Corporate Governance Report

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

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

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

For the FY2020 reporting period, these Ministers are, or were:

- the Honourable Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning (from 11 May 2020)
- the Honourable Dr Anthony Lynham MP, Minister for Natural Resource, Mines and Energy
- the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (until 11 May 2020).*

* The Premier Anastacia Palaszczuk temporarily assumed shareholding Ministerial responsibilities for the period 9 to 10 May 2020 until 11 May 2020 when a new Minister was appointed.

Our corporate governance philosophy

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

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

Our Governance Framework Standard sets out how we comply with the *Corporate Governance Guidelines for Government Owned Corporations, Version 2.0, February 2009,* and the eight principles outlined in those guidelines and *The ASX Corporate Governance Principles and Recommendations, 4th Edition, February 2019.*

Further information on CS Energy's corporate governance practices, including key policies and copies of Board and committee charters, is available on our website.

Principle 1: Foundations of management and oversight

Role of the Board

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

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

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

The Board conducts periodic evaluations of its performance against its role and accountabilities. In FY2020 the Chair engaged an independent corporate governance firm to facilitate an evaluation of the Board performance as part of the Board's commitment to continuous improvement. The process was primarily delivered in a survey format and the results compared to a more detailed review the year before.

As at 30 June 2020, the Board comprised five independent, non-executive Directors. Profiles of CS Energy's directors can be found on page 36 of this report and on CS Energy's website.

The CS Energy Directors have the relevant skills and qualifications required to discharge their duties. The broad skills the Directors possess allow for the Board and its committees to be Chaired by the Director with the most relevant expertise. The Board plans to continue to review its skills capability as part of its FY2022 Board performance review.

Board committees

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

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

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

Composition of Board committees as at 30 June 2020

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

Board and Committee meeting attendance FY2020

	Board		Safety and Performance Committee		Audit and Finance Committee		Enterprise Risk Committee		Culture and Remuneration Committee	
Director	H	A	H	A	H	A	H	A	H	A
Jim Soorley	14	14	4	3	N/A	5*	N/A	4*	3	3
Brian Green	14	14	4	4	5	5	4	4	3	3
Julie-Anne Schafer	14	14	N/A	N/A	5	5	4	4	3	3
Toni Thornton	14	14	N/A	N/A	5	5	4	4	N/A	N/A
Peter Schmidt	14	12	4	4	5	4	4	4	3	2

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

New directors

On appointment, new directors receive access to information through a Board handbook, online resource centre and a personal induction to enhance their operational and industry knowledge and ensure they are fully aware of their governance responsibilities.

Executive Leadership Team

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

The Chief Executive Officer is accountable to the Board and is responsible for managing the performance of CS Energy's business and the Executive Leadership Team.

Please refer to page 37 of this report for biographies of executive level managers at CS Energy in FY2020.

Principle 2: Structure the Board to add value

Board of Directors

The Board of Directors, including the Chair, are all non-executive directors, appointed by the Governor in Council in accordance with the GOC Act. The term of appointment for directors is determined by the Governor in Council.

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

The Board regularly reviews and assesses the independence of directors and the relationship each director and the director's associates have with CS Energy. The Board considers that each director is, and was throughout the financial year, independent.

Given the process for selection of directors under the GOC Act, CS Energy is not required to establish a Board Nominations Committee.

Directors may seek independent professional advice on matters before the Board, after receiving approval from the Chair. CS Energy bears the cost of this external advice.

Each director has access to the Chief Executive Officer and Executive General Managers in the event that the director requires additional information. Each director is encouraged to contact the Company Secretary prior to Board meetings to discuss any matters that require clarification.

The Board evaluates its performance, the performance of individual directors, the Chair and the Board committees at regular periods, not exceeding two years. A Board evaluation was undertaken during the year.

Principle 3: Promote ethical and responsible decision making

CS Energy is committed to instilling a culture that conducts all business activities with integrity and in compliance with relevant laws and standards.

Our key governance policies to promote ethical and responsible decision making include a Code of Conduct and Equal Employment Opportunity (EEO) Standard, as well as various policies to ensure compliance with the Corporations Act and to manage conflicts of interest.

Our Code of Conduct applies to CS Energy's Board of Directors, management and employees as well as contractors, consultants and visitors to CS Energy sites.

The Code of Conduct is the overarching document for all CS Energy policies and procedures and covers seven key areas including safety, respecting others and managing conflicts of interest. It clearly articulates the standards of behaviour required of everyone at CS Energy.

The Board Charter also adopts the Director's Code of Conduct issued by the Australian Institute of Company Directors. Declaration of interests by Board members is a standing agenda item at Board meetings. All employees are required to declare actual, potential or perceived conflicts of interest as they arise. 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.

Principle 4: Safeguard integrity in financial reporting

Audit and Finance Committee

The Audit and Finance Committee assists the Board to discharge its duties in relation to CS Energy's finance risk management, management of internal control systems to provide reasonable assurance that the Company's financial and non-financial objectives are achieved and accurately reported, and the management of the external and internal audit functions. In performing its audit and finance reporting function, the committee:

- provides, for Board approval, financial reporting and other disclosures that are 'true and fair' and comply with legislation and accounting standards
- supports an independent and effective internal audit (Assurance) function, to provide reasonable assurance on the effectiveness of the company's internal control framework to the Board and
- addresses recommendations arising from external and internal audits.

The committee is also the primary point of reference for CS Energy's external auditor, the Auditor-General of Queensland. The Committee accepts reports from representatives and oversees progress on implementing recommendations from those reports, on behalf of the Board.

CS Energy's assurance function provides independent, objective assurance to the Board and brings a systematic and disciplined approach to reviewing, evaluating and continuously improving the effectiveness of the company's governance, risk management, and internal controls. It has an independent reporting line to the Audit and Finance Committee.

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

- CS Energy's financial report is prepared in accordance with applicable Accounting Standards and other statutory requirements and gives a true and fair view at the reporting date.
- Information relevant to the financial report is disclosed to the Queensland Audit Office.
- 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 company contact details for requesting access to additional information.

Principle 6: Respect the rights of shareholders

Shareholder reporting

CS Energy produces four key documents to ensure that our shareholding Ministers are regularly and appropriately informed about our performance:

- A Corporate Plan that outlines key strategies, objectives for the next five years and performance indicators. The plan also provides an industry and economic outlook and potential impact on CS Energy.
- A Statement of Corporate Intent (SCI) that outlines objectives, initiatives and targets for the next financial year.
- Quarterly Reports on progress against the performance targets and measures in the SCI.
- An Annual Report on performance for each financial year, which meets the requirements of section 120 of the GOC Act and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

In addition, CS Energy's website provides information regarding the company and its current operations and projects. Briefings to shareholding Ministers and their representatives are also conducted on a regular basis.

Statement of Corporate Intent

Under the GOC Act, CS Energy is required to prepare an SCI each financial year. The SCI is a performance agreement between CS Energy and its shareholding Ministers and complements the five-year Corporate Plan.

The 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 FY2020 SCI targets is summarised on page 7 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 FY2020

CS Energy's shareholding Ministers can issue directions and notifications to the CS Energy Board. Section 120(e) of the GOC Act requires CS Energy to include in its Annual Report particulars of any directions and notifications given to it by shareholding Ministers that relate to the relevant financial year. Directions received from shareholding Ministers that relate to FY2020 are reported below.

Directions from shareholding Ministers in FY2020

Authority	Date	Direction
S.257 of the *Electricity Act 1994*	6 September 2018	To cooperate with the CleanCo Implementation Taskforce in the establishment of CleanCo[1]
S.257 of the *Electricity Act 1994*	6 September 2018 (as further directed on 20 June 2018)	To develop, finalise and implement the Transitional Services Agreement between CS Energy and CleanCo[1]

1. The impact of the direction on the financial position, profits and losses and prospects of the Company was reported in CS Energy's 2019 Annual Report. No additional impact is reported for FY2020.

Principle 7: Recognise and manage risk

The identification and management of risk is essential to a strong governance framework. At CS Energy, the Board has established an Enterprise Risk Committee that monitors effective governance, risk and compliance frameworks. Ultimate responsibility for risk management and compliance resides with the Board. The Board has approved a framework for the organisational management of risk and compliance to ensure strong operational and financial performance.

The Risk and Compliance function implements the risk and compliance framework set by the Board to ensure risk and compliance management is embedded across the organisation and delivers organisational objectives. This includes the management of fraud.

Management reports to the Board, through the Enterprise Risk Committee, on the effectiveness of CS Energy's management of its material business risks.

Financial and compliance risks related to electricity trading and sales, such as credit and market risk are overseen by the Market Risk Committee, comprised of senior management and the Chief Executive Officer. This committee ensures the effective alignment of market and operational risk management.

Principle 8: Remunerate fairly and responsibly

Remuneration policy

CS Energy is committed to attracting, retaining and developing high calibre employees at all levels by balancing a competitive remuneration package with employee benefits and leave options. This includes providing maternity and parental leave, study assistance, remote area allowances and relocation assistance.

Director fees are paid to directors for serving on the Board and Board committees. Fees are determined by the Governor in Council and advised to CS Energy. The Board, in consultation with shareholding Ministers, approves the remuneration levels for the Chief Executive Officer and other senior executives. Details of remuneration paid to directors and Executive Leadership Team members during the year appear in the Financial Report.

Assessing performance

CS Energy's Performance Framework ensures employees are supported to achieve optimal performance and career outcomes.

Performance of individual employees, including the Executive Leadership Team, is managed in an annual cycle which:

- sets performance expectations through Role Purpose Statements and annual Individual Achievement Plans
- 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 FY2020.

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. Jim lists his greatest achievement as Lord Mayor as transforming Brisbane from a city with a 'country town' mentality into a vibrant urban metropolis, without compromising its liveability.

More recently, Jim has worked as a consultant for government and business across a range of issues relating to sustainable development, partnerships between government and corporations, and environmental initiatives.

Jim is currently Chair of Unitywater, a business that provides water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers. On 13 July 2020, Jim resigned as a non-executive director of resources company TerraCom.

Brian Green
Non-Executive Director

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

Director since 23 August 2012

Brian Green has been involved with the electricity industry for more than 40 years, holding senior positions in energy companies in Australia while building extensive knowledge of the Australian energy industry. Over this time, Brian specialised in the management, operation, maintenance and asset management of heavy industrial plant.

Brian has broad experience in the private power generation industry in Australia and overseas and was previously the Chief Operating Officer of Alinta Energy, a publicly listed energy company. Prior to this, Brian was General Manager of Operations for NRG Energy, an American-owned energy company, operating their power generation assets in Australia.

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

Julie-Anne Schafer
Non-Executive Director

L.L.B (Hons), FAICD

Director since 1 October 2015

Julie-Anne Schafer is an accomplished company director with experience in diverse and highly regulated sectors, including financial services, transport, member services and health. She has ASX, unlisted public company, government and advisory board experience.

Julie-Anne is the President of the National Competition Council.

Her current non-executive directorships include Urban Utilities, AV Super, Catholic Church Insurance Limited, Mercy Community Services SEQ Limited, and Chair of the National Injury Insurance Agency QLD. She was previously Chair of RACQ and RACQ Insurance, a non-executive director of Queensland Rail, and was a National Transport Commissioner. She is the Independent External Chair of the Audit and Risk Committee Department of Transport and Main Roads QLD.

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

In FY2020 Julie-Anne chaired CS Energy's Culture and Remuneration Committee.

Toni Thornton
Non-Executive Director

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM

Director since 2 October 2015

Toni Thornton is a successful businesswoman who has worked in corporate finance agencies for more than 15 years. Toni brings a strategic commercial focus to the CS Energy Board, having previously held senior positions with both JBWere and Goldman Sachs JBWere. Her current directorships include Devcorp, Habitat Early Learning and Triathlon Queensland.

In FY2020 Toni chaired CS Energy's Audit and Finance Committee, and the Enterprise Risk Committee. Toni was previously a Board member of South Bank Corporation, chair of the strategic advisory group to RSL Queensland and a director of the Gallipoli Medical Research Foundation.

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

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

Peter Schmidt
Non-Executive Director

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

Director since 12 October 2017

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

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

His previous roles include Engineering and Operations Manager at Geodynamics, General Manager Pacific Western and General Manager of Production at Stanwell Corporation. Peter is a Fellow of the Institution of Engineers, a Graduate Member of the Australian Institute of Company Directors and holds an MBA in Technology Management.

In FY2020 Peter chaired CS Energy's Safety and Performance Committee.

Executive Leadership Team

Andrew Bills
Chief Executive Officer

MBA, BA, AICD

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

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

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

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

Darren Busine
Executive General Manager Revenue Strategy

BEc, FCPA, SFFin, GAICD

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

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

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

Prior to joining CS Energy, Darren was CFO at QEnergy, an energy retailer based in Queensland but targeting the small to medium size business market across the eastern seaboard of Australia.

Darren was the CFO of Energex from 2007 to 2014. During this time Darren led the finance, legal, company secretariat, and risk and governance teams. Joining Energex after the sale of their retail operations, Darren played a key role in the transformation of the Energex business, including implementing significant improvements to financial management and reporting.

From 2000 to 2007 Darren was with Ergon Energy, initially as Group Finance Manager and then CFO from 2006. Darren was responsible for integrating the finance functions of newly merged distribution entities. He also undertook improvement roles, including the setup of joint venture operations for billing and IT services with Energex.

Prior to his experience in the energy industry, Darren spent 10 years with Suncorp. Initially with Metway Bank, Darren undertook financial and commercial roles and took a key role in the integration of the finance functions following the merger of Suncorp, QIDC and Metway Bank.

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

Malcolm Wilson
Chief Financial Officer

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

Malcolm Wilson leads CS Energy's Finance, Energy and Financial Risk, IT, and Procurement functions. He joined CS Energy in April 2018 from the Queensland Department of Health where he had been Chief Finance Officer for four years.

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

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

Leigh Amos
Executive General Manager Plant Operations

BEngTech, MBA

Leigh Amos commenced as Executive General Manager Plant Operations in September 2019. In this role he manages the operational performance of CS Energy's generation assets, as well as the environment, and health and safety functions.

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

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

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

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

Colin Duck
Executive General Manager Asset Management

BE (Hons), MBA

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

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

Prior to joining CS Energy Colin held various roles with AGL. These included transforming AGL's gas business from an exploration business to a commercially sound operational business and streamlining AGL's gas and renewable fleet into one efficient business unit. While he was a member of Macquarie Generation's executive team Colin managed the operation of its two major power stations, implementing a new structure and processes, and negotiating a new enterprise agreement to drive operational excellence. He was also instrumental in preparing Macquarie Generation assets and operations for a successful sale.

