2004/2005 ANNUAL REPORT

cs energy

generations ahead

CONTENTS

Scope and Purpose of the Annual Report The Annual Report is written to provide information to CS Energy Limited's (CS Energy's) stakeholders including Ministerial shareholders, customers, community, partners, unions, industry, employees, suppliers, environmental groups and the media. The report is also available on-line at (www.csenergy.com.au).

2004/2005 IN PERSPECTIVE

CS ENERGY IS A QUEENSLAND GOVERNMENT-OWNED electricity generator. With around 500 employees across Queensland, CS Energy operates 2,460 megawatts of capacity. Almost 30 per cent of the Company's portfolio is fuelled by gas, making CS Energy Queensland's largest producer of gas-fired electricity.

The Company was established under the *Government Owned Corporations Act (1993)* and is registered under the *Corporations Act (2001)*. CS Energy shares are held by five State Government Ministers. The interests of the people of Queensland are represented by two voting shareholders. At 30 June 2005, the voting shareholders were the Honourable Terry Mackenroth MP, Deputy Premier, Treasurer and Minister for Sport, and the Honourable John Mickel MP, Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy. In August 2005, the Honourable Anna Bligh MP, Deputy Premier, Minister for Finance and Minister for State Development, Trade and Innovation, assumed the Honourable Terry Mackenroth's shareholder responsibilities.

CS Energy's operating sites are: Swanbank Power Station, near Ipswich in south-east Queensland; Callide Power Station, near Biloela in central Queensland; and Mica Creek Power Station, near Mount Isa in north-west Queensland.

Kogan Creek Power Station, currently under construction near Chinchilla in south-west Queensland, will become the Company's fourth operating site.

A map showing the location of CS Energy's assets, and detailed plant descriptions, can be found on page 60 of this report.

HIGHLIGHTS AND CHALLENGES

OPERATIONS

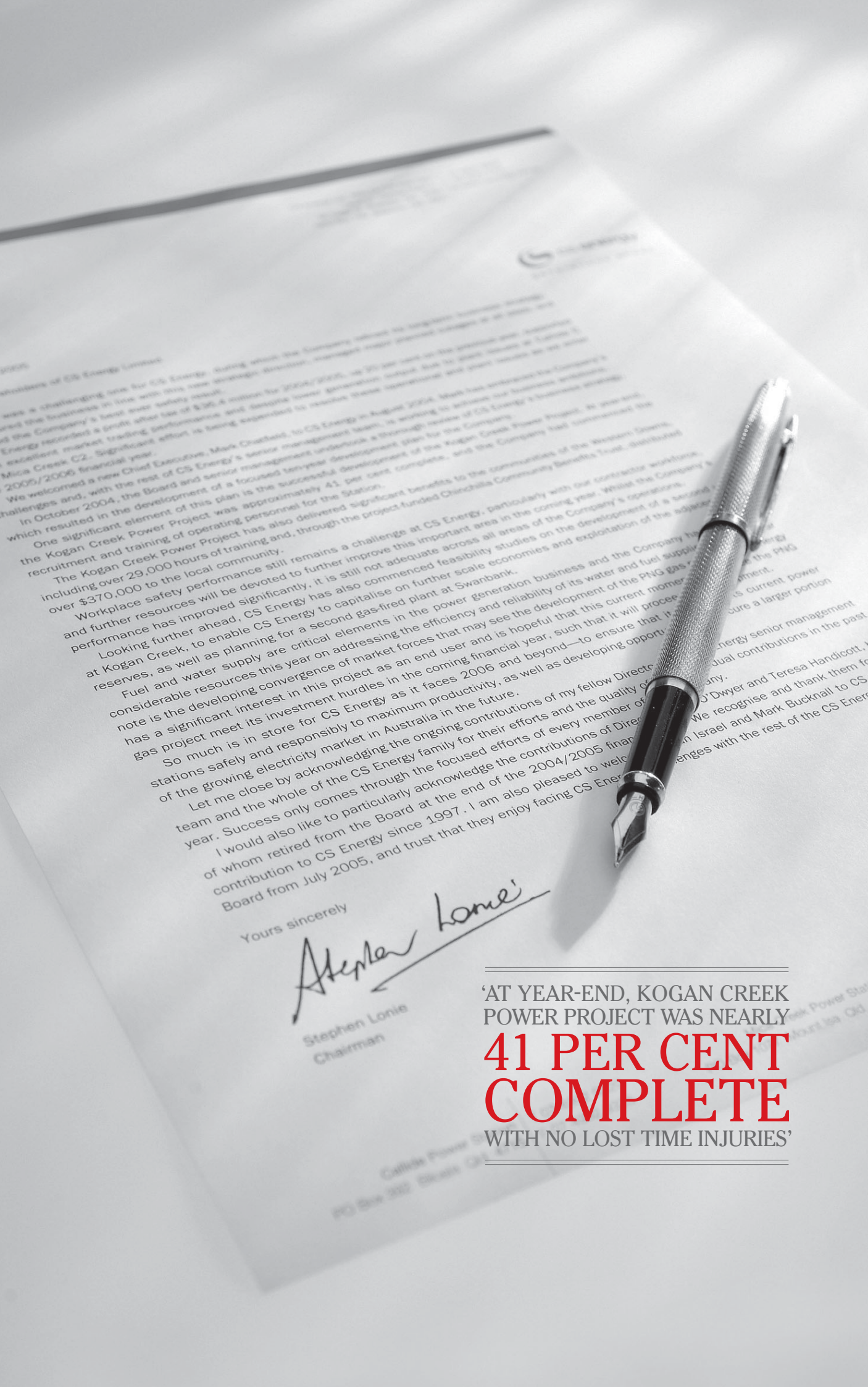
- Mica Creek Power Station's 80-strong workforce celebrated two and a half years without a lost time injury in June 2005.
- Callide B Power Station completed an eight-week dual unit overhaul, the largest overhaul in the history of the plant, with only one day lost to injury.
- Construction commenced at the $1.2 billion, 750 megawatt, Kogan Creek Power Project site, near Chinchilla, in south-west Queensland.
- CS Energy increased its investment in Arrow Energy NL's Kogan North coal seam gas project and signed a conditional term sheet with the proponents of the PNG Gas Project.

PEOPLE

- Mark Chatfield appointed Chief Executive of CS Energy in August 2004.
- Ron Roduner appointed acting General Manager of CS Energy's new Operations division in January 2005.
- Gary Campbell appointed Site Manager of Callide Power Station in September 2004 and Steve Davison appointed Site Manager at Mica Creek Power Station in June 2005.

FINANCE

- 2004/2005 net profit after tax of $36.4 million, up 20 per cent on 2003/2004, despite a pool price increase of only 2.75 per cent in the year.
- Over $10 million revenue was generated through Gas Electricity Certificates and green electricity products.
- Over $161 million invested in Kogan Creek Power Project during 2004/2005, resulting in an eight per cent increase in CS Energy's total asset base.
- Over $50 million invested in overhauls and refurbishments of existing assets.



‘AT YEAR-END, KOGAN CREEK POWER PROJECT WAS NEARLY

41 PER CENT COMPLETE

WITH NO LOST TIME INJURIES’

CHAIRMAN'S LETTER TO SHAREHOLDERS

THIS YEAR WAS A CHALLENGING ONE for CS Energy, during which the Company refined its long-term business strategy, restructured the business in line with this new strategic direction, managed major planned outages at all sites, and delivered the Company's best ever safety result.

CS Energy recorded a profit after tax of $36.4 million for 2004/2005, up 20 per cent on the previous year, supported by an excellent market trading performance and despite lower generation output due to plant issues at Callide C and Mica Creek C2. Significant effort is being expended to resolve these operational and plant issues as we enter the 2005/2006 financial year.

We welcomed a new Chief Executive, Mark Chatfield, to CS Energy in August 2004. Mark has embraced the Company's challenges and, with the rest of CS Energy's senior management team, is working to achieve our business ambitions.

