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REDBANK ENERGY

ASX Release

27 September 2013

REDBANK ENERGY LIMITED (ASX:AEJ)

REDBANK ENERGY CONSOLIDATED ANNUAL FINANCIAL REPORT TO 30 JUNE 2013

Further to the release of the preliminary financial results as disclosed in the Appendix 4E dated 3 September 2013, attached is the Consolidated Annual Financial Report of Redbank Energy Limited for the year ended 30 June 2013.

ENDS

Further Information:
Richard Butler
Chairman & Company Secretary - Redbank Energy Limited
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Redbank Energy Group

Consolidated Annual Financial Report

30 June 2013

Redbank Energy Group

Annual Financial Report

For the year ended 30 June 2013

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Directors' report

The Directors of Redbank Energy Limited (REL or the Company) and its consolidated entities (REG or the Group) present their Directors' report together with the consolidated financial statements for the year ended 30 June 2013.

The Company together with its subsidiaries form Redbank Energy Group, a security traded on the Australian Securities Exchange (ASX code: AEJ).

Directors

The following persons were Directors of REL at any time during the year, up to the date of this Directors' report:

Mr R Butler (Chairman)	appointed 13 July 2011
Mr S D Maher	appointed 13 July 2011
Mr T C A Plutsky	appointed 12 August 2011
Mr V Artamonov	appointed 12 August 2011

Each of the four appointed directors either holds directly or are representatives of organisations that hold significant equity interests in the Group.

Particulars of the qualifications, experience and special responsibilities of the Directors at the date of this report are set out below:

Mr R Butler – Non-Executive Director – Chairman

Richard Butler joined REL as a Non–Executive Director in July 2011. Richard is a shareholder of Redbank Energy Limited. He currently works as a consultant in the areas of finance and law. Prior to working as a consultant, Mr Butler worked as a commercial barrister in NSW, and holds degrees in Economics and Law (Hons) from the University of Sydney.

Mr S D Maher – Non-Executive Director

Simon Maher joined REL as a Non–Executive Director in July 2011. Simon has a Bachelor of Electrical Engineering (Hons.) from the University of New South Wales and an MBA from the University of Sydney. Simon controls a substantial shareholding in Redbank Energy.

Simon is currently the Chief Operating Officer of Bronte Capital, a Sydney based global fund manager he co-founded in 2008. From 1998 to 2005, Simon was the CEO of Southern Hydro which operated 736MW of hydro, diesel peaking and wind capacity across Victoria, New South Wales and South Australia. Subsequent to Southern Hydro, Simon worked at Babcock & Brown from November 2006 to September 2008 on wind power and Asian infrastructure projects.

Prior to Southern Hydro, Mr Maher was the General Manager - Energy Trading & Retailing at CitiPower and a member of the working group responsible for the design of the Australian power market.

Mr T C A Plutsky - Non-Executive Director

Todd Plutsky joined REL as a Non–Executive Director in August 2011. Todd is a Managing Partner at Coastal Investment Management, L.P., an investment management firm. Todd is also a Director of Coastal Capital International, Ltd., which is a substantial shareholder of Redbank Energy and an active investor in Australian infrastructure businesses.

Prior to founding Coastal, Todd was an Analyst at Ivory Capital in Los Angeles, a multi-billion dollar investment firm, where he was responsible for sourcing special situation opportunities and spearheaded various investments in the U.S., Europe, and Latin America. Todd also previously worked in investment banking at J.P. Morgan in New York where he advised on the mergers and acquisitions and strategic transactions of several notable companies.

Todd graduated magna cum laude with a B.A. from Northwestern University in Economics and Political Science, with a Juris Doctor from the Harvard Law School, and with an M.B.A. from the Harvard Business School.

Mr V Artamonov - Non-Executive Director

Vlad Artamonov joined REL as a Non–Executive Director in August 2011. Vlad is a Managing Partner at Coastal Investment Management, L.P., an investment management firm. Vlad is also a Director of Coastal Capital International, Ltd., which is a substantial shareholder of Redbank Energy and an active investor in Australian infrastructure businesses.

Vlad is also a director of Karolinksa Development AB (SE).

Prior to founding Coastal, Vlad was an Analyst at Greenlight Capital in New York, a multi-billion dollar value-oriented investment firm. At Greenlight, Vlad was responsible for originating and researching numerous investment ideas that resulted in substantial investments by Greenlight. During his tenure, Vlad spent a considerable amount of time analyzing financials, energy and power, chemicals, logistics, consumer products, and technology companies globally.

Previously, Vlad worked at Merrill Lynch, where he was an integral member of an investment banking team advising U.S. and international companies on acquisitions, divestitures, strategic minority investments, joint ventures, and leveraged buyouts.

Vlad graduated magna cum laude with a B.S.E. from the Wharton School at the University of Pennsylvania and with an M.B.A. from the Harvard Business School.

Company Secretary

The Company Secretary of REL during the year up until his resignation on 5 March 2013 was Mr John Remedios. John was principally responsible for the company secretarial function and corporate governance requirements of the Redbank Energy Group. Prior to joining Redbank Energy, John was a Senior Legal Counsel for AMP Capital Investors and held various company secretarial positions including Company Secretary of AMP Life Limited and Assistant Company Secretary of AMP Limited. John holds Bachelor of Economics and Bachelor of Law (Hons.) degrees from the University of Sydney and is a Member of the Law Society of New South Wales.

Mr Richard Butler, the current Chairman of REL, was appointed to the role of Company Secretary following John's resignation.

Principal activities

The principal activity of the Group is the ownership and management of a power generation asset.

Distributions

REL has not paid any distributions and does not expect to be in a position to do so for the foreseeable future.

Going concern

The financial information presented in this Consolidated Financial Report has been prepared on the basis that the Group and REL, the Group's ultimate parent entity are going concerns for financial reporting purposes.

The Group had a net current asset deficiency as at 30 June 2013 of $157,357,000 (2012: net current asset deficiency $166,113,000) and net assets of $16,143,000 (2012: net asset deficiency of $12,780,000). The net current deficiency is as a result of the classification of the external borrowings of $192,746,000 (2012: $206,270,000) as a current liability for the reasons explained below.

Redbank Project Pty Limited (Redbank Project) is the Group's operating subsidiary which holds the Redbank Power Station and which has its own project finance facility (Redbank Credit Facility).

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to work to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013.

The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond 31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated. Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are currently formulating a revised proposal for a permanent restructure and is currently awaiting further details.

If negotiations with the lenders for a permanent restructure are ultimately unsuccessful and the lenders withdraw their support, it is likely the Group would not be able to meet its financial obligations when they fall due and payable. As such, in the absence of a finalised long-term agreement, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, in those circumstances it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board continues to assess a range of options for the future of the Group's business, and reiterates its commitment to identifying and implementing a strategy that secures the Group's longer term future. As noted above, the negotiations with the lenders have been progressing. The directors regularly monitor and review the Group's operating and financial performance, including the profile of its debt facilities and forecast cash flows. On this basis, the Board has determined that it is appropriate that the Consolidated Financial Report be prepared on the basis that the Group is a going concern.

Impairment

Non-current assets of the Redbank Power Station have been assessed for impairment on the basis of the discounted long-term cash flows related to its operations. The impact of this at 30 June 2013 has been the recognition of an impairment expense for property, plant and equipment and intangibles related to the Group of $47,111,000. The impairment was recognised against property, plant and equipment ($43,773,000) and intangible assets ($3,338,000).

The recoverable amount of the Cash Generating Unit (CGU) was determined using the value-in-use calculation. Management determined budgeted cash flows based on expectations for future prospects in each operating segment. In performing the value-in-use calculations for the CGU, the Group has applied pre-tax discount rates to discount the forecast future cash flows. The pre-tax discount rate used was 11.22% (30 June 2012: 11.22%) reflecting the risk estimates for the Company as a whole.

The impairment expense includes the impact of changes in expected forward electricity prices and the cost of carbon reflecting the implementation of the Clean Energy Act.

Review of operations

Corporate structure matters

The Group's only external debt obligation is the Redbank Credit Facility, a project finance obligation of Redbank Project.

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. New facilities were also obtained, comprising a $2,500,000. liquidity facility and a $3,000,000 working capital facility, both provided by a subset of the existing lender group. The facilities were initially for a term of 12 months and were available to support the liquidity and working capital requirements of Redbank Project.

Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013. The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond 31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated.

Other consequences of the expiry of the bank support period include:

- the $3,000,000 working capital facility and $2,500,000 liquidity facility, which were undrawn as at 31 May 2013, are no longer available to Redbank Project;
- Redbank Project's financial covenant testing thresholds have reverted to those set under the Redbank Credit Facility prior to entry into the BSA; and
- several reporting and co-operation obligations in respect of the lenders and their advisors are no longer required.

Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are formulating a revised proposal for a permanent restructure and is currently awaiting further details.

Operating performance

Redbank Project contributed $26,400,000 (2012: $26,300,000) Management EBITDA to 30 June 2013.
In summary:

- Generator Earnings were 0.25% ($300,000) (2012: 5.5% ($3,600,000)) below budget.
- Total fuel costs were 5.6% ($2,900,000) (2012: 10.59% ($1,700,000)) below budget.
- Other Operating Costs were 17.4% ($4,400,000) (2012: 1.27% ($300,000)) above budget.
- These costs include: Unplanned Maintenance; Finance and Administration Costs; and Refinancing and Transaction Costs.
- Labour and Management Costs and General Plant Expenditure were 4.7% ($400,000) (2012: 1.14% ($100,000)) over budget.
- Compliance, Licences and Fees, Planned Outage Maintenance and Stockpile Maintenance were 10.2% ($800,000) (2012: 35.3% ($2,400,000)) under budget.

Redbank Project's Management EBITDA reconciles to the segment information in Generation EBITDA ($28,508,000) disclosed on page 32 after adding back allocation of other corporate costs of $2,125,000 which are included in the Generation segment expenses. Management EBITDA has not been subject to any specific review procedures by our auditor.

Arbitration with Ausgrid

During the year ended 30 June 2013, Redbank Project was in dispute with Ausgrid, a NSW Government-owned utility. The dispute related to the entitlement of Redbank Project to pass through to Ausgrid under the Power Purchase and Hedge Agreement the costs incurred under the Commonwealth Government's Clean Energy Act 2011. Redbank Project considered that it was entitled to pass these costs through to Ausgrid, and Ausgrid took a contrary view. The matter went to formal arbitration in December 2012. In April 2013, Redbank Project received the award in the arbitration, in which Redbank Project was successful and was also awarded its costs in the proceedings.

Significant changes to the state of affairs

During the year ended 30 June 2013 there were no significant changes to the state of affairs of the Group other than those disclosed in the financial statements and notes thereof.

Matters subsequent to end of the financial year

In July 2013, Redbank Project received a summons filed by Ausgrid in the Supreme Court of New South Wales seeking preliminary discovery of documents in Redbank Project's possession relating to the energy generation outage that occurred at the Redbank Power Station between 29 January 2012 and 23 March 2012 ("January 2012 Outage").

The request for discovery of documents relates to a dispute between Redbank Project and Ausgrid as to the cause of the January 2012 Outage and its impact on the quantum of payments which Ausgrid is obliged to make under the Power Purchase and Hedge Agreement ("PPHA") for the 2013 calendar year. Redbank Project has been in correspondence with Ausgrid on this issue since the January 2012 Outage. Redbank Project holds the view that:

1. Ausgrid has not issued a valid notice to reduce the contract amount for the 2013 contract year; and
2. the January 2012 Outage is correctly characterised as a "Force Majeure" event as defined in the PPHA.

The effect of the failure to issue a valid notice or this characterisation is that Ausgrid would be obliged to continue to pay the full contract amount under the PPHA for the 2013 contract year.