Andrew Varvari
Executive General Manager Corporate Services

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

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

Andrew joined CS Energy in 2012 and has performed a variety of executive roles, including Executive General Counsel and Company Secretary, Acting Chief Financial Officer, and the role of Executive General Manager People & Safety until 2017, when his responsibilities were expanded to include additional corporate functions to leverage greater alignment and cross-functional working relationships, providing strategic counsel, advice and support across CS Energy's portfolio.

Prior to joining CS Energy, Andrew led BG Group plc's legal function in Australia, which included responsibility for QGC's Legal, Secretariat, Business Services and IT functions. Between 2007-2012, Andrew played a key role in the development of Shell's upstream and midstream businesses as part of its Executive Leadership Team, including the integration of the existing Queensland Gas Company and BG Australia businesses following the 2008 takeover of QGC by BG Group plc, and the development and construction of the $20 billion Queensland Curtis LNG project.

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

Financial Report

for the year ended 30 June 2020

CS Energy Limited

Directors' report

30 June 2020

The directors present their report on the consolidated entity (referred to hereafter as the consolidated Group or the Group) consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of CS Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise noted:

Jim Soorley AM

BA, MA

Non-Executive Chairman
Director since 1 October 2015

Jim Soorley was the Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of $1.6 billion and a workforce of 7,000. Jim lists his greatest achievement as Lord Mayor as transforming Brisbane from a city with a 'country town' mentality into a vibrant urban metropolis, without compromising its liveability.

More recently, Jim has worked as a consultant for government and business across a range of issues relating to sustainable development, partnerships between government and corporations, and environmental initiatives.

Jim is currently Chair of Unitywater, a business that provides water supply and sewerage services to Moreton Bay and Sunshine Coast residential and business customers. On 13 July 2020, Jim resigned as a non-executive director of resources company 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 a number of senior positions in energy companies in Australia while building extensive knowledge of the Australian energy industry. Over this time, Brian specialised in the management, operation, maintenance and asset management of heavy industrial plant.

Brian has broad experience in the private power generation industry in Australia and overseas and was previously the Chief Operating Officer of Alinta Energy, a publicly listed energy company. Prior to this, Brian was General Manager of Operations for NRG Energy, an American-owned energy company, operating their power generation assets in Australia.

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

Julie-Anne Schafer

L.L.B (Hons), FAICD

Non-Executive Director
Director since 1 October 2015

Julie-Anne Schafer is an accomplished company director with experience in diverse and highly regulated sectors, including financial services, transport, member services and health. She has ASX, unlisted public company, government and advisory board experience.

Julie-Anne is the President of the National Competition Council.

Her current non-executive directorships include Urban Utilities, AV Super, Catholic Church Insurance Limited, Mercy Community Services SEQ Limited, and Chair of the National Injury Insurance Agency QLD.

She was previously Chair of RACQ and RACQ Insurance, a non-executive director of Queensland Rail, and was a National Transport Commissioner. She is the Independent External Chair of the Audit and Risk Committee Department of Transport and Main Roads QLD.

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

In 2020 Julie-Anne chaired the Culture and Remuneration Committee.

Toni Thornton

BA PolSCi Ec, GradCert AppFin, ADA1, FAIM

Non-Executive Director
Director since 2 October 2015

Toni Thornton is a successful businesswoman who has worked in corporate finance agencies for more than 15 years. Toni brings a strategic commercial focus to the CS Energy Board, having previously held senior positions with both JBWere and Goldman Sachs JBWere. Her current directorships include Devcorp, Habitat Early Learning & Triathlon Queensland.

In 2020 Toni chaired CS Energy's Audit and Finance Committee and the Enterprise Risk Committee. Toni was previously a Board member of South Bank Corporation, chair of the strategic advisory group to RSL Queensland and a director of the Gallipoli Medical Research Foundation.

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

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

Peter Schmidt

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

Non-Executive Director
Director since 12 Oct 2017

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

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

His previous roles include Engineering and Operations Manager at Geodynamics, General Manager Pacific Western and General Manager of Production at Stanwell Corporation. Peter is a Fellow of the Institution of Engineers, a Graduate Member of the Australian Institute of Company Directors and holds an MBA in Technology Management.

In 2020 Peter chaired the Safety and Performance Committee.

Principal activities

During the year, the principal activity of the consolidated Group was the generation and trading of electricity from coal fired power stations.

	Consolidated results	
	2020 $'000	2019 $'000
Profit/(loss) after income tax	(77,600)	160,309

COVID-19

Business

CS Energy's response to COVID-19 focussed on keeping people safe, supporting customers and maintaining a reliable supply of electricity to the National Electricity Market. CS Energy followed the latest advice from the relevant authorities and committed to meeting, to the maximum extent possible, the 10 principles set out in the Australian Energy Regulator's Statement of Expectations of energy businesses released in March 2020.

FY20 Financial Impact

The COVID-19 pandemic shone a spotlight on the critical role of essential workers and service providers in the community. CS Energy's power stations kept generating electricity during COVID-19, achieving 87.7% availability for the June quarter and helped to power homes and businesses throughout the National Electricity Market. CS Energy adjusted the operating profile of the power stations to prevent unplanned outages and postponed non-critical work that did not impact plant reliability or overhaul readiness. In particular, CS Energy deferred the major overhaul program at Callide Power Station by two months to June 2020 to avoid the predicted peak of COVID-19 in Australia.

As the economic impact of COVID-19 in Australia became clear, CS Energy shortened payment terms for suppliers who were small to medium businesses. CS Energy introduced 14-days default payment terms for the more than 1,000 small and medium businesses, helping them to better manage their cashflows.

Market prices dropped sharply during the final quarter of the financial year, this reflected a combination of a drop in the domestic demand for electricity, the impact of depressed global commodity prices and the continued growth in both large and small-scale renewable generation. CS Energy was well protected from the financial impact of this price downturn through the contractual arrangements CS Energy had in place.

Further discussion on the impact of COVID-19 as it relates to the market forecast impact is contained in Note 14 – Property, plant and equipment and Note 5 – Loans and receivables.

Dividends

The dividend declared in respect to the current financial year is $73.9 million.

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

Review of operations

Health and safety

CS Energy's workforce contributed to an outstanding safety result this year. All Injury Frequency Rate (AIFR) replaced Total Recordable Case Frequency Rate (TCRFR) as the primary safety metric for 2020. Total injury numbers reduced by nearly 10% and CS Energy achieved an AIFR of 24.2 against our target of below 30. In addition, CS Energy was completely injury-free in March 2020 which is the first time recorded since July 2007.

Since 2011, there has been a 60% reduction in total injuries and a 69% reduction in recordable injuries. CS Energy's safety culture program (CODE) is fundamental to improvements being seen year on year in safety. The program was a finalist in the Australian Psychological Society's 2019 Workplace Excellence Awards and is seeing results on the ground.

Safety leadership capability was one of CS Energy's focus areas this year as was the integration of Process Safety into the mainstream Health and Safety function. These key focus areas will remain a priority for 2021 as CS Energy works towards mature safety citizenship.

Performance

CS Energy's loss after income tax was $77.6 million for the year (2019: $160.3 million profit after income tax). The primary driver of this result includes the partial impairment of the Callide B ($191.7m) and Callide C ($161.7m) Cash Generating Units, partially offset by the re-measurement of the Gladstone Inter-connection & Power Pooling Agreement onerous contract ($128.8m). These adjustments reflect a forecast reduction in the market outlook for electricity prices.

Underlying earnings for the business were down compared to the prior year, the principal drivers of which include a lower earned electricity price per unit of production and reduced portfolio generation.

CS Energy's trading generation portfolio produced 11,829GWh (2019: 14,524GWh), a decrease of 2,695GWh due to a reduction in thermal plant availability during 2020 to 75.6% (2019: 87.1%). The reduction in plant availability was due in most part to the impact of the overhaul outage of Kogan Creek Power Station, which was off-line between September 2019 and November 2019 for 77 days and the overhaul outage of Callide C Unit 3 Power Station, which was off-line between November 2019 and December 2019 for 56 days.

CS Energy had decreased revenue from sales of electricity due to a combination of the above-mentioned portfolio generation reduction, and a reduction in the earned price per unit of production. This was partially offset by an increase in revenue derived from operation and maintenance services resulting from the execution of the Callide C unit 3 overhaul on behalf of the asset owners. CS Energy entered into forward electricity contracts in prior years for 2020 to reduce the exposure to pool price volatility and achieved a higher realised price on the generation and contract portfolio in 2020 of $67.37/MWh (2019: $86.77/MWh) compared to the time weighted average pool price outcome for the year of $53.41/MWh (2019 $80.29/MWh).

The total cost of capital investment in the power station assets during the year was $146.6 million (2019: $106.0 million), the increase in investment directly relates to the additional overhaul outages during the year at Kogan Creek Power Station and Callide C Unit 3 Power Station.

In October 2019, CS Energy transferred to CleanCo the assets and liabilities related to the Wivenhoe Power Station. These were reflected as Assets held for distribution last financial year. From November 2019 onwards, CS Energy provided transitional services to CleanCo for the operation and maintenance of the Wivenhoe Power Station.

Strategy

Diversifying revenue streams is essential for CS Energy to remain a commercially sustainable business. CS Energy's strategic priority of Deliver Future Energy is about ensuring we can adapt to the changing energy landscape and transition the business to a low-emission economy.

CS Energy's success in response to the energy needs of our customers will be central to this transition. Customer behaviour is reshaping the energy market and energy companies across the supply chain have become more dynamic and customer-focused in response.

New Business

In 2020 CS Energy significantly increased retail market share by focusing on responding to the changing needs of large energy users and then developing tailored solutions that met their needs in terms of energy usage, decarbonisation and energy management. CS Energy's customer offering includes a variety of structured electricity solutions that bring together renewable energy, market instruments and CS Energy's own reliable generation.

CS Energy's structured products enable customers the flexibility to choose the most attractive structure for them. This is backed up by providing smart data and insights from CS Energy's customer portal and personalised support for customers' account and billing needs.

CS Energy also began offering customers additional services such as electric vehicle charging infrastructure and demand response services. In the future CS Energy will combine these value-add offerings with pilots and trials in new technologies, such as battery storage and virtual power plants, to strengthen CS Energy's ability to deliver on the Deliver Future Energy strategic priority.

In the retail mass market, CS Energy's joint venture with Alinta Energy in South East Queensland continued to grow its customer base among households and small business, despite strong competition.

Policy and regulatory developments

Significant policy and regulatory reform continues to occur in the Australian energy market. The *Prohibiting Energy Market Misconduct Act 2020* (Cth) came into force on 10 June 2020 and is designed to address conduct at both the retail and wholesale (including both physical and contract markets) level that may lead to customers either paying higher prices for electricity, or not receiving a pass through of sustained decreases in relevant costs.

In addition, rule changes were made in relation to both Primary Frequency Response – mandating the provision of that service for the next three years by all generators that are capable of doing so (CS Energy is capable at its Callide B and Gladstone units) and wholesale demand response – allowing full participation by customers that have demand response capability in the national market. The wholesale demand response mechanism commences October 2021 and will create a new class of participant – the wholesale demand response provider.

The implementation of the 5-minute settlement rule change has been deferred until 1 October 2021 (from 1 July 2021) to accommodate delays in implementation efforts by participants across the NEM caused by COVID-19. CS Energy continues to prepare for the commencement of this rule, with all changes to trading and retail systems on track for implementation.

Throughout the year, significant market design issues were brought forward for consultation, including the 'Coordination of Transmission and Generation Investment and Implementation', the Post 2025 Market Design Review being led by the Energy Security Board and the Technology Investment Roadmap, being led by the Chief Scientist, Dr Alan Finkel. 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 relevant consultations and industry forums relevant to those design issues.

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

Indemnification and insurance of officers

During the year, CS Energy Limited maintained policies to insure all officers of the Company and its controlled entities, including directors and officers of each of the consolidated Group entities.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 105.

Preparation of Parent entity accounts

The parent entity is a company of a kind referred to in Legislative Instruments CO 10/654 issued by the Australian Securities and Investments Commission, relating to the inclusion of parent entity financial statements in financial reports. Parent entity financial statements for CS Energy Limited have been included in the financial report for the consolidated group.

Rounding of amounts to the nearest thousand dollars

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors') Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report.

Directors' meetings

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Audit and Finance Committee		Culture and Remuneration Committee		Enterprise Risk Committee		Safety and Performance Committee	
Director	H	A	H	A	H	A	H	A	H	A
Jim Soorley	14	14	N/A	5*	3	3	N/A	4*	4	3
Brian Green	14	14	5	5	3	3	4	4	4	4
Julie-Anne Schafer	14	14	5	5	3	3	4	4	N/A	N/A
Toni Thornton	14	14	5	5	N/A	N/A	4	4	N/A	N/A
Peter Schmidt	14	12	5	4	3	2	4	4	4	4

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

Matters subsequent to the end of the financial year

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

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

James Gerard Soorley
Chairman

Antonia Thornton
Director

Brisbane

CS Energy Limited

Statements of Profit or Loss

for the year ended 30 June 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 Restated* $'000	Parent (1) 2020 $'000	Parent (1) 2019 Restated* $'000
Sales of electricity	1	**1,206,952**	1,337,589	**749,501**	556,278
Operation and maintenance services		**65,696**	31,258	**121,384**	60,614
Other income	1	**12,827**	9,940	**9,043**	9,211
Fuel		**(167,469)**	(216,969)	**(120,773)**	(165,319)
Electricity and energy services expense	2	**(397,217)**	(246,048)	**(270,187)**	(131,157)
Services and consultants		**(120,397)**	(112,384)	**(103,282)**	(59,687)
Finance costs	2	**(56,359)**	(66,267)	**(54,126)**	(63,599)
Employee benefit expense	2	**(113,172)**	(108,511)	**(92,077)**	(87,316)
Raw materials and consumables		**(64,559)**	(48,889)	**(49,214)**	(34,485)
Capacity payments and operating leases		**(40,880)**	(40,172)	**(40,455)**	(40,109)
Other expenses	2	**(56,464)**	(43,389)	**(29,340)**	(20,572)
Fair value (loss)/gain through profit/(loss)	6	**(22,259)**	(102,252)	**(22,259)**	(102,252)
Depreciation and amortisation	14, 15	**(142,658)**	(139,681)	**(59,831)**	(58,408)
Asset impairment (expense)/reversal	14	**(353,430)**	(205)	**(191,703)**	(205)
Onerous contract - re-measurement	16	**138,240**	(25,085)	**138,240**	(25,085)
Dividends received		**-**	-	**-**	214,206
Profit / (loss) before income tax		**(111,149)**	**228,935**	**(15,079)**	**52,115**
Income tax benefit / (expense)	17	**33,549**	(68,626)	**4,519**	48,625
Profit / (loss) for the year		**(77,600)**	**160,309**	**(10,560)**	**100,740**

* The comparative information is restated on account of correction of disclosure of the revenue from realised gains or losses associated with electricity derivatives that do not qualify as effective hedges. See notes 1 and 6.