In October 2004, the Board and senior management undertook a thorough review of CS Energy's business strategy, which resulted in the development of a focused ten-year development plan for the Company.

One significant element of this plan is the successful development of the Kogan Creek Power Project. At year-end, the Kogan Creek Power Project was approximately 41 per cent complete, and the Company had commenced the recruitment and training of operating personnel for the Station.

The Kogan Creek Power Project has also delivered significant benefits to the communities of the Western Downs, including over 29,000 hours of training and, through the project-funded Chinchilla Community Benefits Trust, distributed over $370,000 to the local community.

Workplace safety performance still remains a challenge at CS Energy, particularly with our contractor workforce, and additional resources will be devoted to further improve this important area in the coming year. Whilst the Company's performance has improved significantly, it is still not adequate across all areas of the Company's operations.

Looking further ahead, CS Energy has also commenced feasibility studies on the development of a second unit at Kogan Creek, to enable the Company to capitalise on further scale economies and exploitation of the adjacent coal reserves, as well as planning for a second gas-fired plant at Swanbank.

Fuel and water supply are critical elements in the power generation business and the Company has also spent considerable resources this year on addressing the efficiency and reliability of its water and fuel supplies. Of particular note is the developing convergence of market forces that may see the development of the PNG gas pipeline. CS Energy has a significant interest in this project as an end user and is hopeful that this current momentum will see the PNG gas project meet its investment hurdles in the coming financial year, such that it will proceed to development.

So much is in store for CS Energy as it faces 2006 and beyond—to ensure that it operates its current power stations safely and responsibly to maximum productivity, as well as developing opportunities to secure a larger portion of the growing electricity market in Australia in the future.

Let me close by acknowledging the ongoing contributions of my fellow Directors, the CS Energy senior management team and the whole of the CS Energy family for their efforts and the quality of their individual contributions in the past year. Success comes only through the focused efforts of every member of the Company.

I would also like to particularly acknowledge the contributions of Directors Terry O'Dwyer and Teresa Handicott, both of whom retired from the Board at the end of the 2004/2005 financial year. We recognise and thank them for their contribution to CS Energy since 1997. I am also pleased to welcome Sarah Israel and Mark Bucknall to CS Energy's Board from July 2005, and trust that they enjoy facing CS Energy's challenges with the rest of the CS Energy team.

Stephen Lonie
Chairman

CHIEF EXECUTIVE'S REVIEW

THE 2004/2005 FINANCIAL YEAR CHALLENGED the management team at CS Energy.

Early in the financial year, the Board endorsed a growth strategy that will guide the Company over the coming decade. To lay the foundations to achieve the objectives outlined in this plan, CS Energy's management spent much of 2004/2005 focused on people and structural issues to ensure that the Company had the capacity to implement the growth strategy.

A review of the effectiveness of the organisation revealed a need for structural change, to ensure the Company's operations match its business priorities. Corporately, we created an Organisational Development division, with a charter to improve service delivery to, and management of, our people. We have removed the division between production and trading, to create a single operations group, and have also created a new business group, charged with managing our long-term fuel and resource requirements and pursuing growth opportunities.

At our three operating sites, we have split the day-to-day operation from the delivery of longer-term services such as overhauls, which will be centrally co-ordinated to extract economies of scale and ensure the most effective use of our technical skills.

The Company's safety performance improved this year and our Lost Time Injury Frequency Rate (LTIFR) was the best in the Company's history. Despite these gains, safety performance remains a challenge for CS Energy. Mica Creek Power Station has now achieved more than two and a half years injury free, but this performance is not consistent across the Company. CS Energy's safety target for 2005/2006 is zero lost time injuries (LTI) and a range of initiatives in pursuit of this objective has been introduced.

CS Energy's portfolio faced some challenges during the year, including the first dual outage at Callide B. Tube leaks and coal quality at Callide C affected the reliability of the station during the latter half of 2004/2005. Major overhauls are scheduled for both the Callide C units in 2005/2006, which should improve the performance of these units. Mica Creek Power Station continued to deliver electricity to the Mount Isa region as required 99.98 per cent of the time, and Swanbank Power Station exceeded its production budget for the year.

CS Energy's fuel strategy progressed during the year. The development plan for the Kogan Creek Coal Mine was completed, and Golding Contractors was appointed mining contractor. The Company confirmed gas supply arrangements with Queensland Gas Company Limited (QGC), Arrow Energy NL (Arrow Energy) and the proponents of the PNG Gas Project.

CS Energy's Board and senior management are fully cognisant of the obligation the Company has to manage the environmental performance of its portfolio of generators. During 2004/2005, in conjunction with leading industry and research bodies, CS Energy commenced a world's first study into the possibility of retrofitting oxy-firing capability to an existing coal-fired boiler. This technology could, if successful, lay the foundation for the application of carbon capture and storage for the existing fleet of coal-fired units.

CS Energy faces serious competition for skilled resources. The work we have undertaken this year, and will continue into the future, will develop the Company into the employer of choice in the Queensland generation sector. We continue to enrol our staff in our future direction and develop systems to support them in achieving their targets.

I would like to acknowledge the efforts of all my colleagues at CS Energy in delivering reliable competitive power. People make any organisation effective and I look forward to the continuing efforts of the whole team in the coming year.

Mark Chatfield
Chief Executive

BUSINESS STRATEGY

CS ENERGY'S AMBITION IS TO BE a significant multi-fuelled electricity generator in the National Electricity Market (NEM) by 2014.

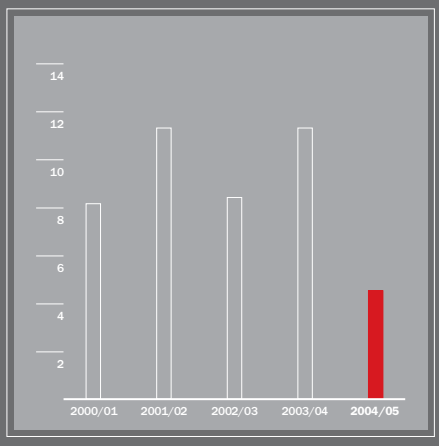
During 2004/2005, CS Energy developed a comprehensive strategy which will drive the Company towards this objective.