Ausgrid has not agreed that it failed to issue a valid notice or that the January 2012 Outage is correctly characterised as a "Force Majeure" event. Ausgrid has alleged in the papers filed in the preliminary discovery proceedings that if the January 2012 Outage was not a "Force Majeure" event then Ausgrid would be entitled to reduce the amount it pays to Redbank Project under the PPHA or seek restitution of the amounts alleged to be overpaid. Ausgrid says that this amount is likely to be approximately $11,280,000 over the 2013 calendar year.

Notwithstanding this dispute, throughout the course of 2013 to date Ausgrid has continued to pay Redbank Project based on the full contract amount under the PPHA.

Ausgrid had stated that the purpose of the summons is to seek to obtain documents to enable it to evaluate whether in its opinion the January 2012 Outage is covered by the Force Majeure provisions of the PPHA and in turn whether or not it should commence proceedings against Redbank Project in respect of the dispute.

The matter regarding preliminary discovery of documents is fixed for hearing on 31 October 2013 and if Redbank Project was unsuccessful in its defence and ordered to make restitution, the impact on its financial performance is likely to be material.

No provision has been recognised in the 30 June 2013 financial statements of the Group in respect of this dispute.

Approximately 25% of Redbank Credit Facility debt was traded by lenders with Redbank Project's consent in two transactions completed in June 2013 and July 2013 respectively. Pursuant to these transactions, Merrill Lynch purchased from Bankwest a stake of approximately 4% and from Bank of Scotland International a stake of approximately 21% of the total debt outstanding under the Redbank Credit Facility.

Future developments

Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure of its financing arrangements. It has been informed that its lenders are formulating a revised proposal for a permanent restructure and is currently awaiting further details.

REMUNERATION REPORT (Audited)

REMUNERATION REPORT FOR THE YEAR TO 30 JUNE 2013

This report outlines the remuneration philosophy and framework currently applicable to REG in the year to 30 June 2013.

The information in this remuneration report has been audited in accordance with the requirements of section 308(3C) of the *Corporations Act 2001*.

REMUNERATION POLICY & APPROACH

Upon the implementation of the Court and Shareholder approved Scheme of Arrangement on 29 March 2011, the scale of REG's business reduced significantly. REL ceased to employ executive management (i.e. their employment either ceased or they transferred to the new owners of the transferred business), and REL is now currently serviced by its Board of Directors and a range of externally contracted service providers. The usual business approach of recruiting, retaining and rewarding the best available employees to meet the organisation's ongoing and strategic objectives is not appropriate for REL, having regard to its single asset structure, its constrained access to resourcing, its limited agenda and its ongoing commercial negotiations with the Redbank Project financiers to secure REG's immediate future.

Having regard to these circumstances facing the REG business and the extent to which external service providers have been engaged to assist with the conduct of the business, it is not envisaged that a remuneration committee will perform a material role for REL. Should any remuneration related issues arise, they will be dealt with by the REL Board as a whole.

In addition, REL is not in the S&P/ASX 300 Index and is therefore not required by ASX Listing Rule 12.8 to have a remuneration committee.

KEY MANAGEMENT PERSONNEL

As a consequence of the implementation of the abovementioned Court and Shareholder approved Scheme of Arrangement, REG ceased to employ any Key Management Personnel (KMP) in an executive capacity. The Board of Directors of REL has the authority and responsibility for planning, directing and controlling the activities of REG, and each Director is a KMP for the year to 30 June 2013. The KMPs for the year to 30 June 2013 are as follows:

Mr R Butler (Chairman)	Director (appointed 13 July 2011; appointed as Chairman on 12 August 2011)
Mr S D Maher	Director (appointed 13 July 2011)
Mr T C A Plutsky	Director (appointed 12 August 2011)
Mr V Artamonov	Director (appointed 12 August 2011)

Remuneration report (continued)

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL FOR THE 2013 FINANCIAL YEAR

Details of the nature and amount of each element of the emoluments of each KMP of REG for the years ended 30 June 2013 and 2012 are set out in the table below.

		Short-term benefits					Post-Employment benefits	Termination benefits	Other long term benefits		Share based Payments		TOTAL
	Year	Non-executive Director fees (REL)^^	Consultancy Fees (Redbank Project)	Executive Director Salary (Redbank Project)	Bonus	Total of short term benefits+	Superannuation	Severance payments	Long term incentive payment	Long service leave liability	Equity settled	Cash settled	
		$	$	$	$	$	$	$	$	$	$	$	$
Key management personnel													
Mr Richard Butler^	**2013**	**-**	**-**	**330,830**	**100,000**	**430,830**	**19,170**	**-**	**-**	**-**	**-**	**-**	**450,000**
	2012	189,808	-	-	-	189,808	17,328	-	-	-	-	-	207,136
Mr Simon Maher**	**2013**	**-**	**234,750**	**-**	**200,000**	**434,750**	**-**	**-**	**-**	**-**	**-**	**-**	**434,750**
	2012	100	-	-	-	100	-	-	-	-	-	-	100
Mr Todd Plutsky	**2013**	**70,000**	**-**	**-**	**-**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr Vlad Artamonov	**2013**	**70,000**	**-**	**-**	**-**	**70,000**	**-**	**-**	**-**	**-**	**-**	**-**	**70,000**
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr Len Gill*	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2012	15,500	-	-	-	15,500	1,395	-	-	-	-	-	16,895
Mr Peter Kinsey*	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2012	11,833	-	-	-	11,833	1,065	-	-	-	-	-	12,898
Mr Rod Keller*	**2013**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2012	11,833	-	-	-	11,833	1,065	-	-	-	-	-	12,898
Total remuneration for key management personnel	**2013**	**140,000**	**258,225**	**330,830**	**300,000**	**1,005,580**	**19,170**	**-**	**-**	**-**	**-**	**-**	**1,024,750**
	2012	229,074	-	-	-	229,074	20,853	-	-	-	-	-	249,927

* During FY 2012, each of these directors served as REL Board members between 1 July 2011 and 12 August 2011.

** During FY 2013, an entity Mr Maher controls was paid consultancy fees for consulting services to Redbank Project performed by Mr Maher. This included a bonus for his role in contributing to the successful resolution of the carbon pass through dispute with Ausgrid.

^ During FY 2013, Mr Butler was paid a salary as executive director of Redbank Project. This included a bonus for his role in overseeing the successful resolution of the carbon pass through dispute with Ausgrid.

^^ The shareholder approved maximum aggregate amount of fees payable to non-executive REL Directors is currently $750,000.

+ Of the aggregate short term benefits, only the director fees paid to Messrs Plutsky and Artamonov, totalling $140,000, fall within the shareholder approved aggregate fee pool.

Remuneration report (continued)

EXECUTIVE EMPLOYMENT CONTRACTS

Richard Butler is employed as the managing director of Redbank Project and is party to an executive employment contract. As required by section 300A(1)(e)(vii) of the *Corporations Act 2001*, the key terms of Mr Richard Butler's contract during the reporting period contained the conditions below:

Length of contract	• Two years, subject to review
Base remuneration	• Fixed annual remuneration.
Incentives and other benefits	• Bonus payable upon the achievement of a successful resolution of the carbon pass through dispute arbitration with Ausgrid.
Termination of employment	• May be terminated by REL or by Mr Butler on notice in writing to the other party.

INDEPENDENT DIRECTORS

There were no Independent Directors of REG during the 30 June 2013 financial year.

NON-INDEPENDENT DIRECTORS

The following persons were Non-Independent Directors of REG during the financial year and up to the date of this report:

Mr R Butler (Chairman)	appointed 13 July 2011
Mr S D Maher (Non-Executive Director)	appointed 13 July 2011
Mr T C A Plutsky (Non-Executive Director)	appointed 12 August 2011
Mr V Artamonov (Non-Executive Director)	appointed 12 August 2011

REMUNERATION POLICY AND STRUCTURE

During the 2013 financial year, Messrs Plutsky and Artamonov received a cash fee for service in the form of director fees.

Mr Butler did not receive any fees as a director of REL but was paid a salary as an executive director of Redbank Project. Mr Butler was also paid a bonus for his role in overseeing the successful resolution of the carbon pass through dispute with Ausgrid, and statutory superannuation in respect of his role as an executive director of Redbank Project.

Mr Maher did not receive any fees as a director of REL but an entity he controls was paid consultancy fees, including a bonus, for consultancy services provided to Redbank Project by Mr Maher. The bonus was paid as a result of Mr Maher's role in contributing to the successful resolution of the carbon pass through dispute with Ausgrid. During this time there was a requirement for expert strategic advice and support to the legal team in relation to the PPHA, the power and carbon markets and related derivatives.

The total level of cash remuneration paid to the Directors of REL and Redbank Project was subject to a review by an independent remuneration consultant as well as being the subject of review and approval by the REL and RPPL Board (although each Director did not take any part in the consideration and approval of his own particular fee).

The remuneration consultant which conducted the remuneration review at the request of the REL and Redbank Project Board was Hay Group. The appointment of Hay Group was the subject of a formal Board resolution at REL and Redbank Project level as required under section 206K of the Corporations Act 2001 (Cth), and the REL and Redbank Project Directors are satisfied that the remuneration recommendation provided by Hay Group during the year was free from undue influence. All communications between REL, Redbank Project and Hay Group in relation to the remuneration advice sought was subject to strict guidelines, including that information provided to Hay Group must not be selective or unbalanced, or imply that future work was contingent on Hay Group providing a particular recommendation. The remuneration advice sought was one-off and limited in nature, and this is reflected in the consideration paid by REL and Redbank Project to Hay Group being $9,860.

In addition, Hay Group provided a formal declaration confirming that its advice to REL and Redbank Project (to the extent that it constituted a remuneration recommendation under the Corporations Act 2001 (Cth)) was made free from undue influence by the REL and Redbank Project Directors to whom the advice related. On this basis, the Board is satisfied that the recommendation was made free from any undue influence.

Any fees paid or payable to the REL Directors must fall within the shareholder approved aggregate fee pool. The current maximum aggregate amount which may be paid to all non-executive REL Directors is $750,000 per annum. In the 2013 financial year, non-executive REL Directors were paid aggregate fees of $140,000. The benefits paid to Mr Butler were in his capacity as executive director of Redbank Project, and the benefits paid to the entity controlled by Mr Maher were

Remuneration report (continued)

generated in Mr Maher's capacity as consultant to Redbank Project, and so in neither case do they count towards the shareholder approved aggregate fee pool.

The source of funding for the payment of benefits to the Directors is drawn from both Redbank Energy Limited and Redbank Project.

DIRECTORS' MEETINGS

A very large number of meetings were held between the directors of REL during the year ended 30 June 2013. Often over particularly busy periods like January 2013, the directors met multiple times in less than a week. All REL Board meetings were by telephone conference as two REL directors Todd Plutsky and Vlad Artamonov are located in California and New York respectively. Given the large number of meetings that occurred during the 2012/13 financial year and the circumstances under which they were held, not all board meetings were formally convened. Further, Richard Butler and Simon Maher, as directors of Redbank Project the wholly owned subsidiary of REL met frequently to discuss the operations and affairs of the company.

The number of formal REL Board meetings held during the year ended 30 June 2013, and the number of formal meetings attended by each Director, are as follows:

Board or Committee	Redbank Energy Board Meetings		Audit Committee Meetings	
Held / Attended	H	A	H	A
Richard Butler	9	9	2	2
Simon Maher	9	9	2	2
Todd Plutsky	9	9	2	2
Vlad Artamonov	9	9	2	2

- Columns H indicate the number of meetings held while the relevant director was a member of the Board / Committee
- Columns A indicate the number of those meetings attended by that director

Remuneration of Directors for the years ended 30 June 2013 and 2012

Details of the nature and amount of each element of the emoluments of each Director of REG for the years ended 30 June 2013 and 2012 are set out in the table below.