The Group has initially applied AASB16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB16 is recognised in retained earnings at the date of initial application.

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

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

Statements of Other Comprehensive Income
for the year ended 30 June 2020

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit for the year	**(77,600)**	**160,309**	**(10,560)**	**100,740**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	**256,402**	(90,232)	**256,402**	(90,232)
Items that will not be reclassified to profit or loss				
Actuarial loss defined benefit plan, net of tax	**(2,831)**	(5,673)	**(2,831)**	(5,673)
Other comprehensive income for the year, net of tax	**253,571**	**(95,905)**	**253,571**	**(95,905)**
Total comprehensive income for the year	**175,971**	**64,404**	**243,011**	**4,835**
Total comprehensive income for the year is attributable to:				
Owners of CS Energy Limited	**175,971**	**64,404**	**243,011**	**4,835**

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 2020

		Consolidated		Parent	
	Notes	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Assets					
Current assets					
Cash and cash equivalents	3	**59,367**	35,820	**30,772**	24,740
Loans and receivables	5	**410,090**	483,911	**356,780**	395,607
Inventories	12	**108,445**	100,561	**49,144**	43,924
Derivative financial instruments	6	**492,176**	85,821	**492,176**	85,821
Assets held for distribution		**-**	58,689	**-**	58,689
Total current assets		**1,070,078**	**764,802**	**928,872**	**608,781**
Non-current assets					
Derivative financial instruments	6	**255,625**	44,269	**255,625**	44,269
Property, plant and equipment	14	**1,062,830**	1,391,615	**155,435**	369,697
Right- of- use assets	15	**3,543**	-	**3,543**	-
Retirement benefit assets	13	**13,433**	19,101	**13,433**	19,101
Equity accounted investments	25	**1**	1	**-**	-
Investment in subsidiaries	26	**-**	-	**62,815**	51,815
Loans to related parties	5	**-**	-	**439,569**	476,112
Total non-current assets		**1,335,432**	**1,454,986**	**930,420**	**960,994**
Total assets		**2,405,510**	**2,219,788**	**1,859,292**	**1,569,775**
Liabilities					
Current liabilities					
Trade and other payables	7	**227,388**	129,619	**198,749**	83,552
Lease liabilities	15	**1,416**	-	**1,416**	-
Provisions	16	**115,276**	279,340	**110,137**	274,918
Derivative financial instruments	6	**345,018**	176,241	**345,018**	176,241
Liabilities held for distribution		**-**	8,037	**-**	8,037
Total current liabilities		**689,098**	**593,237**	**655,320**	**542,748**
Non-current liabilities					
Other payables	7	**-**	29	**-**	-
Lease liabilities	15	**3,039**	-	**3,039**	-
Interest bearing liabilities	8	**557,353**	557,353	**557,353**	557,353
Deferred tax liabilities	17	**92,045**	52,962	**11,343**	(61,995)
Derivative financial instruments	6	**170,666**	83,919	**170,666**	83,919
Provisions	16	**265,628**	355,799	**158,276**	262,687
Total non-current liabilities		**1,088,731**	**1,050,062**	**900,677**	**841,964**
Total liabilities		**1,777,829**	**1,643,299**	**1,555,997**	**1,384,712**
Net assets		**627,681**	**576,489**	**303,295**	**185,063**

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

Statements of Financial Position
as at 30 June 2020

		Consolidated		Parent	
	Notes	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Equity					
Share capital	18	**1,063,497**	1,114,414	**1,063,497**	1,114,414
Accumulated losses	19	**(621,344)**	(467,051)	**(945,730)**	(858,477)
Reserves	19	**185,528**	(70,874)	**185,528**	(70,874)
Capital and reserves attributable to owners of CS Energy Limited		**627,681**	**576,489**	**303,295**	**185,063**
Total equity		**627,681**	**576,489**	**303,295**	**185,063**

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 2020

Consolidated	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2019					
Balance at 1 July 2018		**1,114,414**	**19,358**	**(456,452)**	**677,320**
Comprehensive income for the year					
Profit / (Loss) for the year		-	-	160,309	160,309
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(90,232)	-	(90,232)
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(5,673)	(5,673)
Total comprehensive income for the year		**-**	**(90,232)**	**154,636**	**64,404**
Dividend declared		-	-	(165,235)	(165,235)
Balance at 30 June 2019		**1,114,414**	**(70,874)**	**(467,051)**	**576,489**
Changes in equity for 2020					
Balance at 1 July 2019		**1,114,414**	**(70,874)**	**(467,051)**	**576,489**
Comprehensive income for the year					
Profit / (Loss) for the year		-	-	(77,600)	(77,600)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	256,402	-	256,402
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(2,831)	(2,831)
Total comprehensive income for the year		**-**	**256,402**	**(80,431)**	**175,971**
Dividend declared		-	-	(73,862)	(73,862)
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	(50,917)	-	-	(50,917)
Total transactions with the owners of the company		**(50,917)**	**-**	**-**	**(50,917)**
Balance at 30 June 2020		**1,063,497**	**185,528**	**(621,344)**	**627,681**

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 2020

Parent					
	Note	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2019					
Balance at 1 July 2018		**1,114,414**	**19,358**	**(788,309)**	**345,463**
Total comprehensive income for the year					
Profit / (Loss) for the year		-	-	100,740	100,740
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(90,232)	-	(90,232)
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(5,673)	(5,673)
Total comprehensive income for the year		**-**	**(90,232)**	**95,067**	**4,835**
Dividend declared		-	-	(165,235)	(165,235)
Balance at 30 June 2019		**1,114,414**	**(70,874)**	**(858,477)**	**185,063**
Changes in equity for 2020					
Balance at 1 July 2019		**1,114,414**	**(70,874)**	**(858,477)**	**185,063**
Total comprehensive income for the year					
Profit / (Loss) for the year		-	-	(10,560)	(10,560)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	256,402	-	256,402
Actuarial loss on the defined benefit plan, net of tax	19	-	-	(2,831)	(2,831)
Total comprehensive income for the year		**-**	**256,402**	**(13,391)**	**243,011**
Dividend declared		-	-	(73,862)	(73,862)
Transactions with owners of the company					
Contributions and distributions					
Distribution to owners	18	(50,917)	-	-	(50,917)
Total transactions with the owners of the company		**(50,917)**	**-**	**-**	**(50,917)**
Balance at 30 June 2020		**1,063,497**	**185,528**	**(945,730)**	**303,295**

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 2020

	Notes	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Cash flows from operating activities					
Cash receipts from customers		**1,392,394**	1,416,521	**871,613**	604,883
Cash payments to suppliers and employees		**(1,116,108)**	(952,073)	**(772,875)**	(611,670)
Cash generated from/(used) in operations		**276,286**	**464,448**	**98,738**	**(6,787)**
Cash margining contributions		**192,340**	(68,371)	**192,340**	(68,371)
Interest received		**3,184**	7,546	**3,177**	7,530
Operating borrowing costs paid		**(34,397)**	(47,706)	**(34,397)**	(47,706)
Tax equivalent payment		**(130,419)**	(18,876)	**(130,419)**	(18,876)
Net cash inflow/(outflow) from operating activities	4	**306,994**	**337,041**	**129,439**	**(134,210)**
Cash flows from investing activities					
Payments for property, plant and equipment		**(137,818)**	(107,458)	**(18,545)**	(66,936)
Repayments of loans from related parties		**-**	-	**41,767**	219,300
Investment in subsidiaries		**-**	-	**(11,000)**	-
Dividends received		**-**	-	**-**	214,206
Deposit with General Government Sector advances facility		**30,956**	(18,900)	**30,956**	(18,900)
Investment in term deposits		**(10,000)**	-	**-**	-
Net cash inflow/(outflow) from investing activities		**(116,862)**	**(126,358)**	**43,178**	**347,670**
Cash flows from financing activities					
Repayment of borrowings	8	**-**	(85,357)	**-**	(85,357)
Dividends paid		**(165,235)**	(125,731)	**(165,235)**	(125,731)
Lease payments		**(1,350)**	-	**(1,350)**	-
Net cash (outflow) from financing activities		**(166,585)**	**(211,088)**	**(166,585)**	**(211,088)**
Net increase (decrease) /increase in cash and cash equivalents		**23,547**	**(405)**	**6,032**	**2,372**
Cash and cash equivalents at the beginning of the financial year		**35,820**	36,225	**24,740**	22,368
Cash and cash equivalents at the end of the year	3	**59,367**	**35,820**	**30,772**	**24,740**

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 consolidated Group's operations.

The notes to the financial statements have been categorised into eight sections:

- **Section 1: Basis of preparation**
- **Section 2: Results for the year**
- **Section 3: Financial assets and financial liabilities**
- **Section 4: Operating assets and liabilities**
- **Section 5: Taxation**
- **Section 6: Capital structure**
- **Section 7: Key management personnel**
- **Section 8: Other information**

The above sections have been presented to show the accounting policy and key judgments and estimates subsequent to the quantitative disclosures.

Notwithstanding this, the principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the parent financial statements for CS Energy Limited as an individual entity and the consolidated Group consisting of CS Energy Limited and its subsidiaries.

CS Energy Limited is a company domiciled in Australia. Its registered office and principal place of business is Level 2, HQ North Tower, 540 Wickham Street, Fortitude Valley, Queensland 4006. The consolidated Group is primarily involved in the generation of electricity from coal fired power stations.

The consolidated financial statements are general purpose financial statements for the year ended 30 June 2020 and were authorised for issue by the Board of Directors on 28 August 2020.

The consolidated Group's financial statements:

- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Government Owned Corporations Act 1993* and related regulations and the *Corporations Act 2001*. CS Energy Limited is a for-profit entity for the purpose of preparing the financial statements;
- were prepared using the historical cost convention with the exception of derivative financial instruments measured at fair value, 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 2020;
- do not early adopt any new Accounting Standards or Interpretations; and
- have been prepared in accordance with Legislative Instruments CO 10/654 allowing the disclosure of Parent entity financial statements and notes thereto as part of the Group financial report. By electing to adopt this Class Order it provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific Parent entity financial information under regulation 2M.3.01 of the Corporations Regulations.

Going concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial statements at 30 June 2020 reflect a net asset position for the consolidated Group of $627.7 million (2019: $576.5 million) and $303.3 million (2019: $185.1 million) for the Parent.

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

As at 30 June 2020, the Group had approved borrowings of $557.4 million (2019: $557.4 million) with access to further borrowings from the Queensland Treasury Corporation (QTC) subject to approval of an annual State Borrowing Program Limit. The Group also had access to a $225.0 million short term working capital facility with the QTC which was fully undrawn (refer Note 9).

QTC has confirmed in a letter to Management dated 3 July 2020 that there are currently no amounts which are repayable on demand nor any circumstances which would give rise to amounts being payable by CS Energy other than on a specified date.

The ability of CS Energy Limited and the consolidated Group to continue as a going concern is dependent upon:

- continued access to debt facilities with QTC; and
- the continued support of the Queensland Government.

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

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

Reclassification in the presentation of Financial Statements

The revenue from realised gains or losses associated with electricity derivatives that do not qualify as effective hedges have been presented in the fair value (loss)/gain through profit/(loss) line on the Statement of Profit or Loss. Previously this revenue was recognised in the financial statement line item sales of electricity. The prior year Statement of Profit or Loss and associated notes have been restated below.

		Consolidated			Parent		
	Note	FY19 Published $'000	FY19 Reclass $'000	FY19 Restated $'000	FY19 Published $'000	FY19 Reclass $'000	FY19 Restated $'000
Sales of electricity	1	1,260,183	(77,406)	1,337,589	478,872	(77,406)	556,278
Fair value (loss)/gain through profit/(loss)	6	(24,846)	77,406	(102,252)	(24,846)	77,406	(102,252)
Total		**1,235,337**	**-**	**1,235,337**	**454,026**	**-**	**454,026**
Profit for the year		**160,309**	**-**	**160,309**	**100,740**	**-**	**100,740**

Note 1 Sales of electricity

	Consolidated		Parent	
	FY19 $'000	FY19 Restated $'000	FY19 $'000	FY19 Restated $'000
Sales of electricity to the NEM	1,145,149	1,145,149	489,348	489,348
Net realised losses on electricity contracts designated cashflow hedges	(24,585)	(24,585)	(24,582)	(24,582)
Net realised losses on non-hedge accounted electricity contracts	(77,406)	-	(77,406)	-
Total sales of electricity - wholesale	**1,043,158**	**1,120,564**	**387,360**	**464,766**
Sales of electricity - retail	217,025	217,025	91,512	91,512
Total sales of electricity	**1,260,183**	**1,337,589**	**478,872**	**556,278**

Note 6 Derivative financial instruments

		Consolidated		Parent	
	Line item of Statements of Profit or Loss	FY19 $'000	FY19 Restated $'000	FY19 $'000	FY19 Restated $'000
Net realised gains/(losses)	Sales of electricity	(77,406)	-	(77,406)	-
Net realised gains/(losses)	Fair value through profit/(loss)	-	(77,406)	-	(77,406)
Net unrealised gains/(losses)	Fair value through profit/(loss)	(24,846)	(24,846)	(24,846)	(24,846)
Total changes in fair value of non-hedged accounting derivatives recognised in profit/(loss)		**(102,252)**	**(102,252)**	**(102,252)**	**(102,252)**

New and amended accounting standards adopted by the consolidated Group

The Group adopted AASB 16 *Leases* in these Financial Statements from 1 July 2019. The adoption of other changes to AASB applicable from 1 July 2019, including IFRIC 23 *Uncertainty over Income Tax Treatments* and changes to AASB 128 *Interests in Associates and Joint Ventures* did not have a significant impact on these Financial Statements.

AASB 16 Leases

AASB 16 *Leases* replaces the requirements in AASB 117 *Leases* and related interpretations, and is applicable for the first time for entities with an annual reporting period beginning on or after 1 January 2019.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated. The details of the changes in accounting policies are disclosed below.

Previously the Group determined at inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a lease*, classifying leases identified as either operating or finance leases based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 15, with right-of-use assets and lease liabilities for most leases now recognised on-balance sheet.

On transition to AASB 16, the Group elected not to apply the practical expedient to grandfather the assessment of which transactions are leases. AASB 16 has been applied to all material contracts to assess whether a lease exists under the new definition.

The Group decided to apply recognition exemptions to short-term and low value leases of machinery and leases of IT equipment (see Note 15).

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate of 0.96% as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments and lease incentives received.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Issued standards and interpretations not early adopted

The Group has not early adopted any changes to AASB applicable from 1 July 2020.