Goals	Outcomes 2004/2005 and Plans 2005/2006
The business is people...	
Safety Ensure no-one is injured at a CS Energy site.	**O:** LTIFR reduced to lowest ever; safety performance measurement extended to encompass all incidents, not just LTIs; Fit for Duty policy developed; Permit to Work process changed to include job safety and environment analysis; and asbestos audit completed at all sites. **P:** Develop safety action plans for Operations and Major Projects; and introduce safety surveys to track safety leadership.
Structure Systems must empower and support staff to achieve business objectives.	**O:** Audit of organisational effectiveness completed and new structural model developed and implementation commenced at all sites. **P:** Roll out new model to all teams at all sites; enhance HR systems for feedback, performance review and career development; and update role purpose statements for all staff.
Leadership Leadership must be effective at all levels.	**O:** CS Energy's leadership principles articulated; in-house training designed and training delivery commenced. **P:** Training delivered to all CS Energy staff, predominantly by CS Energy leaders, and impact of leadership principles training on CS Energy's business outcomes audited.
Training Industry and Company resource pools must be deep enough to support CS Energy's growth ambitions.	**O:** Graduate Development program established, and two graduate engineers appointed; Operator Training Steering Group established to standardise training procedures and manage compliance with new national accreditation regulations in place from July 2006; and corporate training database established and training plans developed. **P:** New team assembled and trained for Kogan Creek Power Station.
...securing foundations...	
Maintenance Must be effective and timely to maximise value from the portfolio.	**O:** Maintenance audit completed and organisation restructured to strengthen the focus on preventative maintenance. **P:** Develop Corporate Asset Management strategy; revise Maintenance Process model; and build a specialist team to lead overhauls and other significant projects on current operating sites.
Availability The market rewards production not capacity so CS Energy must maximise the availability of its plant.	**O:** Developed engineering solutions for availability issues at Callide C, and successfully completed major outage at Callide B. **P:** Focus attention on combustion and coal quality issues at Callide C to maximise availability; perform overhauls at Swanbank E and Callide C; and apply the lessons learned in this work to Kogan A.
Fuel management Upstream integration into fuel resources will strengthen the market advantages inherent in a portfolio operation.	**O:** Consolidated future gas supplies with PNG Gas Project, Arrow Energy NL and Queensland Gas Company Ltd, and commenced development work on Kogan coal reserve. **P:** Appointment of a General Manager New Business, responsible for development of portfolio fuel strategy.
Water Use must be carefully managed, to satisfy economic and community needs.	**O:** Kogan Creek Power Project commenced, which will use 90 per cent less water than conventional plant. **P:** Continue to participate in community water conservation initiatives.
...for generations ahead.	
Financial strength Financial capacity must support growth aspirations.	**O:** $260 million equity injection received in June 2004, improving gearing to allow growth. **P:** Examine financing options to support Kogan Creek Power Project and other projects in development.
Environment CS Energy must manage its business to minimise its impact on the environment.	**O:** Work commenced on a unique oxy-firing and carbon capture and storage project that could lead to zero emission electricity generation from coal; environmental management systems audited at all sites and ISO 14001 certification maintained; and compliance with all environmental regulations. **P:** Complete oxy-firing study and make determination on implementation phase, and continual improvement in accordance with ISO 14001.
Community CS Energy must be considered a welcome corporate neighbour.	**O:** Local Industry Participation Plan implemented for Kogan Creek Power Project; Chinchilla Community Benefits Trust contributed to 18 community groups; Community Reference Groups (CRG) operating at Swanbank and Kogan Creek sites; and worked with local community at Callide to investigate noise levels following mitigation works undertaken last year. **P:** Review sponsorship spend and refocus activity to maintain meaningful contributions to the communities in which the Company operates; and complete review of noise mitigation effectiveness at Callide.
Growth CS Energy will be a multi-fuelled generator with scale and diversity across the NEM.	**O:** Consolidated existing operations and structure to drive performance in the existing business as a platform for growth. **P:** Plan for generation growth at Kogan Creek, Swanbank and other sites.

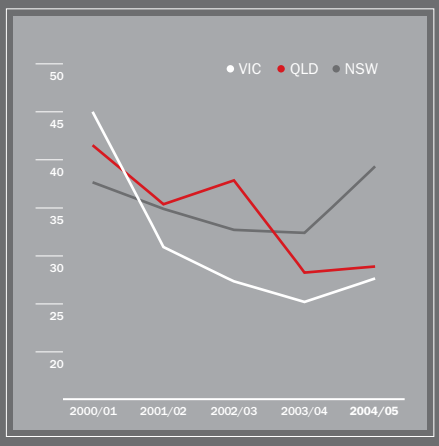
Key

O: Outcomes 2004/2005
P: Plans 2005/2006

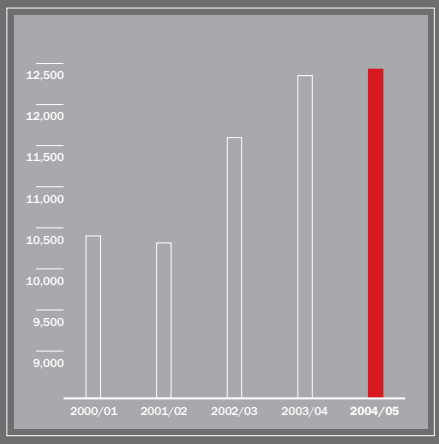
OPERATIONS
RON RODUNER



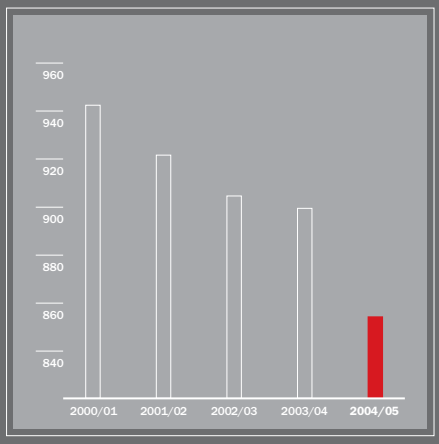
Lost time injury frequency rate



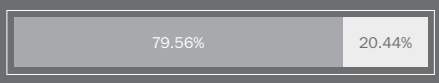
Time weighted average pool price by region ($/MWh)



Energy sold (GWh)

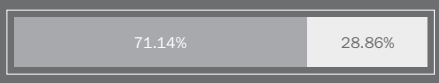


Greenhouse intensity (tCO_2/GWh sent out)



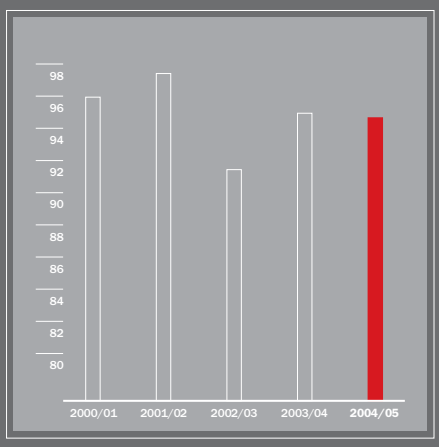
Generating capacity by fuel source 2000/2001 (MW)

Coal Gas and renewables



Generating capacity by fuel source 2004/2005 (MW)

Coal Gas and renewables



Reliability (%)

OPERATIONS

RON RODUNER

1

IN LINE WITH THE COMPANY-WIDE structural review conducted during 2004/2005, the Market Trading and Production functions merged into a new division, Operations.

Callide, Mica Creek and Swanbank Power Stations are currently applying a new organisational structure to implement the new direction and focus for the Company. In 2005/2006, the Division's efforts will focus on upgrading the power stations' maintenance and capital expenditure processes, to deliver improved reliability and commercial performance.

CORPORATE PERFORMANCE

Although NEM pool prices remained depressed during 2004/2005, CS Energy's hedging activities outperformed independent measures throughout the year.

In 2004/2005, CS Energy continued to identify and implement new hedge products, offering benefits to the Company and its customers.

The Queensland Government's 13% Gas Scheme, which commenced in January 2005, provided an opportunity for Swanbank E Power Station to contribute an additional $8.2 million in revenue.

The output of the Mica Creek Power Station continued to grow in line with an increasing level of industry activity within Mount Isa and the North West Minerals Province. The investment in Mica Creek Power Station remains in accordance with the Company's initial investment forecasts.

CS Energy maintains a high standard with its environmental management systems and processes. During the year, all operating sites and the Brisbane office maintained certification to ISO 14001 following independent audits.

Through commitments under the voluntary Greenhouse Challenge and Greenhouse Challenge Plus Programs, CS Energy has reduced its greenhouse intensity from 1010 tonnes of CO_2 per gigawatt hour of energy sent out in 1997/1998 to 855 in 2004/2005.

POWER STATION PERFORMANCE

CALLIDE POWER STATION

The Callide complex comprises Callide A Station, which is mothballed, Callide B Station, and Callide C Station, which, whilst only 50 per cent owned, is operated by CS Energy.

Major overhauls and capital investment programs on B Station occurred at Callide during 2004/2005, as well as the implementation of a new organisational structure across the site.

During August 2004 and September 2004, both Callide B units were taken off line for the largest overhaul since the station was commissioned in 1987. A four-week overlapping outage enabled CS Energy to upgrade ash handling facilities and to refurbish the infrastructure shared between the units, such as the chimney and cooling tower.