	Year	Short-term benefits				Post-employment benefits	Total+
		Non-Executive Director Fees^^	Executive salary	Consultancy Fees	Bonus	Super-annuation	
Directors							
Mr L F Gill (Chairman) (until 12 August 2011)*	**2013**	-	-	-	-	-	-
	2012	15,500	-	-	-	1,395	16,895
Mr P M Kinsey (until 12 August 2011)*	**2013**	-	-	-	-	-	-
	2012	11,833	-	-	-	1,065	12,898
Mr R H Keller (until 12 August 2011)*	**2013**	-	-	-	-	-	-
	2012	11,833	-	-	-	1,065	12,898
Mr R L Butler (from 13 July 2011; Chairman from 12 August 2011)^	**2013**	-	**330,830**	**-**	**100,000**	**19,170**	**450,000**
	2012	189,808	-	-	-	17,328	207,136
Mr S D Maher (from 13 July 2011)**	**2013**	**-**	**-**	**234,750**	**200,000**	**-**	**434,750**
	2012	100	-	-	-	-	100
Mr T C A Plutsky (from 12 August 2011)	**2013**	**70,000**	**-**	**-**	**-**	**-**	**70,000**
	2012	-	-	-	-	-	-
Mr V Artamonov (from 12 August 2011)	**2013**	**70,000**	**-**	**-**	**-**	**-**	**70,000**
	2012	-	-	-	-	-	-

Total Remuneration for Directors	**2013**	**140,000**	**330,830**	**258,075**	**300,000**	**19,170**	**1,024,750**
	2012	229,074	-	-	-	20,853	249,927

* During FY 2012, each of these directors served as REL Board members between 1 July 2011 and 12 August 2011.

** During FY 2013, an entity controlled by Mr Maher was paid consultancy fees for consulting services to Redbank Project performed by Mr Maher. This included a bonus for his role in contributing to the successful resolution of the carbon pass through dispute with Ausgrid.

^ During FY 2013, Mr Butler was paid a salary as executive director of Redbank Project. This included a bonus for his role in overseeing the successful resolution of the carbon pass through dispute with Ausgrid.

^^ The shareholder approved maximum aggregate amount of fees payable to non-executive REL Directors is currently $750,000.

\+ Of the aggregate short term benefits, only the director fees paid to Messrs Plutsky and Artamonov, totalling $140,000, fall within the shareholder approved aggregate fee pool.

Indemnification of officers and auditors

REG has agreed to indemnify each director, alternate and officer on a full indemnity basis against all losses and liabilities incurred in their role as a director, alternate or officer (including for legal costs incurred in preparing for, conducting or defending legal actions). This indemnity is subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* or any other law, or to the extent that the loss or liability is covered by insurance. REG has not been advised of any claims under any of the abovementioned indemnities.

During the financial year, REG has paid an insurance premium for a directors' and officers' liability insurance contract that provides cover for current and former directors, secretaries and officers of REG and its controlled entities. REG has also paid an insurance premium for a defence costs insurance policy. The directors have not included details of the nature or limit of the liabilities covered in respect of these insurance policies nor the amount of the premiums paid, as disclosure of these matters is prohibited under the terms of the particular contracts.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

Environmental regulation

REG is subject to environmental regulations under both Commonwealth and State legislation, including the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*. The directors are satisfied that REG has adequate systems in place for the management of its environmental responsibilities and compliance under its various licence requirements and regulations. The directors are not aware of any material breaches of these environmental requirements as they apply to REG and to the best of their knowledge and enquiries all activities have been undertaken in compliance with environmental regulations.

Carbon Scheme

The Federal Government introduced a Carbon Scheme which commenced from 1 July 2012. Redbank Project received cash assistance in June 2012 for the first year of the Scheme, and expected to receive further assistance in the form of free carbon permits in subsequent years under the Scheme. However, there is now material uncertainty regarding the ongoing status of the current Carbon Scheme, and Redbank Project continues to closely monitor developments in this area.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	2013 $	2012 $
Transaction Support Services		
PricewaterhouseCoopers Australian firm:		
Due diligence services	-	-
Audit of regulatory returns and accounting advice	-	55,715
Total remuneration for other assurance services	-	55,715
Other services		
PricewaterhouseCoopers Australian firm:		
Advisory Services	57,500	-
Total remuneration for other services	57,500	-
Total remuneration for non-audit services	57,500	55,715

Auditors independence declaration

The auditor's independence declaration is included on page 13 and forms a part of the Director's report.

Rounding off of amounts

The Company is of a kind referred in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and the Financial Report are rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Richard Butler

Mr R Butler
Director

Dated at Sydney this 27th day of September 2013.

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Auditor's Independence Declaration

As lead auditor for the audit of Redbank Energy Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Robert Baker

Robert Baker
Partner
PricewaterhouseCoopers

27 September 2013

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Redbank Energy Group
Consolidated statement of comprehensive income
For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue from continuing operations	7	89,614	61,858
Other income	7	8,784	816
Net gain on disposal of business		-	26,958
Financing income	7	766	760
Total income		**99,164**	**90,392**
Operating expenses	7	(71,610)	(36,615)
Depreciation and amortisation expense	7	(11,959)	(11,472)
Finance costs	7	(16,873)	(17,807)
Fair value gain on derivatives	7	31,002	49,729
Impairment losses	7	(47,111)	(72,592)
Total expense from ordinary activities		**(116,551)**	**(88,757)**
Profit/(loss) before income tax		**(17,387)**	**1,635**
Income tax benefit	8	46,310	6,274
Profit for the year		**28,923**	**7,909**
Profit attributable to security holders as:			
Equity holders of the Company		**28,923**	7,909
		28,923	**7,909**
Other comprehensive income from continuing operations			
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year		**28,923**	**7,909**
Profit/(loss) and other comprehensive income attributable to security holders are as follows:			
Equity holders of the Company		**28,923**	7,909
		28,923	**7,909**
		Cents	**Cents**
Earnings per share of the parent based on earnings attributable to the equity holders of the parent			
Basic earnings per share	9	3,678.43	1,005.85
Diluted earnings per share	9	3,678.43	1,005.85

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated statement of financial position
For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	25	5,400	16,634
Trade and other receivables	11	12,577	8,919
Derivative financial instruments	6	26,402	24,738
Inventories	12	2,524	2,535
Other assets	13	1,697	1,786
Non-current assets classified as held for sale		-	-
Total current assets		**48,600**	**54,612**
Non-current assets			
Derivative financial instruments	6	120,462	91,124
Property, plant and equipment	14	61,329	114,542
Intangibles	15	4,727	8,536
Other assets	13	18,433	19,753
Total non-current assets		**204,951**	**233,955**
Total assets		**253,551**	**288,567**
Current liabilities			
Trade and other payables	16	12,306	13,429
Borrowings	19	192,746	206,270
Employee benefits	18	905	1,026
Total current liabilities		**205,957**	**220,725**
Non-current liabilities			
Deferred tax liabilities	8	10,303	56,613
Employee benefits	18	105	118
Provisions	17	21,043	23,891
Total non-current liabilities		**31,451**	**80,622**
Total liabilities		**237,408**	**301,347**
Net (deficit)/assets		**16,143**	**(12,780)**
Equity holders of the Company – REL			
Contributed equity	21	656,224	656,224
Reserves	22	1,038,409	1,038,409
Accumulated losses	23	(1,678,490)	(1,707,413)
Total equity		**16,143**	**(12,780)**

The above statements of financial position should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated statement of changes in equity
For the year ended 30 June 2013

	Contributed equity	Reserves	Retained earnings	Total equity attributable to stapled security holders	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	**656,224**	**1,038,409**	**(1,715,322)**	**(20,689)**	**-**	**(20,689)**
Total comprehensive income for the year	**-**	**-**	**7,909**	**7,909**	**-**	**7,909**
Transactions with owners in their capacity as owners:						
Shares issued	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2012	**656,224**	**1,038,409**	**(1,707,413)**	**(12,780)**	**-**	**(12,780)**

	Contributed equity	Reserves	Retained earnings	Total equity attributable to security holders	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**656,224**	**1,038,409**	**(1,707,413)**	**(12,780)**	**-**	**(12,780)**
Total comprehensive income for the year	**-**	**-**	**28,923**	**28,923**	**-**	**28,923**
Transactions with owners in their capacity as owners:						
Shares issued	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2013	**656,224**	**1,038,409**	**(1,678,490)**	**16,143**	**-**	**16,143**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated statement of cash flows
For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		94,936	67,963
Payments to suppliers and employees (inclusive of GST)		(71,711)	(37,739)
Interest received		766	715
Interest and other costs of finance paid		(16,767)	(17,475)
Net cash inflow from operating activities	25	**7,224**	**13,464**
Cash flows from investing activities			
Payment for property, plant and equipment		(4,934)	(2,328)
Proceeds from sale of subsidiaries (net of cash and cash equivalents disposed of)		-	(1,851)
Net cash (outflow) from investing activities		**(4,934)**	**(4,179)**
Cash flows from financing activities			
Repayment of borrowings		(13,524)	(13,289)
Net cash (outflow) from financing activities		**(13,524)**	**(13,289)**
Net decrease in cash and cash equivalents		**(11,234)**	**(4,003)**
Cash and cash equivalents at the beginning of the year		16,634	20,638
Cash and cash equivalents at the end of the year	25	**5,400**	**16,634**

The above statements of cash flows should be read in conjunction with the accompanying notes.

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1. Corporate information

The financial statements of the Redbank Energy Group (REG or Group) for the year ended 30 June 2013 were authorised in accordance with a resolution of directors on 27 September 2013.

The ultimate parent entity of REG consolidated group, is Redbank Energy Limited (REL), an Australian public company listed on the Australian Securities Exchange (ASX). REG trades under the ASX ticker code of "AEJ".

These REG financial statements consist of the consolidated financial statements of Redbank Energy Limited and its controlled entities.

The nature of operations and principal activities of the Group are described in the Directors' report.

2. Summary of accounting policies

The principal accounting policies adopted in the presentation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Redbank Energy Limited and its subsidiaries.

(a) Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board on a going concern basis. The consolidated financial statements have also been prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

The consolidated financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Going concern basis of preparation

The financial information presented in this Consolidated Financial Report final report has been prepared on the basis that the Redbank Energy Group (Group) and Redbank Energy Limited (REL), the Group's ultimate parent entity are going concerns for financial reporting purposes.

The Group had a net current asset deficiency as at 30 June 2013 of $157,357,000 (2012: net current asset deficiency $166,113,000) and net assets of $16,143,000 (2012: net asset deficiency of $12,780,000). The net current deficiency is as a result of the classification of the external borrowings of $192,746,000 (2012: $206,270,000) as a current liability for the reasons explained below.

Redbank Project Pty Limited (Redbank Project) is the Group's operating subsidiary which holds the Redbank Power Station and which has its own project finance facility (Redbank Credit Facility).

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to work to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013.

The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond 31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated.

Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are currently formulating a revised proposal for a permanent restructure and is currently awaiting further details.

2. Summary of accounting policies (continued)

Going concern basis of preparation (continued)

If negotiations with the lenders for a permanent restructure are ultimately unsuccessful and the lenders withdraw their support, it is likely the Group would not be able to meet its financial obligations when they fall due and payable. As such, in the absence of a finalised long-term agreement, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, in those circumstances it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board continues to assess a range of options for the future of the Group's business, and reiterates its commitment to identifying and implementing a strategy that secures the Group's longer term future. As noted above, the negotiations with the lenders have been progressing. The directors regularly monitor and review the Group's operating and financial performance, including the profile of its debt facilities and forecast cash flows. On this basis, the Board has determined that it is appropriate that the Consolidated Financial Report be prepared on the basis that the Group is a going concern.

