Annual Report 2023

FY2023 at a glance

Continued a program of improvements to **make our power stations safer** since the process safety incident on Callide Unit C4 in May 2021.

Completed the bulk of the rebuild of **Callide Unit C4** and began a **project to rebuild both Callide C cooling towers** to ensure the safe and reliable operation of Callide C Power Station.

Significantly progressed the **Kogan Clean Energy Hub,** completing construction of the **Chinchilla Battery** and beginning site works for the **Kogan Renewable Hydrogen Demonstration Plant.**

Continued customer growth in our retail joint venture with Alinta Energy and large commercial and industrial retail business.

Doubled the number of sites where we have installed **electric vehicle charging infrastructure** for our customers.

Signed the **Queensland Energy Workers' Charter,** which creates an enduring framework to support workers at Queensland Government owned coal-fired power stations during the energy transformation.

Involved our employees in a co-design process to develop CS Energy's first **Reflect Reconciliation Action Plan.**

Invested more than **$200,000 in community sponsorships** and donations in the regions where we operate.

Contents

About this report

This report outlines CS Energy's financial and non-financial performance for the year ended 30 June 2023 (FY2023).

Each year we prepare a Statement of Corporate Intent (SCI), which outlines our strategies, objectives and targets for the year ahead. This annual report provides an overview of CS Energy's performance against our FY2023 SCI and meets CS Energy's reporting requirements under the *Government Owned Corporations Act 1993,* the *Corporations Act 2001* and the Australian Accounting Standards.

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

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

About CS Energy

CS Energy is a proudly Queensland-owned and based energy company that provides power to some of our state's biggest industries and employers.

We generate and sell electricity in the wholesale and retail markets, and we are investing in new energy assets including solar and wind farms, renewable hydrogen and batteries.

Our purpose

CS Energy is adapting our business to thrive in the rapidly changing energy world. Our purpose captures the dual nature of what we aim to do – run a successful thermal generation business and evolve into a diversified energy business exploring new markets, products and partnerships.

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

Our people and values

CS Energy employs more than 550 people in professional, technical and trade roles at the Callide and Kogan Creek power stations and our Brisbane office.

As we work to transform CS Energy into a diversified energy business, we are empowering our people to explore new ways of thinking and working.

We strive to be an inclusive workplace that values the diversity of our people's experience, skills and ideas.

In FY2023, we refreshed our company values, taking on board the feedback of our employees. Our four new values define what is important to us and show our customers, communities and stakeholders what kind of workplace we want to be.

Our customers

CS Energy provides retail electricity services to large commercial and industrial customers throughout Queensland, such as mines, ports, universities and Queensland Government departments and agencies.

We also have a 50/50 retail joint venture (JV) with Alinta Energy that supplies electricity to residential and small commercial customers in the Energex Distribution Area in South East Queensland. Under the JV, CS Energy generates and supplies wholesale electricity and Alinta Energy manages the retail business.

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

Our communities

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

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

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

In FY2023 we established a Stakeholder Advisory Council to seek input from stakeholder and customer representatives about issues that are important to them and better understand how we can meet their needs.

Acknowledgement of country

CS Energy acknowledges the Traditional Owners of the lands on which we operate. We live, work and learn on Turrbal, Jagera (Brisbane), Barunggam (Kogan Creek) and Gangulu (Biloela) land. We pay our respects to their elders past and present, and recognise their continuing connection to the land, waters and community.

Our commitment to the Energy Charter

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

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

Each year we report on our progress towards meeting our Energy Charter commitments by publishing a disclosure report in early October and by engaging with our stakeholders. Our FY2023 Energy Charter Disclosure Report will be available on our website at **www.csenergy.com.au/community/the-energy-charter**

The Energy Charter
SIGNATORY

Our energy portfolio

We are creating a more diverse portfolio to meet our customers' decarbonisation requirements and support Queensland's future energy needs.

Coal-fired generation

1 **Callide B Power Station** – 700 MW
2 **Callide C Power Station** – 848 MW
3 **Kogan Creek Power Station** – 750 MW
4 **Gladstone Power Station** – 1,680 MW, trading rights

Renewables, energy storage and hybrid technologies

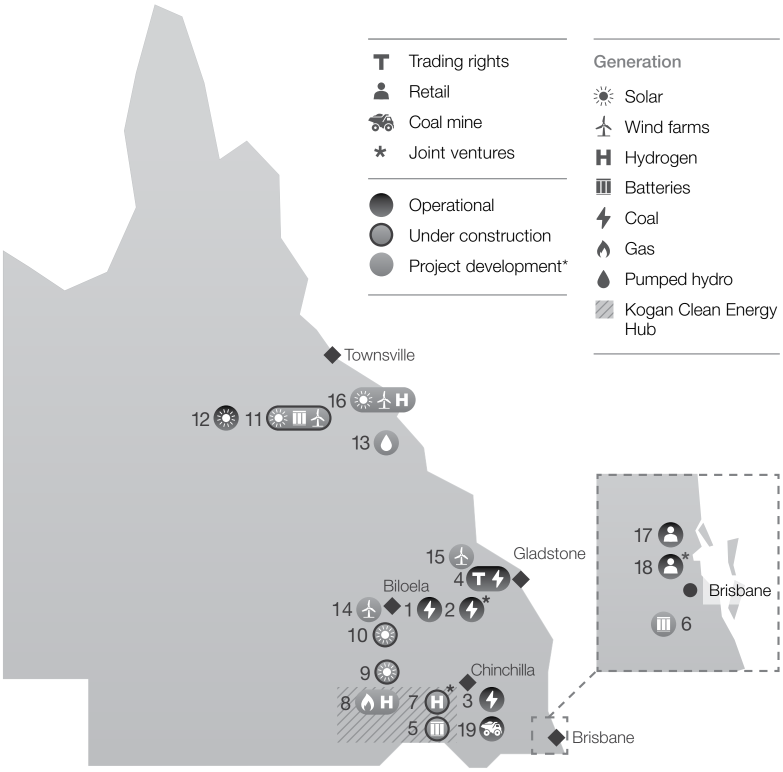
5 **Chinchilla Battery** – 100 MW/200MWh
6 **Greenbank Battery** – 200MW/400MWh
7 **Kogan Renewable Hydrogen Demonstration Plant**
8 **Brigalow Peaking Power Plant** – 200–400 MW
9 **Columboola Solar Farm** – 162 MW, Power Purchase Agreement
10 **Moura Solar Farm** – 56 MW, Power Purchase Agreement
11 **Kennedy Energy Park** – 60 MW, Offtake Agreement
12 **Hughenden Solar Farm** – 20 MW, Power Purchase Agreement
13 **Capricornia Energy Hub** – 1.4 GW, multi-party project
14 **Banana Range Wind Farm** – 230 MW, multi-party project
15 **Boulder Creek Wind Farm** – 230 MW, multi-party project
16 **HyNQ** – multi-party project

Retail

17 **Large commercial and industrial – Queensland**
18 **Alinta Energy 50/50 joint venture – South East Queensland**

Coal assets

19 **Kogan Mine** ML 50074 – 130 Mt, MDL 335 – 400 Mt



* Subject to final investment decision and approval by CS Energy's Board and shareholding Ministers.

Our generation portfolio includes coal-fired power stations, renewable energy, firming and storage assets.

We own and operate the Kogan Creek Power Station near Chinchilla and own the neighbouring Kogan Creek Mine, which supplies black coal to the power station.

Adjacent to our existing operations at Kogan Creek we are creating our first clean energy hub, where the Chinchilla Battery and the Kogan Renewable Hydrogen Demonstration Plant are both under construction.

In Central Queensland we own the Callide B Power Station and have a 50 per cent interest in the Callide C Power Station where we provide operations and maintenance services to the Callide C Joint Venture. We also trade energy generated by Gladstone Power Station, in excess of the requirements of the Boyne Island aluminium smelter.

We have a growing portfolio of contracted renewables in Queensland that we supply to our large commercial and industrial retail customers. We are also exploring opportunities for CS Energy to invest in and operate renewable energy assets such as the Boulder Creek and Banana Range wind farms and parts of the Capricornia Energy Hub.

Our strategy

Our strategy outlines how we will create a sustainable future for our business, people and communities as Queensland transitions to a clean energy economy.

Our strategy is crafted around our **purpose:** *Delivering energy today, powering your tomorrow.* As a major electricity provider, it is critical that CS Energy maintains and invests in our existing assets so they perform at their best to power homes and businesses.

Our coal-fired assets currently play a critical role in underpinning intermittent renewables in the energy market. We must also leverage new technology, business models and partnerships to create long-term value for the business and our shareholders.

Our suite of Future Energy projects aims to renew our portfolio over time to provide competitively priced, reliable, secure and lower carbon energy solutions to our customers and Queenslanders, in line with the targets set out in the Queensland Energy and Jobs Plan.

Our **vision** is *Leading Queensland's energy transformation to create a better future*. This recognises the important role CS Energy and our assets, current and future, will play in supporting an orderly transition of the energy market. We aim to facilitate supply and demand side change, supported by an increasingly diversified portfolio of renewable generation, pumped hydro, hydrogen-ready gas peaking plant, battery storage and hydrogen assets.

CS Energy is committed to capturing the opportunities of the energy transformation for our people, communities and customers. We will create clean energy hubs at our Kogan Creek and Callide power stations as well as invest in renewable energy in their surrounding regions.

We are a signatory to the Queensland Government's Queensland Energy Workers Charter, which provides support and confidence for power station workers through the energy transformation. And we have formed strategic partnerships with industry bodies to explore how we can best utilise local skills and expertise in a clean energy economy.

Our **values** of *We work safely, We make today matter, We embrace change* and *We care* define how we work with each other and our stakeholders as we pursue this strategy. We will invest in our people to support the delivery of our strategy.

Our **strategic priorities** highlight where we are focussing our activity to deliver on this strategy.

Strategic priority	Focus areas
Master the fundamentals	**We strive to operate a safe, compliant business that is proactive and addresses obstacles to ensure our business has strong foundations.** • Safe to run every day. Protect people, the environment and our assets. • Ensure we have the right technology, systems, processes and tools for the job. • Build an inclusive and diverse culture where innovation thrives. • Comply with our obligations to deliver what is expected of us.
Navigate the transformation	**We take an adaptive approach to navigating the energy transformation, prioritising activities that maintain our viability and create a competitive position.** • Invest in, and maintain, our existing assets to support the energy transformation. • Maintain a commercial business to support future investments. • Transform our existing power station sites to integrated clean energy hubs. • Work with our people, stakeholders and communities to share the benefits of the energy transformation. • Grow our service and product offering to deliver on our customers' needs.
Enable the future	**To have a sustainable business longer term, our portfolio requires decarbonising and new revenue streams must be created.** • Invest in renewables, lower emission technology and large-scale storage. • Expand our retail business. • Develop a domestic and export hydrogen business.

Sustainability

As an energy business and a major regional employer, CS Energy acknowledges the importance of sustainability and Environmental, Social, Governance (ESG) considerations. This year we began a sustainability and ESG framework development program to increase our maturity, meet our stakeholders' expectations and evaluate risks and opportunities as the energy transformation accelerates.

CS Energy's sustainability and ESG framework will be integrated within our corporate strategy and align to our decision-making practices and how we operate the business. We have also been developing our Social Value framework, which was launched in 2019 and has increased in maturity.

Our sustainability and ESG framework will consider the following two areas when evaluating risks and opportunities:

1. **Physical risks and opportunities** for our people, planet and portfolio that result from climatic events including, but not limited to, wildfires, storms and floods; and
2. **Transition risks and opportunities** as our portfolio, and Queensland's energy system, decarbonises, in line with the Queensland Energy and Jobs Plan (QEJP).

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.

CS Energy's progress against the key targets in our FY2023 SCI is summarised in the table below.

Summary of performance against FY2023 targets

Measure	FY2023 target	FY2023 actual	Results commentary
All Injury Frequency Rate (AIFR)[1]	≤25	31	Page 12
Process Safety (%)[2]	100	Brady Review in final stages	Page 13
Unplanned Outage Rate (%)[3]	12.4	26.3	Page 17
Significant Environmental Incidents (SEI)[4]	0	0	Page 13
Underlying EBITDA ($M)[5]	154.3	26.3	Page 21
Social Performance (%)[6]	≥80	95	Page 23
Future Energy Investment Decisions (%)[7]	≥80	100	Page 25

1. AIFR is a rolling 12-month target measuring all injuries across the workforce per one million hours worked.
2. This measure refers to the delivery of actions arising from the Brady Report, which has not yet been finalised.
3. Unplanned outage rate is a measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.
4. SEI is an incident that has a significant impact on the environment or resulted in enforcement action by a regulator.
5. Underlying EBITDA is underlying earnings before interest, tax, depreciation and amortisation.
6. Social performance is a qualitative metric assessed against a range of criteria including, but not limited to, community grants, engagement, relationships, proactive management of potential issues and ensuring stakeholders are informed.
7. A multi-criteria assessment that monitors execution of projects and submissions to the Queensland Renewable Energy, Hydrogen and Jobs Fund (QREHJF).

Chair's message

As CS Energy navigates a pivotal phase in its history, I am honoured to serve as the new Chair.

During my career I have worked across the breadth and width of Queensland's electricity industry, including a period in CS Energy's executive team between 1997 and 2005. I returned to the business as a Director in December 2022 and was appointed as Chair in June 2023.

When I have visited CS Energy's sites in recent months, I have been impressed with how employees demonstrate their commitment to our company values of We Work Safely, We Care, We Make Today Matter and We Embrace Change.

It is these values that will guide our actions as we continue to execute our strategy.

Operational performance

At CS Energy safety comes before production. Our number one priority is ensuring that everyone who works at our sites returns home safely at the end of the day. This year a busy overhaul program and the Callide C4 rebuild works saw a 30 per cent increase in hours worked compared to FY2022.

Unfortunately, 62 people were injured in FY2023 compared to 48 in the prior year and our All Injury Frequency Rate result of 31.0 (2022: 31.15) was above our target of 25 or less. Improving our safety culture is a key focus area for the Board and management.

Our FY2023 portfolio availability of 60.6 per cent (2022: 71.2 per cent) reflects a challenging year for our generation fleet. This was largely due to Callide Power Station Unit C4 being unavailable for the full year and the partial structural failure of the Unit C3 cooling tower in October 2022, which resulted in C3 not operating for the remainder of the reporting period. Unplanned outages and duration overruns on overhauls in our portfolio also impacted availability.

CS Energy is acutely aware of the importance of reliable generation from coal-fired generators, particularly at a time of high gas and coal prices and with reducing coal generation across the energy sector. Any decision to take a generating unit offline, particularly during summer, is not taken lightly and CS Energy strives to minimise plant downtime.

My focus as Chair is on ensuring our power stations deliver the reliable and affordable energy that Queenslanders expect and deserve. Central to this is the safe and reliable return to service of the Callide C generating units.

In FY2023 CS Energy completed the bulk of the rebuild works on Callide Unit C4. More than 428,000 hours have been worked on the project to repair and rebuild the sections of the unit that were damaged in the incident on 25 May 2021. A team of 250 employees and contractors carried out these works, which included the installation of major replacement components such as the turbine, generator and generator transformer, and statutory overhauls of existing plant.

In the final quarter of FY2023 work began on the project to demolish and rebuild the two Callide C cooling towers to ensure the safe and reliable operation of the two C station units. The project is progressing well and the Callide C units are scheduled to make a staged return to service, beginning with Unit C3 in January 2024.

More broadly, CS Energy took steps this year to uplift the quality of our asset management plans, supported by independent experts, to improve plant performance. We have also boosted our engineering resources to support the Callide C recommissioning works and major overhauls and projects across our portfolio in FY2024.

Financial results

The reduced plant availability resulted in decreased output from our generation portfolio and lower earnings in FY2023. CS Energy sent out 8,607 gigawatt hours (GWh) of electricity in FY2023, a decrease of 1,441 GWh compared to FY2022. However, CS Energy still achieved a positive Underlying EBITDA of $26.3 million (2022: $117.6 million).

My focus as Chair is on ensuring our power stations deliver the **reliable and affordable energy** that Queenslanders expect and deserve.

We more than doubled our capital investment in FY2023, with cash payments for property, plant and equipment totalling $277.3 million (2022: $95.8 million). This included a significant program of works on our existing assets, including the Callide Unit C4 reinstatement works and overhauls of Kogan Creek Power Station and Units B2 and C4 at Callide Power Station. It also included $108.1 million for our new build renewable energy and battery storage assets, in support of the Queensland Energy and Jobs Plan (QEJP).

CS Energy has recorded a net loss after tax of $14.6 million for FY2023 (2022: $95.5 million loss after tax). The primary drivers of this result were a derivative remeasurement loss of $374.9 million and a $83.5 million asset impairment for the Callide B Power Station. It also included a remeasurement of the Gladstone IPPA onerous contract as a $17.0 million provision decrease (2022: $107.0 million provision increase).

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

Community

One of the proudest moments of my time at CS Energy was when the Board endorsed CS Energy's inaugural Reflect Reconciliation Action Plan (RAP) this year. The RAP demonstrates CS Energy's commitment to be an inclusive organisation and building a deeper connection with Aboriginal and Torres Strait Islander peoples. CS Energy will begin implementing actions from the RAP in FY2024.

CS Energy has continued to provide community sponsorships to support projects, events or initiatives that benefit the local community, and philanthropic donations. In FY2023, we invested approximately $200,000 in 27 community groups in the Banana Shire and Western Downs regional council areas.

Changes to the Board and Executive Leadership Team

On behalf of the whole Board, I would like to acknowledge former Chairman Jim Soorley and thank him for his dedicated service as Chairman of the CS Energy Board for over eight years. We all acknowledge that Jim has led the company through some challenging times and his particular passion for safety has contributed to significant improvements to injury rates over that time. I would also like to thank former Chief Executive Officer Andrew Bills for his contribution. Andrew also faced many challenges throughout his time and we appreciated his tireless efforts to transition the company to a more sustainable entity.

In June 2023, CS Energy's Board was pleased to appoint Darren Busine as Chief Executive Officer. Darren joined CS Energy in 2016 as Chief Financial Officer and was most recently Executive General Manager Energy Markets, Technology and Commercial.

Darren's deep understanding of our business, stakeholders, and the market we operate in ensures CS Energy is well positioned to diversify our business and deliver on the QEJP.

Looking ahead

The energy market continues to transform at an accelerating pace. Decarbonisation is supported by state and federal government policy, customer preferences for lower carbon and alternative electricity supply, and longer-term economics of various technologies.

While the direction of the energy transformation is unquestionable, and the State's renewable energy targets are clearly set out in the QEJP, specific project implementation needs to be flexible in order to mitigate against risks. Therefore, CS Energy must be prepared to embrace any change in its own strategy implementation and be agile in managing its ongoing operations in a commercially-responsible manner. Our goal is for the business to adapt and thrive in the energy landscape of the future, while ensuring energy security and affordability for Queenslanders.

To achieve this, CS Energy will transition from a baseload, thermal generation portfolio towards a flexible portfolio that incorporates increased levels of lower emission generation technologies that support the decarbonisation objectives of our customers. This will occur in line with the pathway outlined in the QEJP.

Acknowledgements

On behalf of the Board, I would like to acknowledge the support of our shareholding Ministers, the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment, and the Honourable Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

Finally, thank you to CS Energy's employees for your hard work and commitment to creating a better future for our business.

A. Aspinall

Adam Aspinall
Chair

CEO's review

CS Energy is uniquely positioned to play a major part in the Queensland energy transformation.

Since commencing as Chief Executive Officer of CS Energy on 1 July 2023, I have reflected on what a privilege it is to lead an organisation that is so important to the future of our state and the energy industry as a whole. I thank the Board and CS Energy's shareholding Ministers for their confidence in me to take CS Energy forward at this time.

What CS Energy's employees do every day is critical for how homes, businesses, and industry operate in Queensland – and our performance will continue to be crucial throughout the energy transformation.

With safety at the forefront of everything we do, my priorities as CEO are to restore our generation portfolio to its full capacity, invest in our plant to run reliably and build our future energy business.

Due to the efforts of our dedicated team of people, considerable progress was made to restore Callide Unit C4 and making the site safer. In parallel to this, we generated positive momentum in creating Queensland's first clean energy hub.

Ensuring our existing business is reliable

It is essential that CS Energy delivers more predictable performance from our existing operations at Callide and Kogan Creek power stations. Both our safety and plant availability results were below target in FY2023 and fixing this going forward is essential.

I firmly believe that strengthening our culture will drive improvements in our performance. This means creating an open and engaged organisation where people care for themselves and each other and continually learn from mistakes and successes.

In the second half of FY2023, we continued our focus on improving our safety culture by rolling out a refreshed version of our psychology-based CODE (culture, ownership, drive, energy) employee training to all employees. We have also continued to focus on safety interactions and critical control verifications by leaders to manage risks and hazards.

Process safety is an important part of our commitment to safety at CS Energy. This year we continued a program of safety and plant improvements in response to the process safety incident on Callide Unit C4 in May 2021.

Modifications have been made to Callide C's generating protection system and DC power supplies to improve their reliability and add an additional layer of redundancy. We have also reviewed the protection systems on the other units in our portfolio and made improvements to our process safety and operational risk assessment processes.

Forensic engineer Dr Sean Brady from Brady Heywood is leading an external, independent and comprehensive investigation and review of the incident on Unit C4. The investigation, which is entering its final stages, is examining all factors that may have contributed to the Callide C4 incident.

Meanwhile, the rebuild works of Unit C4 are largely complete, with more than 428,000 hours worked on the project to repair and rebuild the sections of Unit C4 that were damaged in the incident.

The rebuilt Unit C4 is now in preservation mode to ensure it is ready to run when the Callide C Cooling Towers Rebuild Project is completed. We have been working with the Administrators of IG Power to progress the safe and timely return to service of the Callide C units and are doing everything we can to have the units safely back up and running as soon as possible.

In response to the recent issues at Callide C Power Station, we have invested in the engineering capability of our business to ensure our asset management strategies are fit for purpose, are achievable and will improve the performance of all our power stations.

As an extra layer of rigour and governance, we engaged Advisian to do an independent assessment of the condition of the plant and equipment at all of our power stations and review the effectiveness of our asset management systems. Working closely with Advisian, we have developed action plans in response to their recommendations.

Our existing generation assets will play an important role in **underpinning Queensland's energy system** as it transitions to renewable energy.

Transforming CS Energy into a diversified energy business

The release of the State Government's Queensland Energy and Jobs Plan (QEJP) has provided clarity for CS Energy and our employees and confirmed that our strategy is moving the business in the right direction.

We have been heavily engaged in the QEJP process, in particular, the development of a Queensland Energy Workers' Charter for supporting workers through the energy transformation. CS Energy, other Government owned energy companies and unions are signatories to the charter, which offers a Job Security Guarantee for affected energy workers.

The QEJP sets a clear path for the industry and Queenslanders on the journey to achieve 70 per cent renewables by 2032 and 80 per cent by 2035. Our existing generation assets will play an important role in underpinning Queensland's energy system as it transitions to renewable energy.

At the same time, we are investing in new renewable energy and firming capacity to diversify our portfolio and support the decarbonisation requirements of the QEJP and our customers. We are making this happen through the Kogan Clean Energy Hub on the Western Downs and our plans for the Callide Clean Energy Hub near Biloela.

We are building a diverse energy portfolio that incorporates new supply sources that are both flexible and renewable, balancing the interests of our stakeholders, customers and employees. This includes assisting our Queensland Government Procurement energy customer to meet the goal of achieving 100 per cent renewable energy for large Government sites by 2030.

Construction was completed this year on the 100 MW / 200 MWh Chinchilla Battery at the Kogan Clean Energy Hub and it is now in the commissioning phase. Next door, works are underway on the Kogan Renewable Hydrogen Demonstration Plant and we are in the project development phase for a hydrogen-ready gas peaking plant to be co-located at the hub.