A $20 million project to convert B Station to dense phase ashing commenced during this outage. In the first stage of the project, B Station boilers were converted to fit a Magaldi dry ash hopper and removal system, the first of its kind in Australia. The installation of a dense phase pumping system is the second stage of the project, which will be completed early in 2005/2006.

In October 2004, a traffic accident between a bicycle and a motor vehicle prompted a review of vehicle use on site. This review resulted in enhanced safety features being implemented at site regarding the use of vehicles and bicycles.

Callide staff continued to work with the local community on noise monitoring. During 2004/2005, two noise monitors were installed off site to gather data on ambient noise levels. Results from this research will be available early in the 2005/2006 financial year.

During the year, the Callide C Power Station (Callide Power Plant) experienced poor availability due to continuing boiler combustion problems. CS Energy is working with Callide Power Management and the original equipment manufacturer to rectify this performance issue.

CS Energy has also commenced a study with Anglo Coal to examine combined mine and power station solutions that may enhance the performance of Callide C.

OPERATIONS
RON RODUNER

Construction of the Stag Creek water pipeline extension commenced during 2004/2005. This 15 kilometre extension of the pipeline supplying Callide Dam will reduce water losses in Stag Creek by around 3,000 megalitres each year.

MICA CREEK POWER STATION

With 10 units of different ages, configurations and sizes, the overhaul and maintenance program at Mica Creek Power Station continues to be challenging. The 2004/2005 year was no exception, with more than 42,000 hours worked on overhauls without an LTI to staff or contractors. In June 2005, Mica Creek celebrated the significant achievement of two and a half years LTI free.

Image (right) Sam Brown's work at Swanbank B was part of more than 55,000 hours of maintenance undertaken at Swanbank during 2004/2005.

The station's environmental management system was confirmed as meeting the requirements of ISO 14001 in June 2005. To control the risk of minor oil losses off site during extreme rainfall events an oil separator was installed on B station waste water collection pond.

Following a series of forced outages, the steam turbine at C Station was taken off line between July 2004 and September 2004 for repairs to the high pressure turbine casing and rotor. The casing was replaced in May 2005 in a planned outage and a claim has been lodged with the EPC contractor to recover the costs associated with this rectification work.

Unit B1 was forced off line between November 2004 and January 2005, the peak demand period of the year, for repairs to its main circuit breaker. The work was completed and the unit returned to service without affecting supply to customers.

In March 2005, during a scheduled inspection of Unit A6, gearbox repairs were necessary, keeping the unit off line an additional 52 days.

Despite these additional maintenance activities, Mica Creek Power Station recorded 99.98 per cent reliability to customers for the year.

SWANBANK POWER STATION

The Swanbank complex comprises the coal-fired Swanbank B Station, the gas-fired Swanbank E Station, and Swanbank A, a retired coal-fired plant.

Overhauls were performed on Swanbank B and Swanbank E during 2004/2005 and work commenced on the demolition and site cleanup of the retired Swanbank A Station.

A $40 million refurbishment program to extend the life of B Station was completed in July 2004, in conjunction with an overhaul on Unit B2. Each of the four B Station units underwent a brief summer readiness shutdown during October 2004 and November 2004, to ensure reliability across the summer period. In December 2004, a scoping inspection was undertaken on Swanbank E Station which identified work to be completed during a planned outage in April 2006. Following the commencement of the Queensland Government's Gas Electricity Certificate (GEC) Scheme in January 2005, Swanbank E's operation increased from four and half days a week to six days, in response to increased demand for gas-fired generation. This change occurred without any plant performance issues.

The Swanbank Community Reference Group (CRG), operated in conjunction with Thiess Services Swanbank, continued to provide a valuable link to the local community during the year, facilitating communication and community projects. The Swanbank CRG celebrated its five-year anniversary in 2004/2005.

NEW BUSINESS

GLENN RISSON

2

RESOURCES

GAS

As Queensland's largest gas user, CS Energy's strategy has been to diversify its gas suppliers and fuel sources. To facilitate this objective, CS Energy entered into agreements with Santos Ltd, Origin Energy Ltd and Tipperary Oil & Gas (Australia) Pty Ltd for the supply of gas during the course of the year.

During December 2004, CS Energy increased its investment in Arrow Energy NL's Kogan North coal seam gas project from 7.5 per cent to 50 per cent. The decision to upgrade the Company's commitment to this project reflected CS Energy's strategy of developing fuel reserves to support gas-fired electricity generation. Gas delivery under this agreement is scheduled to commence in late 2005.

In February 2005, CS Energy sold its 50 per cent interest in the Berwyndale South gas field to Queensland Gas Company Ltd (QGC). As part of a related transaction, QGC has entered into a long-term gas sales agreement with CS Energy, to ensure the continued supply of gas to the Swanbank Power Station. Gas supply is scheduled to commence before 30 June 2006.

To facilitate delivery of gas from these Surat-based coal seam methane producers, CS Energy signed an agreement with APT Australian Pipelines Limited in June 2005, to increase the capacity and flexibility available to transport gas to the Swanbank E Power Station through the Roma to Brisbane Pipeline.

WATER

Water is a vital resource for CS Energy. Environmental and chemistry personnel at each of the Company's sites carefully monitor water use and quality, to ensure maximum value is achieved without waste.

During 2004/2005, CS Energy continued to work closely with Xstrata plc's Mount Isa Mine to redirect site effluent at Mica Creek through a six kilometre pipeline for reuse as process water, thereby conserving fresh water resources.

CS Energy and InterGen Australia, as joint owners of the Callide C Power Station, initiated a 15 kilometre pipeline extension project at Stag Creek during 2004/2005. This conservation project is designed to ensure water loss through evaporation and seepage is minimised. It is estimated that this initiative will eliminate losses of approximately 3,000 megalitres annually.

CS Energy's Kogan Creek Power Station, which is currently under construction, will use dry cooling technology, resulting in a 90 per cent reduction in consumption of water compared with conventional generators.

In 2004/2005, CS Energy also participated in water usage studies associated with the coal seam methane developments in the Surat Basin. The Company's formal arrangement with Arrow Energy includes water supply to the Wilkie Creek Coal Mine under an agreement with Peabody (Wilkie Creek) Pty Ltd.

NEW BUSINESS

During 2004/2005, the CS Energy team maintained and developed its relationships with a number of major energy consumers, including Xstrata Qld Limited, Queensland Alumina Limited at Gladstone and Aldoga Aluminium Smelter Pty Ltd, with a view to long-term electricity supply contracts.

CS Energy continues to plan its renewal strategy for Mica Creek Power Station in Mount Isa. Mica Creek currently serves the Carpentaria Minerals Province and the new strategy will address issues such as plant age and customer expansion plans, to provide a mechanism to effectively balance electricity price and support for regional industry.

The Company's new strategic plan, with its growth target for the next 10 years, has focused the efforts of the CS Energy team for the coming year. CS Energy's new business team will focus on developing long-term partnerships to support the Company's growth. During 2005/2006, this activity will focus on turning concepts into competitive proposals for consideration.

MAJOR PROJECTS

TONY ANDERSEN

3

KOGAN CREEK POWER PROJECT

In the 2004/2005 year, CS Energy commenced construction of the $1.2 billion Kogan Creek Power Project, which incorporates the construction of the 750 MW Kogan Creek Power Station and adjacent coal mine.

When commissioned in 2007, Kogan Creek Power Station will be the largest single generating unit in Australia. An engineering, procurement and construction contract was awarded in May 2004 to a consortium comprising Siemens Limited and Hitachi Limited. The Owner's Engineer contract was awarded to a combined PB Power and Sigma Energy Solutions Pty Ltd alliance.

Image (right) By the end of June 2005, over 263,000 hours had been worked at the Kogan site, without an LTI.

Construction at Kogan Creek will take approximately three years, with peak construction employment of around 900 people expected in April 2006. The power station is planned to be fully operational in August 2007. When complete, the Kogan Creek Power Station will employ up to 60 people and development of the nearby Kogan coal deposit by mining contractor Golding Contractors will provide permanent employment for a further 50 people. The project is progressing on schedule.