Compliance with IFRS

The consolidated financial statements of Redbank Energy Limited comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Parent entity financial information

The financial information for the parent entity, Redbank Energy Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Tax consolidation legislation

REL and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity and the controlled entities in the respective tax consolidated groups continue to account for their own current and deferred tax amounts. These tax amounts are initially measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 8.

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) wholly-owned tax consolidated entities.

(ii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Certain areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements include estimates in respect of recognition of deferred tax assets (note 8), impairment testing of goodwill and non-current assets (note 15 and above), valuation of site restoration provisions (note 17), valuation of electricity derivatives (note 6) and the fair value of loans for Redbank Energy Limited (note 35).

The assumptions used in calculating the above estimates are disclosed in the relevant accounting policies and notes to the financial statements. The actual results may differ from these estimates.

2. Summary of accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements are those of the consolidated entity, comprising Redbank Energy Limited (the "Company" or "parent entity") including all subsidiaries that Redbank Energy Limited controlled from time to time during the period and at the reporting date. Redbank Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Where an entity either began or ceased to be controlled during the financial period, the results are included only from the date control commenced or up to the date control ceased.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. The Group's investment in associates includes goodwill (net of any impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interest

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Group.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised as a profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2. Summary of accounting policies (continued)

(c) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions at the acquisition date. This includes the separation of embedded derivatives from the host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through the profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in the profit and loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(d) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The operating segments have been identified based on the information provided to the chief operating decision maker, being the Board of Directors (the "Board").

Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial statements.

(e) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Transactions and monetary assets and liabilities

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date on that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are

2. Summary of accounting policies (continued)

(e) Foreign currency translation (continued)

repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(f) Rounding

The Company is of a kind referred to in Class order 98/0100, 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 Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of any bank overdrafts.

Cash assets are stated at nominal values. Any bank overdrafts are shown within borrowings in the current liabilities section on the balance sheet and are carried at nominal values. Interest on bank overdrafts is recognised as an expense as it occurs.

Cash that is reserved and its use specifically restricted for maintenance and/or debt servicing under the Group's borrowing agreements is defined as restricted cash. All cash and cash equivalents are shown as current assets.

(h) Trade receivables

All trade debtors are recognised initially at fair value, less any subsequent provision for doubtful debts. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible, are written off. A provision for doubtful debts (allowance account) is established when there is objective evidence of impairment. Financial difficulties of the debtor, default payments or debtors over 90 days overdue are considered objective evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows from short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the provision is recognised in the income statement within other expenses. When a trade receivable for which a provision has been recognised becomes uncollectible in a subsequent period, it is written off. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Where inventory is sold in the ordinary course of business net realisable value is the estimated selling price, less the estimated cost of completion and selling expenses.

Cost is measured in the following manner depending on the nature of inventory:

Coal from production

Coal stocks which are produced are valued using unit cost of production and include direct material, labour, transportation costs and other fixed and variable overhead costs directly related to production.

Purchased fuel

Purchased fuel is valued at cost using the First In First Out (FIFO) method.

Stores

All other inventory, including stores are valued on a weighted average cost basis.

(j) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

2. Summary of accounting policies (continued)

(j) Investments and other financial assets (continued)

Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

Interest free loans which are expected to mature in a period beyond 12 months are recognised at their amortised cost value. Loans are discounted at their effective interest rate having regard to the repayment schedule determined at the loans inception. Discounts from the nominal face value of the loan are recognised as finance costs in the profit and loss account or in the case of a loan from a parent entity, the initial discount is recognised as an investment in the subsidiary.

Interest income is recognised using the effective interest method over the life of the loan. Amounts credited to interest income are debited to the loan receivable amount as the discount is unwound.

The repayment profile of interest free loans is reviewed at each balance date, holding the initial effective interest rate constant. Changes in the discounted value of the loan as a result of changes in the repayment profile are recognised as either finance income or cost.

The carrying values of interest free loans are assessed at each balance date. If there is evidence of impairment for any of the loans receivable measured at amortised cost, an impairment loss is measured as the difference between the loans carrying amount and an estimate of its recoverable amount. Any excess in carrying value over the recoverable amount is recognised as an impairment charge.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Reclassification of financial instruments at fair value through profit or loss

Financial assets that are no longer held for trading, other than those designated as fair value through profit or loss on initial recognition or derivatives, can be reclassified out of this category to the following categories:

(i) Loans and receivables – if the financial asset has fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its investment except through credit deterioration, and the intention is to hold them for the foreseeable future.

(ii) Held to maturity – if the intention is to hold them to maturity and only in rare circumstances.

(iii) Available for sale – only in rare circumstances.

Rare circumstances arise from a single event that is unusual and unlikely to recur in the near term.

2. Summary of accounting policies (continued)

(j) Investments and other financial assets (continued)

For financial assets that have been reclassified out of the fair value through profit or loss category, the Group assesses on the date of the transfer whether the financial asset contains an embedded derivative. Where a financial asset contains an embedded derivative whose economic characteristics and risks are not closely related to those of the host instrument, the embedded derivative is separated and measured separately at fair value with changes in the fair value recognised in profit or loss. The assessment is to be made on the basis of the circumstances that existed on the later of:

- the date when the entity first became a party to the contract and,
- the date at which a change occurs in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract.

Where the fair value of the embedded derivative that would be separated on reclassification cannot be reliably measured, the entire hybrid financial instrument must remain classified as at fair value through profit or loss.

Impairment of financial assets

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant and prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

If there is any evidence of impairment of any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Land and buildings are shown at historical cost, less depreciation for buildings. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the assets 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.

Generating plant is required to be overhauled on a regular basis. This is managed as part of a continuous major maintenance program. The costs associated with major cyclical maintenance programs are capitalised and amortised over the periods between maintenance cycles. The cost of general minor maintenance is charged as an expense as incurred. Where significant parts are replaced the cost of these parts are capitalised and amortised in line with their useful life. Any residual carrying amounts of parts previously capitalised which are replaced are written off immediately.

Land is not depreciated. Depreciation of non-land assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Asset type	Depreciation term	Asset Class
Buildings	25 – 40 years	Land & buildings
Leasehold improvements	Remaining lease term	Land & buildings
Power generation plant	20 – 40 years	Plant & equipment
Railway infrastructure	Remaining lease term (15 years)	Plant & equipment
Tools and equipment	5 – 20 years	Plant & equipment
Vehicles	3 – 10 years	Plant & equipment
Other mine assets	5 – 20 years	Plant & equipment
IT equipment	3 – 5 years	Plant & equipment
Furniture & fittings	5 years	Furniture, fittings and equipment

The carrying value of power generation plant includes any capital work in progress.

Assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. Summary of accounting policies (continued)

(k) Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

Costs incurred in relation to assets under construction are deferred to future periods. Deferred costs are transferred to property, plant and equipment from the time the asset is held ready for use on a commercial basis.

Deferred costs are amortised from the commencement of the project to which they relate on a straight-line basis over the period of the expected benefit.

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill is allocated to each of the cash generating units expected to benefit from the Group's operating synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Licences

Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives. Depending on the individual trademark or licence, the estimated useful life ranges between 3 and 30 years.

Other

Other intangibles include computer software. Computer software is either purchased or developed within the organisation and is recorded at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method over the estimated useful lives. Depending on the individual software, the estimated useful life ranges between 1 and 20 years.

(m) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have historically suffered impairment are reviewed for possible reversal of any previous impairment at each reporting date.

(n) Leased assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

(i) REL and its controlled entities as lessee

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and

2. Summary of accounting policies (continued)

(n) Leased assets (continued)

Operating leases (continued)

benefits of ownership of the leased item, are recognised as an expense on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as part of the total lease expense.

(ii) REL and its controlled entities as lessor

The minimum lease payments of operating leases are recognised as income on a straight line basis over the term of the lease. Where long-term power supply agreements are treated as operating leases and REG is the lessor, income is recognised on a straight line basis over the term of the supply agreement.

Finance leases

(i) REL and its controlled entities as lessor

Investment in direct finance leases consists of lease receivables, plus the estimated residual value of the equipment at the lease termination dates and initial direct costs incurred in acquiring the leases, less unearned income. Lease receivables represent the total rent to be received over the term of the lease reduced by rent already collected. Initial unearned income is the amount by which the original sum of the lease receivable and the estimated residual value exceeds the original cost of the leased equipment. Unearned income is amortised to lease income over the lease term in a manner that produces a constant rate of return on the net investment in the lease.

(o) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. Except for assets such as deferred tax assets, assets arising from employee benefits, financial assets at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(p) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days of recognition.

(q) Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the consideration received (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate.

Ordinarily borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

2. Summary of accounting policies (continued)

(q) Borrowings (continued)

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to the passage of time is recognised as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Restoration / rehabilitation and environmental expenditure

The estimated cost of dismantling and removing an asset and restoring the site are included in the cost of the asset as at the date the contractual or environmental obligation first arises and to the extent that it is first recognised as a provision.

The cost is capitalised where it gives rise to future benefits, whether rehabilitation is expected to occur over the life of the plant or at the time of closure. The capitalised cost is amortised over the life of the plant and the increase in the net present value of the provision, due to one less time period of discounting, is included in borrowing costs.

The provision is reviewed at each balance sheet date and the liability is measured at the amount required to settle the present obligation at the reporting date, discounted where material. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Remediation costs associated with unforeseen circumstances, such as oil leakages are recognised as incurred.

(s) Employee benefits

Wages and salaries, annual leave, long service leave

Liabilities for wages and salaries, including annual leave, long service leave and other benefits are recognised in provision for employee entitlements in respect of employee's services up to the reporting date when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Provisions made in respect of employee benefits that can be reasonably expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of expected future wage and salary levels, experience of employee departure and the period of service provided by employees. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in liabilities when it is probable that the liability will be settled and there are formal terms in place to determine the amount of the benefit, or the amount of the benefit has been determined before the time of completion of the financial statements. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Retirement benefit obligation

All employees of the Group are entitled to benefits from various superannuation plans on retirement, disability or death. Since the de-leveraging transaction in 2011, within the retirement benefit plans in the subsidiaries of the Group there are only defined contribution plans. The defined contribution plans receive fixed contributions from Group entities and the Group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

2. Summary of accounting policies (continued)

(s) Employee benefits (continued)

Employee benefit on-costs

Employee benefit on-costs, including payroll tax are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out.

(t) Contributed equity

Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of new securities are shown in equity as a deduction, net of tax, from the proceeds.

(u) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Electricity generation revenue is recognised on the delivery of energy and/or in accordance with individual contracts as appropriate. Revenue from rolling hedges is recognised as the underlying hedge transaction occurs. For further information refer to segment information at note 4.
- When revenues are generated by an asset under construction, to the extent they are earned before the asset is capable of being used in a manner intended by management, they are set off against the carrying value of that asset. Alternatively revenue is recognised in the income statement when the significant risks and rewards of the product have passed to the Group from the developer and the Group attains the right to be compensated.
- Interest income is recognised using effective interest method.
- Dividend income is recognised when the dividend is received.
- Sale of asset gains/losses recognised at the time title is transferred or when an irrevocable contract to deliver the asset has been signed, the price is fixed and determinable, and collectability is highly probable. This occurs when the risks and rewards associated with the asset have been transferred and there is no longer effective control or continuing managerial involvement in the asset.

(v) Dividends or distributions

Provision is only made for the amount of any dividend or distribution when they are declared by the directors on or before balance date but which have not been distributed at balance date.