Our retail team continues to grow our customer base, supported by our approach of providing customised solutions for large commercial and industrial customers. We have a portfolio of almost 300 MW of renewable energy offtakes to support customers' decarbonisation requirements and have more than 100 customers sites where we have installed electric vehicle charging infrastructure.

We successfully applied for funding from the State Government's Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) to develop 700 MW of wind projects in Central Queensland. We are considering options for several projects, including the Green Investment Group's Boulder Creek Wind Farm.

Outlook

FY2024 will be a year of delivery for CS Energy as we return the two Callide C units to service, carry out a major overhaul on Callide B, bring the Chinchilla Battery online and begin construction on the Greenbank Battery. The Kogan Renewable Hydrogen Demonstration Plant is expected to commence operations in 2024 as one of the few truly 'green' hydrogen projects in Australia, powered by behind-the-meter solar energy generated on site.

We have also submitted a number of new projects for QREHJF funding covering renewables, firming and customer solutions.

In the market, the wholesale price volatility of the previous winter has not returned however the market is still focused on potential supply-side constraints such as the tight domestic gas market and coal supply to New South Wales generators.

Wholesale prices continue to be impacted by a range of factors – geopolitical issues, international commodity prices including gas and coal, local and international supply chains, Australian generator closures and outages, and weather. Clearly, we are extremely focused on the return of the Callide C units to continue to put downward pressure on wholesale prices.

In closing, I would like to thank former CEO Andrew Bills, the current Executive Leadership Team and the Board for their efforts this year. I would also like to acknowledge the ongoing support of CS Energy's shareholding Ministers, the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Development, and the Honourable Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

To CS Energy's employees – you continue to display professionalism and commitment to our purpose of *Delivering energy today, powering your tomorrow.* Thank you for your hard work this year. I am excited to lead the business through this next important stage.

Darren Busine
Chief Executive Officer

Master the fundamentals

Health, safety and environment

FY2023 at a glance:

- **Introduced improvements to prevent the reoccurrence of an event similar to the Callide Unit C4 process safety incident.**
- **Rolled out refreshed safety culture training for all employees.**
- **Completed site works for the initial remediation of legacy PFAS use at Callide Power Station.**

Building a stronger safety culture

CS Energy's number one priority is that everyone at our sites returns home safely at the end of their workday. Our health and safety strategy aims to create a culture of citizenship, which means people care for themselves and others and continually learn from mistakes and successes. We focus on the three key areas of:

- **People** – proactively enabling the health and wellbeing of our people and supporting our leaders for success.
- **Places we work** – systematically reducing risks for our people.
- **Practices** – simple, fit for purpose and efficient systems for our people.

We did not meet our key safety metric of an All-Injury Frequency Rate (AIFR) of 25 or less, finishing FY2023 with an AIFR of 31.0 (FY2022: 31.15). Sixty-two people were injured compared to 48 in the prior year, largely due to a significant amount of planned and unplanned outages, which are our highest risk periods. During the year, there was a 30 per cent increase in hours worked compared to the prior year.

Results in the first half of FY2023 from a Safety Culture Survey indicated there is room to grow our safety culture. In response, we began rolling out a refreshed version of our psychology-based CODE (culture, ownership, drive, energy) employee training to all employees in March 2023.

We have continued to focus on increased Safety Interactions (SIs) and Critical Control Verifications (CCVs) by leaders at our work fronts to manage risks and hazards. All of our leaders were provided KPIs to drive visibility, interactions and learning across our sites. This is tracked monthly to ensure SIs and CCVs are being completed, entered into our reporting system and lessons learned and embedded.

The introduction of an updated Corporate Governance and Risk software platform (CGR-Insight) has integrated our incident, risk, assurance and hazard management. The business now has a single and holistic system across health and safety, environment, process safety, risk and assurance to ensure a focus on continual improvement and a safe and compliant working environment.

Supporting the health and wellbeing of our people

CS Energy provides a range of optional initiatives and programs to help our people pursue a healthy, happy lifestyle. Our Health and Wellbeing Strategy targets three strategic risk areas: mental health, core health, and physical and musculoskeletal fitness.

In preparation for the introduction of the Queensland Government's *Managing the Risk of Psychosocial Hazards at Work Code of Practice 2022,* CS Energy undertook an audit of psychosocial hazards and factors as identified in the code, what control mechanisms were already in place to deal with these factors and what gaps may need to be filled. Training, which we will roll out in FY2024, has been developed to inform our employees of the requirements of the code, the control mechanisms, reporting requirements and support functions available for anyone experiencing mental distress.

Our Employee Assistance Program provides our employees with free, independent, confidential counselling for all employees and their families on work or personal issues. We have also maintained our accreditation in the suicide prevention program Mates in Energy and provide Mates in Energy Connectors at all sites. Connectors are CS Energy employees trained to identify suicidal behaviour and keep people safe while connecting them to help.

Our core health program aims to ensure our employees are healthy and free from disease through the promotion and implementation of information, screening and vaccination programs. In FY2023 this included influenza vaccination programs, ergonomic work station assessments, skin checks and mental health first aid training.

Our physical/musculoskeletal fitness program supports our employees in maintaining a suitable level of physical and musculoskeletal fitness to meet daily workplace and lifestyle demands. Toolbox messaging across the year has focused on tobacco use, weight management, healthy eating, diabetes, and alcohol use. Planning is underway for a 10,000-step challenge in the new financial year.

Ensuring our assets are safe to run

CS Energy's process safety management system ensures our assets are safe to run every day, and that our people understand the hazards, know the controls and know that the controls work.

In FY2023 we continued a program of improvements to make our power stations safer following the process safety incident on Callide Unit C4 in May 2021. Our internal analysis of the incident, as well as a report by the Australian Energy Marker Operator, identified that Unit C4's generator protection systems did not operate on the day of the C4 event, most likely because of a loss of DC power supplies to the unit.

We have carried out work to enhance Callide C's generator protection systems and DC power supplies, and improvements have been made to DC supplies at Kogan Creek following a review of its DC supplies and protection systems. We have also updated electrical access procedures, and our operational risk assessment processes that apply to all of our sites.

Dr Sean Brady's external, independent investigation into the Unit C4 incident is entering its final stages. His investigation will make findings from an independent perspective on why the C4 incident happened.

CS Energy will make further improvements and will share any additional learnings with industry.

Separately, an independent engineering firm was engaged to provide a report into the root cause of a partial structural failure on the Unit C3 cooling tower in October 2022. While the root cause analysis is not yet finalised, we do know that there was a deterioration of the wooden cells within the cooling tower.

The new cooling towers will be built using alternative materials (refer to page 18 for information on the Callide C Cooling Towers Rebuild Project).

Other process safety improvements introduced in FY2023 include:

- employee training on process safety principles and responsibilities to ensure the plant is 'Safe to Run Every Day';
- targeted backlog reduction on critical equipment;
- physical modifications to plant to improve process safety;
- improvements in reporting and governance.

Protecting the environment

CS Energy is committed to operating with genuine care for the environment, actively engaging with our stakeholders and innovating as we transition to a cleaner energy future.

We use an environmental management system (EMS) that meets the international environmental standard ISO 14001:2015. The EMS is a framework that allows us to assess our environmental performance against corporate responsibilities, environmental licenses and other legal requirements. An independent surveillance audit of our EMS this year confirmed we continue to meet the ISO 14001:2015 standard.

Our primary environment target is zero Significant Environmental Incidents, which are incidents that have a significant impact on the environment or result in enforcement action by a regulator. We achieved this target in FY2023.

During the year, water levels in our site ash dams remained below the trigger levels for reporting to the Department of Environment and Science (DES). Weather conditions became drier in the second half of this year, resulting in lower water levels and an easing of measures to actively control water levels.

At Callide Power Station, the drier conditions resulted in the need for dust management measures to be deployed at the Waste Containment Facility. A custom-designed dust suppression system was installed and commissioned to allow sprayed water to reach the surface of ash cells and prevent dust.

At both Callide and Kogan Creek power stations, final rehabilitation and land use planning activities continued. At Callide, a final land use and rehabilitation framework is well developed and progressive rehabilitation at the Kogan Creek Mine is on schedule.

At Kogan Creek, we have maintained our Cultural Heritage Agreement with the Barunggam Traditional Owners, which sets our cultural heritage management practices, including consultation with Traditional Owners. This year we carried out archaeological surveys and salvage activities at the Kogan Creek Mine and nearby Future Energy projects.

CS Energy and the Traditional Owners also worked collaboratively to agree management actions required to protect a number of significant cultural heritage items located in areas to be mined. CS Energy has agreed to preserving the items in place, salvaging items for their later return to country or relocation to other areas on-country. We also appointed a dedicated Cultural Heritage Advisor to provide additional support to this important work.

CS Energy operates and maintains our power stations to ensure they remain within their emissions limits and support reliability of electricity supply for consumers. Emissions produced at Callide and Kogan Creek power stations include greenhouse gas emissions and oxides of nitrogen and sulphur dioxide, as well as particulates.

Our emissions shift slightly each year depending on factors such as the volume of coal consumed, coal quality and the mix of our generation fleet in service. We report our annual emissions to the Clean Energy Regulator and National Pollutant Inventory. Full details of our FY2023 emissions will be publicly available on the websites of these organisations in the first half of 2024 as part of their annual reporting cycles.

Health, safety and environment (continued)

Monitoring and remediating PFAS at Callide

CS Energy continues to work cooperatively with the Department of Environment and Science (DES) on an Environmental Evaluation notice regarding the historical use of per-and poly-fluoroalkyl substances (PFAS) at Callide Power Station.

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

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

The health of the community and our employees is CS Energy's key priority and continues to guide our actions. We are speaking directly with affected landholders and proactively updating the broader Biloela community and our employees.

CS Energy submitted to DES our response to the Environmental Evaluation in September 2022, which included a summary of our sampling methodologies and results to date, along with recommendations for work such as soil remediation at the power station, aquatic biota sampling and future water sampling. DES extended the timeframe of the Environmental Evaluation by 12 months to 13 October 2023 to enable this additional work to occur. DES provided a further extension of the Environmental Evaluation until 5 March 2024 so that CS Energy can complete the PFAS investigations to address remaining data gaps.

The site works for the initial remediation at the power station were completed during the year. Post-treatment results from leachability and compaction testing of soil meet or are better than the defined performance criteria. Meanwhile, investigations into the effectiveness of the treatment applied to a concrete slab at the fire training ground are ongoing.

CS Energy has continued to work with an independent environmental testing firm to undertake PFAS sampling and investigations at and downstream of the Callide Power Station. To date, the results are consistent with earlier sampling, with no significant changes in PFAS concentration across the aquifer.

In FY2024 we will start the Human Health and Ecological Risk Assessment (HHERA), which will assess specific risks to human health and the environment by looking at exposure pathways such as drinking water, food, and bathing. Results from some aquatic biota sampling undertaken in early 2023 will also form part of this assessment.

In parallel with all the above, we are working on adding bores to monitor water movement and help us improve and reduce groundwater leaving site.

CS Energy's number one priority is that everyone at our sites **returns home safely** at the end of their workday.

People and culture

FY2023 at a glance:

- **Signed the Queensland Energy Workers' Charter to provide employees at our coal-fired power stations with future employment pathways.**
- **Maintained gender pay parity and our status as a WORK180 Endorsed Employer for Women.**
- **Grew our internal capability with almost 90 people participating in the first full year of our internal mentoring program.**

Our workforce

At CS Energy, we are powered by experienced, skilled and talented people. We employ 556 people (2022: 494) across three sites and a range of technical and professional roles. Our workforce growth in FY2023 reflects our investment in future energy projects and strengthening the organisation's asset management, digital technology and business support services capabilities.

CS Energy maintains separate enterprise agreements for each of our power stations and the Brisbane office. More than half of our employees are employed under enterprise agreements and the remainder are employed under Alternative Individual Agreements, which are underpinned by an enterprise agreement. A small number of senior roles are covered by non-enterprise agreement arrangements.

Negotiations are underway with employees and unions for new enterprise agreements for the Brisbane office and Kogan Creek Power Station, and preparations have begun for negotiating a new enterprise agreement for Callide Power Station.

Building an inclusive and diverse culture

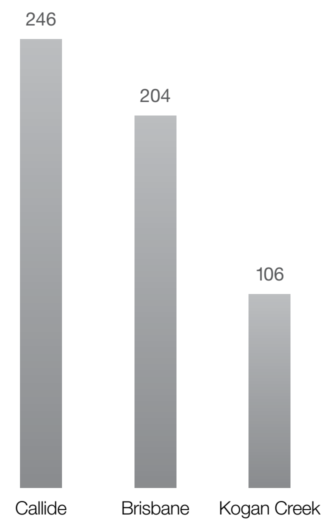
CS Energy is building a safe, constructive and high-performance culture to support the delivery of our strategy. We have a suite of benefits and initiatives to create a more inclusive work environment and diverse workforce, including gender pay parity, flexible working arrangements, domestic and family violence leave, and being a WORK180 Endorsed Employer for Women.

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

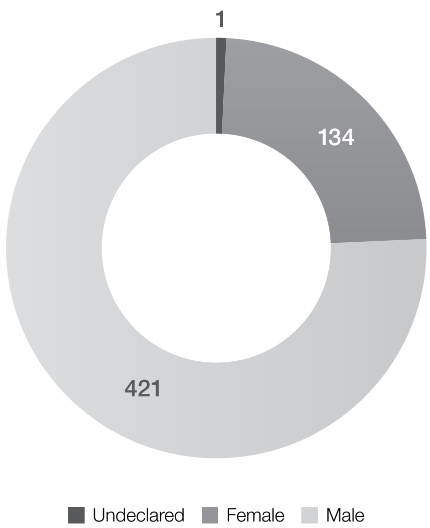
CS Energy introduced the Team Management Profile as a tool to support team development and highlight work preferences to promote inclusion. Fifteen per cent of the workforce have completed their profile, with more underway to support teams during this period of transformation and understand working preferences of new hires.

In June 2023, CS Energy conducted an Employee Engagement Survey via our partner, Culture Amp. An employee engagement focussed model will support more targeted and tangible action planning to drive cultural change. More than 83 per cent of the workforce completed the survey and the preliminary results indicate target areas for CS Energy to improve employee engagement.

Workforce by location



Workforce by gender



Women in leadership

28%
of leaders

People and culture (continued)

We worked with the Oodgeroo Unit at QUT to **establish a scholarship** to assist Aboriginal and Torres Strait Islander peoples to **attend and complete university.**

Encouraging learning and innovation

Since its introduction in FY2022, the CS Energy Mentoring Program has facilitated two rounds of mentoring with the purpose of sharing skills and experience internally. For mentors, it is a chance to give back to their field of expertise, and grow their own interpersonal skills by contributing to the development of another. For mentees, there is a tremendous opportunity to learn from a more experienced or tenured person as they work towards personal or professional goals. Eighty-nine employees have participated in the program to date, across two intakes, and feedback has been extremely positive.

Senior leaders are committed to growing leadership capability and increasing leadership bench strength, particularly within the identified critical role occupations, recognising this will be a key initiative that strengthens the foundations for skilling the Queensland Energy and Jobs Plan (QEJP).

Providing opportunities for the next generation

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

As of 30 June 2023, Callide Power Station employed 23 apprentices and two trainees, and Kogan Creek Power Station employed nine apprentices and two trainees. Recruitment has commenced for CS Energy's intake of apprentices and trainees at both sites for FY2024.

CS Energy will welcome five graduates next year in the fields of mechanical engineering, electrical engineering, business and accounting, and Information Technology. Our graduate program aims to bridge the gap between university and working life, and provide graduates with the skills and experience to develop into a competent professional in their chosen field.

This year we worked with the Oodgeroo Unit at the Queensland University of Technology (QUT) to establish a scholarship to assist Aboriginal and Torres Strait Islander peoples to attend and complete university. The $5,000 scholarship aims to support an Indigenous student enrolled in an Undergraduate Bachelor's Degree in Business, Science, Engineering or Technology. Based on a high quality of applicants, CS Energy offered two scholarships this year instead of one.

Supporting power station workers through the energy transformation

The release of the QEJP provided confidence to our employees that they will be supported through the energy transformation. The plan includes a $150 million Job Security Guarantee to ensure that workers at energy Government Owned Corporations have a job pathway option available to them and that they are encouraged to choose a pathway that best meets their personal circumstances.

CS Energy, along with other Government Owned energy companies, unions and the Queensland Government signed a *Queensland Energy Workers' Charter* that creates an enduring framework and sets out principles and actions to support workers. An Energy Industry Council has been created to provide advice to the government on the energy transformation, including funding, timing and skills and training.

CS Energy is committed to working with our people to identify opportunities within our business or within the industry. Through the Callide Futures Group (CFG), we have been working with our employees and the relevant unions to plan for the energy transformation. The group is comprised of approximately 20 members representing unions, workers, and management and is assessing how to best support the workforce at Callide B as the power station is progressively converted into a clean energy hub in line with the QEJP.

During the reporting period the CFG met on five occasions discussing a range of transition approaches and concepts implemented by the power industry across Australia. Various industry guests have attended the CFG meetings to share information relating to other transitions and the types of support that has been available to workers. This has provided a basis to build a transition roadmap of activities, including future workforce planning for Callide.

Navigate the transformation

Operating assets

FY2023 at a glance:

- **Completed the bulk of the rebuild of Callide Unit C4 and began a project to rebuild the Unit C3 and C4 cooling towers.**
- **Commissioned an independent review of plant condition and asset management of our thermal generation units.**
- **Carried out a major overhaul at Kogan Creek Power Station, which has delivered high levels of plant availability post-outage.**
- **Received industry recognition at the 2023 Surat Basin Energy Awards for the partnerships we have forged to create the Kogan Clean Energy Hub.**

We have taken multiple steps to **improve our asset performance going forward** so that we meet the expectations of our shareholders and customers.

Continued focus on asset availability

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

Our portfolio availability[1] of 60.6 per cent in FY2023 (2022: 71.2 per cent) reflects a challenging year for our operating assets. The decrease in availability is mainly due to Unit C4 being unavailable for the full year and the partial structural failure of the Unit C3 cooling tower in October 2022, which resulted in C3 not operating for the remainder of the reporting period.

Other factors impacting availability included a significant overhaul program, duration overruns on overhauls and unplanned outages. CS Energy carried out overhauls at Kogan Creek and Callide B during the year in conjunction with our Asset Management Alliance partner Downer, as well as an overhaul on Unit C4 as part of its wider reinstatement program.

While the Kogan Creek major overhaul was extended by one month to carry out additional repairs on its generator, since its return to service the unit it has delivered an availability of more than 95 per cent.

CS Energy is acutely aware of the importance of reliable generation from coal-fired generators such as those in our portfolio, particularly at a time of high gas and coal prices and with reducing coal generation across the energy sector. It is critical that our thermal generation is available to provide baseload support when renewable generation isn't available overnight, and during the peak demand periods in the early morning, late afternoon and evening.

1 CS Energy has switched from Commercial Availability to the more commonly used industry metric of Equivalent Availability Factor.

We have taken multiple steps to improve our asset performance going forward so that we meet the expectations of our shareholders and customers. New management is in place in key areas of the business to improve the performance of the Callide C units, along with a targeted maintenance program.

Other key initiatives to improve our plant performance included:

- Conducting an independent asset condition assessment and asset management review. We are uplifting the quality of our asset management plans, supported by independent experts, to improve our performance.
- Introducing changes to our organisational structure to optimise how asset management is delivered at CS Energy. We have bolstered our engineering resources to support the upcoming overhaul, projects and Callide C recommissioning works.

Operating assets (continued)

Reinstating Callide C

CS Energy owns the Callide C Power Station in a joint venture (JV) with IG Power and operates Callide C on behalf of the JV. During the year, our Callide C JV partner IG Power entered a voluntary administration process. CS Energy has worked closely with the administrators to progress the safe and timely return to service of the Callide C units.

Callide C is comprised of two generating units – Unit C3 and Unit C4 and has a combined capacity of almost 850 MW. Unit C4 has been offline since a process safety incident on the unit in May 2021 and Unit C3 came offline in October 2022 following the structural failure of a section of its cooling tower. Importantly, nobody was hurt when either of these incidents occurred.

CS Energy has completed the bulk of the works to rebuild and repair Unit C4 and introduced improvements to make the site safer (refer to page 13). A team of 250 employees and contractors worked more than 428,000 hours on the Unit C4 rebuild project, which included the replacement of major plant components that were damaged in the incident in May 2021, such as the turbine, generator and generator transformer.

External engineering experts were appointed to assess the condition of the Unit C3 cooling tower, investigate the root cause of the incident and determine what needed to be done to safely return the unit to service. While the Unit C4 cooling tower was not damaged in the incident, its condition was assessed because it is of the same design and age.

Based on this advice, it was determined that the safest and optimal option for returning the Callide C units to service was for both cooling towers to be demolished and rebuilt. Demolition work commenced on site in May 2023, and as of 30 June 2023, the demolition of the Unit C3 tower had been completed and work was underway on the demolition of the Unit C4 tower.

Construction of the two new cooling towers will begin in September 2023. Rebuilding the cooling towers is a unique and highly complex project, and like many major infrastructure projects, we are managing supply chain issues. We have been working closely with independent technical experts and contractors to optimise the program of works.

Revised return to service dates for the two Callide C units were announced to factor in the cooling tower works. The return to service dates reflect our priority for Unit C3 to make a staged return to service in early 2024.

Once Unit C3 is back online, we will conduct the more complex recommissioning of the rebuilt Unit C4, which will make a staged return to service in mid-2024.

Creating clean energy hubs

To support the Queensland Energy and Jobs Plan (QEJP), CS Energy will create clean energy hubs at Kogan Creek and Callide power stations. Our power stations are located in strong parts of the network and have strategic advantages such as highly skilled workers, grid connection, water allocations, available land and established community relationships.

The Kogan Clean Energy Hub is our first, and most advanced energy hub. Centred around the Kogan Creek Power Station, it features a grid-scale battery and renewable hydrogen demonstration plant both under construction, and a hydrogen-ready gas-peaking power plant in the development phase.

The partnerships we have forged with Toowoomba and Surat Basin Enterprise, Tesla, Senex Energy and IHI Corporation have helped bring the Kogan Clean Energy Hub to life. The success of this approach was recognised at the Surat Basin Energy Awards in May 2023 when CS Energy won the Co-Existence category for the Kogan Clean Energy Hub.

We are working to ensure that on project completion we can trade and operate the new assets safely, that customer needs are met and that we deliver a commercial return for the business. An integration work package has commenced to ensure operational readiness for the Kogan Clean Energy Hub assets. This includes participation in the commissioning process, and training and upskilling employees to ensure they are ready to participate when the assets become operational.

For progress updates on the projects outlined above, please refer to the Enable our future section of this report.

Market performance

FY2023 at a glance:

- **Pool prices were volatile early in the year before becoming more subdued.**
- **Policy and regulatory reform in electricity and gas markets continued to accelerate, with actions at the national and jurisdictional levels reflecting governments taking a stronger role.**
- **In Queensland, the State Government set out its pathway for transforming the state's energy system to 70 per cent renewables by 2032 in the QEJP.**

Market report

CS Energy sells electricity in the National Electricity Market (NEM) from the power stations we own and operate, and we have the trading rights for the Gladstone Power Station (in excess of what is supplied to the Boyne Island aluminium smelter). We manage plant and financial risk by balancing our presence in the wholesale spot and contract markets and provide a range of ancillary services to help maintain the stability of the grid.

In FY2023, CS Energy dispatched 8,607 gigawatt hours (GWh) (2022: 10,048 GWh) of electricity in the NEM. The decrease in electricity dispatched was due to reduced availability from our operating assets.