The Chinchilla Community Benefits Trust was established during the early consultation process for the Kogan Creek Power Project. The Trust is funded by the Kogan Creek Power Project and administered jointly between the project and Chinchilla Shire Council. Its purpose is to support development of community infrastructure projects and, this year, the fund distributed $370,000 to 18 local community, sporting and emergency services groups.

A Community Reference Group has also been established to facilitate communication between the community and the project. As part of this program, the project partners joined as the major sponsors of Chinchilla's significant social event, the 2005 Chinchilla Melon Festival.

A Training Co-ordination Committee has been established between TAFE Queensland; Department of Employment and Training; Building and Construction Industry Training Fund; Department of State Development, Trade and Innovation; Chinchilla Shire Council; Siemens/Hitachi; and the Kogan Creek Project. The construction-related courses, which recognise prior learning assessments, commenced in October 2004 and have been well received with over 100 local residents applying for accreditation.

CS Energy partnered with Downs Group Training to develop a novel community-based apprenticeship scheme. The initial intake includes one electrical and two mechanical trades apprentices, whose wages are paid by CS Energy. They will be hosted by other local businesses during their first year, before gaining experience at either Swanbank or Callide Power Stations in their second year. In the third and fourth years, it is expected that the apprentices will return to the Kogan Creek Power Station, where they will be incorporated into the permanent staffing for operations.

SWANBANK A POWER STATION RETIREMENT

Following approval by the CS Energy Board, the Swanbank A Power Station was officially withdrawn from service in June 2002. In early 2004, CS Energy initiated the permanent retirement of Swanbank A and assessment of opportunities to sell and/or remove the plant and equipment in preparation for the potential redevelopment on the site.

A contract for demolition and disposal was awarded to Trio Industries Pty Ltd in May 2005, with completion of the project scheduled for July 2006.

MAJOR PROJECTS

TONY ANDERSEN

RESEARCH AND DEVELOPMENT

During the year, CS Energy continued to facilitate a research and development (R&D) program focusing on processes that improve the efficiency of the Company's portfolio, reduce its impact on the environment and position the Company for the uptake of emerging technologies.

CLEAN COAL RESEARCH

CS Energy, as a member of the COAL21 partnership, was a significant contributor to the National Plan of Action to reduce greenhouse gas emissions from the use of coal in electricity generation.

The centrepiece of CS Energy's R&D program is the assessment and development of oxy-fuel technology for the production of near-zero emissions from the use of coal to generate electricity. The concept involves the combustion of pulverised coal in a mixture of oxygen and recirculated flue gases, in contrast to normal air-combustion, in order to produce a final gas stream that contains a high concentration of CO_2. The flue gas stream could be filtered and compressed to provide the CO_2 in liquid form for transport and geological storage. This technology could reduce emissions of oxides of nitrogen by at least 50 per cent, and result in near-zero emissions technology that may be retrofitted to existing coal-fired boilers.

A Memorandum of Understanding between 11 Japanese and Australian industry and research partners was signed in September 2004, to investigate the potential application of oxy-fuel technology to coal-fired electricity generation.

The two-year, $1.5 million study, led by CS Energy, brings together Japanese and Australian expertise in electricity generation, boiler design and construction and greenhouse gas sequestration research to focus on improving the performance of essential coal-fired electricity generation.

The objectives of the project are to:

- Determine the feasibility of retrofitting oxy-fuel technology to a single 30 MW unit at CS Energy's Callide A Power Station;
- Develop a reference design for the Callide A retrofit;
- Undertake a preliminary assessment of the suitability of a number of locations within a 300 kilometre proximity to Callide A for geological storage of CO_2; and
- Examine and report on the potential for retrofit and new applications to achieve near-zero emissions for electricity from coal.

A determination on whether to proceed to demonstration stage will be made in 2006. The project should be eligible for funding under the Federal Government's $500 million Low Emissions Technology Demonstration Fund.

A successful outcome for this project would be a world-first demonstration of power generation from coal with near-zero greenhouse gas emission and would form part of CS Energy's future strategy.

COOPERATIVE RESEARCH CENTRE FOR COAL IN SUSTAINABLE DEVELOPMENT (CCSD)

CS Energy continues to take an active role in research and development through partnerships that have been established across organisation, industry and national boundaries. Through CCSD, in addition to the frontier work on oxy-fuel technology, CS Energy also sponsors and participates directly in research that investigates options for cleaner energy production using biomass co-firing, reduction of particulate and trace emissions from existing power plants, and the development of engineering flowsheets for new or improved coal-fired power plant concepts.

MAJOR PROJECTS

TONY ANDERSEN

FLY ASH REUSE

CS Energy continues to work with the Ash Development Association of Australia and CCSD to investigate the development of value-added fly ash products and the safe disposal of waste fly ash.

CS Energy offers over 100,000 tonnes of fly ash per annum for sale, predominantly as a concrete additive. The Company continued to pursue significant reuse opportunities for this waste product as an aggregate substitute and soil improver.

RENEWABLE ENERGY

CS Energy continues its participation in the Queensland Sustainable Energy Industry Development Group.

One highlight during the 2004/2005 year has been the facilitation of a range of community education workshops throughout regional Queensland, focusing on energy efficiency and renewable energy and showcasing a portable suite of resources.

Through its CS Energy Research Fellow, in partnership with Griffith University, CS Energy also continued to evaluate the potential of co-firing of biomass with coal.

Image (right)
Regular testing by Chemical Operator Stephen Gee at Swanbank E keeps the plant operating at maximum efficiency and reliability.

CS Energy works with the Electric Power Research Institute to further improve combined cycle gas turbine plant performance.

MAXIMISING GAS-FIRED POWER STATION BENEFITS

CS Energy supports the R&D conducted by the Electric Power Research Institute, based in the USA, which advances developments in gas turbines and unit cycle chemistry. CS Energy provides input to the Institute for the optimisation of turbine operation, ensuring that improvements to environmentally friendly gas-fired generation plants continue to deliver results.

With around 30 per cent of the Company's generation plant using gas, the Company undertook significant development activity during 2004/2005, focusing on coal seam methane gas recovery technologies. These initiatives aim to develop methods to improve gas recovery.

LOOKING FORWARD

In 2005/2006, CS Energy will continue with its R&D plan, with the highlight being the completion of the oxy-fuel engineering study.

With the Company's strategic plan targeting generation growth in the Australian market within the next 10 years, CS Energy will focus on R&D activities which leverage its existing portfolio and planned developments.

ORGANISATIONAL DEVELOPMENT

MALCOLM KEAG

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ORGANISATIONAL DEVELOPMENT was created within CS Energy during the financial year, following an internal review.

The division encompasses Health and Safety, Human Resources, Industrial Relations and Marketing and Communication. It is focused on supporting CS Energy's operations, to ensure they meet the Company's strategic priorities.

Throughout 2004/2005, CS Energy has undergone considerable organisational change, to focus the Company more clearly on the essentials of business performance and to position CS Energy for the future.

A primary focus for the Company since August 2004 has been to install a framework for leadership. Following endorsement from the Board, CS Energy introduced new leadership principles and commenced workshops in early 2005. This program focuses on clearly defined roles and teamwork systems, so employees are clear about the work to be done and are able to work effectively. This will ensure consistency and portfolio support across sites, which is essential to supporting the new Kogan Creek Power Station team.

SAFETY

CS Energy sustained its rigorous commitment to safety during 2004/2005, focusing on the long-range vision of 'no harm or injury to anyone'.

The Company embraces a broad definition of the term 'safety incidents', which includes medically treated injuries, near misses and dangerous events. During 2004/2005, the number of LTIs was reduced from 15 to nine. The corresponding LTIFR improved also, decreasing from 12 to 4.6.