(w) Tax

Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income or loss. It is calculated using the tax rates and tax laws that have been enacted (or substantively enacted) by the reporting date, 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, and for unused tax losses.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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 by 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; no deferred tax asset or liability is recognised in relation to those temporary differences that arose in a transaction, other than business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

2. Summary of accounting policies (continued)

(w) Tax (continued)

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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances which have arisen on amounts recognised directly in equity are also recognised directly in equity. Hence the equity transaction is shown net of tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(x) GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other current receivables or payables in the balance sheet.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(y) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted the new standard is not expected to significantly affect the Group's financial results as the Group currently does not hold any available-for-sale financial assets or any financial liabilities that are designated at fair value through profit or loss.

(b) AASB 10 Consolidated Financial Statements

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The preliminary analysis undertaken indicates that the Group does not expect the new standard to have a significant impact on its composition. The Group will adopt AASB 10 from 1 July 2013.

(c) AASB 11 Joint Arrangements

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate will no longer be permitted. Parties to a joint operation will account for their share or revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group currently does not have any joint ventures or joint operations so the new standard is not expected to have an impact on the financial position or performance of the Group. The Group will adopt AASB 11 from 1 July 2013.

(d) AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the required disclosures for entities reporting under the two new standards AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of AASB 12 by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investment. The Group will adopt AASB 12 from 1 July 2013.

(e) AASB 13 Fair Value Measurement

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group is yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group will adopt AASB 13 from 1 July 2013.

(f) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The revised standard and amendments make a number of changes to how defined benefits are accounted for and the definition of short-term employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor approach'), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability of asset. This replaces the expected return on plan assets that is currently included in profit or loss. The Group currently does not have any defined benefit liabilities/assets so the new standard is not expected to have an impact on the financial position or performance of the Group. The revised standard changes the definition of short-term employee benefits to 'expected to' as opposed to 'due to' be settled within 12 months. The Group will adopt the revised standard from 1 July 2013.

4. Segment information

The application of AASB 8 requires disclosure of information about the Group's operating segments on the same basis as that used for internal reporting. The chief operating decision-maker of the Group is the Board of Directors ('the Board'). The Group assesses the performance of its operations principally on the basis of normalised earnings before interest, tax, depreciation and amortisation ('Management EBITDA'). The Board considers the performance of the Generation business in assessing the performance of the Group and making decisions about the allocation of resources. Segment disclosures have been presented on this basis.

Generation - This segment incorporates the coal fired power generation asset of the Group.

Generation revenue includes:

- Movement in derivative financial contract valuations that occur as a result of reassessments of the value of hedge contracts throughout the period, due to changes in pool prices. The profit and loss charge is applicable to contracts realised during the period as well as future dated contracts;
- Unhedged revenue including pool revenue payments from the Australian Energy Market Operator (AEMO) where there is no hedge in place that covers the electricity sold to earn that pool revenue;

Other activities

The Group also operates a corporate function which is not considered to be an operating segment as it does not earn revenue from its activities. The impact of the corporate function is reported in 'Other activities'. In addition, abnormal amounts relating to business restructuring reside in 'Other activities'.

a) Segment performance

The Group's operations are in Australia. The segment information provided to the Board of Directors for the year ended 30 June 2013 is as follows:

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
30 June 2013				
Revenue from external customers	98,398	-	-	98,398
Inter-segment revenue [(1)]	-	2,263	(2,263)	-
Total segment revenue	**98,398**	**2,263**	**(2,263)**	**98,398**
Management EBITDA	**28,508**	**(1,720)**	**-**	**26,788**
30 June 2012				
Revenue from external customers	61,858	816	-	62,674
Inter-segment revenue [(1)]	-	1,746	(1,746)	-
Total segment revenue	**61,858**	**2,562**	**(1,746)**	**62,674**
Management EBITDA	**26,272**	**(213)**	**-**	**26,059**

The Board assesses the performance of the operating segments based on a measure of Management EBITDA. This measurement excludes the effects of any impairment loss and changes in fair value of financial derivatives. The Group's assets and liabilities are reported on a consolidated basis.

[(1)] Revenue earned between segments is recognised in inter-segment revenue and is eliminated to reconcile to the Group result.

4. Segment information (continued)

b) Segment assets

	Generation Aust $'000	Other Aust $'000	Elimination[1] $'000	Total $'000
30 June 2013				
Total segment assets	**249,227**	**12,929**	**(8,605)**	**253,551**
Total assets includes: Additions to non-current assets (other than financial assets and deferred tax)	**5,176**	**-**	**-**	**5,176**
Total segment liabilities	**236,112**	**34,478**	**(33,182)**	**237,408**
30 June 2012				
Total segment assets	**280,975**	**14,114**	**(6,342)**	**288,567**
Total assets includes: Additions to non-current assets (other than financial assets and deferred tax)	**2,328**	**-**	**-**	**2,328**
Total segment liabilities	**298,565**	**34,834**	**(32,052)**	**301,347**

[1]Eliminations relate to intercompany transactions between entities within the group.

4. Segment information (continued)

c) Reconciliation of Management view EBITDA to Statutory EBITDA:

	Generation Aust	Other Aust	Elimination	Total
	$'000	$'000	$'000	$'000
30 June 2013				
Management EBITDA	**28,508**	**(1,720)**	**-**	**26,788**
Impairment	(43,773)	(3,338)	-	(47,111)
Mark to market derivative movements	31,002	-	-	31,002
Management adjustments	**(12,771)**	**(3,338)**	**-**	**(16,109)**
Statutory EBITDA	**15,737**	**(5,058)**	**-**	**10,679**
Net finance costs				(16,107)
Taxation				46,310
Amortisation and depreciation				(11,959)
Profit from continuing operations				**28,923**

	Generation Aust	Other Aust	Elimination	Total
	$'000	$'000	$'000	$'000
30 June 2012				
Management EBITDA	**26,272**	**(213)**	**-**	**26,059**
Impairment	(68,159)	(4,433)	-	(72,592)
Gain on disposal of business	-	26,958	-	26,958
Mark to market derivative movements	49,729	-	-	49,729
Management adjustments	**(18,430)**	**22,525**	**-**	**4,095**
Statutory EBITDA	**7,842**	**22,312**	**-**	**30,154**
Net finance costs				(17,047)
Amortisation and depreciation				(11,472)
Taxation				6,274
Profit from continuing operations				**7,909**

5. Financial risk management

(a) Financial risk management objectives

Exposure to credit, liquidity, interest rate and electricity market prices arise in the normal course of business. The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes, rather it enters into these products to manage its exposure to the electricity market. A focus of the Group's overall risk management program is on these classes of risk to ensure their potential adverse impact on the Group's financial performance is overseen, managed and controlled appropriately.

REG has appropriate principles and policies in place which address the financial risks affecting the Group.

As a result of the disposal of the Alinta Energy business in the prior year, the Group is no longer exposed to foreign exchange risk.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to these financial statements.

(c) Market risk

(i) Energy price risk management

The Group is exposed to energy price risk, which arises from its merchant generation in the National Electricity Market.

Redbank has a long term power purchase agreement with Ausgrid for the sale of power for a period of 30 years from the commencement of the power station's operation. Under the terms of the contract, the fixed price per mega-watt hour is escalated by the forecast future cost of carbon and annually using agreed CPI indices. There are contract provisions to ensure the supply of an agreed volume of energy into the grid with penalties should these conditions not be met. Under AASB 139, the Group recognises a derivative asset equal to the estimated fair value of the power purchase derivative.

The following table summarises the details of energy price derivatives outstanding at reporting date:

	Hedge maturity profile (years)						
	Less than 1 year **$'000**	1 to 5 years **$'000**	5+ years **$'000**	**Fair value of derivatives Asset / (Liability) $'000**	**Fair value in cash flow hedges $'000**	**Fair value not in hedge relationship $'000**	**Impact on income statement gain/(loss) $'000**
2013							
Electricity derivatives	26,402	95,293	25,169	146,864	-	146,864	31,002

	Hedge maturity profile (years)						
	Less than 1 year **$'000**	1 to 5 years **$'000**	5+ years **$'000**	**Fair value of derivatives Asset / (Liability) $'000**	**Fair value in cash flow hedges $'000**	**Fair value not in hedge relationship $'000**	**Impact on income statement gain/(loss) $'000**
2012							
Electricity derivatives	24,738	58,928	32,196	115,862	-	115,862	49,729

Energy price risk sensitivity

The following table summarises the impact of increases/decreases of the relevant forward prices for wholesale market electricity prices for the Group, while all other variables were held constant:

2013	**Increase by 10% $'000**	**Decrease by 10% $'000**
Profit / (loss) before tax	(30,437)	30,437
Other component of equity increase/(decrease)	-	-
2012		
Profit / (loss) before tax	(39,268)	39,268
Other component of equity increase/(decrease)	-	-

5. Financial risk management (continued)

(c) Market risk (continued)

(i) Energy price risk management (continued)

The movement in profit / (loss) before tax is attributable to an increase/decrease in the fair value of energy derivative instruments which are economic hedges but do not satisfy the requirements for hedge accounting. The movement in equity is due to an increase/decrease in the fair value of energy hedging instruments designated as cash flow hedges.

(ii) Interest rate risk

Redbank's long term debt is provided by the Redbank Credit Facility Agreement. The Redbank Credit Facility is provided at fixed interest rates. The Group is exposed to floating interest rates through cash balances held.

(d) Credit risk

All of the Group's electricity generation revenue is paid or payable by government instrumentalities and accordingly credit risk is considered to be inherently low.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk.

The following financial assets are past due as at reporting date:

Loans and receivables	Past due not impaired					Past due impaired	Collateral held
	1-30	31-60	61-90	91-120	Over 120		
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2013	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-

(e) Liquidity risk

Responsibility for the Group's liquidity risk management rests with the Board of Directors which monitors the Group's liquidity needs in terms of long, medium and short-term funding requirements. REL's policy in managing liquidity risk is to ensure that it always has sufficient liquidity to meet its obligations as they fall due as well as to accommodate unforeseen cash requirements. The Board of Directors recognises that the Group has significant short term debt maturities that need to be refinanced.

The following tables detail the remaining contractual maturity for the Group's financial liabilities, on an undiscounted basis.

Financial Liabilities		**Less than 1 year $'000**	**1 to 5 years $'000**	**5+ years $'000**	**Discount $'000**	**Total $'000**
Trade payables	2013	3,228	-	-	-	**3,228**
	2012	3,064	-	-	-	**3,064**
Other payables	2013	9,077	-	-	-	**9,077**
	2012	10,365	-	-	-	**10,365**
Interest bearing liabilities	2013	192,746	-	-	-	**192,746**
	2012	206,270	-	-	-	**206,270**

(f) Capital risk management

The Group manages its capital through an appropriate mix of debt and equity. The capital structure of the Group as at balance date consists of total corporate facilities, and equity, comprising issued capital, reserves, and accumulated losses as listed in notes 21, 22 and 23. The quantitative analysis of each of these categories of capital is provided in their respective notes to these financial statements.

6. Derivative Financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition, measurement and disclosure purposes. REG has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires the disclosure of financial instruments in specific categories depending upon the degree of subjectivity involved in their valuation. The three categories are as follows:

- 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 (as prices) or indirectly (derived from prices);
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

REG's derivative financial instruments are categorised under the above classifications as follows:

	30 June 2013				30 June 2012			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets								
Electricity derivatives	-	-	146,864	**146,864**	-	-	115,862	**115,862**
Total assets	**-**	**-**	**146,864**	**146,864**	**-**	**-**	**115,862**	**115,862**

Electricity derivatives

Electricity derivatives are financial instruments which are recognised at fair value through the statement of comprehensive income.