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

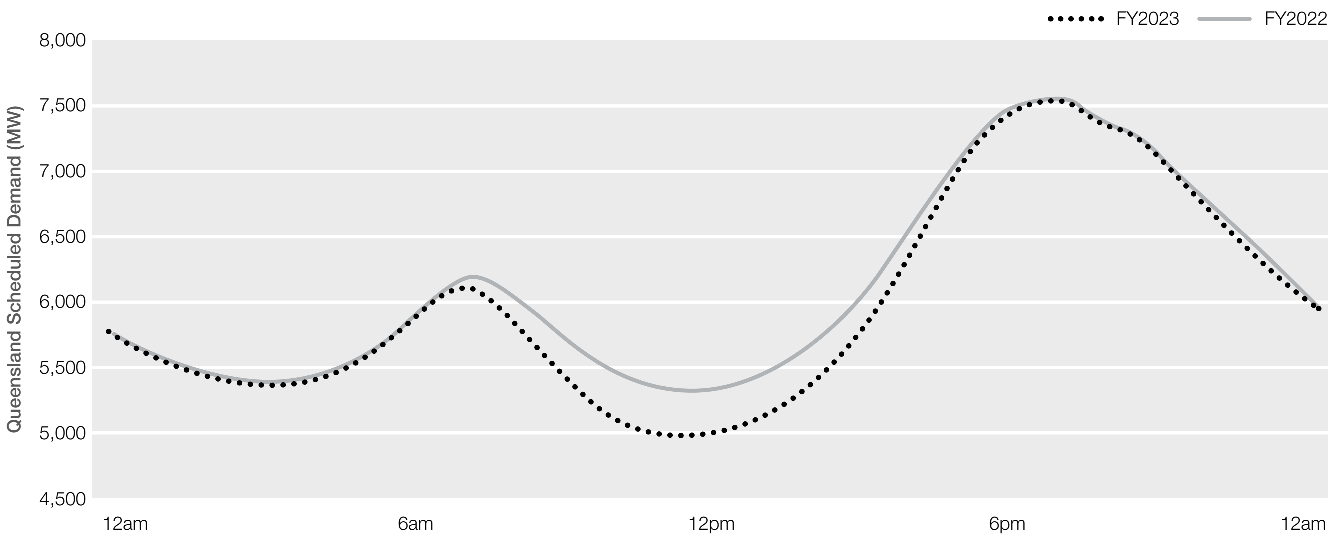
Queensland's average pool price in FY2023 was $144.97/MWh, which was 10.5 per cent lower than FY2022 ($162.06/MWh). There was significant volatility in pool prices early in the year, driven by high demand in New South Wales (NSW) and Queensland, historically low thermal unit availability across the NEM, coal supply constraints in NSW, and historically high international and domestic coal and gas prices.

The NEM's linkage to international commodity markets remains a key driver of pool price outcomes. Prices became more subdued as coal supply constraints eased and the Federal Government imposed temporary price caps on domestic coal and gas markets.

Higher than average rainfall and below average temperatures, particularly across summer, contributed to lower Queensland demand. A total of 1,291 MW of large-scale variable renewable energy (VRE) and 717 MW of small-scale rooftop solar connected across Queensland. As a result, scheduled demand continued to fall, with a new record minimum demand for Queensland of 3,311 MW set in September 2022, 362 MW lower than the previous record. Queensland's average scheduled demand, which our thermal units generate into, continues to reduce in daylight periods as a result of more VRE connections across the state.

The closure of a NSW thermal unit in April 2023, combined with low large-scale wind generation, drove price volatility towards the end of FY2023, particularly in April and May. Volatility reduced, and prices softened in June as favourable wind conditions returned and interconnector constraints eased.

Queensland Average Time of Day Scheduled Demand



Market performance (continued)

Policy and regulatory developments

The policy and regulatory reform in Australian electricity and gas markets continued to accelerate in FY2023, with actions at the national and jurisdictional levels reflecting governments taking a stronger role.

At the national level, the new Federal Government has progressed many of its cornerstone policies to transition the national energy system to net zero. These included the Capacity Investment Scheme to unlock investment in dispatchable, renewable power; foundational investment in the green hydrogen industry; and amendments to the Safeguard Mechanism to place stronger emissions targets on large industry.

These federal initiatives are underpinned by a fundamental shift in energy market governance, with emissions reduction to be explicitly incorporated into the National Electricity Objective. CS Energy is proactive in this reform process, maintaining a voice in policy and regulatory developments by participating in relevant consultation processes and working groups, and through its membership of various industry bodies including the Australian Energy Council and Clean Energy Council.

At the jurisdictional level, new policies have been progressed across the NEM that include state-based renewable energy targets and the establishment of Renewable Energy Zones which will shape the future generation mix. Attention is also focused on whether existing frameworks for transmission infrastructure planning and investment are fit-for-purpose.

In Queensland, the State Government released the QEJP, which sets out a blueprint for transforming the energy sector with an emphasis on new modes of operation, infrastructure development and workforce transition. CS Energy is heavily engaged in this process.

Significant market design issues were also brought forward for consultation and implementation as part of the reform agenda, including a range of measures to value system services such as frequency and inertia that are essential for the security of the power system as well as the review of market standards and settings. CS Energy continued to take a proactive role in consultations and industry forums on market design issues.

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

Financial overview

FY2023 at a glance:

- **Positive Underlying EBITDA but down on last year due to loss of availability from Callide C generating units.**
- **Cash payments of $277.3 million for major overhauls, Callide Unit C4 reinstatement, Chinchilla and Greenbank batteries construction and other investments across the portfolio.**
- **No dividend was provided for the current financial year.**

CS Energy's Underlying EBITDA for FY2023 of $26.3 million (2022: $117.6 million) was $91.3 million lower compared to the prior year, reflecting reduced portfolio generation due to lower thermal plant availability, with all units operating below target.

The performance of the CS Energy thermal fleet was significantly impacted by unplanned outages and extensions to planned outages due to increased work scopes and continued supply chain pressures. Significant plant impacts during the year included:

- On 31 October 2022 there was a partial structural failure of the Callide Unit C3 Cooling Tower with the unit remaining offline as at reporting date as major works are undertaken to rebuild both Callide Unit C3 and Unit C4 cooling towers. Callide Unit C3 has been prioritised to return to service for the summer peak demand period on 7 January 2024 at 50 per cent capacity increasing to 100 per cent capacity on 18 February 2024.
- The delayed return to service of Callide C4 resulting from the additional works to be performed to rebuild the cooling tower. The unit is forecast to return to service at 50 per cent capacity on 19 May 2024, followed by 100 per cent capacity on 6 July 2024.
- The Kogan Creek Power Station was offline for a major overhaul between September 2022 and December 2022, with the outage duration extended to accommodate required generator repairs.
- The Callide Unit B2 was offline for a major overhaul between May 2022 and August 2022 (78 days, return to service delayed from 42 days), Callide Units B2 and B1 were offline for unplanned four-week maintenance outages across January and February 2023, and April and May 2023 respectively.

Key financial performance measures

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000
Underlying EBITDA[1]	479,633	309,464	88,649	117,585	26,310
Underlying EBIT[1]	339,955	166,806	(18,866)	34,693	(95,392)
NPAT	160,309	(77,600)	(269,608)	(95,482)	(14,573)
Net cashflow from operating activities	337,041	306,994	(50,883)	(298,677)	22,482
Net cashflow for payments for property, plant and equipment	(107,458)	(137,818)	(85,749)	(95,763)	(277,332)
Net cashflow	(405)	23,547	(19,192)	(21,341)	43,830
Underlying interest cover[2] (times)	7.33	4.75	(0.59)	1.17	(2.13)

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

2 Measure calculated using Underlying EBIT.

CS Energy entered into forward wholesale electricity contracts in prior periods to reduce the exposure to pool price volatility in FY2023. This contracting strategy, combined with the value delivered through the retail commercial and industrial market and the residential retail business, delivered an average realised price for the year of $68.40/MWh (2022: $61.36/MWh).

CS Energy recorded a net loss after tax of $14.6 million (2022: $95.5 million net loss after tax). The primary drivers of this result were the mark to market fair value adjustments on derivatives of $374.9 million (2022: $338.4 million) and the asset impairments of $83.6 million for the Callide B cash generating unit (2022: $36.1 million asset impairment reversal) and $1.5 million (2022: $4.8 million) for the impairment of the work in progress balance for the Kogan Renewable Hydrogen Demonstration Plant. It also included a remeasurement of the Gladstone IPPA onerous contract as a $17.0 million provision decrease (2022: $107.0 million provision increase). The principle driver of asset impairments predominantly relates to cost pressures as we transition the business to a sustainable provider of renewable energy and continued investment to improve the reliability of our thermal fleet (particularly Callide B) to ensure security of energy supply.

Cash generated from operations for the year was a net inflow of $22.5 million (2022: net outflow of $298.7 million). The positive result primarily reflected underlying earnings.

Deposits held with Queensland Treasury in the General Government Sector Advances Facility as at 30 June 2023 was $84.3 million (2022: $ nil), with the increase representing funding received from the Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) to support the construction of the Greenbank Battery and Kogan Renewable Hydrogen Demonstration Plant.

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

Capital Structure

CS Energy increased borrowings by $249.7 million this year as a result of the financial performance for the year and significant capital investment to return the Callide Units C3 and C4 to service. As at reporting date, CS Energy has not yet received insurance proceeds relating to material damage and business interruption insurance compensation proceeds related to the Callide Unit C4 incident.

Other borrowings include debt funding for the construction of the 100 MW (200 MWh) Chinchilla Battery at the clean energy hub we are adding to our Kogan Creek site. This increase was primarily funded through a $100 million temporary increase in the Working Capital Facility to $325 million (2022: $425 million), a new debt facility established to fund the cash collateral payments in respect of ASX forward traded contracts of $600 million (reducing to $400 million from 1 July 2023), and an increase in funds drawn from the $112.1 million debt facility established last year to fund the construction of the Chinchilla Battery.

CS Energy also received $102.0 million in equity funding this year from the QREHJF to support the construction of the Greenbank Battery and the Kogan Renewable Hydrogen Demonstration Plant, with these activities supporting the delivery of the QEJP announced by the Premier of Queensland in September 2022.

Capital Investment

Throughout FY2023 CS Energy continued to focus on effective project delivery and cost discipline across the business. Cash payments for property, plant and equipment was $277.3 million for FY2023 (2022: $95.8 million) and included $108.1 million for renewable energy and battery storage assets. This included the overhauls of Kogan Creek Power Station and Units B2 and C4 at Callide Power Station, the Callide C4 reinstatement works, construction of the Chinchilla and Greenbank batteries, and a range of other plant investments across the portfolio.

Non-International Financial Reporting Standards Information

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

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

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

Community and social performance

FY2023 at a glance:

- **Established a Stakeholder Advisory Council to better understand the needs of our customers and stakeholders.**
- **Involved our employees in a co-design process to develop CS Energy's first Reflect Reconciliation Action Plan.**
- **Invested more than $200,000 in community sponsorships and donations in the regions where we operate.**

Strengthening relationships with our stakeholders

Understanding our customers and stakeholders and taking into account their needs in our decision making is important for CS Energy. To help achieve this, we established a Stakeholder Advisory Council this year, which includes members from the Energy Users Association of Australia, the Queensland Government, our retail customers, the Queensland Manufacturing Institute, Powerlink, St Vincent de Paul, local business associations and the Clean Energy Council.

Members discuss supply chain issues, energy pricing, and aspects of the energy transition, including social licence to operate, and development and project issues. CS Energy held one of the council's meetings at our Kogan Creek site to provide members with the opportunity to tour the power station and mine, as well as our clean energy hub projects.

A biennial stakeholder trust research program has provided valuable insights that will guide our future engagement approach. The results from this independent research program show that there are four key areas that impact stakeholder trust in our business:

- Safety of our operations and for the environment
- Quality of communication
- Generating services that provide value for money
- Quality of our employees

The research indicated that the quality of our employees was the main positive driver of trust in our business.

While a range of internal and external factors has seen overall trust reduce in CS Energy since 2021, this was consistent with results across the energy industry. General societal trends such as the cost of living, energy prices, greater prioritisation of health following COVID-19 and cyber safety were linked to this result.

Our stakeholders told us that they want to hear more about CS Energy's future, our response to the Queensland Energy and Jobs Plan, and future ESG goals. The importance of providing local procurement and supplier opportunities in addition to skills, training and jobs was also highlighted.

CS Energy will integrate the results of this research into our business as usual activities so we can improve trust with our stakeholders.

We are also seeking to establish a baseline understanding of the social value generated by CS Energy for various stakeholder groups in our communities. The work includes assessing our sponsorship, scholarship, and procurement activities to understand how we have created positive change or provided benefits for our communities. This work will help us to set goals to be achieved under a future ESG framework.

Together with the Stakeholder Trust research we expect this piece of work to provide deep insight into stakeholder and customer experiences and expectations of CS Energy. This will be critical in helping us evolve and improve our stakeholder engagement approach.

Investing in our local communities

Our community sponsorships program provides financial support to projects, events, and initiatives that deliver long-lasting benefits to our local communities and meet at least one of our six investment focus areas of safety and environment; social and community development; education; culture and art; active and healthy communities; and Indigenous.

We award sponsorships in two rounds each financial year, with individual sponsorships typically ranging from $1,000 to $20,000. In FY2023 we provided $197,856 to 27 community groups in the Banana Shire and Western Downs regional council areas.

We also contribute to our local communities by making charitable donations and through our Workplace Giving Program. In FY2023 we provided more than $6,000 in donations to organisations like Foodbank and the RSPCA.

Just as our existing sites deliver flow-on economic benefits through our regular overhaul program, so too do our suite of Future Energy projects. The Chinchilla Battery has generated an economic boost for the Western Downs, with construction contractor Downer spending more than $3 million on suppliers and subcontractors in the Chinchilla and Dalby regions.

For the Kogan Renewable Hydrogen Demonstration Plant, CS Energy worked with Toowoomba and Surat Basin Enterprise on a hydrogen capability portal to ensure that existing skills in the region can be utilised to support the hydrogen supply chain. Several local businesses have gained work on the hydrogen project after registering with the portal, including MinResSurvey from Toowoomba.

Developing our first Reconciliation Action Plan

As one of Queensland's largest energy providers, we have an important role to play in supporting reconciliation in Australia and contributing to improved outcomes and mutually beneficial relationships for Aboriginal and Torres Strait Islander peoples.

This year we involved employees in a co-design process to develop CS Energy's inaugural Reflect Reconciliation Action Plan (RAP). Our first dedicated Indigenous Engagement Advisor led this work, drawing on the recommendations of an Indigenous Perspectives Consultation Report prepared in FY2022 by a Rockhampton-based Indigenous leader.

Our Reflect RAP demonstrates CS Energy's commitment to being an inclusive organisation and building a deeper connection with Aboriginal and Torres Strait Islander peoples. It is also an important step in building capability within the business and in developing relationships with Traditional Owners which will provide the foundation for future RAPs.

CS Energy's Board endorsed the Reflect RAP in April 2023 and it has been submitted to Reconciliation Australia for approval. In FY2024, we will begin implementing actions from the RAP.

Our commitment to responsible procurement

CS Energy strives to work with local suppliers wherever possible. We support the Queensland Government's procurement objectives of using local content and using ethical suppliers, and apply the Queensland Government Procurement Policy and Best Practice Principles. In FY2023, more than 70 per cent of CS Energy's procurement expenditure was with Queensland companies.

CS Energy is a reporting business under the Australian Government's *Modern Slavery Act 2018* and is committed to doing all that we can to prevent modern slavery in our business and supply chains. Key preventative actions that we undertook in the most recent reporting period included:

- Conducted a broader assessment of the modern slavery risk in our supply chains by approaching all of our suppliers, rather than just those who operate in higher risk industries or locations, to complete our annual modern slavery questionnaire. The assessment confirmed that the risk of modern slavery in our supply chains is low.
- Undertook a country of origin analysis with suppliers who provide 80 per cent of the stock held in our power station warehouses. This enhanced the visibility of the country of origin of the many parts and spares that we use in the continued operation of our assets.

This year we involved employees in a co-design process to develop CS Energy's **inaugural Reflect Reconciliation Action Plan.**

Enable our future

Portfolio renewal

FY2023 at a glance:

- **Completed construction of the Chinchilla Battery and began site works for the Kogan Renewable Hydrogen Demonstration Plant at the Kogan Clean Energy Hub.**
- **Doubled the number of sites where we have installed electric vehicle charging infrastructure for our customers.**
- **Broadened our portfolio renewal activities to include long duration firming capacity.**

Providing customised retail solutions for large organisations

CS Energy is a retailer to large commercial and industrial (C&I) customers throughout Queensland. Our customers include mines, ports, universities, and, through our whole-of-government contract, Queensland Government agencies and departments. Our dedicated Retail Business Team has significant energy market expertise and works directly with our customers to provide bespoke energy solutions, including through firmed renewable supply.

During FY2023, we continued to grow our C&I Retail Business, adding an additional 700 MWh under management, which included increasing demand from customers seeking renewable energy, and providing confidence in the demand for our future pipeline of projects.

We also experienced a significant increase in customer requests regarding renewable energy infrastructure, growing the number of electric vehicle (EV) chargers installed in Queensland to more than 800; and responding to a number of opportunities to install solar and batteries at customer sites.

During the same period the Board approved investment in a suite of new retail systems that will enhance the C&I Retail Business capabilities to develop new products and services to meet customers' changing needs through the energy transition.

Expanding our electric vehicle charging customer base

CS Energy offers a suite of EV smart charging products through our partnerships with technology providers Jet Charge and EVSE. Our offering includes AC and DC chargers, each of which can be configured for a client's needs, such as home, fleet, or public access charging. CS Energy can supply charging equipment right through to full turn-key installations.

CS Energy is on QFleet's EV Standing Offer Arrangements for EV charging equipment solutions. To date, CS Energy has completed numerous EV charging infrastructure installations across Queensland Government sites, including TAFE Queensland, Queensland Health, Emergency Services, hospitals, QFleet and a range of other Queensland Government entities. The number of sites now number in excess of 100 (2022: ~40), with more than 800 chargers installed (2022: ~300).

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

Investing in renewables, lower emission technology and large-scale storage

CS Energy is investing in a range of generation and storage technologies to support our customers' decarbonisation requirements and meet Queensland's future energy needs.

We continued our portfolio renewal activities in FY2023 by successfully applying for additional funding from the Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) to develop 700 MW of wind projects in Central Queensland. We are considering options for several projects, including the Green Investment Group's Boulder Creek Wind Farm and EDF Renewables' Banana Range Wind Farm.

These renewable energy projects will complement the suite of existing solar farm offtakes already in place. We have added 300 MW of renewable energy offtakes to our portfolio in recent years, including the Columboola Solar Farm on the Western Downs, the Kennedy Energy Park in North West Queensland and the Moura Solar Farm in Central Queensland.

Grid-scale batteries are an ideal partner for renewables because they can store excess energy produced during sunny and windy periods for later use during the evening peak demand period. CS Energy is pursuing a multiple battery strategy, beginning with the Chinchilla Battery at the Kogan Clean Energy Hub. The Chinchilla Battery has a capacity of 100 MW / 200 MWh and is made up of 80 Tesla Megapack systems. Construction of the battery was completed this year and commissioning will commence in FY2024 once the Banana Bridge Substation is complete.

CS Energy has a partnership with Powerlink Queensland to install a 200MW / 400MWh battery in Greenbank in South East Queensland, which will be part-funded by QREHJF. The project reached an important milestone in FY2023 with the Notice to Proceed issued to Tesla in April 2023 and key planning and design activities underway.

Longer duration, firming capacity will also be required to underpin Queensland's energy security over the coming decade. The Queensland Government announced funding for our Brigalow Peaking Plant in its Queensland Energy and Jobs Plan (QEJP).

This hydrogen-ready gas-fired plant will be co-located within the Kogan Clean Energy Hub and is in the project development phase (including considerations around the appropriate size of the plant). CS Energy is also considering a range of options for participating in Copenhagen Infrastructure Partners' Capricornia Energy Hub, an integrated renewable energy and pumped hydro energy storage project west of Mackay.

Developing a domestic and export hydrogen business

Construction began in June 2023 on the Kogan Renewable Hydrogen Demonstration Project, which will be located at our Kogan Clean Energy Hub. CS Energy is developing this renewable hydrogen project in a joint venture (JV) with Senex Energy. The Queensland Government is providing $28.9 million towards CS Energy's share of the project from the QREHJF.

The project will include the co-location of a solar farm, battery, hydrogen electrolyser, hydrogen fuel cell, hydrogen storage and outloading facility. IHI Engineering Australia (a subsidiary of IHI Corporation Japan) has been appointed to construct the demonstration plant. The demonstration plant's hydrogen electrolyser will only be powered by behind-the-meter solar energy, making it one of the few truly renewable hydrogen projects in Australia.

The aim of the project is to produce renewable hydrogen and provide energy and other grid services while gaining expertise from an operational hydrogen project from production, storage, transport and handling. The demonstration plant will produce up to 75,000 kilograms of renewable hydrogen annually. Negotiation of offtake arrangements for the renewable hydrogen are continuing as are investigations into a potential refueling network for renewable hydrogen in the Western Downs.

CS Energy plans to export renewable hydrogen to the Republic of Palau. We are a member of a consortium led by the Sojitz Group that successfully applied to the Japanese Ministry of the Environment for a subsidy to demonstrate the first renewable hydrogen exported from Australia. This renewable hydrogen will be transported to Palau to be used in a fuel cell for conversion to electricity. In addition, a further demonstration will involve green hydrogen produced in Australia being used by a fuel cell powered boat at the Port of Brisbane.

CS Energy is assessing other potential markets for renewable hydrogen such as the sustainable aviation fuel sector. In early 2023 we signed a Memorandum of Understanding (MoU) with Sojitz Corporation and Toyo Engineering Corporation to explore using Power-to-Liquids technology to produce sustainable aviation fuel.

Working with Alinta Energy to increase retail competition in South East Queensland

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

CS Energy and Alinta Energy formed the JV in 2017 to improve competition in the South East Queensland retail market. The Alinta JV aligns with CS Energy's long-term strategy to diversify the business by locking in a new revenue source and to remain competitive in Australia's rapidly changing energy market.

In FY2023, Alinta Energy experienced substantial growth in customer numbers by providing a credible and stable alternative to Tier 1 retailers as many smaller retailers exited the market following the volatility in wholesale markets in late 2022. At the end of June 2023, the JV had more than 241,000 electricity and gas customers in SEQ, equivalent to a 13.1 per cent per cent share of the SEQ mass market,

For six years in a row, Canstar Blue has rated Alinta Energy at the top of customer satisfaction ratings for providers in SEQ, with five-star reviews for value for money, customer service, bill and cost clarity and overall satisfaction.

Our dedicated Retail Business Team has significant energy market expertise and works directly with our customers to **provide bespoke energy solutions,** including through firmed renewable supply.

Corporate Governance Report

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

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

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

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

Our corporate governance philosophy

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

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

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

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

Principle 1: Lay solid foundations for management and oversight

Role of the Board

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

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

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

As at 30 June 2023, the Board comprised four independent, non-executive directors. Please refer to page 33 of this report for biographies of CS Energy's directors.

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

Board committees

In FY2023 there were three Board committees to assist the Board in the execution of its duties and to consider key business issues:

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

The Board committees regularly review their performance, key responsibilities and Committee Charters in conjunction with the formal Board evaluation.

To support the business and its focus areas, in July 2023 the Board approved the restructure of the Safety and Performance Committee and the Culture and Remuneration Committee. The restructure will allocate key responsibilities of those committees to the Performance and Investment Committee, and the Safety, People and Environment Committee. The Finance, Risk and Assurance Committee will remain unchanged. CS Energy will report against this revised committee structure in FY2024.

Composition of Board committees FY2023

Director	Safety and Performance Committee	Finance, Risk and Assurance Committee	Culture and Remuneration Committee
Jim Soorley	✓		✓
Brian Green	✓ (Chair)	✓	✓
Julie-Anne Schafer		✓	✓ (Chair)[1]
Christina Sutherland	✓	✓	✓ (Chair)[2]
Toni Thornton		✓ (Chair)	✓
Adam Aspinall	✓[3]		✓[3]

1 Julie-Anne Schafer's term expired on 30 September 2022.

2 Christina Sutherland was appointed to the Chair of the Culture and Remuneration Committee on 1 November 2022.

3 Adam Aspinall was appointed to the Safety and Performance Committee and the Culture and Remuneration Committee from 1 February 2023.