CS Energy achieved a significant reduction in safety incidents from 59 to 39 for the year ended June 2005. The Company targeted a reduction in the total number of safety incidents in an effort to minimise the risk to workers through exposure to potential hazards across the Company's operating sites.

CS Energy commenced development of an integrated Permit to Work and Job Safety and Environmental Analysis (JSEA) system. This system regulates workers' access to the Company's plant and provides a comprehensive risk management process, which identifies workplace hazards and details appropriate control measures.

The continued integration of these two complementary systems will streamline CS Energy's preparation for work process, regulate the issuing of permits and clarify the potential hazard identification process.

A range of safety-focused initiatives were undertaken by CS Energy during 2004/2005, including:

- Instigating an asbestos audit with the assistance of a specialist contractor to identify and record the presence of asbestos across all sites;
- Conducting a crisis simulation exercise at Mica Creek Power Station to test crisis responses by on-site staff, corporate office and local emergency services;
- Providing a high-visibility, speed-restricted fleet at the Callide Power Station; and
- Upgrading security, including new gates and cameras at Mica Creek and Swanbank and the introduction of cameras within the Company's corporate office.

Emergency Response Teams (ERT) at Callide and Swanbank receive regular training. The Swanbank ERT was commended for its swift response and decisive action when a passing truck rolled over on Swanbank Road near the power station during the year.

CS ENERGY FOSTERS A NEW

GENERATION OF KNOWLEDGE

WITH 40 PEOPLE IN TRAINING ACROSS THE COMPANY

ORGANISATIONAL DEVELOPMENT

MALCOLM KEAG

FIT FOR DUTY

CS Energy developed and introduced a Fit for Duty Policy during the 2004/2005 year. This policy was developed from a program designed to address a number of back-related strains in 2003/2004, and focuses on a shared responsibility, to ensure employees remain fit and able to perform their tasks without imposing unacceptable risks to the health and safety of themselves and their colleagues or to the safety of the plant.

The Fit for Duty Policy covers:

- Work-related injury or illness;
- Stress and fatigue;
- Physical or mental deterioration or disability;
- Influence of prescribed/non-prescribed drugs or alcohol;
- Non-work-related injury or illness; and
- Pre-employment medical assessment.

NATIONAL SKILL DEVELOPMENT CONTRIBUTION

CS Energy is mindful of the national skills shortage and possible impacts on its business.

CS Energy is approaching this issue proactively, by ensuring that the Company is an attractive workplace for potential candidates and by embarking on a number of initiatives aimed at developing relevant skills in the communities in which it operates.

Recognising a constrained labour market and skills shortage, CS Energy is seeking to create opportunities through:

- Professional Development (Graduate) Program;
- Kogan Creek Power Project Community Apprenticeship Scheme; and
- Kogan Creek training program and matrix.

Recruitment for CS Energy's three-year Professional Development Program for Graduate Engineers was completed during the 2004/2005 fiscal year. An electrical engineer and a mechanical engineer commenced work with CS Energy in January 2005 as a result of this program and have been employed under a rotational agreement across the three power station sites.

To effectively foster the development of industry skills, CS Energy has contributed to a bursary program, coordinated by the Queensland University of Technology, providing an annual four-year bursary to a first-year electrical engineering student.

COMMUNITY

More than 85 per cent of CS Energy's employees live and work in regional Queensland, in the communities of Ipswich, Biloela, Mount Isa and Chinchilla. CS Energy is committed to contributing to the success of these communities and investing in not just the infrastructure, but the lifestyle and cultural development of these regional areas.

Through its sponsorship program, CS Energy strives to be an active participant in each of the communities in which it operates. The long-running partnership between CS Energy and Opera Queensland continued during 2004/2005, and saw the Moving Opera! program taken to high school students in Chinchilla. CS Energy and Opera Queensland organised a range of community activities to support this sponsorship, including the Overture to Opera public lecture, a beginner's guide to opera.

CS Energy embarked on a three-year project, in conjunction with the Ipswich Railway Workshops, to conduct a feasibility study into the redevelopment of the Railway Workshops Powerhouse as an energy museum. This year, CS Energy was the supporting partner of the Megawatt Exhibition, held in the existing Railway Workshops museum.

A new partnership with the Queensland Sustainable Energy Industry Development Group was forged during the year and community workshops addressing household energy efficiency were held in Mount Isa, Chinchilla and Biloela.

School tours of the Swanbank Power Station, in conjunction with Keep Australia Beautiful Queensland (KABQ) and Thiess Services Pty Ltd, continued through the year, with 495 students completing KABQ's environmental education program at Swanbank.

CS Energy is committed to open dialogue with its neighbours. During the year, a new CRG was established in Chinchilla, to provide a link between the Kogan Creek Power Project and the Chinchilla community. Ten local members and an independent chair were appointed in September 2004 and continue to meet regularly to share information and address community concerns arising from the Project. The Chinchilla CRG was modelled on the successful Swanbank CRG, operated in partnership with Thiess Services.

Image (left)
Apprentice Kristy Dennis, with Technician David Ward, is one of 16 apprentices at Callide Power Station.

FINANCE

RICHARD BOYS

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THE CONTINUING DEVELOPMENT OF THE NEM and the volatile nature of electricity prices resulted in a continuation of competitive market conditions throughout the 2004/2005 financial year. Electricity markets continue to be volatile, driven by the availability of generation, growth in electricity demand, and the influence of prevailing weather conditions.

Against this background, CS Energy experienced a 20 per cent improvement in profit after tax to $36.4 million.

The CS Energy balance sheet improved considerably following the injection of equity funding of $260 million in June 2004 from the Queensland Government, following approval of the $1.2 billion Kogan Creek Power Project. This project will eventually provide 750 MW of new, state-of-the-art coal-fired generation as CS Energy continues to grow a portfolio of world class generating assets.

Increased shareholder equity, combined with capitalisation of interest charges associated with the first stages of construction of the Kogan Creek Power Project, helped reduce the Company's interest expense during the financial year and contributed to the improvement in after-tax profitability.

Although turnover benefited from increased generation output and the addition of revenues from the GEC scheme, continuing plant reliability issues at the Callide site and higher maintenance costs across the business resulted in a slight decline in earnings before interest and tax. On a positive note, revenue from electricity derivative transactions increased as the market for these products matured and liquidity continued to improve. Services costs were lower as business improvement initiatives began to deliver benefits.

The outlook for the 2005/2006 financial year is for a continuation of variable and volatile trading conditions. However, revenue from electricity sales is expected to improve considerably as prices move higher as the continuing positive outlook for demand reflects the strong economic conditions in Queensland.

FINANCIAL HIGHLIGHTS

		2004/05	2003/04	2002/03	2001/02	2000/01
PAT	$000	**36,439**	30,397	39,716	60,692	59,987
ROPA	%	**4.6**	5.3	6.8	9.5	9.6
Gearing	%	**37.2**	30.6	52.7	55.1	48.6
Assets	$M	**1,840**	1,620	1,610	1,663	1,484
TWA pool price	$/MWh	**28.99**	28.19	37.54	35.40	41.23
Green energy products	$000	**11,133**	1,799	0	0	0
Total electricity sales	$000	**456,229**	444,314	460,428	476,137	432,649
Costs (excl interest)	$000	**403,956**	394,860	380,536	378,759	358,334
Dividends payable	$000	**29,151**	28,877	37,730	51,657	49,987
Capital investment in power stations	$000	**245,162**	46,655	61,813	214,289	236,065

CORPORATE GOVERNANCE

CHRIS TURNBULL

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THE BOARD

CS Energy's Board consists of seven Directors, appointed by the Governor-in-Council and acting under the Government Owned Corporations Act. A biographical summary of CS Energy's current Directors is detailed on pages 20 and 21.

The Board is responsible for the corporate governance of CS Energy, setting strategic direction, reviewing and approving plans recommended by senior management and monitoring performance against those approved plans.