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

Events occurring after the reporting period

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

Section 2: Results for the year

Note 1 - Income

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

Sales of electricity - wholesale
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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Sales of electricity to the NEM	**650,193**	1,145,149	**340,167**	489,348
Net realised gains/(losses) on electricity contracts designated as cashflow hedges	**156,805**	(24,585)	**156,805**	(24,582)
Total sales of electricity - wholesale	**806,999**	**1,120,564**	**496,972**	**464,766**
Sales of electricity - retail	**399,953**	217,025	**252,529**	91,512
Total sales of electricity	**1,206,952**	**1,337,589**	**749,501**	**556,278**

Other income

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Commercial settlement (1)	**7,679**	-	**4,759**	-
Interest income	**3,951**	8,750	**3,944**	8,733
Other income	**1,197**	1,190	**340**	478
Total other income	**12,827**	**9,940**	**9,043**	**9,211**

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

Note 2 - Expenses

Electricity and energy services

	Consolidated		Parent	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Wholesale energy	**141,422**	98,963	**107,796**	64,550
Market and transmission fees	**185,205**	101,997	**112,303**	41,875
Ancillary services	**20,366**	17,881	**17,195**	15,046
Environmental charges	**45,259**	20,019	**32,893**	9,686
Other electricity and energy services expenses	**4,965**	7,188	**-**	-
Total electricity and energy services expenses	**397,217**	**246,048**	**270,187**	**131,157**

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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Finance costs	**35,107**	46,375	**35,107**	46,375
Onerous contract provision	**17,063**	14,818	**17,063**	14,818
Rehabilitation provision	**4,189**	5,074	**1,956**	2,406
Total finance costs	**56,359**	**66,267**	**54,126**	**63,599**

Accounting policy

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

The Group incurs market value realisation charges when it makes repayments of principal to QTC. As the Group did not make any debt repayments in 2020, the market realisation charge is $ nil (2019 $8.4 million).

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

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

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

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

Employee benefit expense

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Wages and salaries expense	**98,775**	94,700	**80,445**	75,743
Defined contribution superannuation expense	**7,437**	6,716	**5,874**	5,291
Defined benefit plan expense	**1,623**	1,174	**1,623**	1,174
Employee performance payments	**5,337**	5,921	**4,135**	5,108
Total employee benefits expense	**113,172**	**108,511**	**92,077**	**87,316**

Accounting policy

The consolidated Group recognises a liability and an expense for bonuses based on a range of performance indicators for the period to which the performance bonus relates. The liability is recognised when the consolidated Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other expenses

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Administration costs	**56,464**	43,389	**29,340**	20,572
Total other expenses	**56,464**	**43,389**	**29,340**	**20,572**

Accounting policy

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

Section 3: Financial assets and financial liabilities

Note 3 - Cash and cash equivalents

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash at bank and on hand	**59,367**	35,820	**30,772**	24,740
Total cash and cash equivalents	**59,367**	**35,820**	**30,772**	**24,740**

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

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

	Consolidated		Parent	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Profit / (Loss) before income tax	**(111,149)**	228,935	**(15,079)**	52,115
Income tax (expense) / benefit	**33,549**	(68,626)	**4,519**	48,625
Depreciation and amortisation	**142,658**	139,681	**59,831**	58,408
Impairment (loss reversal)	**353,430**	205	**191,703**	205
Net (gain)/ loss on sale of non-current assets	**468**	1,789	**(183)**	1,459
Fair value adjustment to derivatives	**4,101**	24,846	**4,101**	24,846
Provision for doubtful debts	**3,688**	3,080	**-**	-
Non-cash retirement benefits adjustment	**1,623**	1,174	**1,623**	1,174
Finance cost on provisions	**21,252**	19,892	**19,019**	17,225
Rehabilitation change in value	**2,719**	(365)	**2,719**	(365)
Onerous contract re-measurement and provision utilised	**(138,240)**	25,085	**(138,240)**	25,085
Dividends received	**-**	-	**-**	(214,206)
Other non-cash flow items	**-**	(2,568)	**-**	(2,568)
Change in operating assets and liabilities:				
(Increase) decrease in receivables	**63,140**	(82,368)	**21,834**	(66,700)
(Increase) decrease in inventories	**(5,879)**	(11,506)	**(3,215)**	(8,745)
(Decrease) increase in accounts payable, employee benefits, borrowings and other provisions	**(64,366)**	57,787	**(19,193)**	(70,768)
Net cash inflow (outflow) from operating activities	**306,994**	**337,041**	**129,439**	**(134,210)**

Note 5 - Loans and receivables

	Consolidated		Parent	
Current Assets	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Trade receivables	**154,381**	148,951	**113,058**	62,121
Advances Facility (1)	**222,944**	253,900	**222,944**	253,900
Income tax receivable	**13,963**	-	**13,963**	-
Restricted cash (2)	**10,000**	-	**-**	-
Other receivables	**6,299**	6,186	**5,322**	5,053
Prepayments	**2,503**	422	**1,493**	81
Collateral (3)	**-**	74,452	**-**	74,452
Total current loans and other receivables	**410,090**	**483,911**	**356,780**	**395,607**

(1) CS Energy deposited funds into the General Government Sector Advances facility with Queensland Treasury.

(2) CS Energy deposited funds as security for the Insurance protected cell company. This has been recognised as an investment in subsidiary for the Parent entity.

(3) The consolidated Group has entered into derivative contracts on the Australian Securities Exchange. Collateral is provided to support the margin requirements to cover these positions. As at reporting date this balance was a liability and is disclosed in Note 7 Trade and other payables.

	Consolidated		Parent	
Non-current assets	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Loans to related parties	-	-	**439,569**	**476,112**

Accounting policy

Loans and receivables are recognised on the date that they originated and when the consolidated Group has the legal right to receive the cash or cash equivalent or economic benefit. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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

Due to the nature of over-the-counter electricity contracts (OTC), the settlement is performed on a net basis with the respective counterparty. The net amount receivable at the reporting date is included in trade receivables.

Impairment allowance for expected credit losses on all loans and receivables at amortised cost is assessed and measured at each reporting date. 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 impacts of COVID-19 and resultant downturn in domestic economic conditions as at reporting date and concluded the impacts to be immaterial. The Group has not observed a material shift in payment patterns or significant ageing of outstanding balances since COVID-19.

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

Wholesale operations
Wholesale operations includes net electricity settlements with AEMO and wholesale derivative settlements with OTC counterparties. Wholesale receivables are assessed for impairment using the simplified approach. 80% of the wholesale receivables are held with highly rated counterparties and AEMO. For the financial assets held with non-rated counterparties, CS Energy generally requires credit support via a bank guarantee or cash deposits which are considered when assessing the lifetime expected credit loss.
The lifetime expected credit loss on wholesale receivables is $nil as at 30 June 2020 (2019: $nil).

Commercial and industrial (C&I) retail
The Group has entered into retail contracts with large commercial and industrial customers. These customers have ongoing credit reviews on their financial conditions to ensure credit exposures remain within approved levels. C&I retail receivables are assessed for impairment using the simplified approach. 98% of the C&I retail receivables as at reporting date were either held with QLD Government entities or supported with bank guarantees. The Group does not recognise an impairment loss on balances owed by QLD Government entities.
The lifetime expected credit loss on C&I retail receivables is $nil as at 30 June 2020 (2019: $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.

As at reporting date, the Joint Operation has not seen a material increase in the lifetime expected credit loss of residential retail customers due to COVID-19. This is predominantly due to the Queensland Government's COVID-19 Economic Recovery Package which provided a $200 rebate for residential electricity bills.

The lifetime expected credit loss on trade and other receivables has increased to $4.2 million as at 30 June 2020 (2019: $3.1 million).

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

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

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

Note 6 - Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2020 $'000	2019 $'000
Current assets		
Electricity derivative contracts - cash flow hedges	**148,735**	361
Electricity derivative contracts - fair value through profit or loss	**343,441**	85,460
Total current derivative financial instrument assets	**492,176**	**85,821**
Non-current assets		
Electricity derivative contracts - cash flow hedges	**100,578**	97
Electricity derivative contracts - fair value through profit or loss	**155,047**	44,172
Total non-current derivative financial instrument assets	**255,625**	**44,269**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2020 $'000	2019 $'000
Current liabilities		
Electricity derivative contracts - cash flow hedges	**214**	69,749
Electricity derivative contracts - fair value through profit or loss	**344,804**	106,492
Total current derivative financial instrument liabilities	**345,018**	**176,241**
Non-current liabilities		
Electricity derivative contracts - cash flow hedges	**17**	29,130
Electricity derivative contracts - fair value through profit or loss	**170,649**	54,789
Total non-current derivative financial instrument liabilities	**170,666**	**83,919**

Critical accounting estimates and assumptions

The consolidated Group enters into financial derivative transactions including swaps and options to manage exposure to commodity and financial market risk. The fair value of these transactions is generally determined using observable market prices. The above valuations were influenced by assumptions made in the following areas:

- Forward prices and generation output.
- Financial deltas to account for option volatility.
- Discount rates.

Refer Note 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 consolidated Group designates certain derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges). The consolidated Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The consolidated Group applies hedge accounting on eligible electricity OTC swaps and futures contracts and performs ongoing assessment of effectiveness. The economic relationship is determined by matching the critical terms, such as volume, time period and region, between the hedging instrument and the hedged item. The hedge ratio is 100 per cent which reflects the economic relationship. 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)	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 GWh	2019 GWh
Derivatives designated as hedging instruments						
12 months or less	**148,735**	361	**214**	69,749	6,654	6,074
1 - 5 years	**100,578**	97	**17**	29,130	6,202	5,744
Total	**249,313**	**458**	**231**	**98,879**	**12,856**	**11,818**

(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 $33 to $85 per MWh (FY19: $48 to $91 per MWh).

	Consolidated and Parent	
	2020 $'000	2019 $'000
Hedging Instrument		
Changes in fair value (used for calculating hedge ineffectiveness)	**(325,984)**	116,784
Hedged Item		
Changes in value (used for calculating hedge ineffectiveness)	**(325,933)**	119,235
Hedge ineffectiveness		
Hedge ineffectiveness recognised in profit/(loss) (1)	**(767)**	578
Cash flow hedge reserve		
Balance in cash flow hedge reserve related to continuing hedges	**(236,667)**	88,550
Balance in cash flow reserve for which hedge accounting is no longer applied	**(28,373)**	12,698
Cash flow hedge reserve	**(265,040)**	**101,248**

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

Derivatives which do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. The main categories of non-qualifying instruments for the consolidated Group are options, 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	
		2020 $'000	2019 Restated $'000 (1)	2020 $'000	2019 Restated $'000 (1)
Net realised losses	Fair value through profit/(loss)	**(18,158)**	(77,406)	**(18,158)**	(77,406)
Net unrealised losses	Fair value through profit/(loss)	**(4,101)**	(24,846)	**(4,101)**	(24,846)
Total changes in fair value of non-hedged accounted derivatives recognised in profit/(loss)		**(22,259)**	**(102,252)**	**(22,259)**	**(102,252)**

(1) Refer note 1 for restated balances.

Note 7 - Trade and other payables

Current liabilities

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables	**71,121**	89,122	**44,959**	47,916
Other payables	**24,574**	27,771	**22,097**	22,910
Environmental surrender obligation	**13,806**	11,644	**13,806**	11,644
Unearned revenue	**-**	1,082	**-**	1,082
Collateral (1)	**117,887**	-	**117,887**	-
Total current liabilities trade and other payables	**227,388**	**129,619**	**198,749**	**83,552**

(1) The consolidated Group has entered into derivative contracts on the Australian Securities Exchange. Collateral has been received in advance to support the margin requirements to cover these positions.

Non-current liabilities

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Other payables	**-**	29	**-**	-

Accounting policy

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

Note 8 - Interest bearing liabilities

Non-current liabilities – borrowings

	Consolidated and Parent	
	2020 $'000	2019 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	**557,353**	557,353

The market value of QTC loans as at 30 June 2020 was $658.2 million (2019: $654.1 million).

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

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

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

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2020 $'000	**2019 $'000**
Financial liabilities		
Queensland Treasury Corporation Loans		
Opening balance	**557,353**	642,710
Repayment of borrowings	**-**	(85,357)
Closing balance	**557,353**	**557,353**

Note 9 - Financial risk management

Commodity price risk

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

The consolidated Group is exposed to commodity price risk on electricity and coal arising from the purchase and/or sale of these commodities. The consolidated Group does not use derivative financial instruments for risk management in relation to purchases of coal, but rather enters into long term fixed price supply agreements.

The consolidated Group is exposed to commodity price risk on electricity sales via the National Electricity Market. This risk arises from fluctuations in the wholesale price of electricity. Electricity swaps and futures contracts are used to manage this electricity price risk. The majority of these types of financial instruments have a time to maturity of between three months and three years.

The consolidated Group's risk management policy is to hedge a proportion of the production that is highly likely to occur. The policy prescribes a maximum hedge level for discrete time periods based on a number of operational, technical and market parameters.

Over-the-counter electricity contracts (OTC)

CS Energy Limited has entered into a number of OTC electricity contracts, which are mostly swap contracts. The majority of these swap contracts are such that CS Energy Limited receives a fixed rate per megawatt hour from counterparties (predominantly retailers) in exchange for payment of the pool price per megawatt hour for the contract period.

Exchange traded electricity futures contracts

CS Energy Limited has entered into a number of exchange traded electricity futures contracts. The majority of these contracts are such that CS Energy Limited receives a fixed rate per megawatt hour in exchange for payment of the average pool price for the contract period. The contracts are settled on a daily basis by margin payments and receipts prior to and throughout the course of the contract period, based on the market price of the contract at the time.

Sensitivity analysis on the electricity derivative portfolio

The following table summarises the increase/(decrease) on both the parent and consolidated Group's profit or loss for the year and on equity, that would result from a 10% increase/(decrease) in electricity forward prices on the electricity derivatives portfolio. The sensitivity analysis is based on reasonably possible changes, over a financial year, in the electricity price applicable to each financial instrument. All variables other than electricity prices are held constant in the analysis.

	Consolidated and Parent	
	Equity $'000	Impact on pre-tax Profit or (loss) $'000
30 June 2020		
Electricity price - increase 10%	50,491	22,017
Electricity price - decrease 10%	(50,315)	(21,603)
30 June 2019		
Electricity price - increase 10%	(85,019)	(24,550)
Electricity price - decrease 10%	77,246	22,326

Liquidity risk

The consolidated Group is exposed to liquidity risk through the volatility of its operating cash flows. The consolidated Group manages its exposure to liquidity risk by maintaining sufficient committed credit facilities to cater for unexpected volatility in cash flows. Funding approval is sought in advance for expenditure commitments that extend beyond the current financial year, pursuant to the Queensland Government's State Borrowing Program. Available lines of funding are disclosed below.