Corporate Governance Report (continued)

Board and Committee meeting attendance FY2023

Director	Board H	Board A	Safety and Performance Committee H	Safety and Performance Committee A	Finance, Risk and Assurance Committee H	Finance, Risk and Assurance Committee A	Culture and Remuneration Committee H	Culture and Remuneration Committee A
Jim Soorley	19	16	3	3	–	5[1]	3	3
Brian Green	20	20	4	4	5	5	3	3
Julie-Anne Schafer	3	3	–	–	2	2	1	1
Toni Thornton	18	18	–	1[1]	5	5	3	3
Christina Sutherland	20	20	4	4	5	5	3	3[1]
Adam Aspinall	11	10	2	2	–	2[1]	2	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.
1 – not a member of the Committee but attended for part or entirety of meeting.
2 – Three special Board meetings were held by a subset of the Board.

Notes:

- Director Schafer's term of appointment expired on 30 September 2022.
- Director Sutherland was appointed as the Chair of the Culture and Remuneration Committee on 1 November 2022.
- Director Aspinall was appointed to the Board on 15 December 2022.
- Director Aspinall was appointed a member of both the Safety and Performance Committee and the Culture and Remuneration Committee from 1 February 2023.
- Director Soorley resigned from the Board effective 5 June 2023.
- Director Aspinall was appointed as the Chair of the Board on 5 June 2023.

New directors

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

Executive Leadership Team

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

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

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

Please refer to page 34 of this report for biographies of the Executive Leadership Team.

Principle 2: Structure the Board to be effective and add value

Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

The Board also adopted its own Director's Code of Conduct during 2023. Declaration of interests by Board members is a standing agenda item at Board meetings. All employees are required to declare actual, potential or perceived conflicts of interest as they arise. Directors, members of the Executive Leadership Team and select other employees are also required to provide annual declarations of interests. An audit of these declarations against publicly available databases is carried out periodically.

Our EEO Standard provides guidance to protect our workforce from unlawful discrimination, workplace harassment, bullying and vilification. The CS Energy Board, Chief Executive Officer and Executive Leadership Team are responsible for ensuring that our EEO objectives are met and the standard is implemented.

Our Share Trading Procedure provides guidance to directors, officers and employees in relation to their trading in securities. The procedure informs directors, officers and employees of the prohibitions on insider trading under the Corporations Act and requires them to not engage in share trading when in the possession of price-sensitive information or where they have an actual or perceived conflict of interest.

Directors, employees and contractors must report suspected corrupt conduct and other activity that is illegal, unethical, or that breaches the Code of Conduct or CS Energy's other standards.

Reporting mechanisms include direct reporting to CS Energy's Legal Team or via the intranet Whistleblower Form and Whistleblower Hotline. Directors may 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 a Culture and Remuneration Committee to assist the Board in discharging and monitoring these responsibilities.

Corporate Governance Report (continued)

Queensland Energy Class Action

CS Energy continued our defence of a class action relating to electricity prices. CS Energy has filed its defence in this matter and has undertaken significant discovery, while the parties continue to work through several procedural matters in relation to the litigation. A trial on liability has been listed for hearing commencing on 3 June 2024.

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

Principle 4: Safeguard the integrity of corporate reports

Finance, Risk and Assurance Committee

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

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

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

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

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

- CS Energy's financial report is prepared in accordance with applicable Accounting Standards and other statutory requirements and gives a true and fair view at the reporting date
- information relevant to the financial report is disclosed to the Queensland Audit Office, and
- the Company's risk management system and adequate internal controls have been maintained during the reporting period.

Principle 5: Make timely and balanced disclosure

CS Energy aims to be open, transparent and accountable, while protecting information that is commercially sensitive.

Consistent with continuous disclosure obligations, our shareholding Ministers have access to information concerning our operations, performance, governance and financial position. In addition to the formal reports outlined in Principle 6, we provide submissions, including regular briefing notes, to ensure our shareholding Ministers are informed of important matters on a timely basis.

Release of information

To ensure compliance with the openness measures in the *Right to Information Act 2009 (Qld),* a publication scheme is available on CS Energy's website that shows the classes of information available, links to the information and contact details for members of the public wishing to access additional information.

Principle 6: Respect the rights of shareholders

Shareholder reporting

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

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

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

Statement of Corporate Intent

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

The SCI, which includes details of the vision, objectives, activities, capital structure and dividend policies, is tabled annually in the Queensland Legislative Assembly with CS Energy's Annual Report, in accordance with Section 121 of the GOC Act.

CS Energy's performance against its FY2023 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 FY2023

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.

On 23 December 2022, shareholding Ministers provided CS Energy with two directions under section 257 of the *Electricity Act 1994,* directing CS Energy to dispatch CS Energy plant and the Gladstone Power Station (through to 30 June 2024) at price bands consistent with the identified coal price cap.

In March 2023, CS Energy received notification from shareholding Ministers that the Queensland Government had expanded its Ethical Supplier Mandate to apply to Government Owned Corporations, Statutory Bodies (including water bodies) and their subsidiaries. CS Energy has implemented actions to ensure we are compliant with the mandate, including:

- a check of all suppliers categorised as building construction and transport infrastructure when evaluating tenders,
- an annual check of building construction and transport infrastructure suppliers against the ethical suppler register,
- customisation of our SAP system's vendor master database to flag any supplier with demerits or sanctions, and
- development of a process to investigate potential breaches.

Principle 7: Recognise and manage risk

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

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

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

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

Cyber security

CS Energy collaborates with a range of external partners to effectively monitor and respond to emerging cyber security threats. In FY2023 we made significant progress in our cyber security risk reduction program, rolling out cyber security awareness training for all employees and investing in further improvements to our systems and toolsets.

Energy sector cyber security capability frameworks including the Australian Energy Sector Cyber Security Framework (AESCSF) and the *Security of Critical Infrastructure Act (2018)* were strengthened in FY2023 to reflect increasing global cyber security concerns.

CS Energy participated in the Queensland Treasury Cyber Security Review of Government Owned Corporations during the year. The review made positive findings about CS Energy's cyber security maturity as well as providing several learnings that have been incorporated into our ongoing cyber security program.

In FY2023, CS Energy's Board completed an externally-facilitated program of activities designed to promote director understanding regarding their cyber security obligations and relevant subject matter. This program included demonstration of governance obligations in practice, interpretation of Board reporting, the evolving threat landscape, regulatory updates and trends and implications for risk management. The organisation has incorporated and reports monthly against common cyber security metrics introduced by this program.

Corporate Governance Report (continued)

Principle 8: Remunerate fairly and responsibly

Remuneration policy

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

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

Assessing performance

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

- Performance of individual employees, including the Executive Leadership Team, is managed in an annual cycle which:
- sets performance expectations through Role Purpose Statements and annual Individual Achievement Plans, and
- provides feedback on performance through mid-year and end-of-year Achievement Reviews.

Corporate entertainment and hospitality

There were no corporate entertainment and hospitality events over the $5,000 reporting threshold in FY2023.

Board of Directors

Adam Aspinall

Non-Executive Chair

B.ENG (Mech), MIEAust (Retired), GAICD

Director since 15 December 2022

Adam Aspinall is a mechanical engineer with more than 40 years' experience in the electricity and energy industries and was a leading advisor in the power industry, having consulted globally to the private and government sectors on power generation projects and issues. His expertise includes electricity and gas infrastructure development, generation and transmission procurement, electricity trading and regulatory compliance.

Adam has been regularly engaged to assist in international merger and acquisition activities, as well as international arbitrations in the role of Independent Expert.

He began his career working for the Queensland Electricity Commission in 1981 and was employed by the generation sector in Queensland for over 24 years, prior to becoming a consultant.

He has previously been the Business Development Manager and Chief Operating Officer at CS Energy, National Advisory Lead for the Power Sector at Evans & Peck and later Advisian and most recently was Acting Chief Executive Officer at Stanwell Corporation. Adam has also been a non-executive director on the Boards of Ergon Energy, Stanwell Corporation and Chairman of SPARQ Solutions.

Adam was appointed as Chair of the CS Energy Board in June 2023.

Toni Thornton

Non-Executive Director

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

Director since 2 October 2015

Toni Thornton has a diverse range of experience having worked in corporate finance agencies for more than 15 years.

Toni brings a strategic commercial focus to the CS Energy Board, having previously held senior positions with both JBWere and Goldman Sachs JBWere. Toni has been a non-executive director for over 12 years with current directorships include Habitat Early Learning, Millovate Pty Ltd, listed company G8 Education Ltd and Star Entertainment Group (pending regulatory approvals).

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

Toni has more than 15 years' experience in audit at Board level, is a licensed real estate agent and during her time at Goldman's was a responsible executive with the ASX holding both derivative and RG146 accreditation. She has also completed an Accelerated Executive Management program through AGSM (The Australian School of Business), the Goldman Sachs Executive Director Leadership Program and has completed a Master of Laws (Enterprise Governance) through Bond University.

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

Brian Green

Non-Executive Director

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

Director since 23 August 2012

Brian Green has been involved with the electricity industry for more than 40 years, holding positions in energy companies in Australia while building extensive knowledge of the Australian energy industry.

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

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

Brian chairs the Safety and Performance Committee.

Christina Sutherland

Non-Executive Director

L.L.B, MAICD

Director since 17 June 2021

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

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

She is experienced in risk and compliance and is currently employed as a Risk and Regulatory Manager in the resources sector.

Christina chairs CS Energy's Culture and Remuneration Committee.

Executive Leadership Team

Darren Busine

Chief Executive Officer

BEc, FCPA, SFFin, GAICD

Darren Busine commenced as CS Energy's Chief Executive Officer on 1 July 2023. He has more than 30 years' experience in senior commercial and executive roles.

Prior to his appointment as CEO, Darren was CS Energy's Executive General Manager Energy Markets, Technology and Commercial where he was responsible for functions including trading and analytics, strategy and planning, information technology, commercial resources, procurement and purchasing.

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

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

Prior to joining the energy industry, Darren spent 10 years with Suncorp in senior finance roles.

Cameron Collins

Acting Chief Financial Officer

B-BUS, CA, GAICD

Cameron Collins took on the Acting CFO role in March of 2023 in which he leads CS Energy's Finance & Corporate Services division, and is responsible for functions such as people and culture, corporate affairs, finance, energy and financial risk and risk, compliance and assurance.

Prior to this appointment Cameron was CS Energy's Head of Finance where he was responsible for financial reporting and management accounting, budgeting and forecasting, treasury, taxation, investment governance and finance shared services.

Cameron joined CS Energy in 2009, during which time he has developed a thorough knowledge of the energy sector and demonstrated strong commercial and financial acumen and leadership capability, which has resulted in Cameron also holding other senior leadership and executive leadership roles including Head of Risk and Compliance and Acting Chief Financial Officer.

Prior to joining CS Energy, Cameron held several senior finance roles working in industry across both business advisory and audit and assurance disciplines.

Andrew Varvari

Acting Executive General Manager Energy Markets, Technology and Commercial

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

Andrew Varvari is responsible for the trading and analytics, strategy and planning, information technology, commercial resources, procurement, company secretariat and legal functions. He has more than 18 years' experience in senior executive roles in the energy, resources and utilities sectors.

Andrew joined CS Energy in 2012 and has led various teams and corporate divisions across the business, with a focus on safety, integrity and people.

Andrew served as CS Energy's Acting Chief Executive Officer from March to June 2023 following the resignation of Chief Executive Officer Andrew Bills. Prior to this he was CS Energy's Chief Financial Officer, a role in which he led the finance; energy and financial risk; people and culture; corporate affairs; legal; risk, compliance and assurance; and Board secretariat functions.

Andrew is a director of CS Energy's various subsidiaries.

Andrew developed his commercial experience through his involvement in some of the Queensland's largest projects and commercial transactions. Prior to joining CS Energy, Andrew was a member of QGC's Executive Leadership Team where he led BG Group plc's legal function in Australia, and QGC's Secretariat, Business Services and IT functions. Andrew played a key role in the development of the $20 billion Queensland Curtis LNG project, 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 subsequent development of its upstream and midstream businesses.

Leigh Amos

Executive General Manager Plant Operations

BEngTech, MBA

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

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

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

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

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

Barry Millar

Executive General Manager Asset Management

B. Eng (Hons) Mechanical Engineering, FIEAust

Barry Millar joined CS Energy in September 2022. He leads our Asset Management division, which includes asset strategy, engineering, capital projects, unit overhauls and plant data analysis.

Barry joined CS Energy from AGL, where he held numerous strategic leadership roles in asset management over the past decade, most recently across the entire generation, mining, and gas portfolio. Prior to this Barry had been working in engineering and asset management in the energy industry in the UK since the 1990s.

He brings significant expertise in maximising the performance of plant and engineering services. Barry is focused on a holistic approach to asset management, combining engineering, technology, analytics, process safety, governance and risk and compliance to deliver outcomes.

Barry has a track record of transforming culture through his approach to coaching and supporting people.

Emma Roberts

Executive General Manager Future Energy

LLB (Hons), BAppSc (Ecology)

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

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

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

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

Financial Report

for the year ended 30 June 2023

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2023.

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:

Adam Aspinall

B.ENG (Mech), MIEAust (Retired),GAICD

Non-Executive Chair
Director since 15 December 2022

Adam Aspinall is a mechanical engineer with more than 40 years' experience in the electricity and energy industries and was a leading advisor in the power industry, having consulted globally to the private and government sectors on power generation projects and issues. His expertise includes electricity and gas infrastructure development, generation and transmission procurement, electricity trading and regulatory compliance.

Adam has been regularly engaged to assist in international merger and acquisition activities, as well as international arbitrations in the role of Independent Expert.

He began his career working for the Queensland Electricity Commission in 1981 and was employed by the generation sector in Queensland for over 24 years, prior to becoming a consultant.

He has previously been the Business Development Manager and Chief Operating Officer at CS Energy, National Advisory Lead for the Power Sector at Evans & Peck and later Advisian and most recently was Acting Chief Executive Officer at Stanwell Corporation. Adam has also been a non-executive director on the Boards of Ergon Energy, Stanwell Corporation and Chair of SPARQ Solutions.

Adam was appointed as Chair of the CS Energy Board in June 2023.

Brian Green

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

Non-Executive Director
Director since 23 August 2012

Brian Green has been involved with the electricity industry for more than 40 years, holding positions in energy companies in Australia while building extensive knowledge of the Australian energy industry.

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

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

Brian chairs the Safety and Performance Committee.

Toni Thornton

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

Non-Executive Director
Director since 1 October 2015

Toni Thornton has a diverse range of experience having worked in corporate finance agencies for more than 15 years. Toni brings a strategic commercial focus to the CS Energy Board, having previously held senior positions with both JBWere and Goldman Sachs. Toni is an experienced non-executive director with current directorships that include Habitat Early Learning, Millovate Pty Ltd, listed companies G8 Education Ltd and Star Entertainment Group (pending regulatory approvals).

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

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

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

Christina Sutherland

L.L.B, MAICD

Non-Executive Director
Director since 17 June 2021

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

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

She is experienced in risk and compliance and is currently employed as a Risk and Regulatory Manager in the resources sector.

Christina chairs CS Energy's Culture and Remuneration Committee.

Directors' report

30 June 2023

Principal activities

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

Dividends

There were no dividends paid or declared in respect of the current financial year (2022: Nil).

Review of operations

Health and safety

CS Energy's number one priority is to generate electricity safely so that everyone at our sites returns home safely at the end of their workday. Our health and safety strategy aims to create a culture of citizenship, which means people care for themselves and others and continually learn from mistakes and successes. We focus on the three key areas of:

- **People** – proactively enabling the health and wellbeing of our people and supporting our leaders for success.
- **Places we work** – systematically reducing risks for our people.
- **Practices** – simple, fit for purpose and efficient systems for our people.

We did not meet our key safety metric of an All-Injury Frequency Rate (AIFR) of 25 or less, finishing 2023 with an AIFR of 31.0 (2022: 31.15). Sixty-two people were injured compared to 48 in the prior year, largely due to a significant amount of planned and unplanned outages, which are our highest risk periods. During the year there was a thirty percent increase in hours worked compared to the prior year.

We have continued to focus on increased Safety Interactions (SIs) and Critical Control Verifications (CCVs) by leaders at our work fronts to manage risks and hazards. Leaders across our field and Brisbane locations were provided KPIs to drive visibility, interactions and learning across out sites. This is tracked monthly to ensure SIs and CCVs are being completed, entered into our reporting system and lessons learned and embedded.

The introduction of an updated Corporate Governance and Risk software platform (CGR-Insight) this year has integrated our incident, risk, assurance and hazard management. The business now has a single, integrated, and holistic system across health and safety, environment, process safety, risk and assurance to ensure a focus on continual improvement and a safe and compliant working environment.

Callide Unit C4 recovery

CS Energy continued to work with IG Power, our Callide C Joint Venture partner, on the recovery and reinstatement of the Callide Power Station Unit C4 following the incident on 25 May 2021. On 24 March 2023 IG Power (Callide) Ltd entered voluntary administration. This has not impacted on the recovery and reinstatement of the Callide C assets.

While the rebuild of Unit C4 is now substantially complete, the return to service has been delayed until May 2024 due to the need to demolish and rebuild both the Unit C3 and Unit C4 cooling towers.

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

Performance

	Consolidated results	
	2023 $'000	2022 $'000
(Loss)/profit after income tax	(14,572)	(95,482)

The Group's loss after income tax was $14.6 million for the year (2022: $95.5 million loss after income tax). The primary drivers of this result were the derivative remeasurement loss $374.9 million and the asset impairments $83.5 million for the Callide B Power Station and $1.5 million for the impairment of the work in progress balance for the Kogan Renewable Hydrogen Demonstration Plant. It also included the Gladstone Inter-connection & Power Pooling Agreement (IPPA) onerous contract net revenue $17.0 million on remeasurement and increased depreciation charge relating to asset impairment reversals performed in 2022.

Sales (including realised fair value through profit or loss) of $1,403 million were down compared to the prior year (2022: 1,513 million), the principal driver of which includes reduced portfolio generation from our operating plant. The Group's trading generation portfolio produced 8,607GWh (2022: 10,048 GWh), a decrease of 1,441 GWh due to portfolio availability declining to 60.6 percent (2022: 71.2 percent). Availability was impacted by:

- In October 2022 there was a structural failure of the Callide Unit C3 Cooling Tower with the unit remaining offline as at reporting date as major works are undertaken to rebuild both Callide Unit C3 and Unit C4 cooling towers. Callide Unit C3 has been prioritised to return to service in January 2024 at 50 per cent capacity increasing to 100 per cent capacity in February 2024.
- The Kogan Creek Power Station was offline for a major overhaul between September 2022 and December 2022, with the outage duration extended to accommodate required generator repairs.
- The Callide Unit B2 was offline for major overhaul between May 2022 and August 2022, Callide Units B2 and B1 were offline for unplanned 4 week maintenance outages across January and February 2023 and April and May 2023 respectively.
- The delayed return to service of Callide C4 resulting from the additional works to be performed to rebuild the cooling tower. The unit is forecast to return to service at 50 per cent capacity in May 2024, followed by 100 per cent capacity in July 2024.

The Group's contracting strategy delivered an average realised price for the year of $68/MWh which was approximately $7/MWh higher compared to the prior year. However, this was significantly below the time weighted average pool price of $145/MWh (2022: $162/MWh), which represented a 10.5 percent decrease on last year due to a combination of significant pool price volatility early in the year with prices reducing in the second half as coal constraints eased and the Federal and State Government imposed temporary price caps on domestic coal and gas markets.

The Group expects to receive Business Interruption insurance proceeds for lost earnings during the period 25 May 2021 up until the date of the return to service of the Callide Unit C4, up to a maximum period of 24 months. The Group also expects to receive Material Damage insurance proceeds to offset the cost to rebuild the Callide Unit C4. The process of submitting and closing out a claim with the insurers is progressing and remains open as at 30 June 2023.

The recoverability of insurance proceeds is therefore not virtually certain at 30 June 2023. In accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* the insurance proceed has been recognised as a contingent asset as its recoverability is considered probable.

The total cost of capital investment in the Power Station assets during the year was $277.1 million (2022: $115.2 million), the increase in investment is primarily due to the construction costs associated with the Chinchilla Battery Energy Storage System, major overhauls of the Kogan Creek Power Station and Callide Unit B2 Power Station and the Callide Unit C4 Rebuild capital costs.

The Group's financial position is a net asset of $41.4 million (2022: net liability position $554.2 million) which includes net financial derivative liability position of $318.8 million (2022: $1,270.4 million net liability). The reduction in the net derivative liability during the year predominately relates to the realised settlement of the financial year 2023 contracts and a reduction in the financial year 2024 market price. These financial derivative transactions manage the exposure the business has to financial market risk, with sales of electricity measured based on a combination of sales of electricity to the NEM and net realised gains/(losses) on electricity contracts.

New business

CS Energy continued its portfolio renewal activities in 2022-23 by successfully applying for additional Queensland Renewable Energy and Hydrogen Jobs Fund (QREHJF) funds to develop 700MW of wind projects in Central Queensland. These renewable energy projects will complement the suite of existing solar farm offtakes already in place. CS Energy also made significant progress with respect to developing firming capacity with the Queensland Government announcing funding for the Brigalow Hydrogen Ready Gas Peaking Plant in its Queensland Energy and Jobs Plan.

To support the Queensland Energy and Jobs Plan, CS Energy will create clean energy hubs at our existing coal-fired power stations at Kogan Creek and Callide. Our power stations are located in strong parts of the network and have strategic advantages such as highly skilled workers, grid connection, water allocations, available land and established community relationships. The Kogan Clean Energy Hub is our first, and most advanced energy hub. Centred around the Kogan Creek Power Station, it features a grid-scale battery and renewable hydrogen demonstration plant both under construction, and a hydrogen-ready gas-peaking power plant in the development phase.

The plan also includes a $150 million Job Security Guarantee to ensure that workers at energy Government Owned Corporations have a job pathway option available to them and that they are encouraged to choose a pathway that best meets their personal circumstances. CS Energy is committed to working with our people to identify opportunities within our business or within the industry.

The two Battery projects that received investment approval last year have progressed. At Chinchilla, the construction of the 100MW/200MWh Battery on land adjacent to the Kogan Creek Power Station was completed and commissioning will commence once the Banana Bridge Substation is complete. The 200MW/400MWh Greenbank Battery Project, part funded by QREHJF, reached an important milestone with the Notice to Proceed issued to Tesla in April 2023 and key planning and design activities underway. The next phase of development with respect to the Battery projects is finalising plans for the integration of the Chinchilla Battery into the trading portfolio with detailed testing of the relevant systems underway.

During 2022-23, CS Energy continued to grow our Commercial and Industrial Retail Business, adding an additional 700MW under management, which included increasing demand from customers seeking renewable energy, outstripping the current portfolio and providing confidence in the demand for our future pipeline of projects. We also experienced a significant increase in customer requests regarding renewable energy infrastructure, growing the number of electric vehicle chargers installed in Queensland to more than 800; and responding to a number of opportunities to install solar and batteries at customer sites. During the same period the Board approved investment in a suite of new retail systems that will enhance the Commercial and Industrial Retail Business capabilities to develop new products and services to meet customers' changing needs through the energy transition.

In the South East Queensland retail mass market, CS Energy, through its joint venture with Alinta Energy has experienced substantial growth in customer numbers by providing a credible and stable alternative to Tier 1 retailers as many smaller retailers exited the market following the volatility in wholesale markets in 2022.

Joint venture administration

CS Energy Limited (through its wholly owned subsidiary Callide Energy Pty Ltd (CEPL) and IG Power (Callide) Ltd (IGPC) own Callide C Power Station through a 50/50 joint venture. IGPC's ultimate shareholders are Sev.en Energy (Cz) and China Huaneng Group (PRC).