The Board's functions include meeting statutory and regulatory requirements, ensuring that the Company acts responsibly, and identifies and manages business risks. Committed to the highest standards of ethical behaviour and accountability, the Board has developed formal policies and procedures to govern the conduct of the Company's business affairs in a manner consistent with these principles. The Board ensures that CS Energy acts responsibly and ethically in respect to its shareholders, employees, creditors, business associates and customers. The Board actively supports the Company's contribution to the communities in which CS Energy operates.

BOARD COMMITTEES AND MEETING ATTENDANCE

Board Committees assist the Board with its key functions, providing a forum for CS Energy's Directors and executive management team to address specific aspects of the Corporation's activities that require specialist advice and ongoing involvement.

Monthly Board meetings, and additional meetings as required, allow the Board to oversee CS Energy's operations. Directors participate in briefing sessions on topical issues such as environmental performance, plant management strategies and market trading activities.

This proactive communication ensures that the Company's resources are effectively used to ensure the long-term success of CS Energy.

Risk management is a core responsibility of CS Energy's Board. Previously overseen by the Audit Committee, a decision was taken in September 2004 to establish a dedicated **Risk Management Committee**, comprising all Directors, chaired by Tim Crommelin and meeting quarterly.

CS Energy has several functional risk committees that now report to the Board Risk Committee, which is responsible for assessing potential risks, setting risk strategies and monitoring compliance against risk plans.

The **Audit Committee** oversees the Company's financial reporting, external reporting, audit, statutory and other compliance issues. During 2004/2005 the Audit Committee members were Teresa Handicott, Stephen Lonie, Julie Leaver and Terry O'Dwyer. Teresa Handicott chaired the Audit Committee until October 2004 when Julie Leaver was appointed Chair. With the retirement of directors Teresa Handicott and Terry O'Dwyer in June 2005, director Sarah Israel, who was appointed in July 2005, has joined this Committee.

CS Energy's **Staff and Remuneration Committee** provides advice on remuneration policies and practices. Recommendations are put forward from the Committee to the Board on staff and executive remuneration. During 2004/2005 Terry O'Dwyer was Chair of the Committee with Tony White a member and Stephen Lonie an ex-officio member. With the retirement of Terry O'Dwyer in June 2004, Tony White was appointed Chair of this Committee, Stephen Lonie became a full member and new director Mark Bucknall, appointed as a director in July 2005, joined the Committee.

The Staff and Remuneration Committee is responsible for reviewing executive remuneration and other terms of employment against agreed performance measures. These measures are directed at achieving objectives outlined in the Company's strategic and business plans.

All CS Energy employees are subject to Enterprise Agreements (EAs) or Alternative Individual Agreements (AIAs), and are entitled to annual performance payments based on the achievement of specific targets. Approximately 380 employees are entitled to such payments under EAs and a further 88 are employees entitled to payments under AIAs.

The **Major Capital Committee** consists of Stephen Lonie (Chair), Bob Henricks and Tony White. This Committee meets once a month to track the progress of the Company's major capital projects, as determined by the Board. The Committee provides strategic guidance to the Board on various technical and commercial matters related to major projects.

CS ENERGY'S RISK MANAGEMENT SYSTEM

REACHES FROM THE BOARD-ROOM TO THE SHOP FLOOR

CORPORATE GOVERNANCE
CHRIS TURNBULL

MEETING ATTENDANCE

Each Director attended the following Board and Committee meetings during the course of the year.

Name	Board Meetings		Board Risk Committee		Audit Committee #		Major Capital Committee		Staff and Remuneration Committee *	
	A	B	A	B	A	B	A	B	A	B
Stephen Lonie	11	11	3	3	5	5	11	11	4	3
Tim Crommelin	11	8	3	3	–	–	–	–	–	–
Terry O'Dwyer	10	6	2	0	4	4	–	–	4	4
Teresa Handicott	11	9	3	3	5	5	–	–	–	–
Julie Leaver	11	10	3	2	5	5	–	–	–	–
Bob Henricks	11	10	3	3	–	–	11	10	–	–
Tony White	11	9	3	3	–	–	11	11	4	4

Column A: Number of meetings held while a member
Column B: Number of meetings attended
No Board meeting was held in January 2005.
Including 1 reconvened meeting
*Stephen Lonie is an ex-officio member of this Committee

Image (left)
Electrical Engineer Nichola Crocombe and Technical Co-ordinator Bruce Scott prepare to install distribution valves for an automated water treatment system at Mica Creek Power Station.

DIRECTORS' REMUNERATION

All Directors are reimbursed for reasonable expenses incurred while conducting business on behalf of CS Energy. Details of remuneration paid to Directors during the year appear in Note 30 to the Financial Statements.

REPORTING

The Board of CS Energy provides regular updates of the Company's activities through formal reporting systems and processes and through informal communications with its shareholding Ministers.

Disclosure to shareholders is achieved through the following key documents:

- *Corporate Plan* – This document is submitted annually and details five-year strategic and financial plans, and provides performance indicators and discussion of industry and economic issues that may impact on CS Energy's operations.
- *Statement of Corporate Intent (SCI)* – CS Energy produces an annual SCI which outlines corporate activity, plans and budgets for the short-to-medium term (a summary of CS Energy's 2004/2005 SCI is provided on page 22).
- *Quarterly Reports* – CS Energy provides a Quarterly Report to shareholding Ministers of the Company's performance against agreed SCI targets and measures each quarter.
- *Annual Report* – CS Energy's annual report provides information on the Company's performance and complies with statutory requirements for government-owned corporations.

  The annual report provides commentary on the Company's performance, key initiatives and future activities.
- *Audit* – CS Energy's external auditor is the Auditor-General of Queensland. The Company's Internal Auditor reports to the Audit Committee providing assurance that:
  - Financial and operational information is reliable;
  - Compliance with laws, regulations, policies and procedures occurs;
  - Appropriate procedures are in place to safeguard assets and revenue; and
  - Appropriate procedures are in place to ensure effective use of resources.
- *Directions and Notifications* – CS Energy received no directions or notifications from its shareholding Ministers during the year.

DIRECTORS' AND EXECUTIVES' PROFILES

STEPHEN LONIE **Chairman** B Com, MBA, CA, ASIA, FIMCA, FAICD Stephen Lonie is an independent management consultant and company director, following over 30 years' experience with the major accounting and consultancy firm KPMG. He is currently Chairman of the Jellinbah Resources Group; a Director of Charter Pacific Limited and Voxson Limited; and Chairman of the Brisbane City Council Transport Advisory Board. Mr Lonie also chairs CS Energy's Major Capital Committee and is a member of the CS Energy Audit Committee and Staff and Remuneration Committee.

TIMOTHY CROMMELIN **Deputy Chairman** B Com, ASIA, FAICD Tim Crommelin is Chairman Stockbroking of ABN Amro Morgans Limited, a Member Corporation of the Australian Stock Exchange. Mr Crommelin brings more than 35 years' experience in investment, marketing, stockbroking and capital raising to the Board. He holds a commerce degree from the University of Queensland. His directorships include Australian National University Superannuation Investment Fund, Australian Cancer Research Foundation, Brisbane Grammar School, Abney Hotels Limited and the Queensland Museum Foundation.

MARK BUCKNALL **Director** LLB, BA Mark Bucknall is a solicitor who comes to CS Energy from the Energex Retail Board, where he chaired the Audit Committee and the joint Energex Remuneration Committee. He also served as inaugural chair of the south-east Queensland Regional Electricity Council and has over a decade's legal experience. Mr Bucknall has advised Indigenous groups on native title and cultural heritage issues relating to the Qld/NSW Interconnector and the Kogan Creek Power Project. Awarded a Commonwealth sports achievement award for services to Australian Football, Mr Bucknall is an active community member and contributes professional support to community legal centres and sporting organisations.