This balance comprises the PPHA derivative relating to Redbank. Redbank has a long term power purchase agreement with Ausgrid for the sale of power for a period of 30 years from the commencement of the power station's operation. Under the terms of the contract, the fixed price per mega-watt hour is escalated by the forecast future cost of carbon and annually using agreed CPI indices. There are contract provisions to ensure the supply of an agreed volume of energy into the grid with penalties should these conditions not be met. Under AASB 139, the Group recognises a derivative asset equal to the estimated fair value of the power purchase derivative. At 30 June 2013 the value of this derivative has increased by $31,002,000 to $146,864,000. At 30 June 2012 the value of this derivative had increased by $49,729,000 to $115,862,000. Holding other assumptions constant, a reasonably possible increase in the forward prices of electricity by 1% would result in a decrease in the value of the derivative by $3,043,739.

Factors that have contributed to the change in the value of the derivative include changes in forecast market electricity prices as well as the successful outcome in the arbitration with Ausgrid in regards to the dispute concerning the entitlement under the PPHA of Redbank Project passing through to Ausgrid costs incurred under the Clean Energy Act 2011. This successful outcome in the arbitration means that the contract strike price is adjusted to reflect the liability imposed on Redbank by the Clean Energy Act 2011 in relation to the Contract Amount covered by the PPHA.

Liabilities								
Interest rate derivatives	-	-	-	**-**	-	-	-	**-**
Foreign exchange derivatives	-	-	-	**-**	-	-	-	**-**
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

6. Derivative Financial instruments (continued)

Level 3 derivatives – additional information

The following tables present the changes in the Group's Level 3 derivative financial instruments for the years ended 30 June 2013 and 30 June 2012.

2013

Assets	**Electricity Derivatives $'000**	**Total $'000**
Opening balance	115,862	**115,862**
Recognised as profit or (loss)	31,002	**31,002**
Closing balance	**146,864**	**146,864**

2012

Assets	**Electricity Derivatives $'000**	**Total $'000**
Opening balance	66,133	**66,133**
Recognised as profit or (loss)	49,729	**49,729**
Closing balance	**115,862**	**115,862**

7. Profit from operations

	2013 $'000	2012 $'000
Revenue		
Revenue from the sale of energy products	89,614	61,858
Other income	8,784	816
	98,398	62,674
Financing income		
Interest income		
Bank deposits	766	760
	766	760

	2013 $'000	2012 $'000
Profit before income tax has been arrived at after charging the following expenses:		
Operating expenses:		
Operating costs	52,750	22,431
Corporate and administrative costs	11,190	6,690
Employee benefit expenses		
Salaries and wages	7,670	7,494
	71,610	36,615
Impairment losses		
Property, plant and equipment (note 14) [(1)]	43,773	67,691
Intangibles (note 15) [(1)]	3,338	4,901
	47,111	72,592
Depreciation and amortisation		
Depreciation of property, plant and equipment (note 14)	11,487	10,771
Amortisation of intangible assets (note 15)	472	701
	11,959	11,472
Finance costs:		
Interest expense – external third parties	16,584	17,475
Unwinding of discount on provisions	106	332
Other borrowing costs	183	-
	16,873	17,807
Derivative movement		
Fair value gain on Redbank PPHA derivative [(2)]	31,002	49,729
	31,002	49,729

[(1)] Impairment charges of $47,111,000 were recognised against the property, plant and equipment and intangible assets associated with the Redbank Project cash generating unit. In the 2012 comparative period, an impairment charge of $72,592,000 was recognised against the property, plant and equipment and intangible assets of the Redbank Project cash generating unit. Refer to note 15 for further discussion on impairment.

[(2)] The non-cash derivative movement reported in the accounts represents an assessment of the present value of the difference between the Redbank PPHA value and the projected value of the gross revenue Redbank could potentially achieve if they sold electricity on market over the theoretical whole of remaining life of the contract. At no time can and will this derivative instrument calculation impact the cash position or underlying profits generated by the operations of REG. The impact of the Federal Government's Carbon Scheme which commenced on 1 July 2012 has been included in the calculation of the Redbank PPHA contract.

8. Income tax benefit

	2013 $'000	2012 $'000
(a) Income tax benefit		
Current tax expense/(benefit)	(533)	1,324
Deferred tax	(46,310)	(6,277)
Under/(over) provided in prior year	533	(1,321)
	(46,310)	(6,274)
Deferred income tax benefit included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(27,303)	955
(Decrease)/increase in deferred tax liabilities	(19,007)	(7,232)
	(46,310)	(6,277)
(b) Reconciliation of income tax benefit to prima facie tax payable		
Net profit/(loss) before income tax	(17,387)	1,635
Tax at the Australian tax rate of 30% (2012: 30%)	(5,216)	491
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	-	948
Uplift in tax cost of PPE relating to consolidation	(41,471)	-
De-recognition of deferred tax assets	-	1,791
Under/(over) provision in prior years	533	(1,321)
Disposal of investments in subsidiaries	-	(8,087)
Other	(156)	(96)
Income tax (benefit)	(46,310)	(6,274)
Income tax (benefit) is attributable to:		
Continuing operations	(46,310)	(6,274)
Discontinued operations	-	-
	(46,310)	(6,274)

(c) Tax consolidation legislation

Redbank Energy Limited (REL) and certain of its wholly owned Australian resident subsidiaries formed a tax-consolidated group effective from 1 July 2006. The accounting policy in relation to this legislation is set out in note 2(a)(i).

On adoption of the tax consolidation legislation, the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, REL.

Redbank Project Holdco Pty Ltd and its wholly owned Australian subsidiaries, Redbank Project Pty Ltd and Redbank Construction Pty Ltd, intend to form a tax consolidated group effective from 1 July 2012. Upon adoption of the tax consolidation legislation, the tax costs of the assets held by the group were reset. The above calculations reflect the reset tax costs. The impact of the reset on the income tax benefit of the Group is a $41,471,000 gain for the year ended 30 June 2013.

8. Income tax benefit (continued)

(c) Tax consolidation legislation (continued)

The REL tax group entities which have entered into a tax funding agreement under which the wholly owned entities fully compensate REL for any current tax payable assumed and are compensated by REL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to REL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the REL tax group wholly owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each 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 current intercompany receivables or payables.

(d) Current tax liabilities

	2013 $'000	2012 $'000
Income tax payable	-	-

(e) Deferred tax balances

	2013 $'000	2012 $'000
Deferred tax liabilities comprise:		
Cash flow hedges	44,059	34,758
Intangibles	1,418	2,331
Land, plant and equipment	-	15,260
Inventories	23	(1)
Fuel prepayment	5,514	5,922
Other	-	11,751
Total deferred tax liability	51,014	70,021
Offset against deferred tax asset	(40,711)	(13,408)
Reclass to held for sale		-
	10,303	**56,613**
Deferred tax assets comprise:		
Unused revenue tax losses – corporate [1]	11,971	3,050
Provisions	6,616	7,510
Land, Plant and Equipment	21,973	-
Other	151	2,848
Total deferred tax asset	40,711	13,408
Offset against deferred tax liability	(40,711)	(13,408)
Reclass to held for sale	-	-
	-	**-**

[1] The Group expects to realise the deferred tax assets associated with tax losses through the generation of future net assessable income.

8. Income tax benefit (continued)

(e) Deferred tax balances (continued)

Taxable and deductible temporary differences arise from the following:

2013	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Gross deferred tax liabilities:					
Cash flow hedges	(34,758)	(9,301)	-	-	(44,059)
Intangibles	(2,331)	913	-	-	(1,418)
Land, plant and equipment	(15,260)	15,260	-	-	-
Inventories	1	(24)	-	-	(23)
Fuel prepayment	(5,922)	408	-	-	(5,514)
Other	(11,751)	11,751	-	-	-
	(70,021)	**19,007**	**-**	**-**	**(51,014)**
Gross deferred tax assets:					
Unused revenue tax losses	3,050	8,921	-	-	11,971
Land, plant and equipment	-	21,973	-	-	21,973
Accruals	29	3	-	-	32
Expenses capitalised	189	(140)	-	-	49
Provisions	7,510	(894)	-	-	6,616
Other	2,630	(2,560)	-	-	70
	13,408	**27,303**	**-**	**-**	**40,711**

2012	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Acquisitions/ disposals $'000	Closing balance $'000
Gross deferred tax liabilities:					
Cash flow hedges	(19,840)	(14,918)	-	-	(34,758)
Intangibles	(1,925)	(406)	-	-	(2,331)
Land, plant and equipment	(39,597)	24,337	-	-	(15,260)
Inventories	75	(74)	-	-	1
Fuel prepayment	(5,975)	53	-	-	(5,922)
Other	(9,991)	(1,760)	-	-	(11,751)
	(77,253)	**7,232**	**-**	**-**	**(70,021)**
Gross deferred tax assets:					
Unused revenue tax losses	8,180	(5,130)	-	-	3,050
Accruals	27	2	-	-	29
Expenses capitalised	357	(168)	-	-	189
Provisions	5,799	1,711	-	-	7,510
Other	-	2,630	-	-	2,630
	14,363	**(955)**	**-**	**-**	**13,408**

9. Earnings per share

	2013 Cents per share	2012 Cents per share
Basic earnings per share		
Earnings per share attributable to the ordinary equity holders of REL shares:		
From continuing operations	3,678.43	1,005.85
From discontinued operations	-	-
	3,678.43	1,005.85
Diluted earnings per share		
Earnings per share attributable to the ordinary equity holders of REL shares:		
From continuing operations	3,678.43	1,005.85
From discontinued operations	-	-
	3,678.43	1,005.85

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

Profit/(losses) attributable to shareholders ($)		
From continuing operations	28,923,020	7,908,884
From discontinued operations	-	-
	28,923,020	7,908,884
Weighted average number of shares for the purposes of basic and diluted earnings per share	786,287	786,287

10. Dividends

The Group has not paid any dividends to shareholders and does not expect to be in a position to do so for the foreseeable future (2012: No dividends).

The parent entity, REL has a franking account credit balance of $11,856,404 as at 30 June 2013 (30 June 2012: $11,856,404 credit balance).

11. Trade and other receivables

	2013 $'000	2012 $'000
Current		
Trade receivables	12,563	8,821
Provision for doubtful debts	-	-
	12,563	8,821
Goods and services tax receivable	14	15
Other receivables		
External third parties	-	83
	12,577	8,919
Non-current		
Other receivables		
External third parties	-	-
	-	-

Information on credit risk and interest rate risk exposure of the Group is provided at note 5.

11. Trade and other receivables (continued)

Reconciliation of provision for doubtful debts

	2013 $'000	2012 $'000
Opening balance - 1 July	-	23
Charge for the year	-	-
Amounts recovered	-	-
Amounts written off	-	(23)
Closing balance – 30 June	**-**	**-**

12. Inventories

	2013 $'000	2012 $'000
Stores	2,233	2,347
Raw materials including:		
Coal	190	140
Fuel oil	101	48
	2,524	2,535

13. Other assets

	2013 $'000	2012 $'000
Current		
Prepayment of operational expenses	399	355
Fuel prepayment (1)	1,000	1,000
Other	298	431
	1,697	1,786
Non-current		
Fuel prepayment (1)	16,890	17,971
Other	1,543	1,782
	18,433	19,753

(1) Prepaid future fuel requirements of the Redbank plant for a thirty year period. The prepayment is being amortised on a straight line basis over that period, being the eligible service period, unless the actual amount of fuel delivered is less than the contractual amount.

14. Property, plant and equipment

Refer to note 15 for discussion of current year impairment.