IGPC and CEPL hold a 50/50 shareholding in Callide Power Management Pty Ltd (CPM) which was established to manage the joint venture on behalf of the participants. On 24 March 2023, IGPC entered into voluntary administration and on 8 April 2023 became a defaulting participant under the Joint Venture Agreement between CEPL and IGPC (JVA). In accordance with the JVA, a defaulting participant loses voting rights on the CPM Board and in the Joint Venture Management Committee, which is responsible for the decision making as it relates to operation of the Joint Venture including (but not limited to) approving budgets, capital expenditure and providing direction to CPM. As at reporting date, the Group reassessed whether it now has full control of the Joint Operations in accordance with the definitions set out within *AASB10 Consolidated Financial Statements.* In assessing control, the Group concluded that whilst it has sole voting rights at the CPM Board and in the Joint Venture Management Committee, these rights were not considered to be substantive rights in relation to the relevant activities of the Joint Operations. This is primarily due to the approval rights the Voluntary Administrator retains in relation to approving changes to the asset including sale and material capital investment.

As at reporting date, the Group have provided funding to IGPC to meet IGPC's unpaid cash call for day to day operational and capital expenditure, which funding is secured under a Deed of Cross Charge. This funding arrangement has been recognised in Trade and Other Receivables (Note 5).

Policy and regulatory developments

Policy and regulatory reform in the Australian electricity and gas markets continued to accelerate in 2022-23 with actions at the national and jurisdictional levels reflecting governments taking a stronger role.

At the national level, the new Federal Government has progressed many of its cornerstone policies to transition the national energy system to net zero. The Capacity Investment Scheme provides a revenue underwriting mechanism to unlock investment in dispatchable, renewable power with the first auctions to take place towards the end of 2023. Foundational investment has also been pledged to catalyse the green hydrogen industry and amendments to the Safeguard Mechanism place stronger emissions targets on large industry. These initiatives are underpinned by a fundamental shift in energy market governance with emissions reduction to be explicitly incorporated into the National Electricity Objective. CS Energy is proactive in this reform process, maintaining a voice in policy and regulatory developments by participating in relevant consultation processes and working groups, and through its membership of various industry bodies including the Australian Energy Council and Clean Energy Council.

At the jurisdictional level, new policies have been progressed across the NEM that include state-based renewable energy targets and the establishment of Renewable Energy Zones which will shape the future generation mix. Attention is also focused on whether existing frameworks for transmission infrastructure planning and investment are fit-for-purpose. In Queensland, the government announced its Queensland Energy and Jobs Plan in September 2022 which sets out a blueprint for transforming the energy sector with an emphasis on new modes of operation, infrastructure development and workforce transition. CS Energy is heavily engaged in this process.

Throughout the year, significant market design issues were also brought forward for consultation and implementation as part of the reform agenda including a range of measures to value system services that are essential for the security of the power system as well as the review of market standards and settings. The 'Review of the Frequency Operating Standard' set a revised technical standard for how system frequency is managed while the 'Primary Frequency Response Requirements' and 'Frequency Contribution Factors Procedure' progress the implementation of measures to value the broader range of frequency control. Mechanisms to value inertia have been explored through the 'Joint Paper on Essential System Services and Inertia in the NEM', 'Operational Security Mechanism' and 'Efficient Provision of Inertia' rule change processes. In its 'Review of the Form of the Reliability Standard', the Reliability Panel explored whether the reliability standard adequately reflects the changing nature of supply risk that will accompany the energy transition. The Panel also responded to changing market conditions to recommend changes to the market price settings. Each of these reforms have the potential to significantly change the markets in which CS Energy operates and accordingly, CS Energy has been, and will remain, heavily involved in all consultations and industry forums relevant to those design issues.

Other matters

CS Energy is committed to complying with all market rules and regulations and we have dedicated substantial resources to ensuring we meet our obligations. Our bidding activity is regulated under the National Electricity Law and the National Electricity Rules by the Australian Energy Regulator.

CS Energy continued its defence of a class action relating to electricity prices. CS Energy has filed its defence in this matter and has undertaken significant discovery, while the parties continue to work through several procedural matters in relation to the litigation. We continue to reject the claims being made and will strongly defend this class action.

Sustainability

CS Energy acknowledges the importance of sustainability and Environmental, Social, Governance (ESG) considerations for us as an energy business and a major regional employer. This year we began a sustainability and ESG framework development program in order to increase our maturity, meet our stakeholders' expectations and evaluate risks and opportunities as the energy transformation accelerates.

CS Energy's sustainability and ESG framework will be integrated within our corporate strategy and align to our decision-making practices and how we operate the business. We have also been developing our Social Value framework, which was launched in 2019 and has increased in maturity.

Our sustainability and ESG framework will consider the following two areas when evaluating risks and opportunities:

1. Physical risks and opportunities – for our people, planet and portfolio that result from climatic events including, but not limited to, wildfires, storms and floods; and
2. Transition risks and opportunities – as our portfolio, and Queensland's energy system decarbonises, in line with the Queensland Energy and Jobs Plan (QEJP).

Indemnification and insurance of officers

In accordance with its constitution, CS Energy indemnifies all officers of the Company and its controlled entities, including directors and officers of each of the Group entities, against certain liabilities. The Company has entered into Deeds of Indemnity Access and Insurance with current directors, senior executives and certain other officers indemnifying them to the maximum extent permitted by law against liabilities that may arise from their position as directors and officers of the Company and its controlled entities, or acting as an authorised representative of the Company and its controlled entities including as a director of a company in which a Group entity holds shares or a company associated with a Group entity, except where the liability arises out of conduct attributable to a lack of good faith or is a liability owed to the Company or a related body corporate. The senior executives and officers are the Chief Executive Officer, Chief Financial Officer, Executive General Managers and Company Secretaries of each of the Group entities. The indemnity includes legal costs and expenses incurred in connection with certain claims or proceedings, excluding criminal proceedings where the director or officer is found guilty or proceedings for liabilities not covered by the indemnity.

The Company maintains Directors and Officers liability insurance to insure all officers of the Company and its controlled entities, including directors and officers of each of the Group entities. The indemnity, access and insurance cover continues for seven years following cessation of the role.

During the year, no claims were made by any director, officer or authorised representative pursuant to the indemnity or insurance cover.

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 101.

Preparation of Parent entity accounts

The parent entity is a company of a kind referred to in *ASIC Corporations (Parent Entity Financial Statement) Instrument CO 2021/195* issued by the Australian Securities and Investments Commission, relating to the inclusion of parent entity financial statements in financial reports. Parent entity financial statements for CS Energy Limited have been included in the financial report for the Group.

Rounding of amounts to the nearest thousand dollars

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

Directors' meetings

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

Board and Committee meeting attendance

	Board		Finance, Risk and Assurance Committee		Culture and Remuneration Committee		Safety and Performance Committee	
Director	H	A	H	A	H	A	H	A
Adam Aspinall	11	10	N/A	2*	2	2	2	2
Jim Soorley	19	16	N/A	5*	3	3	3	3
Brian Green	20	20	5	5	3	3	4	4
Julie-Anne Schafer	3	3	2	2	1	1	N/A	N/A
Toni Thornton	18	18	5	5	3	3	N/A	1*
Christina Sutherland	20	20	5	5	3	3*	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.

- Director Aspinall was appointed on 15 December 2022. From 1 February Director Aspinall was appointed a member of both the Safety and Performance Committee and the Culture and Remuneration Committee. On 5 June 2023 he was appointed Chair of the Board.
- Director Soorley was a Member on the Culture and Remuneration Committee and the Safety and Performance Committee. Director Soorley resigned from the Board on 5 June 2023.
- Director Green continued as the Chair of the Safety and Performance Committee, a Member of the Culture and Remuneration Committee and a Member of the Finance, Risk and Assurance Committee.
- Director Schafer continued as the Chair of the Culture and Remuneration Committee and as a Member of the Finance, Risk and Assurance Committee until her term expired on 30 September 2022.
- Director Thornton continued as the Chair of the Finance, Risk and Assurance Committee and as a Member to the Culture and Remuneration Committee. Director Thornton's term expired on 30 September 2022 and she was reappointed on 13 October 2022.
- Director Sutherland continued as a Member of the Safety and Performance Committee and Finance, Risk and Assurance Committee. From 1 November 2022 Director Sutherland was appointed the Chair of the Culture and Remuneration Committee.

Matters subsequent to the end of the financial year

The Group's short-term working capital funding facilities decreased from $480 million on 30 June 2023 to $450 million by 14 July 2023. On 30 June 2024, $225 million of these facilities will expire.

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

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

Adam Aspinall
Chair

Toni Thornton
Director

Brisbane
25 August 2023

CS Energy Limited

Statements of Profit or Loss

for the year ended 30 June 2023

		Consolidated		Parent (1)	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Sales of electricity	1	**1,998,199**	1,668,597	**1,124,193**	571,846
Operation and maintenance services		**63,799**	57,220	**126,541**	108,240
Gain/(loss) on disposal of assets		**11,622**	(665)	**(72)**	(103)
Other income	1	**10,745**	2,071	**9,437**	1,212
Fuel		**(180,695)**	(129,323)	**(166,748)**	(106,152)
Electricity and energy services expense	2	**(838,558)**	(894,066)	**(698,148)**	(774,869)
Services and consultants		**(175,668)**	(147,426)	**(150,337)**	(121,755)
Finance costs	2	**(67,687)**	(41,221)	**(64,264)**	(39,040)
Employee benefit expense	2	**(118,988)**	(112,241)	**(97,269)**	(88,134)
Raw materials and consumables		**(68,309)**	(59,251)	**(48,569)**	(41,175)
Capacity payments and operating leases		**(45,340)**	(42,410)	**(44,871)**	(42,366)
Other expenses	2	**(93,708)**	(68,817)	**(46,422)**	(33,910)
Fair value (loss)/gain through profit/(loss)	6	**(374,859)**	(338,386)	**(375,045)**	(338,386)
Depreciation and amortisation	14, 15	**(120,692)**	(82,892)	**(47,343)**	(20,829)
Impairment (loss)/reversal	14	**(85,054)**	133,157	**(83,592)**	62,506
Onerous contract provision	16	**56,922**	(83,836)	**56,922**	(83,836)
Dividends received (2)		-	-	**599,838**	-
Profit/(loss) before income tax		**(28,271)**	**(139,489)**	**94,251**	**(946,751)**
Income tax benefit/(expense)	17	**13,699**	44,007	**155,400**	284,024
Profit/(loss) for the year		**(14,572)**	**(95,482)**	**249,651**	**(662,727)**

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

(2) Dividends received relates to intercompany dividends received by the Parent Entity.

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 2023

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit/(loss) for the year	**(14,572)**	**(95,482)**	**249,651**	**(662,727)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Changes in fair value of cash flow hedges, net of tax	**509,635**	(625,126)	**509,635**	(625,126)
Items that will not be reclassified to profit or loss				
Actuarial (loss)/gain on defined benefit plan, net of tax	**(1,438)**	5,433	**(1,438)**	5,433
Other comprehensive income/(loss) for the year, net of tax	**508,197**	**(619,693)**	**508,197**	**(619,693)**
Total comprehensive income for the year	**493,625**	**(715,175)**	**757,848**	**(1,282,420)**
Total comprehensive income for the year is attributable to:				
Owners of CS Energy Limited	**493,625**	**(715,175)**	**757,848**	**(1,282,420)**

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 2023

	Notes	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Assets					
Current assets					
Cash and cash equivalents	3	**62,727**	18,834	**36,524**	4,945
Trade and other receivables	5	**634,128**	843,722	**547,105**	567,715
Inventories	12	**163,618**	119,198	**86,545**	58,494
Derivative financial instruments	6	**677,946**	3,540,859	**677,946**	3,540,859
Total current assets		**1,538,419**	**4,522,613**	**1,348,120**	**4,172,013**
Non-current assets					
Derivative financial instruments	6	**304,799**	1,121,613	**304,799**	1,121,613
Assets held for sale	14	**2,102**	-	-	-
Property, plant and equipment	14	**1,082,112**	1,032,232	**136,443**	215,202
Intangible assets		**1,110**	821	1,031	701
Right-of-use assets	15	**15,926**	1,181	**15,926**	1,181
Net deferred tax assets	17	**214,092**	418,192	**266,520**	475,185
Retirement benefit assets	13	**27,386**	29,296	**27,386**	29,296
Equity accounted investments	25	**1**	1	**-**	-
Investment in subsidiaries	26	**-**	-	**51,815**	51,815
Loans (Net) to entities within the Group	5	**-**	-	**475,185**	253,919
Trade and other receivables	5	**3,258**	474	**3,258**	-
Total non-current assets		**1,650,786**	**2,603,810**	**1,282,363**	**2,148,912**
Total assets		**3,189,205**	**7,126,423**	**2,630,483**	**6,320,925**
Liabilities					
Current liabilities					
Trade and other payables	7	**218,417**	383,888	**170,877**	337,258
Lease liabilities	15	**1,744**	1,555	**1,744**	1,555
Provisions	16	**77,960**	77,018	**69,814**	69,094
Derivative financial instruments	6	**1,005,823**	4,524,921	**1,005,823**	4,524,921
Borrowings	8	**491,862**	312,820	**491,862**	312,820
Total current liabilities		**1,795,806**	**5,300,202**	**1,740,120**	**5,245,648**
Non-current liabilities					
Lease liabilities	15	14,526	-	14,526	-
Borrowings	8	649,648	578,958	649,648	578,958
Derivative financial instruments	6	295,728	1,407,963	295,728	1,407,963
Provisions	16	378,717	393,498	263,886	290,120
Other payables	7	13,353	-	8,491	-
Total non-current liabilities		**1,351,972**	**2,380,419**	**1,232,279**	**2,277,041**
Total liabilities		**3,147,778**	**7,680,621**	**2,972,399**	**7,522,689**
Net assets/(liabilities)		**41,427**	**(554,198)**	**(341,916)**	**(1,201,764)**

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

Statements of Financial Position

as at 30 June 2023

		Consolidated		Parent	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Equity					
Share capital	18	**1,166,070**	1,064,070	**1,166,070**	1,064,070
Accumulated losses	19	**(989,310)**	(973,300)	**(1,372,653)**	(1,620,866)
Reserves	19	**(135,333)**	(644,968)	**(135,333)**	(644,968)
Capital and reserves attributable to owners of CS Energy Limited		**41,427**	**(554,198)**	**(341,916)**	**(1,201,764)**
Total equity		**41,427**	**(554,198)**	**(341,916)**	**(1,201,764)**

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 2023

Consolidated	Notes	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2022					
Balance at 1 July 2021		**1,064,070**	**(19,842)**	**(883,251)**	**160,977**
Comprehensive income for the year					
Loss for the year		-	-	(95,482)	(95,482)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(625,126)	-	(625,126)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,433	5,433
Total comprehensive income for the year		**-**	**(625,126)**	**(90,049)**	**(715,175)**
Transactions with owners of the company					
Contributions and distributions					
	18	-	-	-	-
Balance at 30 June 2022		**1,064,070**	(644,968)	**(973,300)**	**(554,198)**
Changes in equity for 2023					
Balance at 1 July 2022		**1,064,070**	**(644,968)**	**(973,300)**	**(554,198)**
Contributions of equity, net of transaction costs		102,000	-	-	102,000
Total comprehensive income for the year					
Loss for the year		-	-	(14,572)	(14,572)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	509,635	-	509,635
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	(1.438)	(1.438)
Total comprehensive income for the year		**-**	**509,635**	**(16,010)**	**493,625**
Balance at 30 June 2023		**1,166,070**	**(135,333)**	**(989,310)**	**41,427**

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 2023

Parent	Notes	Share capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Changes in equity for 2022					
Balance at 1 July 2021		**1,064,070**	**(19,842)**	**(963,572)**	**80,656**
Total comprehensive income for the year					
Loss for the year		-	-	(662,727)	(662,727)
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	(625,126)	-	(625,126)
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	5,433	5,433
Total comprehensive income for the year		**-**	**(625,126)**	**(657,294)**	**(1,282,420)**
Transactions with owners of the company					
Balance at 30 June 2022		**1,064,070**	**(644,968)**	**(1,620,866)**	**(1,201,764)**
Changes in equity for 2023					
Balance at 1 July 2022		**1,064,070**	**(644,968)**	**(1,620,866)**	**(1,201,764)**
Contributions of equity, net of transaction costs		102,000	-	-	102,000
Total comprehensive income for the year					
Loss for the year		-	-	249,651	249,651
Other comprehensive income					
Changes in fair value of cash flow hedges, net of tax	19	-	509,635	-	509,635
Actuarial gain/(loss) on the defined benefit plan, net of tax	19	-	-	(1,438)	(1,438)
Total comprehensive income for the year		**-**	**509,635**	**248,213**	**757,848**
Balance at 30 June 2023		**1,166,070**	**(135,333)**	**(1,372,653)**	**(341,916)**

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

Statements of Cash Flows

for the year ended 30 June 2023

		Consolidated		Parent	
	Notes	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash flows from operating activities					
Cash receipts from customers		**1,777,016**	1,577,305	**618,192**	650,028
Cash payments to suppliers and employees		**(1,601,805)**	(1,557,798)	**(1,160,446)**	(1,243,654)
Cash generated from/(used) in operations		**175,211**	**19,507**	**(542,254)**	**(593,626)**
Cash margining contributions		**(119,723)**	(309,236)	**(119,723)**	(309,236)
Interest received		**2,562**	52	**2,521**	50
Operating borrowing costs paid		**(40,670)**	(30,478)	**(40,670)**	(30,478)
Tax equivalent received		**5,102**	21,478	**5,102**	21,478
Net cash inflow/(outflow) from operating activities	4	**22,482**	**(298,677)**	**(695,024)**	**(911,812)**
Cash flows from investing activities					
Payments for property, plant and equipment		**(277,332)**	(95,763)	**(64,268)**	(45,790)
Repayments/(drawdowns) of loans to related parties		**-**	-	**(75,000)**	559,503
Dividends received		**-**	-	**599,838**	-
Deposit with General Government Sector advances facility		**(84,328)**	40,158	**(84,328)**	40,158
Proceeds from sale of property, plant and equipment		**32,709**	-	**-**	-
Net cash inflow/(outflow) from investing activities		**(328,951)**	**(55,605)**	**376,242**	**553,871**
Cash flows from financing activities					
Repayment of borrowings	8	**(250,598)**	-	**(250,598)**	-
Proceeds from borrowings	8	**602,758**	21,605	**602,758**	21,605
Proceeds from equity contributions		**102,000**	**-**	**102,000**	-
Net proceeds from short-term borrowings		**(102,428)**	312,820	**(102,428)**	312,820
Lease payments		**(1,433)**	(1,484)	**(1,433)**	(1,484)
Net cash inflow/(outflow) from financing activities		**350,299**	**332,941**	**350,299**	**332,941**
Net increase/ (decrease) in cash and cash equivalents		**43,830**	(21,341)	**31,517**	(25,000)
Cash and cash equivalents at the beginning of the financial year		**18,834**	40,175	**4,945**	29,945
Effects of exchange rate changes on cash and cash equivalents		**63**	-	**62**	-
Cash and cash equivalents at the end of the year	3	**62,727**	**18,834**	**36,524**	**4,945**

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

Section 1: Basis of preparation

The Statements of Profit or Loss have been prepared using the nature of the revenues and expenses rather than the function to provide more reliable and relevant information regarding the Group's operations.

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

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

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

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

CS Energy Limited is a company domiciled in Australia. Its registered office and principal place of business is Level 12, 31 Duncan Street, Fortitude Valley, Queensland 4006. The Group is primarily involved in the generation and sale of electricity to wholesale and retail customers.

These financial statements are general purpose financial statements for the year ended 30 June 2023 and were authorised for issue by the Board of Directors on 25 August 2023.

The Group's financial statements:

- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Government Owned Corporations Act 1993* and related regulations and the *Corporations Act 2001*. CS Energy Limited is a for-profit entity for the purpose of preparing the financial statements;
- were prepared using the historical cost convention with the exception of derivative financial instruments measured at fair value, the superannuation defined benefit plan and cash generating units remeasured to value in use if below carrying value;
- 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 2023;
- do not early adopt any new Accounting Standards or Interpretations; and
- have been prepared in accordance with *ASIC Corporations (Parent Entity Financial Statement) Instrument 2021/195* allowing the disclosure of Parent entity financial statements and notes thereto as part of the Group financial report. By electing to adopt this Legislative Instrument it provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific Parent entity financial information under regulation 2M.3.01 of the Corporations Regulations.

Going concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial statements at 30 June 2023 reflect a net asset position for the Group of $ 41.4 million (2022: net liability position $554.2 million) and a net liability position for the Parent of $341.9 million (2022: net liability position $1,201.8 million).

Included in this outcome is a net financial derivative liability position of $318.8 million. These financial derivative transactions manage the exposure the business has to financial market risk, with sales of electricity measured based on a combination of sales of electricity to the NEM and net realised gains/(losses) on electricity contracts.

The Group's 2023 current financial position is a net liability position of $257 million. The key driver of this result is largely due to a net derivative liability position of $328 million and current borrowings of $492 million. The increase in current borrowings is attributable to an increased overdraft resulting from reduced operational performance and investment in the rebuild of the Callide C4 unit. The current position is expected to return to a net asset position when the Callide C units return to service and the current derivative position settles over the next twelve months.

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 eighteen 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 2023, the Group also had access to short term working capital facilities with the Queensland Treasury Corporation totalling $380 million. On 30 June 2024, $155 million will expire reducing available working capital facilities to $225 million.

Queensland Treasury Corporation has confirmed in a letter to Management dated 22 June 2023 that there are currently no amounts which are repayable on demand nor any circumstances which would give rise to amounts being payable by CS Energy other than on a specified date.

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

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

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

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

Consolidated and Parent						
QTC Facility - Current Loans	Approved Borrowings		Utilised at balance date		Unused at balance date	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Working capital facility	325,000	425,000	210,392	312,820	114,608	112,180
Variable rate loan	885,000	-	281,470	-	603,530	-
Total	**1,210,000**	**425,000**	**491,862**	**312,820**	**718,138**	**112,180**

Consolidated and Parent						
QTC Facility - Non Current Loans	Approved Borrowings		Utilised at balance date		Unused at balance date	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Portfolio linked loan	557,353	557,353	557,353	557,353	-	-
Variable rate loan	202,100	112,100	92,295	21,605	109,805	90,495
Total	**759,453**	**669,453**	**649,648**	**578,958**	**109,805**	**90,495**

New and amended accounting standards adopted by the Group

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Events occurring after the reporting period

The Group's short-term working capital funding facilities decreased from $480 million on 30 June 2023 to $450 million by 14 July 2023. On 30 June 2024, $225 million of these facilities will expire.

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

Section 2: Results for the year

Note 1 - Revenue

Accounting policy

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

Sales of electricity - wholesale
Majority of the Group's revenue is earned from the sale of electricity into the NEM. Revenue from the sale of electricity is recognised at the point in time when the electrons are dispatched into the NEM. The settlement amount for effective cash flow hedges are recognised in electricity revenue in the period to which the contract settlement relates.

Sales of electricity - retail
Revenue is recognised separately for retail contracts. Retail contract revenue is calculated based on the terms of the individual contracts. Revenue from the sale of electricity to customers is recognised at the point in time the performance obligation is satisfied, and the energy has been dispatched to the customer.