The following table summarises the contractual maturities of financial liabilities, including estimated interest payments, excluding the impact of netting agreements.

The anticipated time at which cash flows from hedges are expected to impact profit or loss is consistent with the maturity profiles for derivative financial assets and liabilities in the following tables.

Consolidated					
	Carrying amount $'000	Total contractual cash flows $'000	Less than one year $'000	1-5 years $'000	More than 5 years $'000
30 June 2020					
Non-derivative financial instruments					
Loans from QTC	**557,353**	**682,409**	**25,399**	**99,658**	**557,353**
Trade and other payables	**109,501**	**109,501**	**109,501**	**-**	**-**
Derivative financial liabilities					
Electricity contracts	**515,684**	**516,203**	**345,093**	**162,851**	**8,259**
Total	**1,182,538**	**1,308,113**	**479,993**	**262,509**	**565,612**
30 June 2019					
Non-derivative financial instruments					
Loans from QTC	557,353	691,951	27,192	107,406	557,353
Trade and other payables	116,922	116,922	116,893	29	-
Derivative financial liabilities					
Electricity contracts	260,160	261,046	176,595	84,451	-
Total	**934,435**	**1,069,919**	**320,680**	**191,886**	**557,353**

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 2020					
Non-derivative financial instruments					
Loans from QTC	**557,353**	**682,409**	**25,399**	**99,658**	**557,353**
Trade and other payables	**80,862**	**80,862**	**80,862**	**-**	**-**
Derivative financial liabilities					
Electricity contracts	**515,684**	**516,203**	**345,093**	**162,851**	**8,259**
Total	**1,153,899**	**1,279,474**	**451,354**	**262,509**	**565,612**
30 June 2019					
Non-derivative financial instruments					
Loans from QTC	557,353	691,951	27,192	107,406	557,353
Trade and other payables	70,826	70,826	70,826	-	-
Derivative financial liabilities					
Electricity contracts	260,160	261,046	176,595	84,451	-
Total	**888,339**	**1,023,823**	**274,613**	**191,857**	**557,353**

QTC Facilities

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Facilities used at balance date				
QTC Facilities	**557,353**	557,353	**557,353**	557,353
Total	**557,353**	**557,353**	**557,353**	**557,353**
Unused at balance date				
QTC Working Capital Facility (1)	**225,000**	225,000	**225,000**	225,000
QTC Eligible Undertaking (2)	**700,000**	700,000	**700,000**	700,000
Total	**925,000**	**925,000**	**925,000**	**925,000**
Total facilities available	**1,482,353**	**1,482,353**	**1,482,353**	**1,482,353**

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

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

Credit risk exposures

For financial instruments, credit risk arises from the potential failure of counterparties to meet their financial obligations under their respective contracts. A material exposure arises from OTC swap contracts and the consolidated Group is exposed to loss in the event that counterparties fail to settle the contracted amounts. The consolidated Group also has a concentration of credit exposure to the National Electricity Market, operated by the Australian Energy Market Operator (AEMO).

To manage credit risk appropriately, the consolidated Group has policies in place to ensure transactions, which may result in credit risk, either involve counterparties of appropriate credit quality, or that sufficient security is obtained. Overall credit risk is maintained within parameters specified by the Board so that a material loss on account of credit risk is relatively low. Financial derivative counterparties are limited to those that are at least investment grade (as determined by recognised providers of credit rating information), or alternatively provide credit enhancement. The consolidated Group also uses International Swap and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts payable to and receivable from individual counterparties. Cash investments are limited to high quality counterparties.

The carrying amount of the consolidated Group's financial assets (as disclosed in Notes 3, 5 and 6) represents the maximum exposure to credit risk at reporting date. None of the consolidated Group's financial assets were past due or impaired as at 30 June 2020. A summary of the credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as reflected in the following table:

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash and cash equivalents				
AA+ to AA-	**54,704**	35,820	**26,109**	24,740
A+ to A-	**4,663**	-	**4,663**	-
Total	**59,367**	**35,820**	**30,772**	**24,740**
Trade and other receivables				
AA+ to AA-	**275,927**	269,985	**265,928**	269,985
A+ to A-	**30,986**	74,452	**30,986**	74,452
BBB+ to BBB-	**2,884**	-	**2,884**	-
AEMO (1)	**23,357**	72,996	**1,634**	15,218
Other non-rated (2)	**76,936**	66,478	**55,348**	35,952
Total	**410,090**	**483,911**	**356,780**	**395,607**
Derivative financial assets				
AA+ to AA-	**104,978**	8,813	**104,978**	8,813
A+ to A-	**507,312**	96,925	**507,312**	96,925
BBB+ to BBB-	**28,339**	3,104	**28,339**	3,104
Non-rated	**107,172**	21,248	**107,172**	21,248
Total	**747,801**	**130,090**	**747,801**	**130,090**

(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 2020. Balances primarily represent receivables due from Gladstone Power Station participants in relation to the Interconnection & Power Pooling Agreement (IPPA) and the Power Purchase Agreement (Boyne Smelter Additional Load) and receivables from non-rated retail customers including the Alinta joint venture.

Interest rate risk

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

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

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

QTC manages to an overall target duration for the consolidated Group's funding pool and manages the underlying debt on a term structure with various component maturities. The duration of the debt is set to reduce exposure to adverse interest rate movements, match underlying business cash flows and reduce the overall cost of funding. The consolidated Group's cost of debt comprises of a book interest rate, administration fee and a competitive neutrality fee (CNF).

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased (decreased) profit or loss for the year by the amounts shown in the following table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as 2019.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	**1% decrease $'000**
Cash and cash equivalents	**594**	**(594)**
Advances facility	**2,229**	**(2,229)**
Borrowings	**(329)**	**357**

Consolidated	2020			2019		
	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	**59,367**	**-**	**0.49%**	35,820	-	1.49%
Advances facility	**222,944**	**-**	**1.59%**	253,900	-	2.69%
Total financial assets	**282,311**	**-**	**1.39%**	**289,720**	**-**	**2.66%**
Financial Liabilities						
Queensland Treasury Corporation loans	**-**	**557,353**	**6.01%**	-	557,353	6.31%
Total financial liabilities	**-**	**557,353**	**6.01%**	**-**	**557,353**	**6.31%**

Capital management

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

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

Capital management (continued)

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

In order to maintain or adjust the capital structure, the consolidated Group may apply to the Shareholding Ministers for additional equity, or divest itself of some or all of its assets in order to reduce debt or pursue new investment opportunities.

The Group monitors capital on the basis of the agreed financial covenants (EBITDA interest cover, total debt to EBITDA and total debt to total capital ratio). All ratios have been reviewed and reported on a monthly basis and are compliant with the lending terms as at 30 June 2020.

Note 10 - Fair values

Fair value is the price that the consolidated Group would receive for an asset or pay for a liability in the ordinary course of business.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

				Consolidated and Parent
30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative financial assets				
Electricity contracts	**505,544**	**214,929**	**27,328**	**747,801**
Total	**505,544**	**214,929**	**27,328**	**747,801**
Derivative financial liabilities				
Electricity contracts	**412,032**	**79,466**	**24,186**	**515,684**
Total	**412,032**	**79,466**	**24,186**	**515,684**

				Consolidated and Parent
30 June 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative financial assets				
Electricity contracts	76,836	37,506	15,748	130,090
Total	**76,836**	**37,506**	**15,748**	**130,090**
Derivative financial liabilities				
Electricity contracts	133,142	84,429	42,589	260,160
Total	**133,142**	**84,429**	**42,589**	**260,160**

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

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

	Consolidated and Parent
	Recurring fair value measurements $'000
Balance at 1 July 2019	(14,873)
Change in fair value through profit or loss (1)	(25,562)
Change in fair value through other comprehensive income (2)	(1,442)
Settlement	15,036
Balance at 30 June 2019	**(26,841)**
Balance at 1 July 2019	**(26,841)**
Change in fair value through profit or loss (1)	**2,205**
Transfer to level 2	**1,442**
Settlement	**26,336**
Balance at 30 June 2020	**3,142**

(1) Change in fair value is included in the fair value (loss) / gain through profit/(loss) line in the Statements of Profit or Loss.
(2) Change in fair value is included in the changes in fair value of cash flow hedges, net of tax line in the Statements of Other Comprehensive Income.

Valuation techniques used to determine fair values

The consolidated Group uses internal valuation models to value electricity financial instruments that are not traded in an active market. These models use inputs that are sourced, wherever possible, from observable market data. However, there are elements of estimation involved where market data is not available for certain time periods, certain instruments are not actively traded or instruments embody unusual conditions. Estimation is also involved in discounting for the time value of money.

Quoted market price is used for similar financial instruments. These instruments are included in level 1.

The fair value of over-the-counter derivatives is calculated as the present value of the estimated cash flows based on observable forwards curves. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2. The following inputs are used in level 2 valuations:

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

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

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

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

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

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

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

	Consolidated and Parent			
	Electricity price		Forecast volume	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
10% increase	**7,858**	(7,448)	**377**	(2,342)
10% decrease	**(7,747)**	6,771	**(263)**	2,129

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

	Consolidated and Parent	
	2020 $'000	2019 $'000
Carrying amount	**557,353**	557,353
Fair Value (level 2)	**658,154**	**654,111**

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

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

Note 11 - Master netting arrangement

Agreements with derivative counterparties are based on the ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing or receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the consolidated Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statements of Financial Position.

Section 4: Operating assets and liabilities

Note 12 - Inventories

	Consolidated		Parent	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Stores (1)	**60,217**	66,954	**35,609**	36,615
Fuel at weighted average cost (finished goods)	**18,769**	12,028	**10,602**	6,794
Fuel at weighted average cost (work in progress)	**26,526**	21,064	**-**	-
Environmental certificates	**2,933**	515	**2,933**	515
Total Inventory	**108,445**	**100,561**	**49,144**	**43,924**

(1) Stores balance includes a net realisable value adjustment of $10.1 million (2020) and $10.2 million (2019).

Inventories expensed during the year ended 30 June 2020 were $231.5 million (2019: $241.9 million).

Accounting policy

Inventories comprise stores, fuel and environmental certificates, which are stated at the lower of cost and net realisable value.

Cost comprises the cost of purchase, which is assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Fuel inventory is recognised as finished goods once the coal has been extracted and delivered to the coal stockpile at the power stations. Overburden that is removed in advance at the Aberdare coal mine is recognised as work in progress and unwound once the coal is extracted.

When inventories are consumed, the carrying amount of those inventories is recognised as an expense in the period in which the associated revenue is recognised.

Note 13 - Employee retirement benefit obligations

Defined benefit obligation

Some employees of the consolidated Group are entitled to benefits from the industry multiple employer superannuation plans, the Energy Super Fund (ESF), on retirement, disability or death. The consolidated Group has a defined benefit plan and a defined contribution plan. The defined benefit plan provides lump sum benefits based on years of service and final average salary. The defined contribution plan receives fixed contributions from consolidated Group companies, on behalf of employees and the consolidated Group's legal or constructive obligation is limited to these contributions.

Due to a higher than expected return on the actual investment plan assets the total fair value of the plan assets were greater than the present value of the future obligations in 2020 resulting in a defined benefit asset being recognised at 30 June 2020 (30 June 2019: Defined benefit asset recognised).

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

	Consolidated and Parent	
	2020 $'000	**2019 $'000**
Present value of the defined benefit obligation	**(60,637)**	(61,430)
Fair value of defined benefit plan assets	**72,055**	77,666
Net asset before adjustment for contributions tax	**11,418**	**16,236**
Adjustments for contributions tax	**2,015**	2,865
Total	**13,433**	**19,101**

Defined benefit obligation (continued)

Reconciliation

	Consolidated and Parent	
	2020 $'000	2019 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully/partly funded:		
Balance at the beginning of the year	**58,565**	51,561
Current service cost	**2,001**	2,076
Interest cost	**1,294**	1,962
Actuarial (gains) and losses recognised in equity	**1,436**	9,788
Benefits paid by the plan	**(5,298)**	(7,415)
Contributions by plan participants	**624**	593
Balance at the end of the year (net of contributions tax)	**58,622**	**58,565**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**77,666**	79,940
Expected return on plan assets	**1,672**	2,864
Actuarial (losses) and gains recognised in equity	**(2,609)**	1,320
Benefits paid by the plan	**(5,298)**	(7,415)
Contributions by plan participants	**624**	593
Other cash flows recognised in equity	**-**	364
Balance at the end of the year	**72,055**	**77,666**

Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated and Parent	
	2020 $'000	2019 $'000
Cash	**2,882**	3,107
Equity instrument	**35,307**	38,056
Debt instrument	**9,367**	10,097
Property	**5,764**	6,213
Other assets	**18,735**	20,193
Total	**72,055**	**77,666**

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, with the most recent actuarial assessment undertaken as at 30 June 2019.

The actuary recommended in the actuarial review as at 30 June 2019, the payment of employers contributions to the fund of 0% of salaries for employees who are members of the defined benefit section.