BOB HENRICKS **Director** Queensland Certificate of Competency as Electrical Mechanic (Electrician) Bob Henricks brings more than 40 years' experience to the CS Energy Board. Mr Henricks has served on the Board of AUSTA Electric and chairs the Electricity Supply Industry Superannuation Fund, and two other superannuation funds, Aust Q Pty Ltd, and SPEC Q Pty Ltd. He is also Chair of Meanderham Pty Ltd, Electro Group Training Qld Ltd and Electro Group Apprentices Qld Pty Ltd. Mr Henricks is a director of Qld Private Capital Group Pty Ltd. He chairs the Queensland Electrotechnology Industry Training Council, is past State Secretary and National President of the Electrical Trades Union and is also a member of the (Australian Government) Central Trades Committee, which assesses the qualifications of immigrants. Mr Henricks, who took his apprenticeship at 15, is still a licensed electrician.

SARAH ISRAEL **Director** B Bus, FCPA, FAICD Sarah Israel has extensive experience in project finance, investment banking and regional development and currently has consulting roles in finance projects in Australia and internationally. Her experience also includes time in the mining and minerals processing and oil and gas industries. Ms Israel is a Director of Queensland Sugar Limited (QSL), Export Finance & Insurance Corporation (EFIC) and Skytrans Airlines. She is Chair of the Audit Committees of both QSL and EFIC and sits as a member of the Audit Committee of Queensland Transport. She was previously a director of the Queensland Electricity Transmission Corporation (Powerlink).

JULIE LEAVER **Director** B Com, FCPA, MAICD An accountant with significant expertise in financial and management accounting, project management, accounting standards and corporate governance, Julie Leaver has held senior roles in the telecommunications and mining industries. Currently, she is undertaking studies towards a Bachelor of Interactive Media and has also tutored in Accountancy at Deakin University, Melbourne. In ten years with Telstra Corporation Limited, her main role was General Manager, Corporate Accounting, responsible for financial reports, annual reports and prospectuses for the Telstra Group that were prepared to satisfy Australian and US Securities and Exchange Commission requirements. Ms Leaver's mining industry experience of 15 years was with the former MIM Group, including five years as financial controller of its Mount Isa operations.

TONY WHITE **Director** Dip Mech Eng, FIE Aust, Aus IMM, FAIM Tony White is a technical consultant for Itochu Australia Ltd and a Director of Community and Corporate Financial Services Pty Ltd and the Queensland Coal and Oil Shale Superannuation Fund. He is also Chairman of Copperform Holdings Pty Ltd and was Chairman of CS Energy subsidiary Sigma Process Solutions until its acquisition by Alstom Power Australia in March 2003. Mr White has extensive experience in the resources sector, having previously been Executive General Manager, Coal, Copper and Metals Processing with Mount Isa Mines Ltd, where he was able to combine his engineering experience with business development and financial management.

DIRECTORS' AND EXECUTIVES' PROFILES

TERESA HANDICOTT **Director** (Retired 30 June 2005) LLB (Hons), MAICD As a principal law lecturer in the Securities Institute of Australia's Diploma Course and tutor in the Australian Institute of Company Directors course, Teresa Handicott explores the prevailing legal issues that affect companies and directors today. This contemporary knowledge is gleaned from her position as a partner of Corrs Chambers Westgarth, where she advises clients on corporate and commercial law, mergers and acquisitions, capital raisings and securities industry law. She is an associate member of the Australian Competition and Consumers Commission and a member of the Takeovers Panel. She is also a member of the Queensland Regional Council of the Securities Institute of Australia, the Law Council of Australia, the Australian Institute of Company Directors and the Australian Corporate Lawyers Association.

TERRY O'DWYER **Director** (Resigned 1 June 2005) B Com, Dip Adv Acc, FCA, FAIM, FAICD Terry O'Dwyer has extensive experience in risk management, auditing and corporate governance. Currently Chairman of chartered accounting firm BDO Kendalls, BreakFree Limited and Brumby's Bakeries Ltd, he is also a Director of Bendigo Bank Ltd, Queensland Theatre Company Ltd and Metal Storm Ltd. Mr O'Dwyer holds fellowships with the Australian Institute of Company Directors, the Australian Institute of Chartered Accountants and the Australian Society of CPAs and is a registered company auditor.

MARK CHATFIELD **Chief Executive** B App Sc, BE, Grad Dip Bus, MIE (Aust) Mr Chatfield has more than 20 years' experience in the energy sector. Prior to joining CS Energy, he was General Manager, Generation, at Western Power, responsible for power station operations and maintenance, fuel purchases and asset renewal. Mr Chatfield has also held a number of positions with Ampolex, primarily in gas marketing, and was seconded to the working group assisting the Energy Board of Review (the Carnegie Inquiry) evaluating and recommending Western Australia's preferred industry structure.

TONY ANDERSEN **General Manager Major Projects** BE, MIE (Aust) Mr Andersen has more than 30 years' experience in the energy sector. He has worked in management at Tarong, Callide, Swanbank and Queensland's hydro power stations. As General Manager Major Projects, he is responsible for the development of new projects. This currently includes Kogan Creek Power Project, Swanbank A demolition, and the research and development of new technology. He is also a director of Callide Energy Pty Ltd, Callide Power Management Pty Ltd and Kogan Creek Power Project Pty Ltd.

RICHARD BOYS **Chief Financial Officer** BCom, MBA, FCIS Mr Boys has more than 20 years' experience in business management and administration in the resources and energy sectors. Until May 2001, Mr Boys fulfilled the roles of General Manager Corporate Services and Company Secretary for the CS Energy group of companies. In these roles, he was responsible for human resources, corporate communications, internal audit, legal and corporate administration. As Chief Financial Officer, Mr Boys is responsible for finance, business development, information technology and business systems. He is also a director of various CS Energy subsidiary companies associated with Mica Creek Power Station, Callide Power Project, Kogan Creek Power Project and Swanbank E Project.

RON RODUNER **Acting General Manager Operations** BE (Hons), MBA, MIE (Aust), FAICD Mr Roduner has worked in the Queensland electricity industry for more than 21 years and has worked in private enterprise for a number of years. He has significant project management experience and played a key role in the development of the Queensland and National Electricity Markets. As Acting General Manager Operations, he is responsible for all facets of power station and market operations. In this role he oversees Swanbank, Callide, Mica Creek and Kogan Creek power station operations and support services, as well as market risk management, pool operations, hedging activities, ancillary services, settlements, reporting and market regulation. He is also a director and joint General Manager of Callide Power Trading Pty Ltd.

CHRIS TURNBULL **General Manager Corporate Services and Company Secretary** B Bus MAICD Mr Turnbull was appointed General Manager Corporate Services in November 2001. He has worked in the energy industry in the areas of business management and administration for more than 20 years. Mr Turnbull is Deputy Chair of the Electricity Credit Union and a member of that Board's Audit and Risk Management, Financial Investment and Planning and Remuneration Committees. Mr Turnbull is also Company Secretary for the CS Energy group of companies. As General Manager Corporate Services, he is responsible for internal audit, legal and corporate administration.

STATEMENT OF CORPORATE INTENT

A STATEMENT OF CORPORATE INTENT (SCI) is required each financial year in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act (1993)* (GOC Act).

The SCI is a formal statement which details the Company's intentions, key policies, and performance agreement between the Board of CS Energy and its voting shareholding Ministers. The SCI is consistent with, and complements, the Company's five-year Corporate Plan.

The full statement, which includes details of the Company's mission, vision, objectives, activities, capital structure and dividend policies, will be tabled in the Legislative Assembly in accordance with Section 132 of the GOC Act.

In summary, CS Energy's 2004/2005 SCI outlines the nature and scope of the Company's activities, including its main undertakings and capital investments for the period.

The key corporate strategies, consistent with CS Energy's Corporate Plan, and as contained in the 2004/2005 SCI, were to:

- Increase the generation assets under management;
- Diversify the Company's generation assets over geographical and fuel sources; and
- Optimise the productivity of the current asset portfolio.