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

Sales of electricity

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Sales of electricity to the NEM	**1,365,366**	1,664,404	**658,167**	705,003
Net realised gains/(losses) on electricity contracts designated as cashflow hedges	**36,160**	(503,613)	**36,160**	(503,613)
Total sales of electricity - wholesale	**1,401,526**	**1,160,791**	**694,327**	**201,390**
Sales of electricity - retail	**596,672**	507,806	**429,866**	370,456
Total sales of electricity	**1,998,198**	**1,668,597**	**1,124,193**	**571,846**

Other income

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Other income	**7,892**	2,051	**6,625**	1,194
Interest Income	**2,853**	20	**2,812**	18
Total other income	**10,745**	**2,071**	**9,437**	**1,212**

Note 2 - Expenses

Electricity and energy services

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Wholesale energy	**514,281**	524,320	**470,291**	498,787
Market and transmission fees	**247,570**	228,952	**165,581**	154,452
Ancillary services	**11,518**	73,008	**10,839**	68,108
Other electricity and energy services expenses	**3,781**	3,583	**-**	-
Environmental charges	**61,408**	64,203	**51,437**	53,522
Total electricity and energy services expenses	**838,558**	**894,066**	**698,148**	**774,869**

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Finance costs - cash	**44,738**	29,560	**44,738**	29,560
Onerous contract provision - non cash	**16,286**	7,577	**16,286**	7,577
Finance costs - non cash	**6,663**	4,084	**3,240**	1,903
Total finance costs	**67,687**	**41,221**	**64,264**	**39,040**

Accounting policy

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

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

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

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

Finance costs-non cash pertaining to the non current portion of provisions and liabilities represents the change in time value of money attributed to the carrying amount of future cash flows.

Employee benefit expense

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Wages and salaries expense	**103,196**	97,185	**84,776**	76,272
Defined contribution superannuation expense	**10,046**	7,359	**8,158**	5,747
Defined benefit plan expense/(gain)	**(144)**	1,231	**(144)**	1,231
Employee performance payments	**5,890**	6,466	**4,479**	4,884
Total employee benefits expense	**118,988**	**112,241**	**97,269**	**88,134**

Accounting policy

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

Other expenses

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Insurance	**28,935**	26,042	**11,468**	13,449
Retail Services	**13,878**	9,825	**-**	-
Technology	**15,406**	9,498	**15,285**	9,478
Other expense	**26,200**	19,449	**15,061**	10,983
Bad Debt	**9,289**	4,003	**4,608**	-
Total other expenses	**93,708**	**68,817**	**46,422**	**33,910**

Accounting policy

Other expenses relate to General administration expenses including advertising and marketing, travel, training, stationery and telecommunication costs, insurance, retail services and technology costs.

Section 3: Financial assets and financial liabilities

Note 3 - Cash and cash equivalents

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash at bank and on hand (1)	**62,727**	18,834	**36,524**	4,945
Total cash and cash equivalents	**62,727**	**18,834**	**36,524**	**4,945**

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

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

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
(Loss)/profit before income tax	**(28,272)**	(139,489)	**94,251**	(946,751)
Income tax benefit	**13,699**	44,007	**155,400**	284,024
Depreciation and amortisation	**120,692**	82,892	**47,343**	20,829
Impairment loss/(reversal)	**85,054**	(133,157)	**83,592**	(62,506)
Net (gain)/loss on sale of non-current assets	**(11,622)**	665	**72**	103
Fair value adjustment to derivatives	**(222,548)**	182,880	**(222,548)**	182,880
Other income liquidated damages	**(5,826)**	-	**(5,826)**	-
Provision for doubtful debts	**9,289**	4,002	**4,608**	-
Non-cash retirement benefits adjustment	**(144)**	1,231	**(144)**	1,231
Finance cost on provisions	**22,949**	11,661	**19,526**	9,480
Rehabilitation change in value	**952**	1,128	**952**	1,128
Onerous contract re-measurement and provision utilised	**(56,922)**	83,836	**(56,922)**	83,836
Dividends received	**-**	-	**(599,838)**	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables	**273,188**	(562,370)	**101,277**	(346,766)
(Increase)/decrease in inventories	**(44,420)**	14,072	**(28,051)**	10,571
(Decrease)/increase in accounts payable, employee benefits, borrowings and other provisions	**(120,504)**	153,132	**(133,932)**	128,556
(Increase)/decrease in deferred tax assets	**(13,083)**	(43,167)	**(154,784)**	(278,427)
Net cash (outflow)/inflow from operating activities	**22,482**	**(298,677)**	**(695,024)**	**(911,812)**

Note 5 - Trade and other receivables

Current Assets	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade receivables	**261,889**	418,724	**189,022**	144,174
Collateral (1)	**248,494**	403,119	**248,494**	403,119
Advances facility (2)	**84,328**	-	**84,328**	-
Other receivables (3)	**29,830**	13,343	**15,968**	12,473
Prepayments	**8,979**	2,826	**8,685**	2,239
Income tax receivable	**608**	5,710	**608**	5,710
Total current loans and other receivables	**634,128**	**843,722**	**547,105**	**567,715**

(1) The Group has entered into derivative contracts on the Australian Securities Exchange. Collateral is provided to support the margin requirements to cover these positions.
(2) The Group has received funding from the Queensland Renewable Energy and Hydrogen Jobs Fund to support the construction of the Greenbank Battery investment and the Kogan Renewable Hydrogen Demonstration Plant with the funds deposited into the General Government Sector Advances facility with Queensland Treasury.
(3) Other receivables includes loans to joint ventures.

Non-current assets	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Trade and other receivables	3,258	474	3,258	-
Total trade and other receivables	**3,258**	**474**	**3,258**	**-**
Loans (Net) to entities within the Group (1)	-	-	475,185	253,919
Total loans to related parties	**-**	**-**	**475,185**	**253,919**

(1) Refer to Note 23 (b)

Accounting policy

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

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

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

Impairment allowance for expected credit losses on all loans and receivables at amortised cost is assessed and measured at each reporting date. In considering the lifetime expected credit losses the Group considers forward economic factors and historical data to assess expected credit losses.

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. 83% of the wholesale receivables are held with highly rated counterparties and AEMO. For the financial assets held with non-rated counterparties, CS Energy Limited generally requires credit support via a bank guarantee or cash deposits which are considered when assessing the lifetime expected credit loss.

The lifetime expected credit loss on wholesale receivables is $nil as at 30 June 2023 (2022: $nil).

Power Purchase Agreements

The Group has entered into Power Purchase Agreements (PPAs) with counterparties. On-going credit reviews are performed on counterparty financial conditions. Included in both the current and non-current trade and other receivables is an amount due from a counterparty in relation to PPA liquidated damages. The receivable has been assessed for impairment using the simplified approach. It was assessed based on the credit risk characteristics and days past due. A probability of default is used to measure the expected credit loss of the receivable.

The lifetime expected credit loss on other receivables is $4.6 million as at 30 June 2023 (2022: $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. 70% of the C&I retail receivables as at reporting date were either held with Queensland Government entities or supported with bank guarantees. The Group does not recognise an impairment loss on balances owed by Queensland Government entities.

The lifetime expected credit loss on C&I retail receivables is $nil as at 30 June 2023 (2022: $nil).

Residential and small to medium enterprise retail

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

The lifetime expected credit loss on trade and other receivables has increased to $6.6 million as at 30 June 2023 (2022: $5.8 million).

Queensland Treasury Corporation advances facility and loans (net) to entities within the Group

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

The loans (net) to entities within the Group 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 $nil as at 30 June 2023 (2022: $nil).

Refer to Note 9 for further details of the Group's credit risk management strategy.

Note 6 - Derivative financial instruments

Derivative financial instrument assets

	Consolidated and Parent	
	2023 $'000	2022 $'000
Current assets		
Electricity derivative contracts - cash flow hedges	**4,510**	-
Electricity derivative contracts - fair value through profit or loss	**673,436**	3,540,859
Total current derivative financial instrument assets	**677,946**	**3,540,859**
Non-current assets		
Electricity derivative contracts - cash flow hedges	**4,576**	6,287
Electricity derivative contracts - fair value through profit or loss	**300,223**	1,115,326
Total non-current derivative financial instrument assets	**304,799**	**1,121,613**

Derivative financial instrument liabilities

	Consolidated and Parent	
	2023 $'000	2022 $'000
Current liabilities		
Electricity derivative contracts - cash flow hedges	**297,821**	651,608
Electricity derivative contracts - fair value through profit or loss	**706,701**	3,873,313
Foreign exchange contracts - cash flow hedges	**1,301**	-
Total current derivative financial instrument liabilities	**1,005,823**	**4,524,921**
Non-current liabilities		
Electricity derivative contracts - cash flow hedges	**32,501**	225,816
Electricity derivative contracts - fair value through profit or loss	**263,227**	1,182,147
Total non-current derivative financial instrument liabilities	**295,728**	**1,407,963**

Critical accounting estimates and assumptions

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

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

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

Hedge Accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Derivatives are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

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

The Group applies hedge accounting on eligible electricity OTC swaps and futures contracts and performs ongoing assessment of effectiveness. The economic relationship is determined by matching the critical terms, such as volume, time period and region, between the hedging instrument and the hedged item. The hedge ratio is 100 per cent which reflects the economic relationship. Potential sources of ineffectiveness include the following;

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the hedging reserve. The unrealised and realised gain or loss relating to the ineffective hedges is recognised immediately in profit or loss within fair value through profit/(loss).

The realised gain or loss relating to the effective portion of electricity derivatives is recognised in profit or loss within revenue from the sales of electricity.

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

	Consolidated and Parent					
	Asset carrying value (1)		Liabilities carrying value (1)		Nominal hedge volume (2)	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	GWh	GWh
Derivatives designated as hedging instruments						
12 months or less	**4,510**	-	**297,821**	651,608	**6,622**	2,623
1 - 5 years	**4,576**	6,287	**32,501**	225,816	**2,807**	6,120
Total	**9,086**	**6,287**	**330,322**	**877,424**	**9,429**	**8,743**

(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 $214 per MWh (2022: $34 to $209 per MWh).

	Consolidated and Parent	
	2023	2022
	$'000	$'000
Hedging Instrument		
Changes in fair value (used for calculating hedge ineffectiveness)	**(685,903)**	774,145
Hedged Item		
Changes in value (used for calculating hedge ineffectiveness)	**(686,097)**	773,016
Hedge ineffectiveness		
Hedge ineffectiveness recognised in profit/(loss) (1)	**2,160**	(1,821)
Cash flow hedge reserve (before tax)		
Balance in cash flow hedge reserve related to continuing hedges	**150,312**	832,754
Balance in cash flow reserve for which hedge accounting is no longer applied	**43,021**	88,628
Cash flow hedge reserve (before tax)	**193,333**	**921,382**

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

Derivatives which do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. The main categories of non-qualifying instruments for the Group are options, load following hedges and instruments which were not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Statements of Profit or Loss as follows:

Line item of Statements of Profit or Loss		Consolidated		Parent	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Net realised losses	Fair value through profit/(loss)	**(595,247)**	(155,506)	**(595,247)**	(155,506)
Net unrealised (losses)/gains	Fair value through profit/(loss)	**220,388**	(182,880)	**220,202**	(182,880)
Total changes in fair value of non-hedged accounted derivatives recognised in profit/(loss)		**(374,859)**	**(338,386)**	**(375,045)**	**(338,386)**

Note 7 - Trade and other payables

Current liabilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade payables	**124,310**	196,525	**85,580**	167,996
Other payables (1) (2)	**53,553**	159,296	**46,743**	143,195
Environmental surrender obligation	**27,379**	19,051	**27,379**	19,051
Unearned revenue	**13,175**	9,016	**11,175**	7,016
Total current liabilities trade and other payables	**218,417**	**383,888**	**170,877**	**337,258**

Non-current liabilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Other payables (2)	**13,353**	-	**8,491**	-
Total non-current liabilities trade and other payables	**13,353**	-	**8,491**	-

(1) Balance includes $6.3 million (2022: $113.3 million) payable to counterparties relating to contract for difference settlements.

(2) The Group has recognised a liability in relation to the Gladstone Area Water Board under recovery of water cost charges, which includes current payable of $0.5 million and non-current payable of $13.3 million.

Accounting policy

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

Note 8 - Interest bearing liabilities

Current liabilities - borrowings

	Consolidated and Parent	
	2023 $'000	2022 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	**491,862**	312,820

The market value of Queensland Treasury Corporation loans as at 30 June 2023 was $495.2 million (2022: $313.0 million).

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

The temporary variable rate loan collateral facility expiring 30 June 2025 is expected to be fully repaid within 12 months.

Non-current liabilities - borrowings

	Consolidated and Parent	
	2023 $'000	2022 $'000
Unsecured loans		
Queensland Treasury Corporation Loans	**649,648**	578,958

The market value of Queensland Treasury Corporation loans as at 30 June 2023 was $622.2 million (2022: $559.9 million).

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

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

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

Variable rate loan facilities to fund the construction of renewable assets will be repaid over a 10 year term post commissioning of the assets. All other variable rate loan facilities are to be repaid upon expiry.

Reconciliation of changes in liabilities arising from financing activities

	Consolidated and Parent	
	2023 $'000	2022 $'000
Financial liabilities		
Queensland Treasury Corporation Loans		
Opening Balance	**891,778**	557,353
Proceeds from borrowings	**602,758**	21,605
Repayment of borrowings	**(250,598)**	-
Net proceeds from short-term borrowings	**(102,428)**	312,820
Closing Balance	**1,141,510**	**891,778**

Note 9 - Financial risk management

Liquidity risk

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

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

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

Consolidated	Carrying amount $'000	Total contractual cash flows $'000	Less than one year $'000	1-5 years $'000	More than 5 years $'000
30 June 2023					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	**1,141,510**	**1,072,357**	**317,950**	**124,417**	**629,990**
Trade and other payables including lease liabilities	**248,040**	**248,040**	**220,162**	**20,195**	**7,683**
Derivative financial liabilities					
Electricity contracts	**1,300,250**	**1,333,774**	**1,017,508**	**311,963**	**4,303**
Foreign exchange contracts	**1,301**	**1,342**	**1,342**	**-**	**-**
Total	**2,691,101**	**2,655,513**	**1,556,962**	**456,575**	**641,976**
30 June 2022					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	891,778	991,345	332,562	77,663	581,120
Trade and other payables including lease liabilities	385,443	385,443	385,443	-	-
Derivative financial liabilities					
Electricity contracts	5,932,884	5,960,529	4,541,206	1,419,323	-
Total	**7,210,105**	**7,337,317**	**5,259,211**	**1,496,986**	**581,120**

Financial Report

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 2023					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	**1,141,510**	**1,072,357**	**317,950**	**124,417**	**629,990**
Trade and other payables including lease liabilities	**195,638**	**195,638**	**172,621**	**23,017**	**-**
Derivative financial liabilities					
Electricity contracts	**1,300,250**	**1,333,774**	**1,017,508**	**311,963**	**-**
Foreign exchange contracts	**1,301**	**1,342**	**1,342**	**-**	**-**
Total	**2,638,699**	**2,603,111**	**1,509,421**	**459,397**	**629,990**
30 June 2022					
Non-derivative financial instruments					
Loans from Queensland Treasury Corporation	891,778	991,345	332,562	77,663	581,120
Trade and other payables including lease liabilities	338,812	338,812	338,812	-	-
Derivative financial liabilities					
Electricity contracts	5,932,884	5,960,529	4,541,206	1,419,323	-
Total	**7,163,474**	**7,290,686**	**5,212,580**	**1,496,986**	**581,120**

Queensland Treasury Corporation Facilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Facilities used at balance date				
Queensland Treasury Corporation Facilities	**1,141,510**	891,778	**1,141,510**	891,778
Total	**1,141,510**	**891,778**	**1,141,510**	**891,778**
Queensland Treasury Corporation facility unused at balance date				
Working Capital Facility (1)	**264,608**	112,180	**264,608**	112,180
Eligible Undertaking (2)	**705,000**	700,000	**705,000**	700,000
Variable Rate Loan Facility (3)	**713,335**	90,495	**713,335**	90,495
Total	**1,682,943**	**902,675**	**1,682,943**	**902,675**
Total facilities available	**2,824,453**	**1,794,453**	**2,824,453**	**1,794,453**

(1) The Group has access to working capital facility to manage day to day cash flow requirements. The Under Treasurer approved a temporary increase to the working capital facility of $325 million to provide additional liquidity for CS Energy to meet its cashflow requirements. The working capital facility reverts to a limit of $225 million on 3 July 2023.

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

(3) The Group has access to multiple variable rate loan facilities with Queensland Treasury Corporation ranging in term from 12 months to 10 years for the construction of variable renewable energy assets.

Credit risk exposures

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

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

The carrying amount of the Group's financial assets (as disclosed in Notes 3, 5 and 6) represents the maximum exposure to credit risk at reporting date. A summary of the credit quality of financial asset is assessed by reference to publicly available external credit ratings as reflected in the following table:

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and cash equivalents				
A+ to A-	**62,727**	18,834	**36,524**	4,945
Total	**62,727**	**18,834**	**36,524**	**4,945**
Trade and other receivables				
AAA+ to AAA-	**17,852**	18,879	**16,266**	18,043
AA+ to AA-	**174,712**	19,340	**174,712**	19,340
A+ to A-	**248,494**	405,809	**248,494**	405,809
BBB+ to BBB-	**70**	4	**70**	4
AEMO (1)	**42,706**	259,566	**5,483**	24,382
Other non-rated (2)	**153,552**	140,598	**105,338**	100,137
Total	**637,386**	**844,196**	**550,363**	**567,715**
Derivative financial assets				
AA+ to AA-	**64,966**	78,933	**64,966**	78,933
A+ to A-	**708,097**	4,106,686	**708,097**	4,106,686
BBB+ to BBB-	**10,175**	69,349	**10,175**	69,349
Non-rated	**199,507**	407,504	**199,507**	407,504
Total	**982,745**	**4,662,472**	**982,745**	**4,662,472**

(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 2023. Balances primarily represent receivables due from Gladstone Power Station participants in relation to the Interconnection & Power Pooling Agreement (IPPA) and the Power Purchase Agreement (Boyne Smelter Additional Load) and receivables from non-rated retail customers including the Alinta joint venture.

Interest rate risk

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

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

Debt funding for the construction of renewable assets is provided via dedicated variable rate loan facilities, which have an interest only repayment profile during the period of construction. Post commissioning of the assets the facilities convert to a principal and interest basis with repayments to be made over a 10-year term.

The Group also has access to a variable rate loan facility to fund its collateral requirements for futures trades executed on the Australian Securities Exchange, with amounts repaid able to be withdrawn up to the approved facility limit. The facility has an interest only repayment profile, however the group makes voluntary repayments to closely align the debt facility balance with the variation margin receivable asset balance.

Interest rate risk (continued)

The Group is working with Queensland Treasury Corporation and Queensland Treasury to implement a debt reduction plan for the portfolio linked loan facilities, with repayments targeted to commence from 1 July 2025.

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

Sensitivity analysis

A change of 1% in interest rates at the reporting date would have increased (decreased) profit or loss for the year by the amounts shown in the following table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as 2022.

	Impact on pre-tax Profit or Loss	
	1% increase $'000	1 % decrease $'000
Cash and cash equivalents	**1,471**	**(1,471)**
Borrowings	**3,328**	**(3,276)**

Consolidated	2023			2022		
	Floating Interest Rate (1) $'000	Fixed Interest Rate (1) $'000	Weighted average Interest Rate %	Floating Interest Rate (1) $'000	Fixed Interest Rate (1) $'000	Weighted average Interest Rate %
Financial assets						
Cash and Cash Equivalents	**62,727**	-	0.18%	18,834	-	0.14%
Advances Facility	**84,328**	-	3.76%	-	-	0.54%
Total financial assets	**147,055**	**-**	**2.68%**	**18,834**	**-**	**0.16%**
Financial Liabilities						
Queensland Treasury Corporation loans - Non-current	**92,295**	**557,353**	**4.25%**	21,605	557,353	4.63%
Queensland Treasury Corporation loans - Current	**491,862**	**-**	**3.74%**	312,820	-	0.22%
Total financial liabilities	**584,157**	**557,353**	**4.02%**	**334,425**	**557,353**	**3.45%**

(1) Values represent closing balances of the facilities.

Capital management

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

The Group borrows exclusively from Queensland Treasury Corporation, with portfolio linked loan facilities provided reflecting an interest only in perpetuity repayment profile. Variable rate loan facilities provided are interest only, however will convert to a principal and interest basis with repayment once the facility is fully drawn and post commissioning of the renewable assets. All other variable rate loan facilities will be repaid upon expiry.

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

In order to maintain or adjust the capital structure, the Group may seek approval from 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.

Funding for renewable assets is being managed through a combination of debt and equity funding, from the Queensland Treasury Corporation and the Queensland Renewable Energy and Hydrogen Jobs Fund.

Capital management (continued)

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. Due to the extended impact on earnings attributed to the shutdown of Callide Unit C3 and C4 and the delayed return to service from major overhaul for Kogan, the Group breached all three financial covenants as at 30 June 2023. Following consultation, Queensland Treasury Corporation agreed to extend the limited waiver for the financial covenants until 30 June 2024. Prior to the end of the updated Waiver period ending 30 June 2024, Queensland Treasury Corporation will update the existing financial covenants and formalise a variation to the existing lending agreement with the Group. Based on the June 2023 Board approved five-year forecast, the Group is expecting to meet all the current financial covenants within the 2025 financial year.

Foreign currency risk

The Group manages its exposure to changes in foreign exchange rates through forward foreign exchange contracts. Significant foreign-denominated transactions undertaken in the normal course of operations are managed on a case-by-case basis.

Commodity price risk

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

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

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

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

Over-the-counter electricity contracts (OTC)

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

Exchange traded electricity futures contracts

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

Sensitivity analysis on the electricity derivative portfolio

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

Consolidated and Parent	Equity	Impact on pre-tax profit or (loss)
	$'000	$'000
30 June 2023		
Electricity price - increase 10%	**(113,490)**	80,161
Electricity price - decrease 10%	**102,494**	(71,585)
30 June 2022		
Electricity price - increase 10%	(158,462)	(8,243)
Electricity price - decrease 10%	158,508	7,410

Note 10 - Fair values

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

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

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

Consolidated and Parent				
30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets				
Electricity contracts	**707,280**	**127,652**	**147,813**	**982,745**
Total	**707,280**	**127,652**	**147,813**	**982,745**
Derivative financial liabilities				
Electricity contracts Foreign	**(961,727)**	**(333,924)**	**(4,599)**	**(1,300,250)**
exchange contracts	**-**	**(1,301)**	**-**	**(1,301)**
Total	**(961,727)**	**(335,225)**	**(4,599)**	**(1,301,551)**
30 June 2022				
Derivative financial assets				
Electricity contracts	4,085,244	355,801	221,427	4,662,472
Total	**4,085,244**	**355,801**	**221,427**	**4,662,472**
Derivative financial liabilities				
Electricity contracts	(4,484,400)	(1,168,903)	(279,581)	(5,932,884)
Total	**(4,484,400)**	**(1,168,903)**	**(279,581)**	**(5,932,884)**

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 2021	(85,893)
Change in fair value through profit or loss (1)	(3,068)
Transfer to level 2	-
Settlement	30,806
Balance at 30 June 2022	**(58,155)**
Balance at 1 July 2022	**(58,155)**
Change in fair value through profit or loss (1)	**9,690**
Transfer to level 2	**-**
Settlement	**191,679**
Balance at 30 June 2023	**143,214**

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

Valuation techniques used to determine fair values

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

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

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

- Published forward prices for over the counter transactions. Historic settled prices are used to construct the forward curve to value non-standard transactions
- Sydney Futures Exchange trade prices
- Credit risks factors
- Historic market volatilities
- Extrapolation rates

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

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

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

- Long term market assumptions have primarily been determined with reference to the Australian Energy Market Operator forecasts.
- Publicly announced State based targets, namely the Queensland Energy and Jobs Plan, Victorian Renewable Energy Target, and the New South Wales Energy Infrastructure Roadmap.
- The impact of Federal and State announced intervention in both the coal and gas markets which seeks to cap commodity prices.