Historic summary

Consolidated entity	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Defined benefit plan obligation	**(60,637)**	(61,430)	(55,818)	(60,729)	(61,258)
Plan assets	**72,055**	77,666	79,940	80,758	77,715
Surplus	**11,418**	**16,236**	**24,122**	**20,029**	**16,457**
Experience adjustments arising on plan liabilities	**(1,436)**	**(9,788)**	**2,696**	**(458)**	**704**
Experience adjustments arising on plan assets	**(2,609)**	**1,320**	**3,520**	**6,357**	**221**

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	
	2020	**2019**
Discount rate	**1.9%**	2.3%
Future salary increases - 1st year	**3.0%**	3.0%
Future salary increases - long term	**3.0%**	3.0%

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

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 3.9%	Increase by 4.2%
Salary growth rate	0.5%	Increase by 4.1%	Decrease by 3.9%

Accounting policy

Employee retirements benefits

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

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

The consolidated Group’s defined benefit plan provides lump sum benefits based on years of service and final average salary. A liability or asset in respect of the consolidated Group’s defined benefit superannuation plan is recognised in the Statements of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the plan’s assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. When the calculation results in a benefit to the consolidated Group, the recognised asset is limited to the total of any unrecognised post service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the consolidated Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

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

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

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

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

CS Energy Limited

Notes to the consolidated financial statements

30 June 2020

Note 14 - Property, plant and equipment

Consolidated	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
Movements for the year ended 30 June 2019							
Opening net book amount	1,271,804	66,001	26,723	47,541	13,379	62,920	1,488,368
Additions	10,128	34,577	2,737	51,577	1,234	44	100,297
Transfers	8,902	13,166	3,798	(27,702)	1,474	362	-
Disposals	(56)	-	(424)	-	-	-	(480)
Impairment (1)	(205)	-	-	-	-	-	(205)
Assets held for distribution	(43,942)	(10,399)	(193)	(415)	-	(1,735)	(56,684)
Depreciation	(84,821)	(45,947)	(5,155)	-	(1,373)	(2,385)	(139,681)
Closing net book amount	**1,161,810**	**57,398**	**27,486**	**71,001**	**14,714**	**59,206**	**1,391,615**
At 30 June 2019							
Cost	2,378,702	241,399	89,727	71,001	32,453	85,336	2,898,618
Accumulated depreciation	(1,216,892)	(184,001)	(62,241)	-	(17,739)	(26,130)	(1,507,003)
Net book amount	**1,161,810**	**57,398**	**27,486**	**71,001**	**14,714**	**59,206**	**1,391,615**
Movements for the year ended 30 June 2020							
Opening net book amount	1,161,810	57,398	27,486	71,001	14,714	59,206	1,391,615
Additions	72,442	77,949	3,866	4,528	11,236	1,247	171,268
Transfers	19,207	11,859	6,181	(39,842)	2,177	418	-
Disposals	(136)	(3,778)	(1,061)	(171)	-	-	(5,146)
Impairment	(302,451)	(22,823)	(7,668)	(16,654)	-	(3,834)	(353,430)
Depreciation	(86,597)	(45,979)	(4,473)	-	(2,103)	(2,325)	(141,477)
Closing net book amount	**864,275**	**74,626**	**24,331**	**18,862**	**26,024**	**54,712**	**1,062,830**
At 30 June 2020							
Cost	2,123,522	184,195	84,071	18,862	45,866	82,216	2,538,732
Accumulated depreciation / impairment	(1,259,247)	(109,569)	(59,740)	-	(19,842)	(27,504)	(1,475,902)
Net book amount	**864,275**	**74,626**	**24,331**	**18,862**	**26,024**	**54,712**	**1,062,830**

(1) $0.2 million relates to the impairment of Callide A.

Parent

	Power stations $'000	Capitalised overhauls $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Buildings $'000	Total $'000
Movements for the year ended 30 June 2019							
Opening net book amount	359,660	19,639	6,664	27,112	-	9,546	422,621
Additions	9,783	33,225	2,516	16,992	-	6	62,522
Transfers	7,408	13,167	2,597	(23,318)	-	146	-
Disposals	(56)	-	(93)	-	-	-	(149)
Impairment (1)	(205)	-	-	-	-	-	(205)
Assets held for distribution	(43,942)	(10,399)	(193)	(415)	-	(1,735)	(56,684)
Depreciation	(37,871)	(16,544)	(3,629)	-	-	(364)	(58,408)
Closing net book amount	**294,777**	**39,088**	**7,862**	**20,371**	**-**	**7,599**	**369,697**
At 30 June 2019							
Cost	875,587	122,622	44,078	20,371	-	10,633	1,073,291
Accumulated depreciation	(580,810)	(83,534)	(36,216)	-	-	(3,034)	(703,594)
Net book amount	**294,777**	**39,088**	**7,862**	**20,371**	**-**	**7,599**	**369,697**
Movements for the year ended 30 June 2020							
Opening net book amount	294,777	39,088	7,862	20,371	-	7,599	369,697
Additions	14,905	280	3,450	17,728	-	62	36,425
Transfers	5,826	3,659	5,606	(15,111)	-	20	-
Disposals	(137)	-	(26)	(171)	-	-	(334)
Impairment	(155,280)	(11,502)	(7,668)	(13,419)	-	(3,834)	(191,703)
Depreciation	(33,114)	(22,180)	(3,115)	-	-	(241)	(58,650)
Closing net book amount	**126,977**	**9,345**	**6,109**	**9,398**	**-**	**3,606**	**155,435**
At 30 June 2020							
Cost	710,280	79,557	43,230	9,398	-	5,931	848,396
Accumulated depreciation	(583,303)	(70,212)	(37,121)	-	-	(2,325)	(692,961)
Net book amount	**126,977**	**9,345**	**6,109**	**9,398**	**-**	**3,606**	**155,435**

Accounting policy

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated Group and the cost of the item can be measured reliably. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the consolidated Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

In general, non-current physical assets with a value greater than $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 consolidated Group assesses impairment annually by evaluating conditions that might indicate an impairment of assets exists. The recoverable amounts of assets, or Cash Generating Unit (CGU), have been determined on a value in use basis.

The value in use calculations are based on financial forecasts covering the lives of the assets up to 35 years.

The calculations have been based on the assumptions outlined below.

COVID-19

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

Plant reliability and forecast operating and capital expenditure has also been updated to reflect the additional cost and the plant production impact of expected changes to the timing and extended duration of CS Energy planned plant outages to comply with social distancing and personal hygiene legislative requirements.

Beyond the short term it is expected that the economic factors impacting market price will return to pre COVID-19 market outlook trajectories and the duration and cost of major planned plant outages will return to historic equivalent operating and investment profiles.

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

Discount rate

Discount rates are used to calculate the present value of projected future cash flows for the CGUs. The rates used are based on the consolidated Group's weighted average cost of capital (WACC), including the time value of money and the required rate of returns for both debt providers and equity owners. Determination of WACC is based on separate analysis of debt and equity costs, utilising publicly available information including the risk free interest rate, an industry risk premium, and the underlying cost of debt.

A change in discount rate would have the following impact on the value in use valuation of Power Station CGUs.

		+1%	-1%
Discount rate sensitivity (+/-1%)	$m	-141	163

A positive value in this table represents an improvement in value to the consolidated 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) and Victorian Renewable Energy Target (VRET).
- 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 several scenarios considering these key drivers. The weighting assigned to each of the scenarios has been determined with reference to a combination of publicly available information, observed market behaviour and a range of economic drivers. The below table outlines the interaction of these key drivers and value in use cash flows.

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.
Gas price	Lower gas prices, will result in more coal-to-gas switching, displacing coal-fired generation and reducing value in use cash flows from our existing cash generating units.
Revenue cash flows	The cash flow projections have been performed on five 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	An nominal pre-tax WACC range of 6.18% - 14.64% (2019: 10.28%) 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	480	-480

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

Forecast fuel and water pricing and supply

The fuel price forecasts are based on current contractual arrangements for either the supply of coal and, where applicable, the cost of extraction and processing from owned coal resources. Where asset lives exceed current contractual arrangements, reasonable estimates are made on pricing changes based on known cost structures, market based information or escalation rates. The supply may be negatively impacted by the performance of suppliers/contractors or the impacts of extreme weather events including floods (mine impacts) and drought (water supply). These result in generation constraints and accelerated wear of equipment which may impair performance over the life of the asset.

Plant reliability and forecast operating and capital expenditure

The projected reliability is based on current known plant performance and estimated future operating and capital cash flows to maintain the plant within a determined operational capacity and performance range. These estimations are reliant upon specification provided by the original manufacturer adjusted for known or expected wear rates or operational constraints which have a reasonable probability of occurring.

Future regulatory environment

Future cash flows are based on current enacted regulatory and legislative frameworks. Significant amendments to the legislation may have a material impact on the fair value of the consolidated Group's assets. Two of the key regulatory considerations are summarised below.

The Federal Government remains committed to the United Nations Framework Convention on Climate Change (The Paris Accord) which commits to reducing Australia's carbon emissions by 26-28 percent below 2005 levels by 2030. The Federal Government's Technology Roadmap is expected to provide a pathway for Australia to realise this commitment. The Technology Roadmap discussion paper was released for consultation in June 2020.

The Energy Security Board is currently undertaking consultations for a long-term fit for purpose electricity market framework effective from the mid-2020s which will deliver the full range of services to customers and deliver a secure, reliable and lower emissions electricity system at least-cost. This market redesign may fundamentally change how the National Electricity Market operates going forward. For example, the redesign is expected to consider mechanisms that 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 an impairment of assets at its Callide B and Callide C CGUs of $192 million and $162 million, respectively, as a result of decline in Energy prices. The recoverable amount of Callide B was $109 million and Callide C was $131 million based on their value in use at the time of the impairment.

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	
	2020	2019
	$'000	$'000
Buildings	**3,543**	**-**
Total right-of-use assets	**3,543**	**-**

Movements for the year ended 30 June 2020

	Consolidated and Parent
	Buildings $'000
Balance at 1 July 2019	**4,724**
Depreciation	**(1,181)**
Balance at 30 June 2020	**3,543**

Additions to the right-of-use assets during the 2020 financial year were $4,724,000.

Lease liabilities

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

Amounts recognised in the Statements of Profit or Loss

	Consolidated and Parent
	2020
	$'000
Interest on lease liabilities	**49**
Expenses relating to short-term assets	**454**
Expenses relating to leases of low-value assets	**313**
Balance at 30 June 2020	**816**

Amounts recognised in the Statements of Cash Flows

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

Accounting Policies applied from 1 July 2019

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 leases 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.

Accounting Policies applied until 1 July 2019

Leases in which substantially all risks and rewards of ownership is not transferred to the Group as a lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Note 16 - Provisions

Current liabilities

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Provision for income tax	**-**	78,372	**-**	78,372
Employee benefits	**30,615**	28,069	**25,476**	23,647
Onerous contracts	**10,799**	7,664	**10,799**	7,664
Dividends declared	**73,862**	165,235	**73,862**	165,235
Total	**115,276**	**279,340**	**110,137**	**274,918**

Non-current liabilities

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefits	**1,550**	1,348	**920**	819
Rehabilitation and site closure costs	**213,193**	179,254	**106,471**	86,671
Onerous contracts	**50,885**	175,197	**50,885**	175,197
Total	**265,628**	**355,799**	**158,276**	**262,687**

Employee benefits

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

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

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

Accounting policy and critical estimates

Current liabilities

Liabilities for wages and salaries, including non-monetary benefits, annual leave and the portion of accumulated sick leave that is payable on termination, that are expected to be settled wholly within twelve months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at undiscounted amounts based on remuneration rates at reporting date, including related on-costs.

Non-current liabilities

Liabilities for long service leave that are not expected to be settled wholly within twelve months of the reporting date, are recognised and measured as the present value of the estimated future cash outflows to be made in respect of employees' services up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates, experience of employee departures and periods of service. Expected future payments are discounted using rates based on high quality corporate bond yields with terms to maturity that match, as closely as possible, the estimated future cash outflows.

	Consolidated and Parent	
Current liabilities	**2020 $'000**	**2019 $'000**
Onerous Contracts		
Carrying amount at start of year	**7,664**	-
Provision used during the year (1)	**(9,399)**	-
Reclassification from non-current liabilities	**10,799**	7,664
Finance Costs	**1,735**	-
Carrying amount at end of year	**10,799**	**7,664**

	Consolidated and Parent	
Non-current liabilities	**2020 $'000**	**2019 $'000**
Onerous contracts		
Carrying amount at start of year	**175,197**	142,958
Changes from re-measurement (1)	**(128,841)**	25,085
Reclassification to current liabilities	**(10,799)**	(7,664)
Finance costs	**15,328**	14,818
Carrying amount at end of year	**50,885**	**175,197**

(1) Total onerous contract remeasurement including provision used during the year is a decrease of $138 million (2019 increase of $25 million).

Accounting policy and critical estimates

A provision for onerous contracts is recognised when the expected benefits to be derived by the consolidated Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the consolidated Group recognises any impairment loss on any assets associated with that contract.

An onerous provision is recognised for unavoidable costs related to the consolidated Group's obligations under the Gladstone Inter-connection and Power Pooling Agreement (IPPA). Significant estimates that are made include:

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

A re-measurement of the Gladstone IPPA onerous contract has been completed to establish an appropriate value for inclusion in the financial statements at 30 June 2020, resulting in a decrease in the provision to $61.7 million. The decrease 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	1.7	-1.8

		+10%	-10%
Electricity price sensitivity (+/- 10% pool price)	$m	19.5	-19.5

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

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

Dividends declared

Accounting policy

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

The 2019/20 final dividend is based on 80% of operating profit after income tax equivalent expenses, and after adjustments made for certain end of reporting non-cash accounting re-measurements including asset impairment, fair value assessment on financial derivatives and onerous contract re-measurement.

Site rehabilitation and closure costs

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Carrying amount at start of year	**179,254**	180,557	**86,671**	86,984
Change from re-measurement	**29,752**	(6,013)	**17,846**	(2,353)
Provision used during the year	**(2)**	(364)	**(2)**	(366)
Finance costs	**4,189**	5,074	**1,956**	2,406
Carrying amount at end of year	**213,193**	**179,254**	**106,471**	**86,671**

Accounting policy and critical estimates

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

External consultants with industry specific experience are used to evaluate and update rehabilitation assumptions. Mining Assets were updated in 2018. Power station assets were updated in 2020.

Significant estimates made with respect to this provision are the:

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

Section 5: Taxation

Note 17 - Taxation

Income tax expense/ (benefit)

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current tax on profits for the year	**35,774**	108,696	**30,238**	(24,954)
Deferred tax	**(69,123)**	(40,011)	**(34,757)**	(23,671)
Adjustments for current tax of prior periods	**(200)**	(59)	**-**	-
Income tax expense / (benefit)	**(33,549)**	**68,626**	**(4,519)**	**(48,625)**
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	**28,734**	(23,071)	**33,762**	(22,656)
(Decrease) increase in deferred tax liabilities	**(97,857)**	(16,940)	**(68,519)**	(1,015)
Income tax expense attributable to profit from continuing operations	**(69,123)**	**(40,011)**	**(34,757)**	**(23,671)**

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

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Profit from operations before income tax expense	**(111,149)**	228,935	**(15,079)**	52,115
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**(33,345)**	68,681	**(4,524)**	15,635
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Non-deductible provided expenditure	**(9)**	-	**-**	-
Entertainment	**3**	4	**3**	3
Sundry items	**2**	-	**2**	-
Non taxable dividends	**-**	-	**-**	(64,263)
	(33,349)	**68,685**	**(4,519)**	**(48,625)**
Adjustments for current tax of prior periods	**(200)**	(59)	**-**	-
Income tax expense / (benefit)	**(33,549)**	**68,626**	**(4,519)**	**(48,625)**

Amounts recognised in other comprehensive income

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Aggregate current and deferred tax expense/(benefit) arising in the reporting period and not recognised in net profit or loss but directly recognised in other comprehensive income:				
Changes in fair value of cash flow hedges	**109,887**	(38,671)	**109,887**	(38,671)
Actuarial gain on defined benefit plan	**(1,214)**	(2,431)	**(1,214)**	(2,431)
Total	**108,673**	**(41,102)**	**108,673**	**(41,102)**

Tax losses

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Unused capital tax losses for which no deferred tax asset has been recognised	**87,421**	87,421	**87,421**	87,421
Potential tax benefit @ 30%	**26,226**	**26,226**	**26,226**	**26,226**

Accounting policy

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

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

Tax consolidation legislation

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

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

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

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

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as inter-company receivables or payables.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) group members.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by CS Energy Limited only.

Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2018	**-**	**51,372**	**54,167**	**10,155**	**2,840**	**118,534**
Credited/ (charged) to profit or loss	**8,647**	**13,219**	**(391)**	**-**	**1,537**	**23,012**
Under provision prior year	**-**	**-**	**-**	**272**	**(213)**	**59**
(Charged) directly to equity	**30,375**	**-**	**-**	**-**	**-**	**30,375**
(Utilisation) of losses	**-**	**-**	**-**	**(10,427)**	**-**	**(10,427)**
Transfer to liabilities held for distribution	**-**	**(42)**	**-**	**-**	**-**	**(42)**
At 30 June 2019	**39,022**	**64,549**	**53,776**	**-**	**4,164**	**161,511**
Credited to profit or loss	**(8,647)**	**(35,292)**	**10,182**	-	**5,023**	**(28,734)**
Under provision prior year	**-**	**-**	**-**	-	**335**	**335**
Charged directly to equity	**(30,375)**	**-**	**-**	-	**-**	**(30,375)**
(Utilisation) of losses	**-**	**-**	**-**	-	**-**	**-**
Transfer to liabilities held for distribution	**-**	**-**	**-**	-	**-**	**-**
Net deferred tax assets at 30 June 2020	**-**	**29,257**	**63,958**	**-**	**9,522**	**102,737**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2018	-	49,685	26,095	10,156	750	86,686
Credited / (charged) to profit or loss	8,647	12,827	(94)	-	1,003	22,383
Under provision prior year	-	-	-	272	-	272
(Charged) directly to equity	30,375	-	-	-	-	30,375
(Utilisation) of losses	-	-	-	(10,428)	-	(10,428)
Transfer to liabilities held for distribution	-	(42)	-	-	-	(42)
At 30 June 2019	39,022	62,470	26,001	-	1,753	129,246
Credited / (charged) to profit or loss	(8,647)	(35,829)	5,940	-	4,773	(33,763)
Under provision prior year	-	-	-	-	406	406
(Charged) directly to equity	(30,375)	-	-	-	-	(30,375)
(Utilisation) of losses	-	-	-	-	-	-
Transfer to liabilities held for distribution	-	-	-	-	-	-
Net deferred tax assets at 30 June 2020	-	26,641	31,941	-	6,932	65,514

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2018	7,103	8,513	222,830	11,773	250,219
Credited / (charged) to profit or loss	1,193	(352)	(16,502)	(1,279)	(16,940)
Charged directly to equity	(8,296)	(2,431)	-	-	(10,727)
Transfer to liabilities held for distribution	-	-	(8,079)	-	(8,079)
At 30 June 2019	-	5,730	198,249	10,494	214,473
Credited / (charged) to profit or loss	(9,868)	(487)	(91,015)	3,513	(97,857)
Under provision prior year	-	-	-	40	40
Charged directly to equity	79,512	(1,214)	-	-	78,298
Transfer to liabilities held for distribution	-	-	(173)	-	(173)
Net deferred tax liabilities at 30 June 2020	69,644	4,029	107,061	14,047	194,781

CS Energy Limited

Notes to the consolidated financial statements

30 June 2020

Deferred tax liabilities (continued)

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2018	**7,103**	**8,514**	**70,060**	**1,396**	**87,073**
Credited / (charged) to profit or loss	**1,193**	**(352)**	**(2,597)**	**740**	**(1,016)**
Charged directly to equity	**(8,296)**	**(2,431)**	**-**	**-**	**(10,727)**
Transfer to liabilities held for distribution	**-**	**-**	**(8,079)**	**-**	**(8,079)**
At 30 June 2019	**-**	**5,731**	**59,384**	**2,136**	**67,251**
Charged/(credited) to profit or loss	**(9,868)**	**(487)**	**(59,211)**	**1,047**	**(68,519)**
Charged directly to equity	**79,512**	**(1,214)**	**-**	**-**	**78,298**
Transfer to liabilities held for distribution	**-**	**-**	**(173)**	**-**	**(173)**
Net deferred tax liabilities at 30 June 2020	**69,644**	**4,030**	**-**	**3,183**	**76,857**

Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2018	118,534	(250,219)	(131,685)
Movement during the year	42,975	35,747	78,723
At 30 June 2019	**161,509**	**(214,472)**	**(52,962)**
At 30 June 2019	161,509	(214,472)	(52,962)
Movement during the year	(58,774)	19,691	(39,083)
At 30 June 2020	**102,735**	**(194,781)**	**(92,045)**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
At 30 June 2018	86,686	(87,073)	(387)
Movement during the year	42,560	19,822	62,382
At 30 June 2019	**129,246**	**(67,251)**	**61,995**
At 30 June 2019	129,246	(67,251)	61,995
Movement during the year	(63,731)	(9,607)	(73,338)
At 30 June 2020	**65,515**	**(76,858)**	**(11,343)**

Accounting policy and critical estimates

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted, at the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity or other comprehensive income are also recognised directly in equity or other comprehensive income.

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Forecast assumptions prepared by the Consolidated group indicate taxable profits in the foreseeable future, with the tax losses expected to be fully utilised in this time. Deferred tax is accounted for using the liability method.

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

Should the consolidated Group cease to be a Government Owned Corporation and hence an exempt entity, in accordance with the *Income Tax Assessment Act* 1936, the carried forward tax losses from the exempt period will not be available under the federal tax regime.

Section 6: Capital Structure

Note 18 - Contributed Equity

Share Capital

	2020 Shares	2019 Shares	2020 $'000	2019 $'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	**771,587**	822,504
	1,114,414,169	1,114,414,169	**1,063,497**	1,114,414

Movements in ordinary share capital

	Shares	$'000
Balance at 30 June 2019	1,114,414,169	1,114,414
Distribution to owners	-	(50,917)
Balance at 30 June 2020	**1,114,414,169**	**1,063,497**

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

The shares are held by the Treasurer and Minister for Infrastructure and Planning and the Minister for Natural Resources, Mines and Energy.

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

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

Note 19 - Reserves and accumulated losses

Hedging reserve – cash flow hedges

	Consolidated and Parent	
	2020 $'000	2019 $'000
Opening balance at 1 July	**(70,874)**	19,358
Effective portion of gains/(losses) on electricity derivatives designated as cash flow hedges	**336,960**	(136,602)
(Losses)/gains on electricity hedges transferred to revenue	**(11,743)**	20,397
Electricity derivatives discontinued from hedge relationship	**41,072**	(12,698)
Net deferred tax	**(109,887)**	38,671
Changes in fair value of cash flow hedges net of tax	**256,402**	**(90,232)**
Closing balance at 30 June	**185,528**	**(70,874)**

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance at 1 July 2019	**(467,051)**	**(456,452)**	**(858,477)**	**(788,309)**
Net (loss) / profit for the year	(77,600)	160,309	**(10,560)**	100,740
Actuarial loss on the defined benefit plan	(4,045)	(8,104)	**(4,045)**	(8,104)
Defined benefit tax	1,214	2,431	**1,214**	2,431
Dividend provided for	(73,862)	(165,235)	**(73,862)**	(165,235)
Closing balance at 30 June 2020	**(621,344)**	**(467,051)**	**(945,730)**	**(858,477)**

Section 7: Key management personnel

Note 20 - Key management personnel disclosures

Shareholding Ministers
Government Owned Corporations (GOC's) shareholding Ministers are identified as part of the GOC's Key Management Personnel (KMP). These Ministers are the Honourable Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning and the Honourable Dr. Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

Directors

Principles used to determine the nature and amount of remuneration
Director remuneration is determined periodically by the Governor in Council under Schedule 1 Part 3 of the *Government Owned Corporations Act 1993*.

Superannuation
Directors receiving personal payments are also entitled to superannuation contributions.

Relationship between remuneration and entity's performance
Directors receive Director fees and committee fees only. No performance payments are made to Directors.

KMP remuneration policies
Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost of remuneration of Ministers.

The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2017-18, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration
Details of the remuneration of each Director of CS Energy Limited, including their Director-related entities, are set out in the following table:

Directors (continued)

Name	Position	Year	Salary & Fees(1)	Post Employment Benefits(2)	Total
			$'000	$'000	$'000
Jim Soorley	Chairman/Non-Executive Director	**2020**	**88**	**8**	**96**
		2019	94	9	103
Brian Green	Non-Executive Director	**2020**	**48**	**5**	**53**
		2019	51	5	56
Julie-Anne Schafer	Non-Executive Director	**2020**	**45**	**4**	**49**
		2019	39	4	43
Toni Thornton	Non-Executive Director	**2020**	**43**	**4**	**47**
		2019	41	4	45
Peter Schmidt	Non-Executive Director	**2020**	50	5	55
		2019	50	5	55
Total 2020		**2020**	**274**	**26**	**300**
Total 2019		**2019**	**275**	**27**	**302**

(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 consolidated Group to a superannuation fund.

Executives

The following executive management positions (which constitute "key management personnel") had the authority and responsibility for planning, directing and controlling the activities of the consolidated Group during the financial year, all of whom, unless indicated, were employed by CS Energy Limited during the financial year.

All remuneration is reviewed annually.

Current Executive employment contract details

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

(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.

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)	**2020**	738	57	5	25	3	-	828
Chief Executive Officer	Andrew Bills (15)	2019	456	-	3	17	1	-	477
Chief Executive Officer	Martin Moore (16)	2019	74	65	-	2	-	198	339
Chief Executive Officer (acting)	Darren Busine (17)	2019	154	49	1	6	1	-	211
Chief Financial Officer	Malcolm Wilson (8)	**2020**	428	48	5	25	3	-	509
Chief Financial Officer	Malcolm Wilson (18)	2019	412	-	5	25	2	-	444
Executive General Manager Revenue Strategy	Darren Busine (9)	**2020**	475	60	5	25	6	-	571
Executive General Manager Revenue Strategy	Darren Busine (19)	2019	349	-	4	19	4	-	376
Executive General Manager Plant Operations	Leigh Amos (10)	**2020**	266	-	4	25	1	-	296
Executive General Manager Plant Operations (acting)	Alistair Brown (14)	**2020**	63	-	1	-	2	-	66
Executive General Manager Plant Operations (acting)	Alistair Brown (20)	2019	128	-	2	-	2	-	132
Executive General Manager Plant Operations (acting)	Brett Smith (11)	**2020**	23	-	-	6	-	-	29
Executive General Manager Plant Operations	Mark Albertson (21)	2019	269	42	4	18	2	18	353
Executive General Manager Asset Management	Colin Duck (12)	**2020**	411	52	5	25	3	-	496
Executive General Manager Asset Management	Colin Duck (22)	2019	389	12	5	25	2	-	433
Executive General Manager Corporate Services	Andrew Varvari (13)	**2020**	420	50	5	25	16	-	516
Executive General Manager Corporate Services	Andrew Varvari (23)	2019	388	45	5	24	5	-	467
		2020	**2,824**	**267**	**30**	**156**	**34**	**-**	**3,311**
		2019	**2,619**	**213**	**29**	**136**	**19**	**216**	**3,232**

(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).

2020 Notes

(7) Remuneration details for 2020 for the period 01 July 2019 – 30 June 2020.
(8) Remuneration details for 2020 for the period 01 July 2019 – 30 June 2020.
(9) Remuneration details for 2020 for the period 01 July 2019 – 30 June 2020.
(10) Remuneration details for 2020 for the period 23 September 2019 – 20 June 2020.
(11) Remuneration details for 2020 for the period 01 September 2019 – 23 September 2019.
(12) Remuneration details for 2020 for the period 01 July 2019 – 30 June2020.
(13) Remuneration details for 2020 for the period 01 July 2019 – 30 June 2020.
(14) Remuneration details for 2020 for the period 1 July 2019 – 31 August 2019.

2019 Notes

(15) Remuneration details for 2019 for the period 22 October 2018 – 30 June 2019.
(16) Remuneration details for 2019 for the period 1 July 2018 – 4 August 2018.
(17) Remuneration details for 2019 for the period 11 August 2018 – 21 October 2018.
(18) Remuneration details for 2019 for the period 1 July 2018 – 30 June 2019.
(19) Remuneration details for 2019 for the period 1 July 2018 – 10 August 2018 and 22 October 2018 – 30 June 2019.
(20) Remuneration details for 2019 for the period 13 March 2019 – 30 June 2019.
(21) Remuneration details for 2019 for the period 1 July 2018 – 13 March 2019.
(22) Remuneration details for 2019 for the period 1 July 2018 – 30 June 2019.
(23) Remuneration details for 2019 for the period 1 July 2018 – 30 June 2019.

Principles used to determine the nature and amount of remuneration

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

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

Relationship between remuneration and entity's performance

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

Service Contracts

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

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

Impact of remuneration contracts on future periods

No specific contract terms of any executive affect remuneration of future periods, other than as disclosed in this report and the right to receive annual adjustments based on labour market escalation in the Industry and Services market.

Section 8: Other information

Note 21 - Remuneration of auditors

	Consolidated		Parent	
	2020 $	2019 $	2020 $	2019 $
Audit and other assurance services				
Auditor-General of Queensland (1)	**387,000**	380,000	**387,000**	380,000
Crowe (2)(4)	**8,050**	7,850	**-**	-
PricewaterhouseCoopers (3)(4)	**31,712**	27,496	**-**	-
KPMG (5)(6)	**-**	25,106	**-**	-
Deloitte (5)(7)	**25,000**	-	**-**	-
Total audit and other assurance service fees	**451,762**	**440,452**	**387,000**	**380,000**

The amounts above are GST exclusive.

(1) The audit of the 2020 financial statements of the Consolidated Group was conducted by the Auditor-General of Queensland.
(2) Crowe audits Callide Power Trading.
(3) PricewaterhouseCoopers audits Callide Power Management.
(4) Callide Power Trading and Callide Power Management fees represent 50% of CS Energy's share in the joint operations.
(5) Figure is representative of CS Energy's share of audit fees for the Alinta joint venture as advised.
(6) KPMG completed the 2019 Alinta joint venture financial statements audit.
(7) Deloitte completed the 2020 Alinta joint venture financial statements audit.

Note 22 - Commitments

Capital commitments

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

	Consolidated		Parent	
Capital commitments	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Property, plant and equipment				
Within one year	**15,354**	66,029	**3,444**	13,831
Later than one year, but no later than five years	**81,705**	17,377	**-**	-
Total capital commitments	**97,059**	**83,406**	**3,444**	**13,831**

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 (1)	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Within one year	**289**	1,934	**289**	1,934
Later than one year, but not later than five years	**466**	6,247	**466**	6,247
Total operating leases	**755**	**8,181**	**755**	**8,181**

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 (1)	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Within one year	**246,862**	237,958	**133,555**	127,117
Later than one year, but not later than five years	**648,300**	755,207	**556,890**	557,822
Later than five years	**626,494**	813,429	**541,751**	719,081
Total other expenditure commitments	**1,521,656**	**1,806,594**	**1,232,196**	**1,404,020**

(1) Capacity Payments - reclassified as Other expenditure in 2020. Comparative information for 2019 has also been restated to reflect this change.