	Land & Buildings	Plant and equipment	Furniture, fittings and equipment	Total
	$'000	**$'000**	**$'000**	**$'000**
Cost				
Balance at 1 July 2011	**876**	**274,090**	**53**	**275,019**
Additions	-	2,328	-	2,328
Decommissioning costs	-	5,324	-	5,324
Disposals	-	(56)	(53)	(109)
Balance at 30 June 2012	**876**	**281,686**	**-**	**282,562**
Balance at 1 July 2012	**876**	**281,686**	**-**	**282,562**
Additions	-	5,176	-	5,176
Decommissioning costs	-	(2,954)	-	(2,954)
Disposals	-	(237)	-	(237)
Balance at 30 June 2013	**876**	**283,671**	**-**	**284,547**
Accumulated depreciation				
Balance at 1 July 2011	**-**	**(89,579)**	**(7)**	**(89,586)**
Depreciation expense	-	(10,768)	(3)	(10,771)
Disposals	-	18	10	28
Impairment	-	(67,691)	-	(67,691)
Balance at 30 June 2012	**-**	**(168,020)**	**-**	**(168,020)**
Balance at 1 July 2012	**-**	**(168,020)**	**-**	**(168,020)**
Depreciation expense	-	(11,487)	-	(11,487)
Disposals	-	62	-	62
Impairment	-	(43,773)	-	(43,773)
Balance at 30 June 2013	**-**	**(223,218)**	**-**	**(223,218)**
Net book value				
As at 30 June 2012	**876**	**113,666**	**-**	**114,542**
As at 30 June 2013	**876**	**60,453**	**-**	**61,329**

15. Intangibles

	Software & Licences $'000	Other $'000	Total $'000
Cost			
Balance at 1 July 2011	**42,750**	**2,210**	**44,960**
Additions	-	-	-
Balance at 30 June 2012	**42,750**	**2,210**	**44,960**
Balance at 1 July 2012	**42,750**	**2,210**	**44,960**
Additions	-	-	-
Balance at 30 June 2013	**42,750**	**2,210**	**44,960**
Accumulated amortisation and impairment			
Balance at 1 July 2011	**(29,917)**	**(904)**	**(30,821)**
Amortisation expense	(627)	(74)	(701)
Impairment loss	(4,434)	(467)	(4,901)
Balance at 30 June 2012	**(34,978)**	**(1,445)**	**(36,423)**
Balance at 1 July 2012	**(34,978)**	**(1,445)**	**(36,423)**
Amortisation expense	(398)	(74)	(472)
Impairment loss	(3,050)	(288)	(3,338)
Balance at 30 June 2013	**(38,426)**	**(1,807)**	**(40,233)**
Net book value			
As at 30 June 2012	**7,772**	**764**	**8,536**
As at 30 June 2013	**4,324**	**403**	**4,727**

Impairment

Non-current assets have been assessed for impairment on the basis of the discounted long-term cash flows related to its operations. The impact of this at 30 June 2013 has been the recognition of an impairment expense for property, plant and equipment and intangibles related to the Group of $47,111,000. The impairment was recognised against property, plant and equipment ($43,773,000) and intangible assets ($3,338,000).

The recoverable amount of the Cash Generating Unit (CGU) was determined using the value-in-use calculation. Management determined budgeted cash flows based on expectations for future prospects in each operating segment. The valuations determined under the value in use approach may differ significantly from valuations prepared under a fair value less costs to sell approach.

In performing the value-in-use calculations for the CGU, the Group has applied pre-tax discount rates to discount the forecast future cash flows. The pre-tax discount rate used was 11.22% (30 June 2012: 11.22%) reflecting the risk estimates for the Company as a whole. The impairment expense includes the impact of changes in expected forward electricity prices and the cost of carbon reflecting the implementation of the Clean Energy Act.

Cash flow projections for the Redbank CGU are based on a long term business forecast till the end of the plant's useful life which is currently 2031. The long term Cash flow projections have been extrapolated from shorter term Cash Flow projections using a steady 2–3% growth rate (2012: 2–3%) Holding other assumptions constant, a reasonably possible increase in the pre-tax discount rate of 25 basis points would result in an additional impairment charge against the Redbank CGU of $2,041,000. The directors do not consider a detrimental change in any of the other key assumptions to be reasonably possible.

16. Trade and other payables

	2013 $'000	2012 $'000
Current		
Trade payables	3,229	3,064
Accrued expenses	8,815	1,226
Deferred revenue	-	8,766
Other payables	-	297
GST payable	262	76
	12,306	**13,429**
Non-current		
Other payables	-	-
	-	**-**

17. Provisions

	2013 $'000	2012 $'000
Current		
Site restoration provision [1]	-	-
	-	**-**
Non-current		
Site restoration provision [1]	21,043	23,891
	21,043	**23,891**

[1] Provision for site restoration

REG has raised provisions for future site remediation obligations for its operating site forecast to occur in 2031. Estimates of future cash outflows have been derived from independent specialist reports and experts within the REL group. Future cash outflows are discounted to their present value by using a pre-tax discount rate of 3.09% (2012: 2.37%).

Reconciliation of movement in provisions

Description	Site restoration provision $'000
Carrying amount at 1 July 2011	**18,235**
Additional provision - site restoration assets capitalised (note 14)	5,324
Debit to income statement - unwind of discount	332
Total provisions at 30 June 2012	**23,891**
Carrying amount at 1 July 2012	**23,891**
Reduced provision - site restoration assets capitalised (note 14)	(2,954)
Debit to income statement - unwind of discount	106
Total provisions at 30 June 2013	**21,043**

18. Employee benefits

	2013 $'000	2012 $'000
Current		
Provision for employee benefits	**905**	**1,026**
Non-current		
Provision for employee benefits	**105**	**118**

19. Borrowings

	2013 $'000	2012 $'000
Current		
Secured		
Redbank Credit Facility Agreement (1)	192,746	206,270
Total secured current borrowings	192,746	206,270
Total current borrowings	**192,746**	**206,270**
Non-current		
Secured		
Redbank Credit Facility Agreement (1)	-	-
Total secured non-current borrowings	-	-
Total non-current borrowings	**-**	**-**

Information on credit risk, fair value and interest rate risk exposure of the group is provided at note 5.

(1) Redbank Credit Facility Agreement

This facility consists of two tranches.

- Tranche 1, expiring in 2018 has $32,036,000 outstanding as at 30 June 2013 (30 June 2012: $37,775,000).
- Tranche 2, expiring in 2023 has $160,710,000 outstanding as at 30 June 2013 (30 June 2012: $168,495,000).

The effective average interest rate was 8.05% as at 30 June 2013 (30 June 2012: 8.05%).

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. New facilities were also obtained, comprising a $2,500,000 liquidity facility and a $3,000,000 working capital facility, both provided by a subset of the existing lender group. The facilities were initially for a term of 12 months and were available to support the liquidity and working capital requirements of Redbank Project.

Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013. The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond

19. Borrowings (continued)

31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated.

Other consequences of the expiry of the bank support period include:

- the $3,000,000 working capital facility and $2,500,000 liquidity facility, which were undrawn as at 31 May 2013, are no longer available to Redbank Project;
- Redbank Project's financial covenant testing thresholds have reverted to those set under the Redbank Credit Facility prior to entry into the BSA; and
- several reporting and co-operation obligations in respect of the lenders and their advisors are no longer required.

Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are formulating a revised proposal for a permanent restructure and is currently awaiting further details.

20. Assets pledged as security

The Group's borrowings are secured by a combination of fixed and floating charges over the assets of the entities supported by such borrowings.

	2013 $'000	**2012 $'000**
Cash and cash equivalents	5,400	12,937
Receivables	12,577	28,230
Derivative financial instruments	146,864	115,862
Inventories	2,524	2,535
Property, plant and equipment	61,329	114,542
Identifiable intangibles	4,727	764
Total assets pledged as security	**233,421**	**274,870**

21. Contributed equity

	Shares in REL Number '000	**$'000**
Balance 1 July 2011	**786**	**656,224**
30 June 2012 movement	-	-
Balance 30 June 2012	**786**	**656,224**
Balance 1 July 2012	**786**	**656,224**
30 June 2013 movement	-	-
Balance 30 June 2013	**786**	**656,224**

	$'000
Ordinary shares attributable to Company - REL	656,224
Total securities in consolidated group as at 30 June 2013	**656,224**

22. Reserves

	2013 $'000	2012 $'000
Hedge reserve	-	-
Foreign currency translation reserve	-	-
Trust units acquisition reserve	1,041,467	1,041,467
Other reserves	(3,058)	(3,058)
Total reserves	**1,038,409**	**1,038,409**
Attributable to:		
Equity holders of the Company - REL	1,038,409	1,038,409
	1,038,409	**1,038,409**
Trust units acquisition reserve		
Balance at beginning of financial year	1,041,467	1,041,467
Balance at end of financial year	**1,041,467**	**1,041,467**
Other		
Balance at beginning of financial year	(3,058)	(3,058)
Balance at end of financial year	**(3,058)**	**(3,058)**

Trust units acquisition reserve

During the 30 June 2011 financial year, in accordance with the Trust Scheme implementation, REG units and shares were de-stapled and the AET units were purchased by Redbank Finance Pty Ltd on 7 April 2011. This resulted in the recognition of the trust units acquisition reserve.

23. Accumulated losses

	2013 $'000	2012 $'000
Balance at beginning of financial year	(1,707,413)	(1,715,322)
Net (loss) / profit attributable to shareholders	28,923	7,909
Balance at end of financial year	**(1,678,490)**	**(1,707,413)**
Attributable to:		
Equity holders of the Company – REL	(1,678,490)	(1,707,413)
	(1,678,490)	**(1,707,413)**

24. Net assets per security

	30 June 2013 $	30 June 2012 $
Net tangible assets per security	27.62	44.89
Net assets per security	20.53	(16.25)

25. Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

	2013 $'000	2012 $'000
Cash and cash equivalents including:		
Restricted cash [1]	-	12,793
Unrestricted cash	5,400	3,841
	5,400	**16,634**

(1) Cash held on restricted deposit is interest bearing and its use is mainly restricted as a requirement of the Group's financing agreements. Amounts may be released for defined purposes if specified requirements are met to facilitate establishing reserve accounts for debt repayments, meeting the cost of future interest payments and capital expenditure or as a deposit supporting a letter of credit or guarantee issued on behalf of the Group.

(b) Reconciliation of profit for the period to net cash flows from operating activities

	2013 $'000	2012 $'000
Profit for the period	28,923	7,909
Adjustments for:		
Interest expense on discount unwind	106	332
Impairment loss	47,111	72,592
Depreciation and amortisation of non current assets	11,959	11,472
Decrement on revaluation of PPHA derivative	(31,002)	(49,729)
Loss/(profit) on disposal of business	-	(26,958)
Changes in net assets and liabilities, including items classified as held for sale		
(Increase)/decrease in trade and other receivables	(3,658)	647
(Increase)/decrease in inventories	10	(169)
Increase/(decrease) in trade and other payables	85	3,641
Increase/(decrease) in provisions	-	-
Increase/(decrease) in deferred tax liabilities	(46,310)	(6,277)
Increase/(decrease) in current tax liability	-	4
Net cash from operating activities	**7,224**	**13,464**

(c) Financing facilities

	2013 $'000	2012 $'000
Working capital facility		
Amount used	-	-
Amount unused	-	5,500
	-	**5,500**

26. Leases

Operating leases as a lessee:

Certain REG subsidiaries are lessees under operating leases relating to certain land, motor vehicles and roads.

	2013 $'000	2012 $'000
Non-cancellable operating lease payments		
Not longer than 1 year	-	22
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	-	**22**

27. Commitments for expenditure

(a) Capital expenditure commitments

	2013 $'000	2012 $'000
Not longer than 1 year	1,465	-
Longer than 1 year and not longer than 5 years	-	-
	1,465	**-**

Capital expenditure commitments are required for power plant maintenance and expansion.

(b) Lease commitments

REG has no non-cancellable operating lease commitments (note 26).