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
10% increase	**4,438**	(3,119)	**14,321**	(5,815)
10% decrease	**(4,438)**	3,119	**(14,321)**	5,815

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

Consolidated and Parent	2023 $'000	2022 $'000
Carrying amount	**1,141,510**	891,778
Fair Value (level 2)	**1,117,414**	872,977

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

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

Note 11 - Master netting arrangement

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

Section 4: Operating assets and liabilities

Note 12 - Inventories

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Stores (1)	**77,287**	64,925	**44,001**	37,093
Fuel at weighted average cost (finished goods)	**38,864**	26,797	**29,374**	19,100
Fuel at weighted average cost (work in progress)	**34,297**	25,175	**-**	-
Environmental certificates (2)	**13,170**	2,301	**13,170**	2,301
Total Inventory	**163,618**	**119,198**	**86,545**	**58,494**

Inventories expensed relating to the generation of electricity during the year ended 30 June 2023 were $214.6 million (2022: $205.3 million).

(1) Stores balance includes a net realisable value adjustment of $12.9 million in 2023 and (2022 $11.8 million)

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

Accounting policy

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

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

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

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

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

Note 13 - Employee retirement benefit obligations

Defined benefit obligation

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

Due to a higher than expected return on the actual investment plan assets the total fair value of the plan assets were greater than the present value of the future obligations in 2023 resulting in a defined benefit asset being recognised at 30 June 2023 (30 June 2022: Defined benefit asset recognised).

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

Consolidated and Parent	2023 $'000	2022 $'000
Present value of the defined benefit obligation	**(51,744)**	(48,458)
Fair value of defined benefit plan assets	**75,022**	73,360
Net asset before adjustment for contributions tax	**23,278**	**24,902**
Adjustments for contributions tax	**4,108**	4,394
Total	**27,386**	**29,296**

Reconciliation

Consolidated and Parent	2023 $'000	2022 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully/partly funded:		
Balance at the beginning of the year	**44,064**	51,944
Current service cost	**1,110**	1,622
Interest cost	**2,075**	988
Actuarial (gains) and losses recognised in equity	**3,053**	(9,097)
Benefits paid by the plan	**(3,227)**	(1,916)
Contributions by plan participants	**561**	523
Balance at the end of the year (net of contributions tax)	**47,636**	**44,064**
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**73,360**	74,710
Expected return on plan assets	**3,329**	1,379
Actuarial (losses) and gains recognised in equity	**999**	(1,336)
Benefits paid by the plan	**(3,227)**	(1,916)
Contributions by plan participants	**561**	523
Balance at the end of the year	**75,022**	**73,360**

Defined benefit obligation (continued)

Categories of plan assets

The major categories of plan assets are as follows:

Consolidated and Parent	2023 $'000	2022 $'000
Cash	**3,751**	2,934
Equity instrument	**21,756**	19,807
Debt instrument	**25,507**	24,942
Property	**11,253**	11,738
Other assets	**12,755**	13,939
Total	**75,022**	**73,360**

Historic summary

Consolidated entity	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Defined benefit plan obligation	**(51,744)**	(48,458)	(55,359)	(60,637)	(61,430)
Plan assets	**75,022**	73,360	74,710	72,055	77,666
Surplus	**23,278**	**24,902**	**19,351**	**11,418**	**16,236**
Experience adjustments arising on plan liabilities	**(3,053)**	9,097	2,928	(1,436)	(9,788)
Experience adjustments arising on plan assets	**999**	(1,336)	8,074	(2,609)	1,320

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	2023	2022
Discount rate	**5.3%**	5.0%
Future salary increases - 1st year	**4.5%**	5.0%
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%	(2.7%)	2.9%
Salary growth rate	0.5%	2.9%	(2.8%)

Accounting policy

Employee retirements benefits

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

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

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

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

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

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

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

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

Note 14 - Property, plant and equipment

Consolidated	Power stations $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	band & Buildings $'000	Total $'000
Movements for the year ended 30 June 2022						
Opening net book amount	769,335	21,379	24,027	22,543	53,253	890,537
Additions	13,110	6,285	95,784	-	1	115,180
Transfers	1,521	3,762	(10,292)	-	5,009	-
Disposals	(555)	(4,990)	-	-	-	(5,545)
Revaluation of Asset	(19,678)	-	-	-	-	(19,678)
Impairment (loss/reversal	131,651	1,981	(3,821)	-	3,346	133,157
Depreciation	(70,245)	(5,097)	-	(3,385)	(2,692)	(81,419)
Closing net book amount	**825,139**	**23,320**	**105,698**	**19,158**	**58,917**	**1,032,232**
At 30 June 2022						
Cost or fair value	2,433,240	81,091	105,698	45,866	91,164	2,757,059
Accumulated depreciation	(1,608,101)	(57,771)	-	(26,708)	(32,247)	(1,724,827)
Net book amount	**825,139**	**23,320**	**105,698**	**19,158**	**58,917**	**1,032,232**

Consolidated	Power stations $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	Land & Building $'000	Total $'000
Movements for the year ended 30 June 2023						
Opening net book amount (2)	825,139	23,320	105,698	19,158	58,917	1,032,232
Additions (2)	103,484	3,244	169,949	424	5	277,106
Transfers	37,904	287	(40,137)	1,791	155	-
Impairment (loss)/reversal (1)	(76,443)	(793)	(7,818)	-	-	(85,054)
Disposals	(3,290)	(80)	-	-	(17,725)	(21,095)
Depreciation	(110,743)	(2,988)	-	(3,021)	(2,223)	(118,975)
Closing net book amount	**776,051**	**22,990**	**227,692**	**18,352**	**39,129**	**1,084,214**
At 30 June 2023						
Cost	2,412,811	62,423	227,692	48,081	73,562	2,824,569
Accumulated depreciation / impairment	(1,636,760)	(39,433)	-	(29,729)	(34,433)	(1,740,355)
Net book amount	**776,051**	**22,990**	**227,692**	**18,352**	**39,129**	**1,084,214**

Parent	Power stations $'000	Other property, plant and equipment $'000	Work in progress $'000	Mining Assets $'000	band & Buildings $'000	Total $'000
Movements for the year ended 30 June 2022						
Opening net book amount	98,737	4,595	11,493	-	4,477	119,302
Additions	3,123	6,217	56,180	-	-	65,520
Transfers	22,705	2,046	(24,751)	-	-	-
Disposals	-	(4,981)	-	-	-	(4,981)
Revaluation of Asset	(7,728)	-	-	-	-	(7,728)
Impairment (loss)/reversal	45,310	2,171	11,975	-	3,281	62,737
Depreciation	(16,182)	(3,287)	-	-	(179)	(19,648)
Closing net book amount	**145,965**	**6,761**	**54,897**	**-**	**7,579**	**215,202**
At 30 June 2022						
Cost or fair value	905,767	41,666	54,897	-	10,388	1,012,718
Accumulated depreciation	(759,802)	(34,905)	-	-	(2,809)	(797,516)
Net book amount	**145,965**	**6,761**	**54,897**	**-**	**7,579**	**215,202**

Parent	Power stations $'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 2023						
Opening net book amount	145,965	6,761	54,897	-	7,579	215,202
Additions	29,167	606	20,826	-	-	50,599
Transfers	27,043	117	(27,300)	-	140	-
Disposals	-	(80)	-	-	-	(80)
Impairment (loss)/reversal (1)	(76,443)	(793)	(6,356)	-	-	(83,592)
Depreciation	(43,676)	(1.777)	-	-	(233)	(45,686)
Closing net book amount	**82,056**	**4,834**	**42,067**	**-**	**7,486**	**136,443**
At 30 June 2023						
Cost or fair value	907,708	20,598	42,067	-	10,528	980,901
Accumulated depreciation	(825,652)	(15,764)	-	-	(3,042)	(844,458)
Net book amount	**82,056**	**4,834**	**42,067**	**-**	**7,486**	**136,443**

(1) The Group has revalued its current Cash Generating Units and adjusted their values by $85.0 million for the Consolidated Group and $83.6 million for the Parent.

(2) Work in progress includes $2.1 million assets held for sale in Consolidated Group and nil in Parent.

Accounting policy

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

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

In general, non-current physical assets with a value greater than $5,000 are capitalised. Land is not depreciated. Depreciation on other assets is recognised in profit or loss on a straight- line method to allocate their net book amount, net of their residual values, over their estimated effective useful lives, as follows:

Asset Category	Useful life (years)
Power station assets	2 - 35 years
Capitalised overhauls	1 - 4 years
Mining assets	9 - 35 years
Buildings	1 - 40 years
Other property plant and equipment	1 - 5 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

The assets' residual values and useful lives and depreciation methods are reviewed at each reporting date and adjusted if appropriate. When changes are made, adjustments are reflected prospectively in current and future periods only.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

During the year the Group reassessed the useful lives of its thermal fleet based on guidance provided in the Queensland Energy and Jobs Plan. As a result, the useful lives for CS Energy Power Stations have been brought forward to align with the phased operating regimes defined in the Queensland SuperGrid Infrastructure Blueprint. The useful lives will continue to be reassessed in accordance with the guidance provided by the Queensland Energy System Advisory Board. While the useful lives have been reassessed in accordance with accounting standards, the asset retirement dates provided to the Australian Energy Market Operator remain unchanged.

Estimated depreciation impact based on the reassessed useful lives for the Power Stations for the remaining useful lives

	2024	2025	2026	2027	2028 Onwards
	$'000	$'000	$'000	$'000	$'000
Increase/(decrease) in depreciation expense	**19,075**	**18,757**	**18,757**	**18,757**	**(75,344)**

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. These costs are recognised in the Power Station Assets category. 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/(reversal) 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 of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money, the industry risk profile adjusted for risks specific to the asset, which have not been included in cash flow.

The Group assesses impairment annually by evaluating conditions that might indicate an impairment of assets exists. The recoverable amounts of assets, or Cash Generating Unit (CGU), have been determined on a value in use basis.

The value in use calculations are based on financial forecasts covering the remaining asset lives of the assets up to 12 years.

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

Discount rate

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

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

		+1%	-1%
Discount rate sensitivity (+/-1%)	$m	(89)	97

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

Market factors

In September 2022 the Queensland Government released its Queensland Energy and Jobs Plan which sets out a blueprint for transforming the energy sector with an emphasis on new modes of operation, infrastructure development and workforce transition. The Queensland Energy and Jobs Plan includes clear statements on the importance of reliability of supply from the thermal assets during the transition phase to increased renewable generation. In addition to providing a clear roadmap to transition the network to renewables, the introduction of large firming assets like Borumba and Pioneer-Burdekin pump storage have also been included in the outlook which seeks to provide market stability.

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 Energy and Jobs Plan, Victorian Renewable Energy Target (VRET) and the New South Wales Energy Infrastructure Roadmap.
- Fuel price assumptions (coal, gas and foreign currency) are based on publicly available commodity price forecasts where available and internally modelled values reflective of broader market consensus are used beyond the observable period. This also includes the Federal and State announced intervention in both the coal and gas markets which seeks to cap commodity prices.

Achievement of the Queensland Energy and Jobs Plan has been used for the base case valuations with an additional scenario that contemplates a delay to the Queensland Energy and Jobs Plan, particularly a delay to the construction of the Borumba and Pioneer-Burdekin pump storage assets.

Valuation approach

Given the physical challenges in integrating increasing amounts of variable renewable energy into the grid and the recent volatility observed in domestic and international gas markets, cash flow projections have been weighted across two scenarios considering these key drivers. The weighting assigned to each of the scenarios has been determined with reference to a combination of publicly available information, observed market behaviour and a range of economic drivers. The scenarios performed are centered around the achievement of the Queensland Energy and Jobs Plan with a focus on the construction of large scale pump storage assets.

The below table outlines the interaction of these key drivers and value in use cash flows that extend beyond the market liquid period.

Key driver	Impact on value-in-use cash flows
Variable renewable energy capacity	Higher amounts of variable renewable capacity will (all else equal) displace coal-fired generation, reducing value in use cash flows from our existing cash generating units.
Firming and System	Thermal units currently provide firming and system security services into the market on a competitive basis, as more diversified generation sources begin to provide these services through technology advances, the interchangeability of these sources will increase.
Revenue cash flows	The cash flow projections have been performed on two scenarios and probability weightings have been assigned on the scenarios to arrive at weighted average cash flows. A higher electricity generation or an increase in the electricity prices through increased demand or decreased supply of electricity would increase the value in use.
Operating expenditure	Operating expenditures for the electricity generation have been determined based on the most recent management forecasts available at the time of the valuation. A lower operating expenditure increases the value in use.
Capital expenditure	Future capital expenditure required to ensure the security and reliability of electricity generation has been determined based on the most recent management forecasts available at the time of the valuation. A lower future capital expenditure increases the value in use.
Weighted average cost of capital (WACC) discount rate	A nominal pre-tax WACC rate of 11.49% (2021: 13.31%) 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	485.0	(485.0)

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

Forecast fuel and water pricing and supply

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

Following the Energy Crisis seen in 2022, both Federal and State Government introduced a cap on Coal and Gas prices to place downward pressure on wholesale electricity prices.

Plant reliability and forecast operating and capital expenditure

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

Future regulatory environment

Future cash flows are based on current enacted regulatory and legislative frameworks. Significant amendments to the legislation may have a material impact on the fair value of the Groups assets. During the reporting period, Governments at both the Federal and State levels have provided further certainty in transitioning to renewable energy.

The Federal Government continues to progress many of its cornerstone policies to transition the national energy system to net zero. These included the Capacity Investment Scheme to unlock investment in dispatchable, renewable power; foundational investment in the green hydrogen industry, and amendments to the Safeguard Mechanism to place stronger emissions targets on large industry.

These federal initiatives are underpinned by a fundamental shift in energy market governance with emissions reduction to be explicitly incorporated into the National Electricity Objective.

The Government announced its Queensland Energy and Jobs Plan in September which sets out a blueprint for transforming the energy sector with an emphasis on new modes of operation, infrastructure development and workforce transition.

Impairment

During the financial year, the Group recognised a partial impairment of $85 million (2022: $133.2 million impairment reversal) for CGU’s Callide B ($83.5 million) and Kogan Hydrogen Demonstration plant work in progress ($1.5 million).

Note 15 - Right-of-use assets

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	2023 $'000	2022 $'000
Buildings		
Cost	**20,920**	4,724
Accumulated depreciation	**(4,994)**	(3,543)
Total right-of-use assets	**15,926**	**1,181**

Movements for the year

Consolidated and Parent	2023 $'000	2022 $'000
Buildings		
Balance at 1 July	**1,181**	2,362
Additions	**16,197**	-
Depreciation	**(1,452)**	(1,181)
Balance at 30 June	**15,926**	**1,181**

Lease liabilities

Consolidated and Parent	2023 $'000	2022 $'000
Current	**1,744**	1,555
Non-Current	**14,526**	-
Total lease liabilities	**16,271**	**1,555**

Amounts recognised in the Statements of Profit or Loss

Consolidated and Parent	2023 $'000	2022 $'000
Interest expense on lease liabilities	**266**	22
Depreciation expense on right of use assets	**1,452**	1,181
Expenses relating to short-term assets, low-value assets and variable lease payments not included in the measurement of lease liabilities	**3,196**	2,225
Total amounts recognised in the Statements of Profit or Loss	**4,914**	**3,428**

Amounts recognised in the Statements of Cash Flows

Consolidated and Parent		
	2023 $'000	2022 $'000
Principal	**1,433**	1,484
Interest	**266**	22
Operating lease payments	**2,491**	2,225
Total cash outflow for leases	**4,190**	**3,731**

Accounting Policies

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

The right-of-use assets are presented separately in the Statements of Financial Position.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise thatoption;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercisingthat 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 10 years.

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

Note 16 - Provisions

Current liabilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Employee benefits	**37,580**	34,411	**30,856**	27,742
Rehabilitation and site closure costs	**1,422**	3,594	**-**	2,339
Onerous contracts	**38,958**	38,490	**38,958**	38,490
Other provisions (1)	**-**	523	**-**	523
Total	**77,960**	**77,018**	**69,814**	**69,094**

Non-current liabilities

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Employee benefits	**1,618**	1,510	**1,268**	1,070
Rehabilitation and site closure costs	**228,822**	188,592	**114,341**	90,640
Onerous contracts	**148,277**	189,381	**148,277**	189,381
Other provisions (1)	**-**	14,015	**-**	9,029
Total	**378,717**	**393,498**	**263,886**	**290,120**

(1) The Group recognised a provision in Group for Callide B and C in relation to Gladstone Area Water Board under recovery of water cost charges to those stations over the previous years. These provisions have been recognised as a current and non current liability in 2023 as a repayment schedule to Gladstone Area Water Board has been finalised.

Employee benefits

Employee benefits includes annual leave, vesting sick leave, long service leave and employee performance payments.
The entire amount of the provision for annual leave and vesting sick leave is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

The current portion of Employees benefits includes provisions 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.
In addition, it includes 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.

The non-current portion of Employees Benefits includes 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 risk free government bonds rates yields with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Consolidated and Parent		
Current liabilities	2023 $'000	2022 $'000
Onerous Contracts		
Carrying amount at start of year	**38,490**	22,919
Provision used during the year (1)	**(39,967)**	(23,604)
Reclassification from non-current liabilities	**38,958**	38,490
Finance Costs	**1,477**	685
Carrying amount at end of year	**38,958**	**38,490**

Consolidated and Parent		
Non-current liabilities	2023 $'000	2022 $'000
Onerous contracts		
Carrying amount at start of year	**189,381**	113,539
Changes from re-measurement (1)	**(16,956)**	107,440
Reclassification to current liabilities	**(38,958)**	(38,490)
Finance costs	**14,810**	6,892
Carrying amount at end of year	**148,277**	**189,381**

(1) Total onerous contract remeasurement including provision used during the year is a decrease of $56.9 million (2022 increase of $83.8 million).

Accounting policy and critical estimates

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

An onerous contract provision is recognised for unavoidable costs related to the Group 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 2023, resulting in a decrease in the provision to $187.2 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	4.3	(4.5)

		+10%	-10%
Electricity price sensitivity (+/-10% pool price)	$m	7.6	(7.6)

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

Site rehabilitation and closure costs

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Carrying amount at start of year	**192,186**	209,058	**92,979**	99,931
Change from re-measurement	**(5,300)**	(20,806)	**(4,165)**	(8,854)
Additional provision	**37,319**	-	**-**	-
Provision used during the year	**(612)**	(150)	-	-
Finance costs non cash	**6,652**	4,084	**3,254**	1,902
Carrying amount at end of year	**230,245**	**192,186**	**92,068**	**92,979**

Accounting policy and critical estimates

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

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

Significant estimates made with respect to this provision are the; Costs to fulfil the Group's obligation, including assumptions in relation to technology and techniques applied, determination of an appropriate CPI and discount rate including timing of rehabilitation.

Section 5: Taxation

Note 17 - Taxation

Income tax expense/(benefit)

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current tax on profits for the year	**(57,509)**	10,581	**(204,418)**	(217,519)
Deferred tax	**43,925**	(54,701)	**49,018**	(66,505)
Adjustments for current tax of prior periods	(115)	113	**-**	-
Income tax (benefit)/expense	**(13,699)**	**(44,007)**	**(155,400)**	**(284,024)**
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets	**60,935**	(83,942)	**70,364**	(68,819)
(Decrease) increase in deferred tax liabilities	**(17,010)**	29,241	**(21,346)**	2,314
Deferred Income tax benefit attributable to profit from continuing operations	**43,925**	**(54,701)**	**49,018**	**(66,505)**

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

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Loss from operations before income tax expense	**(28,271)**	(139,489)	**94,251**	(946,751)
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	**(8,481)**	(41,847)	**28,275**	(284,025)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible provided expenditure	**8**	(10)	**-**	-
Entertainment	**28**	1	**28**	1
Recognition of previously unrecognised deferred tax balances	**(4,495)**	-	**(5,162)**	-
Non-taxable dividends	**-**	-	**(179,951)**	-
Reversal of impairment for which no deferred tax asset is recognised	**-**	(1,364)	**-**	-
Non Taxable Income	**(643)**	(900)	**(43)**	-
Intra-group Debt forgiveness	**-**	**-**	**1,453**	-
	(13,583)	**(44,120)**	**(155,400)**	**(284,024)**
Adjustments for current tax of prior periods	**(115)**	113	-	-
Income tax (benefit)/expense	**(13,698)**	(44,007)	**(155,400)**	(284,024)

Amounts recognised in other comprehensive income

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'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	**218,415**	(267,911)	**218,415**	(267,911)
Actuarial gain/(loss) on defined benefit plan	**(616)**	2,328	**(616)**	2,328
Total	**217,799**	**(265,583)**	**217,799**	**(265,583)**

Tax losses

	Consolidated 2023 $'000	Consolidated 2022 $'000	Parent 2023 $'000	Parent 2022 $'000
Unused capital tax losses for which no deferred tax asset has been recognised	**70,216**	87,421	**70,216**	87,421
Potential tax benefit at 30%	**21,065**	**26,226**	**21,065**	**26,226**

Accounting policy

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

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

Tax consolidation legislation

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

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

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

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

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

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

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

Deferred tax assets

Consolidated	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2021	57,491	55,165	62,717	12,654	1,843	189,870
Credited/(charged) to profit or loss	55,722	33,599	(5,061)	-	(318)	83,942
Under provision prior year	-	-	-	-	392	392
(Charged) directly to equity	267,911	-	-	-	-	267,911
(Utilisation) of losses	-	-	-	(11,086)	-	(11,086)
At 30 June 2022	**381,124**	**88,764**	**57,656**	**1,568**	**1,917**	**531,029**
Credited to profit or loss	(67,067)	(7,700)	11,417	-	2,415	(60,935)
Under provision prior year	-	-	-	2,294	42	2,336
Charged directly to equity	(218,415)	-	-	-	-	(218,415)
Recognition of losses	-	-	-	57,509	-	57,509
Net deferred tax assets at 30 June 2023	**95,642**	**81,064**	**69,073**	**61,371**	**4,374**	**311,524**

Parent	Derivative financial instruments $'000	Provisions $'000	Provision for rehabilitation $'000	Tax losses $'000	Other $'000	Total $'000
At 30 June 2021	57,491	50,125	29,979	12,654	16,940	167,189
Credited/(charged) to profit or loss	55,722	31,442	(2,085)	-	(16,260)	68,819
(Charged) directly to equity	267,911	-	-	-	-	267,911
(Utilisation) of losses	-	-	-	(11,086)	-	(11,086)
At 30 June 2022	**381,124**	**81,567**	**27,894**	**1,568**	**680**	**492,833**
Credited/(charged) to profit or loss	(67,067)	(12,405)	6,408	-	2,700	(70,364)
Under provision prior year	-	-	-	2,294	(164)	2,130
(Charged) directly to equity	(218,415)	-	-	-	-	(218,415)
(Utilisation) of losses	-	-	-	57,509	-	57,509
Net deferred tax assets at 30 June 2023	**95,642**	**69,162**	**34,302**	**61,371**	**3,216**	**263,693**

Deferred tax liabilities

Consolidated	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2021	-	6,830	56,890	17,547	81,267
Credited/(charged) to profit or loss	-	(369)	30,290	(680)	29,241
Charged directly to equity	-	2,328	-	-	2,328
At 30 June 2022	**-**	**8,789**	**87,180**	**16,867**	**112,836**
Credited/(charged) to profit or loss	-	43	(20,280)	3,227	(17,010)
Under provision prior year	-	-	-	2,222	2,222
Charged directly to equity	-	(616)	-	-	(616)
Net deferred tax liabilities at 30 June 2023	**-**	**8,216**	**66,900**	**22,316**	**97,432**

Parent	Derivative financial instruments $'000	Defined benefit asset $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 30 June 2021	-	6,830	-	6,176	13,006
Credited/(charged) to profit or loss	-	(369)	2,241	442	2,314
Under provision prior year	-	-	-	-	-
Charged directly to equity	-	2,328	-	-	2,328
At 30 June 2022	**-**	**8,789**	**2,241**	**6,618**	**17,648**
Charged/(credited) to profit or loss	-	43	(22,100)	711	(21,346)
Under provision prior year	-	-	-	1,487	1,487
Charged directly to equity	-	(616)	-	-	(616)
Net deferred tax liabilities at 30 June 2023	**-**	**8,216**	**(19,859)**	**8,816**	**(2,827)**

Deferred tax consolidation

Consolidated	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
30 June 2021	189,870	(81,268)	108,602
Movement during the year	341,160	(31,570)	309,590
At 30 June 2022	**531,030**	**(112,838)**	**418,192**
At 30 June 2022	531,030	(112,838)	418,192
Movement during the year	(219,505)	15,407	(204,100)
At 30 June 2023	**311,525**	**(97,431)**	**214,092**

Parent	Deferred tax asset $'000	Deferred tax liability $'000	Consolidated tax asset/(liability) $'000
30 June 2021	167,189	(13,006)	154,183
Movement during the year	325,644	(4,642)	321,002
At 30 June 2022	**492,833**	**(17,648)**	**475,185**
At 30 June 2022	492,833	(17,648)	475,185
Movement during the year	(229,140)	20,474	(208,665)
At 30 June 2023	**263,693**	**2,826**	**266,520**

Accounting policy and critical estimates

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

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

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

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

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

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

Section 6: Capital Structure

Note 18 - Contributed equity

Share Capital

Consolidated and Parent	2023 Shares	2022 Shares	2023 $'000	2022 $'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	874,160	772,160
Total	**1,114,414,169**	**1,114,414,169**	**1,166,070**	**1,064,070**

Movements in ordinary share capital	Shares	Shares	$'000	$'000
Opening balance	1,114,414,169	1,114,414,169	1,064,070	1,064,070
Contributed equity	-	-	102,000	-
Closing balance	**1,114,414,169**	**1,114,414,169**	**1,166,070**	**1,064,070**

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

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

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

Dividends declared

Accounting policy

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

No dividends were declared in 2023.