Note 23 - Related party transactions

Directors and executives (A)

A number of Directors, or their related parties, hold or have held positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-related entities on arm’s length basis.These directors were also at no stage involved in the engagement of the relevant entities.

There was one transaction with a related party during 2020 the value of which is not material for disclosure purposes.

Parent entities

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

Investments in controlled entities

Details of investments in controlled entities are set out in Note 26.

Transactions with related parties & State controlled entities (B)

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

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	**212,332**	58,294	**212,332**	58,294
Operations and maintenance received from Joint Venture	**-**	-	**55,689**	23,321
Operations and maintenance received from CleanCo TSA	**7,113**	-	**7,113**	-
Interest received on deposits from QTC	**2,497**	5,920	**2,497**	5,920
Total	**221,942**	**64,214**	**277,631**	**87,535**
Expenses				
Competitive neutrality fee paid to Queensland Treasury	**(6,644)**	(7,073)	**(6,644)**	(7,073)
Interest on QTC borrowings	**(27,102)**	(38,154)	**(27,102)**	(38,154)
Costs paid to State of Queensland controlled entities	**(128,540)**	(57,770)	**(119,731)**	(52,598)
NTER PAYG Instalments paid to Queensland Treasury (1)	**(128,204)**	(18,876)	**(128,204)**	(18,876)
Dividends paid to Queensland Treasury	**(165,235)**	(125,731)	**(165,235)**	(125,731)
Total	**(455,725)**	**(247,604)**	**(446,916)**	**(242,432)**
Assets				
Trade receivables due from subsidiaries	**-**	-	**7,499**	4,985
Trade receivables from State of Queensland controlled entities	**7,999**	2,280	**7,999**	2,280
Advances facility held with Queensland Treasury	**222,944**	253,900	**222,944**	253,900
Total	**230,943**	**256,180**	**238,442**	**261,165**
Liabilities				
Trade payables to State of Queensland controlled entities	**10,780**	13,221	**10,560**	12,991
Borrowings from QTC	**557,353**	557,353	**557,353**	557,353
Dividends payable to Queensland Treasury	**73,861**	165,235	**73,861**	165,235
Total	**641,994**	**735,809**	**641,774**	**735,579**

(1) National Tax Equivalent Regime (NTER)

CS Energy Limited enters into transactions with parties who are ultimately controlled by the State of Queensland as part of its normal operations on terms equivalent to those that prevail in arms length transactions.

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

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

	Parent	
	2020 $'000	**2019 $'000**
Balance at 1 July	**476,112**	561,821
Loans advanced	**316,343**	618,325
Loans repayments received	**(352,886)**	(704,034)
Total	**439,569**	**476,112**

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 2020 (2019 - 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

Guarantees

Guarantees are issued to third parties to support trading obligations and environmental rehabilitation obligations. All guarantees are provided in the form of unconditional undertakings provided by QTC. The total value of guarantees issued to third parties was $152.0 million (2019: $253.8 million). The fair value of these guarantees is $ nil ($2019: $ nil).

Note 25 - Equity accounted investments

	Consolidated		Parent	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'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 consolidated Group.

Note 26 - Investment and interest in subsidiaries

	Consolidated		Parent	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Investment in subsidiaries	**-**	**-**	**62,815**	**51,815**

These assets are carried at cost.

CS Energy and its subsidiaries have entered into an arrangement on 17 June 2020 to self-insure risks in relation to certain property damages and business interruptions to CS Energy and its subsidiaries. The self-insurance arrangement was entered into between CS Energy and its subsidiary, T75 CS Energy Segregated Cell of White Rock Insurance (SAC) Limited (T75 Segregated Cell), to cover the costs, up to $10 million, of certain property damages and business interruptions. White Rock Insurance (SAC) Ltd (WRI) is a company incorporated in Bermuda.

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

The contributed funds will be distributed by T75 Segregated Cell to CS Energy and its subsidiaries in the event of certain property damages or business interruptions to CS Energy and its subsidiaries, or upon winding up of T75 Segregated Cell. The contributed funds in T75 Segregated Cell are invested in deposits based on the instruction of CS Energy, which is also entitled to all the returns earned from such investment. The assets and liabilities of T75 Segregated Cell are segregated from other segregated cells and general accounts of WRI, including upon winding up of WRI. CS Energy consolidates T75 Segregated Cell because it is a deemed separate, structured entity that is wholly controlled by CS Energy under the contractual arrangement described above. The $10 million contribution was provided by CS Energy to T75 Segregated Cell in cash on 30 June 2020.

CS Energy has engaged AON Insurance Managers (Bermuda) Ltd to administer and manage the arrangement between CS Energy and T75 Segregated Cell, including the reporting and regulatory requirements that T75 Segregated Cell needs to comply with.

The carrying amounts of the assets and liabilities in the consolidated financial statements relating to this contractual arrangement include the Restricted Cash of $10 million and Other Financial Assets of $1 million.

The consolidated Group has an interest in the following entities:

			2020	2019
Name of Entity	**Country of incorporation**	**Class of Shares**	**Interest(1)%**	**Interest(1)%**
Callide Energy Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Station Pty Ltd	Australia	Ordinary	100	100
Aberdare Collieries Pty Ltd	Australia	Ordinary	100	100
CS Energy Kogan Creek Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Pty Ltd	Australia	Ordinary	100	100
CS Kogan (Australia) Pty Ltd	Australia	Ordinary	100	100
CS Energy Group Holdings Pty Ltd	Australia	Ordinary	100	100
CS Energy Group Operations Holdings Pty Ltd	Australia	Ordinary	100	100
CS Energy Oxyfuel Pty Ltd	Australia	Ordinary	100	100

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

Note 27 - Joint operation

Incorporated Joint Operations

			2020	2019
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.

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 2020.

CS Energy Limited

Directors' declaration

30 June 2020

In the directors' opinion:

(a) The financial statements and notes set out on pages 44 to 103 are in accordance with the *Corporations Act 2001,* including:

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

(ii) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2020 and of their performance for the year ended on that date.

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

(c) There are reasonable grounds to believe that the Company and the group entities identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Instrument 2016/785.

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

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

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

James Gerard Soorley
Chairman

Antonia Thornton
Director

Auditor's Independence declaration
for the year ended 30 June 2020

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 2020, 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.

Rachel Vagg
as delegate of the Auditor-General

28 August 2020
Queensland Audit Office
Brisbane

CS Energy Limited

Independent Auditor's Report

30 June 2020

Queensland Audit Office

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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 2020, 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 2020, 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.

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Carrying value of power stations

Refer to Note 14 in the financial report

<table>
<tr><th>Key audit matter</th><th>How my audit addressed the key audit matter</th></tr>
<tr><td>The group and company held property, plant and equipment totalling $1,062.8 million and $155.4 million respectively and is principally comprised of power station assets.

As disclosed in Note 14, the recoverable amount of these assets is estimated using a discounted cash flow model that required management to exercise significant judgement in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets. These assumptions include:
• scenarios under which the cashflows are modelled and the probability weightings assigned to each of them to calculate the net present value
• estimating future cashflows based on
  ◦ forecasted electricity demand
  ◦ wholesale electricity prices
  ◦ renewable energy targets
  ◦ fuel costs
  ◦ timing of overhaul and sustaining capital expenditure
  ◦ planned plant retirements
• discount rate.
During the year, the group recognised impairment losses for Callide B and Callide C power stations amounting to $191.7 million and $161.7 million, respectively. The impairment losses were driven by the decline in forecasted wholesale electricity prices.</td><td>My procedures included, but were not limited to:
• Assessing the reasonableness of the scenarios under which the cashflows were modelled
• Assessing the reasonableness of the process applied by management in allocating the probability weightings to each of the scenarios
• Assessing the reasonableness of the cashflow forecasts relative to corporate plans, AEMO published data and other relevant supporting information
• Assessing the design, integrity and appropriateness of the discounted cash flow models used to assess the recoverable amount of the company and group's power station assets.
• Evaluating the scope, competency and objectivity of management's internal experts used to provide the key assumptions adopted by management. These assumptions included forecast electricity prices, demand and generation.
• Testing the mathematical accuracy of the discounted cash flow models.
• Engaging an auditor's expert to assist me in assessing the reasonableness of:
  ◦ management's adopted methodology and assumptions in constructing the forward electricity price curve.
  ◦ discount rate applied.
• Evaluating whether forecasted generation was reasonable, with reference to available market data.
• Performing a retrospective review of the accuracy of estimates made by management in the discounted cash flow models used in the previous year.
• Reviewing the appropriateness of the allocation of impairment losses to the group and company assets.
• Assessing the appropriateness of the disclosures included in Note 14 of the financial statements.</td></tr>
</table>

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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

The Gladstone IPPA contract is an onerous contract in the company and the group's financial statements.
The provision of $61.7 million is estimated using a discounted cash flow model, which required the exercise of significant judgement in determining the key assumptions supporting the model, including:
• forecasted electricity demand
• wholesale electricity prices
• generation
• unavoidable costs related to the contract
• discount rate.
	My procedures related to the provision for the Gladstone IPPA onerous contract included, but were not limited to::
	• Assessing the design, integrity and appropriateness of the discounted cash flow model used to measure the provision.
	• Testing the consistency of assumptions used in the discounted cash flow model to the assumptions used in the model for the carrying value of power stations (above).
	• Assessing the competence, capability and objectivity of management's internal and external experts used in measuring the provisions.
	• Engaging an auditor's expert to assist me in assessing the reasonableness of.
	  ◦ management's adopted methodology and assumptions in constructing the forward electricity price curve.
	  ◦ discount rate applied.

The $213.2 million provision for restoration and site closures relates to all of CS Energy Limited's power station sites, mine sites, and ash dams.
The measurement required significant judgements for:
• identifying locations where a present obligation for future restoration, rehabilitation, and decommissioning exists as a result of past events
• forecasting the cost of the required restoration, rehabilitation, and decommissioning in today's dollars
• estimating the timing of the required restoration, rehabilitation, and decommissioning
• inflation rate used to escalate the cash flows
• discount rate applied.
	My procedures related to the provision for restoration and site closures included, but were not limited to:
	• Assessing the design, integrity and appropriateness of the discounted cash flow model used to measure the provision
	• Evaluating the scope, competency and objectivity of the group's external expert used to provide the estimated costs of rehabilitation
	• Evaluating the timing used in the calculations of the provision for consistency with the proposed site closures disclosed in:
	  ◦ the annual assessment of estimated useful lives
	  ◦ management reports and board reports
	  ◦ correspondence between CS Energy Limited and its external stakeholders.
	• Assessing the completeness of the provision by reviewing relevant environmental and regulatory requirements.
	• Engaging an auditor's expert to assist me in assessing the reasonableness of the discount rate applied.
	• Evaluating whether the inflation rate applied was within a reasonable range, with reference to market data and industry research.

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
CS Energy Limited measured some of its derivative financial instruments at fair value using complex valuation models. The models include the following key inputs that involved significant judgement due to an absence of observable market data: • market risk and option volatilities • scaling factors • credit default probabilities.	I engaged a specialist and an auditor's expert to assist me in: • Obtaining an understanding of the valuation models, and assessing their design, integrity and appropriateness with reference to common industry practices. • Challenging management assumptions used in the valuation process and assessing the reasonableness of the key inputs by comparison to independently sourced external market data, market conditions at year end, CS Energy's generation activities and energy trading policy; and • For a sample of derivatives, testing the reasonableness of the valuation calculations by agreeing key terms to supporting documents (including contracts) and counter-party confirmations and recalculating the fair values for comparison to those calculated by the group and company based on our understanding of generally accepted derivative valuation practices. In engaging a specialist and expert to assist us in addressing this key audit matter I have reviewed: • their qualifications, competence, capabilities, objectivity • the nature, scope and objectives of the work completed for appropriateness • the findings and conclusions for relevance, reasonableness and consistency with the evidence obtained.
The accounting standards for hedge accounting are complex, and their application involved significant judgements about CS Energy Limited's forecast generation profile to determine whether each derivative financial instrument fulfilled the conditions for classification as an effective hedge. Hedge accounting involves recording unrealised gains or losses on derivatives against equity if the derivatives are designated as effective hedges, or otherwise against profit or loss.	With the assistance of an external specialist, my procedures included, but were not limited to: • Assessing the group's hedge accounting process for compliance with accounting standards. This included reviewing hedge accounting documentation and testing the methodology for calculating hedge effectiveness. • Assessing the appropriateness of the designation for a sample of derivatives by inspecting the hedge documentation, key terms of the hedging instrument and nature of the hedge relationship. • For cash flow hedges, assessing the reasonableness of forecast information used to support that hedged transactions are considered highly probable of occurring. • Testing reconciliations of the cash flow hedge reserve and assessing the appropriateness of the presentation of gains and losses in the income statement. • Assessing the business rules within the hedge accounting system for accuracy and compliance with the requirements of AASB 9.

CS Energy Limited

Independent Auditor's Report

30 June 2020

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Other information

Other information comprises financial and non-financial information (other than the audited financial report).

Those charged with governance are responsible for the other information.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Corporations Act 2001,* the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Rachel Vagg
as delegate of the Auditor-General

28 August 2020
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.
Energy sent out	The amount of electricity sent to the grid.
EAF	Equivalent Availability Factor – total hours a unit was available for a defined period divided by the total hours in the same defined period.
FCFY	Free Cash Flow Yield. FCFY is calculated by: Free Cash Flow/Gross Fixed Assets + Net Working Capital.
GW	Gigawatt (one GW = 1,000 megawatts)
GWh	A gigawatt hour (GWh) is equal to 1,000 megawatts of electricity used continuously for one hour.
ISO 14001:2015	An international standard for Environmental Management Systems.
ML	Megalitre (one ML = one million litres).
MW	Megawatt (one MW = one million watts).
MWh	Megawatt hour (one megawatt generating for one hour).
NEM	National Electricity Market
NGER	National Greenhouse and Energy Reporting
NPAT	Net Profit After Tax
ROGFA	Return on Gross Fixed Assets. ROGFA is calculated by: Underlying EBITDAIF/(Gross Fixed Assets + Net Working Capital).
Significant Environmental Incidents	Incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
Underlying EBIT	Earnings before interest, tax, and significant items.
Underlying EBITDA	Underlying EBIT before depreciation and amortisation.
Underlying interest cover	Underlying EBIT divided by interest and finance charges.
Underlying return on capital employed	Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

Contact

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