(c) Other expenditure commitments

REG has nil other expenditure commitments at 30 June 2013 (2012: nil).

28. Contingent assets and liabilities

Contingent assets

REG has no contingent assets as at 30 June 2013.

Contingent liabilities

In July 2013, Redbank Project received a summons filed by Ausgrid in the Supreme Court of New South Wales seeking preliminary discovery of documents in Redbank Project's possession relating to the energy generation outage that occurred at the Redbank Power Station between 29 January 2012 and 23 March 2012 ("January 2012 Outage").

The request for discovery of documents relates to a dispute between Redbank Project and Ausgrid as to the cause of the January 2012 Outage and its impact on the quantum of payments which Ausgrid is obliged to make under the Power Purchase and Hedge Agreement ("PPHA") for the 2013 calendar year. Redbank Project has been in correspondence with Ausgrid on this issue since the January 2012 Outage. Redbank Project holds the view that:

1. Ausgrid has not issued a valid notice to reduce the contract amount for the 2013 contract year; and
2. The January 2012 Outage is correctly characterised as a "Force Majeure" event as defined in the PPHA.

The effect of the failure to issue a valid notice or this characterisation is that Ausgrid would be obliged to continue to pay the full contract amount under the PPHA for the 2013 contract year.

28. Contingent assets and liabilities (continued)

Ausgrid has not agreed that it failed to issue a valid notice or that the January 2012 Outage is correctly characterised as a “Force Majeure” event. Ausgrid has alleged in the papers filed in the preliminary discovery proceedings that if the January 2012 Outage was not a “Force Majeure” event then Ausgrid would be entitled to reduce the amount it pays to Redbank Project under the PPHA or seek restitution of the amounts alleged to be overpaid. Ausgrid says that this amount is likely to be approximately $11,280,000 over the 2013 calendar year.

Notwithstanding this dispute, throughout the course of 2013 to date Ausgrid has continued to pay Redbank Project based on the full contract amount under the PPHA.

Ausgrid had stated that the purpose of the summons is to seek to obtain documents to enable it to evaluate whether in its opinion the January 2012 Outage is covered by the Force Majeure provisions of the PPHA and in turn whether or not it should commence proceedings against Redbank Project in respect of the dispute.

The matter regarding preliminary discovery of documents is fixed for hearing on 31 October 2013 and if Redbank Project was unsuccessful in its defence and ordered to make restitution, the impact on its financial performance is likely to be material.

No provision has been recognised in the 30 June 2013 financial statements of the Group in respect of this dispute.

29. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2. Ownership interest is equal to the proportion of voting power held. All ownership interest is through ordinary shares.

Name of the entity	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Parent entity			
Redbank Energy Limited*	Australia		
Subsidiaries of REL			
Redbank Energy (NZ) Limited	New Zealand	100	100
NPP Redbank LLC*	USA	100	100
NPP Redbank 2 LLC*	USA	100	100
Redbank Project Holdco Pty Ltd	Australia	100	100
Redbank Project Pty Ltd	Australia	100	100
Redbank Construction Pty Ltd	Australia	100	100

*These companies are members of the Redbank Energy Limited tax consolidated group at 30 June 2013.

30. Material interests in entities which are not controlled entities

The Group has no material interests in entities which are not controlled entities.

31. Changes in the composition of the consolidated Group

(a) Disposal of business

30 June 2013

No entities were disposed by REG during the year ended 30 June 2013

30 June 2012

Oakey

On 1 July 2011, the Group disposed of its 50% interest in the Oakey Power Station to ERM Power Limited. In accordance with the terms of its debt compromise arrangement with Babcock & Brown International Pty Ltd (BBIPL) which was approved by securityholders in February 2010, all proceeds from the sale of Oakey have been paid to BBIPL in full and final discharge of the Group's outstanding debt to BBIPL. The group made a gain on sale of $26.9 million.

Energy Markets

During the 2010 financial year, REG sold its interest in Alinta Energy Markets. As part of the sale, deferred consideration was set out in the sale and purchase agreement such that in the event that Alinta Energy Markets achieved certain performance criteria during the period 1 April 2010 to 31 December 2011, additional cash consideration equal to 30% of the net positive margin (as agreed by both parties) would be received. In March 2012, REG received a deferred consideration amount of $0.8 million in relation to the sale.

(b) Acquisition of business

30 June 2013

No entities were acquired by REG during the year ended 30 June 2013

30 June 2012

No entities were acquired by REG during the year ended 30 June 2012.

32. Related parties disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries
Details of the percentage ownership held in subsidiaries are disclosed in note 29 to the financial statements.

Equity interests in associates

There are no interests in associates.

(b) Directors and key management personnel disclosures

Detailed remuneration disclosures are provided in the Remuneration Report section of the Directors report on pages 7 to 11.

Details of directors and key management personnel

The following persons were directors of REL at any time during the year, up to the date of this report:

Mr Richard Butler (Chairman)	Appointed 13 July 2011
Mr Simon Maher	Appointed 13 July 2011
Mr Todd Plutsky	Appointed 12 August 2011
Mr Vlad Artamonov	Appointed 12 August 2011

32. Related parties disclosures (continued)

(b) Directors and key management personnel disclosures (continued)

Key management personnel remuneration

The aggregate remuneration of the KMP of REG for the year ended 30 June 2013 and 2012 is set out below:

	2013 $	2012 $
Short-term employee benefits[1]	1,005,580	229,074
Post-employment benefits	19,170	20,853
Other long-term benefits	-	-
Termination benefits	-	-
Total	**1,024,750**	**249,927**

[1]Short term employee benefits include consultancy fees paid to Mr Simon Maher amounting to $234,750 (2012: Nil).

Options held in REG

The KMP did not hold any options in REG over the years ending 30 June 2013 and 30 June 2012, nor are there any options outstanding in REG.

Security holdings in REG

Outlined below are the security holdings of the KMP over the years ending 30 June 2012 and 30 June 2013 in REG:

	Balance 30 June 2011 Number	Acquired during the year Number	Share consolidation in April 2011 Number	Balance 30 June 2012 Number	Acquired or sold during the year Number	Sold during the year Number	Balance 30 June 2013 Number
Current Directors							
Mr Richard Butler	26,000	-	-	26,000	-	-	26,000
Mr Simon Maher	122,638	-	-	122,638	-	-	122,638
Mr Todd Plutsky (1)	141,274	-	-	141,274	-	-	141,274
Mr Vlad Artamonov (1)	141,274	-	-	141,274	-	-	141,274

(1) Messrs Todd Plutsky and Vlad Artamonov were appointed to the REL Board on 12 August 2011. Coastal Capital International Ltd holds 141,274 REL shares. Messrs Plutsky and Artamonov are directors of Coastal Capital International Ltd and thus have the power to control the voting rights and disposal of the REL shareholding noted.

Securities granted as remuneration

No securities were granted as remuneration to the directors and KMP during the financial year and no securities were acquired upon the exercise of options during the financial year. Directors are not eligible for securities as remuneration.

32. Related parties disclosures (continued)

(c) Key management personnel disclosures

Loans to key management personnel and their personally related entities from REG

No loans have been made by REG to directors and KMP over the years ending 30 June 2013 and 30 June 2012.

(d) Other related party transactions

Transactions involving other related parties

No transactions involving related parties took place during the 2013 financial year. Transactions between wholly owned subsidiaries eliminate on consolidation.

(e) Balances outstanding arising from Related Party transactions

There are no outstanding balances arising from transactions with related parties at 30 June 2013 (2012: $nil).

(f) Revenue and expense arising from Related Party transactions

		2013 $	2012 $
Revenue			
Dividend income	- Associates	-	-
		-	**-**
Other revenue	- Associates	-	-
		-	**-**
Expenses			
Management charges	- Other	-	-
		-	**-**
Finance costs	- Other	-	-
		-	**-**
Other expenses	- Other	-	-
		-	**-**

33. Remuneration of auditors

The following fees were paid or payable for services provided by the auditor of their related practices and non-related audit firms.

	2013 $	2012 $
(a) Audit services		
PricewaterhouseCoopers (PwC) Australian firm		
Audit and review of financial statements	288,500	280,500
Non PwC audit firms for the audit or review of financial statements of any entity in the Group	-	-
Total remuneration for audit services	**288,500**	**280,500**

(b) Non-audit services

	2013 $	2012 $
PricewaterhouseCoopers Australian firm		
Due diligence services	-	-
Other	57,500	55,715
Total remuneration for non-audit services	**57,500**	**55,715**

34. Subsequent events

Other than the matter disclosed in note 28, there are no material matters to report.

35. Parent entity financial information

a) Summary financial information

	Parent	
Balance sheet	**2013 $'000**	**2012 $'000**
Current Assets	4,280	5,925
Total Assets	4,313	5,977
Current Liabilities	(207)	(183)
Total Liabilities	(207)	(183)
Net assets	**4,106**	**5,795**
Shareholders' equity:		
Issued capital	656,224	656,224
Reserves	-	-
Accumulated Losses	(652,118)	(650,429)
Total equity	**4,106**	**5,795**
Profit/(loss)	**(1,689)**	**145,725**
Total comprehensive income/(loss) for the year	**(1,689)**	**145,725**

b) Guarantees entered into by Redbank Energy Limited

Redbank Energy Limited has not provided any secured or unsecured financial guarantees.

c) Contingent liabilities of the Redbank Energy Limited

There are no material contingent liabilities in existence at the time of this report other than as disclosed in note 28.

d) Contractual commitments for the acquisition of property, plant or equipment

There are currently no contractual commitments for the acquisition of property plant or equipment by Redbank Energy Limited.

(e) Critical accounting estimates and judgements

REL has inter-company loans receivable from Redbank Project HoldCo Pty Ltd, NPP Redbank LLC and NPP Redbank 2 LLC which have carrying amounts of nil. Significant judgement has been applied in order to derive a value for intercompany loans receivable and recoverability based on various assumptions about the available equity within the Redbank Project HoldCo Group, NPP Redbank LLC and NPP Redbank 2 LLC.

36. Additional information

Redbank Energy Limited is incorporated and operates in Australia.

Registered Office of the Company

Suite 2101 B
520 Oxford Street
Bondi Junction NSW 2022
Telephone: +61 2 8405 6810

Principal place of business

Suite 2101 B
520 Oxford Street
Bondi Junction NSW 2022
Telephone: +61 2 8405 6810

Redbank Energy Limited

Directors' declaration

1 In the opinion of the directors of Redbank Energy Limited ("the Company"):

(a) the financial statements and notes, set out on pages 14 to 58, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2013 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable within the context of the disclosures of the Directors Report and the financial statements and notes.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the relevant officers for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the directors:

Richard Butler

Mr R Butler
Director, Redbank Energy Limited

Dated at Sydney this 27th day of September 2013

This report is based on accounts to which one of the following applies.

- ■ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☐ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review:

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review:

None.

Unquoted equity securities shareholdings greater than 20%

NIL

Other stock exchanges on which securities are quoted

NIL

Company secretary

Mr Richard Butler

Registered office

Suite 2101 B
520 Oxford Street
Bondi Junction NSW 2022
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Principal administration office

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Share registry
Link Market Services Limited
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Sydney South NSW 1235
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Fax: +61 2 9287 0309

Independent auditor's report to the members of Redbank Energy Limited

Report on the financial report

We have audited the accompanying financial report of Redbank Energy Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Redbank Energy Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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pwc

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

(a) the financial report of Redbank Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2(a) to the financial statements which comments on the deficiency of current assets of the consolidated entity and the status of the consolidated entity's external project finance facility. These conditions, along with other matters set forth in Note 2(a), indicate the existence of a material uncertainty that may cast significant doubt about the Redbank Energy Group's ability to continue as a going concern and, therefore, the group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Redbank Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

Robert Baker
Partner

Sydney
27 September 2013