Note 19 - Reserves and accumulated losses

Hedging reserve - cash flow hedges

Consolidated and Parent	2023 $'000	2022 $'000
Opening balance at 1 July	**(644,968)**	(19,842)
Effective portion of (losses)/gains on electricity derivatives designated as cash flow hedges	**261,914**	(835,207)
Gains/(losses) on electricity hedges transferred to revenue	**421,830**	62,883
Electricity derivatives discontinued from hedge relationship	**45,607**	(120,713)
Net deferred tax	**(218,415)**	267,911
Revaluation of forward foreign exchange contracts	**(1,301)**	-
Changes in fair value of cash flow hedges net of tax	**509,635**	**(625,126)**
Closing balance at 30 June	**(135,333)**	**(644,968)**

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance at 1 July	**(973,300)**	(883,251)	**(1,620,866)**	(963,572)
Net loss for the year	**(14,572)**	(95,482)	**249,651**	(662,727)
Actuarial (loss)/gain on the defined benefit plan	**(2,054)**	7,761	**(2,054)**	7,761
Defined benefit tax	**616**	(2,328)	**616**	(2,328)
Closing balance at 30 June	**(989,310)**	**(973,300)**	**(1,372,653)**	**(1,620,866)**

Section 7: Key management personnel

Note 20 - Key management personnel disclosures

Shareholding Ministers

Government Owned Corporations (GOCs) shareholding Ministers are identified as part of the GOC's Key Management Personnel (KMP). These Ministers are the Honourable Cameron Dick MP, Treasurer and Minister for Investment and the Honourable Michael de Brenni MP, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

Current Executive employment contract details

Executives

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

		Contract			
Executive	Position	Start	Term	Termination notice	Termination benefit
Andrew Varvari (vi)	Chief Executive Officer (acting)	22/03/2023	30/06/2023	not less than 3 months written notice (i)	yes (iii)
Andrew Varvari	Chief Financial Officer	14/12/2017	22/03/2023	not less than 3 months written notice (i)	yes (iii)
Darren Busine	Executive General Manager Energy Markets, Technology & Commercial	25/05/2016	30/06/2023	not less than 1 months written notice (i)	yes (iii)
Andrew Bills	Chief Executive Officer	22/10/2018	31/03/2023	not less than 3 months written notice (iv)	yes (v)
Cameron Collins (vii)	Chief Financial Officer (acting)	22/03/2023	Acting	N/A - Acting	N/A Acting
Barry Millar	Executive General Manager Asset Management	30/09/2022	Open tenure	not less than 1 months written notice (ii)	yes (iii)
Michael Johnstone	Executive General Manager Asset Management (acting)	09/04/2022	29/09/2022	N/A - Acting	N/A - Acting
Leigh Amos	Executive General Manager Plant Operations	23/09/2019	Open tenure	not less than 1 months written notice (ii)	yes (iii)
Emma Roberts	Executive General Manager Future Energy	27/09/2021	Open tenure	not less than 1 months written notice (ii)	yes (iii)

(i) Termination notice of not less than three months' written notice by either party (other than for disciplinary or incapacity reasons) with an additional one week provided by CS Energy if at the time of the termination the Executive is aged over 45 years and has completed at least two years' continuous service with CS Energy.
(ii) Termination notice (without cause) of not less than one months' written notice by either party, with an additional one week provided by CS Energy if at the time of the termination the Executive is aged over 45 years and has completed at least two years' continuous service with CS Energy.
(iii) Payment of a termination benefit on termination without cause by CS Energy, equivalent to three months' of base salary.
(iv) Termination notice of not less than three months' written notice by either party (other than for disciplinary or capacity reasons).
(v) Payment of a termination payment equal to six months' of base salary.
(vi) Acting in Chief Executive Officer position until 30 June 2023. Darren Busine has been appointed into this position effective 1 July 2023.
(vii) Acting in Chief Financial Officer position until recruitment for Executive General Manager Energy Markets, Technology & Commercial process is completed. Duration may be extended or reduced pending the recruitment of the successful applicant.

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

2023 Executive	Short term employee benefits 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
Andrew Varvari [(9)]	227	-	2	8	10	-	247
Andrew Bills [(8)]	612	80	4	20	-	95	811
Andrew Varvari [(10)]	332	59	3	19	15	-	428
Cameron Collins [(11)]	112	-	2	8	2	-	124
Darren Busine [(7)]	529	63	5	27	17	-	641
Leigh Amos [(7)]	398	46	5	27	3	-	479
Barry Millar [(12)]	309	-	24	39	1	-	373
Michael Johnstone [(13)]	84	-	1	15	2	-	102
Emma Roberts [(7)]	393	43	5	27	11	-	479
	2,996	**291**	**51**	**190**	**61**	**95**	**3,684**

2022 Executive	Short term employee benefits 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
Andrew Bills [(15)]	792	-	5	27	8	-	832
Andrew Varvari [(15)]	435	-	5	27	33	-	500
Malcolm Wilson [(15)]	124	-	2	10	-	103	239
Darren Busine [(15)]	505	-	5	27	12	-	549
Leigh Amos [(15)]	355	-	5	27	3	-	390
Colin Duck [(15)]	305	-	4	22	-	6	337
Emma Roberts [(14)]	291	-	4	22	8	-	325
Michael Johnstone [(17)]	68	-	1	7	2	-	78
	2,875	**-**	**31**	**169**	**66**	**109**	**3,250**

(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).

2023 Notes

(7) Remuneration details for 2023 for the period 01 July 2022 – 30 June 2023.
(8) Remuneration details for 2023 for the period 01 July 2022 – 31 March 2023.
(9) Remuneration details for 2023 for the period 22 March 2023 – 30 June 2023.
(10) Remuneration details for 2023 for the period 01 July 2022 – 21 March 2023.
(11) Remuneration details for 2023 for the period 22 March 2023 – 30 June 2023.
(12) Remuneration details for 2023 for the period 30 September 2022 – 30 June 2023.
(13) Remuneration details for 2023 for the period 01 July 2022 – 29 September 2022.

2022 Notes

(14) Remuneration details for 2022 for the period 01 July 2021 – 30 October 2021.
(15) Remuneration details for 2022 for the period 27 September 2021 – 30 June 2022.
(16) Remuneration details for 2022 for the period 01 July 2021 – 30 June 2022.
(17) Remuneration details for 2022 for the period 09 April 2022 – 30 June 2022.

Principles used to determine the nature and amount of remuneration

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

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

Relationship between remuneration and entity's performance

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

Service Contracts

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

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

Impact of remuneration contracts on future periods

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

Directors

Principles used to determine the nature and amount of remuneration

Director remuneration is determined periodically by the Governor in Council under Schedule 1 Part 3 of the *Government Owned Corporations Act 1993.*

Superannuation

Directors receiving personal payments are also entitled to superannuation contributions.

Relationship between remuneration and entity's performance

Directors receive Director fees and committee fees only. No performance payments are made to Directors.

KMP remuneration policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's *Members' Remuneration Handbook.* CS Energy does not bear any cost of remuneration of Ministers.

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

Remuneration
Details of the remuneration of each Director of CS Energy Limited are set out in the following table:

Name	Position	Year	Salary & Fees(1) $'000	Post Employment Benefits(2) $'000	Total $'000
Adam Aspinall	Chair/Non-Executive Director	**2023**	**25**	4	**29**
Jim Soorley	Chair/Non-Executive Director	**2023**	**80**	**10**	**90**
		2022	88	8	96
Brian Green	Non-Executive Director	**2023**	**45**	**6**	**51**
		2022	45	4	49
Julie-Anne Schafer	Non-Executive Director	**2023**	**9**	**1**	**10**
		2022	41	4	45
Toni Thornton	Non-Executive Director	**2023**	**39**	**5**	**44**
		2022	41	4	45
Christina Sutherland	Non-Executive Director	**2023**	**44**	**6**	**50**
		2022	38	4	42
Total 2023		**2023**	**242**	**32**	**274**
Total 2022		**2022**	**253**	**24**	**277**

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

Section 8: Other information

Note 21 - Remuneration of auditors

	Consolidated		Parent	
	2023 $000	2022 $000	2023 $000	2022 $000
Audit and other assurance services				
Auditor-General of Queensland (1)	525	460	525	460
Crowe (2) (4)	9	8	-	-
PwC (3) (4)	42	42	-	-
Deloitte (5) (6) / KPMG (7)	28	25	-	-
Total audit and other assurance service fees	**604**	**535**	**525**	**460**

The amounts above are GST exclusive.

(1) The audit of the 2023 financial statements of the Group was conducted by the Auditor-General of Queensland.
(2) Crowe audits Callide Power Trading.
(3) PricewaterhouseCoopers audits Callide Power Management.
(4) Callide Power Trading and Callide Power Management fees represent 50% of CS Energy's share in the joint operations.
(5) Figure is representative of the Group's 50% share of audit fees for the Alinta joint venture as advised.
(6) Deloitte completed the 2022 Alinta joint venture financial statements audit.
(7) KPMG completed the 2023 Alinta joint venture financial statements audit.

Note 22 - Commitments

Capital commitments

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

	Consolidated		Parent	
Capital commitments	2023 $'000	2022 $'000	2023 $'000	**2022** $'000
Within one year	311,551	95,777	292,250	90,423
Later than one year, but no later than five years	11,468	16,904	6,932	16,904
Total capital commitments	**323,019**	**112,681**	**299,182**	**107,327**

Joint venture commitments

Commitments relating to Joint Venture arrangement contracted for at the reporting date but not recognised as liabilities.

	Consolidated		Parent	
Joint venture commitments	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Within one year	99,196	47,859	-	-
Later than one year, but not later than five years	38,201	41,786	-	-
Total joint venture commitments	**137,397**	**89,645**	**-**	**-**

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.

Directors and executives (A) (continued)

	Consolidated		Parent	
	2023 $	2022 $	2023 $	2022 $
Department of Transport and Main Roads QLD	-	36,401	-	22,661
Total	**-**	**36,401**	**-**	**22,661**

Parent entities

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

Investments in controlled entities

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

Transactions with related parties & State controlled entities (B)

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

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenue				
Revenue from State of Queensland controlled entities for the sale of electricity	**624,300**	382,582	**624,300**	382,582
Operations and maintenance received from Joint Venture	**-**	-	**62,741**	51,021
Operations and maintenance received from CleanCo TSA	**-**	106	**-**	106
Interest received on deposits from Queensland Treasury Corporation	**1,774**	2	**1,774**	2
Total	**626,074**	**382,690**	**688,815**	**433,711**
Expenses				
Competitive neutrality fee paid to Queensland Treasury	**(8,179)**	(5,774)	**(8,179)**	(5,774)
Interest on Queensland Treasury Corporation borrowings	**(36,182)**	(21,473)	**(31,350)**	(21,473)
Costs paid to State of Queensland controlled entities	**(264,726)**	(369,712)	**(244,515)**	(361,094)
NTER PAYG Instalments received from/paid to Queensland Treasury (1)	**5,102**	21,478	**5,102**	21,478
Total	**(293,985)**	**(375,481)**	**(278,942)**	**(366,863)**
Assets				
Trade receivables due from subsidiaries and IGPC	**12,230**	-	**10,551**	5,939
Trade receivables from State of Queensland controlled entities	**10,460**	17,543	**7,645**	17,543
Advances facility held with Queensland Treasury	**84,328**	-	**84,328**	-
Total	**107,018**	**17,543**	**102,524**	**23,482**
Liabilities				
Trade payables to State of Queensland controlled entities	**15,679**	63,803	**15,291**	63,548
Borrowings from Queensland Treasury Corporation	**1,141,510**	891,778	**1,141,510**	891,778
Total	**1,157,189**	**955,581**	**1,156,801**	**955,326**

(1) National Tax Equivalent Regime (NTER). Current year included a refund amounting to $5.10 million related to the prior year,

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

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

Loans to and from the Parent Entity from other entities in the consolidated CS Energy closed Group:

	Parent	
	2023 $'000	2022 $'000
Balance at 1 July	**253,919**	584,816
Loans advanced	**1,115,804**	458,840
Loan repayments received	**(875,839)**	(777,105)
Loans payable	**(18,699)**	(12,632)
Total loans receivable	**475,185**	**253,919**

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 2023 (2022 - nil).

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

Outstanding balances are unsecured and are repayable in cash.

Note 24 - Contingencies

The Group had contingent assets and liabilities at 30 June 2023 in respect of:

Contingent assets
Insurance proceeds

The Group expects to receive Business Interruption insurance proceeds for lost earnings during the period 25 May 2021 up until the date of the return to service of the Callide Unit C4, up to a maximum period of 24 months. CS Energy also expects to receive Material Damage insurance proceeds to offset the cost to rebuild the Callide Unit C4. CS Energy has notified the Australian Energy Market Operator that the Callide Unit C4 will remain offline for a period of 36 months until May 2024. While the recoverability of insurance proceeds is considered to be probable, the process of submitting and closing out a claim with insurers is progressing, and remains open as at 30 June 2023. The recoverability of insurance proceeds is therefore not virtually certain at 30 June 2023 and in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets,* has not been recognised as a receivable as at the end of the 2023 financial year.

Contingent liabilities
Guarantees

Guarantees are issued to third parties to support trading obligations. All guarantees are provided in the form of unconditional undertakings provided by QTC. The total value of guarantees issued to third parties was $305.0 million (2022: $218.7 million). The fair value of these guarantees is $ nil (2022: $ nil).

PFAS

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

CS Energy continued to monitor sample the water quality around Callide Power Station and supported the local community with Landlord property sampling. In addition, CS Energy has initiated soil remediation at the power station to avoid further seepage of PFAS to underground water and increased the capacity of the seepage recovery.

AER notices

On 8 September 2022 Callide Power Trading (CPT), a subsidiary within the Group, was issued a notice from the Australian Energy Regulatory (AER) relating to a potential breach of Callide C4 Generator Performance Standards relating to an incident on 25 May 2021. CS Energy Ltd has a 50% ownership of CPT and is exposed to any potential penalties through its share ownership and funding structures. CPT continues to work with the AER to resolve the matter.

Note 25 - Equity accounted investments

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Equity accounted investments	**1**	1	**-**	-

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

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

Note 26 - Investment and interest in subsidiaries

	Consolidated		Parent	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Investment in subsidiaries	-	-	**51,815**	51,815

These assets are carried at cost.

The Group has an interest in the following entities:

			2023	2022
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 Colleries 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
T75 Segregated Cell	Bermuda	Non-voting, redeemable preference	100	100
CSE BESS Pty Ltd Australia	Australia	Ordinary	100	100
CS Energy Financial Services Pty Ltd (2)	Australia	Ordinary	100	100
CSE H2 Operations Pty Ltd (3)	Australia	Ordinary	100	100
CSE H2 Pty Ltd	Australia	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.
(2) Formerly CS Energy Group Operations Holdings Pty Ltd.
(3) Formerly CS Energy Oxyfuel Pty Ltd.

CS Energy has entered into an arrangement to self-insure risks in relation to certain property damages and business interruptions to CS Energy and its subsidiaries. The self-insurance arrangement was entered into between CS Energy and White Rock Insurance (SAC) Limited for itself and acting in respect of its segregated account designated as T75 CS Energy (T75 Segregated Cell), to cover the costs, up to $105.3 million, of certain property damages and business interruptions.
White Rock Insurance (SAC) Ltd (WRI) is a company incorporated in Bermuda.

The T75 Segregated Cell is not a separate legal entity from White Rock Insurance (SAC), however it has been assessed to be a deemed separate entity controlled by CS Energy under the contractual arrangement entered into between CS Energy and WRI. CS Energy has funded the initial set-up of the T75 Segregated Cell.

To support initial and ongoing self-insurance activities, CS Energy has provided a parent company guarantee totalling $105.3 million as at 30 June 2023 (2022: $60.4 million).

Note 27 - Joint operations

Incorporated Joint Operations

			2023	2022
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

Unincorporated Joint Operations

CS Energy Limited through its subsidiary entity, Callide Energy Pty Ltd is a 50% owner of the Callide C Power Station through the unincorporated Callide Power Project Joint Venture.

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

Note 28 - Deed of cross guarantee

Pursuant to ASIC Instrument 2016/785 dated 17 December 2016, the wholly-owned subsidiaries listed above are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' report.

It is a condition of the Class Order that CS Energy Limited and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001.* If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The financial position of the Group as at 30 June 2023, is equal to the financial position of the entities subject to the Deed of Cross Guarantee. It should be noted that the closed group is covered under the deed except for T75 Segregated Cell.

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 2023.

CS Energy Limited (and controlled entities)

Directors' declaration

30 June 2023

In the directors' opinion:

(a) The consolidated financial statements and notes set out on pages 46 to 101 are in accordance with the *Corporations Act 2001,* including:

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

(ii) Giving a true and fair view of the company's and Group entity's financial position as at 30 June 2023 and of their performance for the year ended on that date.

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

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

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

Adam Aspinall
Chair

Toni Thornton
Director

Brisbane
25 August 2023

Auditor's Independence declaration

Queensland Audit Office
Better public services

AUDITOR'S INDEPENDENCE DECLARATION

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 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

IAsim

Irshaad Asim
as delegate of the Auditor-General
25 August 2023

Queensland Audit Office
Brisbane

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Members of CS Energy Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of CS Energy Limited (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2023 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 2023, 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 material accounting policy information, and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards,* which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General Auditing Standards.* I am also independent of the parent and group in accordance with the auditor independence requirements of the *Corporations Act 2001.*

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Queensland Audit Office
Better public services

Carrying value of power stations

Refer to Note 14 in the financial report

Key Audit Matter	How my audit addressed the key audit matter
The group and parent company held property, plant and equipment totalling $1,082 million and $136 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: - the principles outlined in Queensland Energy and Jobs Plan (QEJP) and Queensland SuperGrid Infrastructure Blueprint (the Blueprint) including the proposed timing for conversion of the thermal power stations to clean energy hubs - forecasted electricity demand - wholesale electricity prices - renewable energy targets - fuel costs - timing of overhaul and sustaining capital expenditure - planned plant retirements • discount rate The impairment on the Callide B power station of $83.6 million represented an increase in overhaul expenditure over the forecast period.	My procedures included, but were not limited to: • assessing the reasonableness of the scenarios and assumptions under which the cashflows are modelled. • assessing the reasonableness of the process applied by management in allocating the probability weightings to each of the price curves. • assessing the reasonableness of the cash flow forecasts relative to corporate plans, AEMO published data and other relevant supporting information. • assessing the design, integrity and appropriateness of the discounted cash flow models used to assess the recoverable amount of the company and group's power station assets. • evaluate the scope, competency, and objectivity of management's internal experts used to provide the key assumption adopted by management. These assumptions included forecast electricity prices, demand and generation. • testing the mathematical accuracy of the discounted cash flow models. • engaging an auditor's expert to assist me assessing the reasonableness of: - management's adopted methodology and assumptions in constructing the forward electricity price curve. - discount rate and inflation rates applied. • evaluating whether forecasted generation was reasonable, with reference to available market data. • performing a retrospective review of the accuracy of estimates made by management in the discounted cash flow models used in the previous year. • reviewing the appropriateness of the impairment reversal to the group and company assets. • assess the appropriateness of the disclosures included in Note 14 of the financial statements.

Queensland Audit Office
Better public services

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

Refer to Note 16 in the financial report

Key Audit Matter	How my audit addressed the key audit matter
Onerous contract provision The Gladstone IPPA contract is an onerous contract in the company and the group's financial statements. The provision of $187.2 million is estimated using a discounted cash flow model, which required the exercise of significant judgement in determining the key assumptions supporting the model, including: • forecasted electricity demand • wholesale electricity prices • generation • unavoidable costs related to the contract • discount rate.	My procedures related to the provision for the Gladstone IPPA onerous contract included, but were not limited to: • assessing the design, integrity and appropriateness of the discounted cash flow model used to measure the provision. • testing the consistency of assumptions used in the discounted cash flow model to the assumptions used in the model for the carrying value of power stations (above). • assessing the competence, capability and objectivity of management's internal and external experts used in measuring the provisions. • engaging an auditor's expert to assist me in assessing the reasonableness of: - management's adopted methodology and assumptions in constructing the forward electricity price curve. - discount rate applied.
Rehabilitation and site closure provisions The $230.2 million provision for rehabilitation and site closures relates to the group's power station sites, mine sites, ash dams and renewable assets. 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 activities taking into account the principles outlined in QEJP and the Blueprint • inflation rate used to escalate the cash flows • discount rate applied.	My procedures related to the provision for rehabilitation and site closures included, but were not limited to: • assessing the design, integrity and appropriateness of the discounted cash flow model used to measure the provision • evaluating the scope, competency and objectivity of the group's external expert used to provide the estimated costs of rehabilitation • evaluating the timing used in the calculations of the provision for consistency with the proposed site closures disclosed in: - 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.

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Measurement of derivative financial instruments and designation of hedging instruments

Refer to Note 6 in the financial report

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

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Other Information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in CS Energy Limited's annual report for the year ended 30 June 2023 was the directors' report.

Those charged with governance are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Responsibilities of the company's directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.

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- 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.

IAsim

25 August 2023

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Glossary and abbreviations

Term	Definition
AIFR	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.
Equivalent availability factor	Total hours a unit was available for a defined period divided by the total hours in the same defined period.
GJ	Gigajoule (one GJ = one billion joules)
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.
IPPA	Interconnection and Power Pooling Agreement.
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.
PFAS	Per-and poly-fluoroalkyl substances is a group of manufactured chemicals present in firefighting foams that were historically used at various Australian sites including civil airports, defence bases, ports and large industrial sites.
QEJP	Queensland Energy and Jobs Plan.
SEI	Significant Environmental Incidents – incidents that have a significant impact on the environment or resulted in enforcement action by a regulator.
TW	Terrawatt (one TW = one million megawatts)
Underlying EBIT	Earnings before interest, tax, and significant items.
Underlying EBITDA	Underlying EBIT before depreciation and amortisation.
Underlying interest cover	Underlying EBIT divided by interest and finance charges.
Underlying return on capital employed	Underlying EBIT divided by total debt plus total equity. Total debt represents non-current borrowings. Total equity excludes reserves.
Unplanned outage factor	A measure of a unit's lost capacity to generate due to forced or maintenance outages or de-ratings.

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