



**Annual Report**  
2010/2011

# Table of contents

## 2010/2011 in review

About CS Energy	Inside front cover
Highlights 2010/2011	2
Performance against measures	4
Chairman's review	6
Chief Executive's review	8

## Corporate performance

Finance	10
Market	12
Portfolio	14
People	16
Social Licence	22

## Portfolio performance

Callide Power Station	26
Kogan Creek Power Station	30
Mica Creek Power Station	34
Swanbank Power Station	38

## Corporate Governance Report

Board of Directors profiles	48
Executive Management Team profiles	52

## Financial Report

Directors' Report	55
Auditor's Independence Declaration	61
Statement of Comprehensive Income	62
Notes to the Financial Statements	67
Directors' Declaration	116
Independent Auditor's Report	117
esaa Sustainable Principles table	118

Index	120
Glossary	Inside back cover

## About this report

The 2010/2011 Annual Report outlines our operational, financial, economic, environmental and social performance for the financial year 1 July 2010 to 30 June 2011. This is CS Energy Limited's (CS Energy's) second combined Annual Report and Sustainability Report.

The Annual Report provides key performance information to our stakeholders including employees, shareholders, customers, community, partners, suppliers, unions, industry peers, special interest groups and the media. The information that CS Energy considers to be material to our stakeholders is drawn from the Energy Supply Association of Australia (esaa) Sustainable Practice Framework (see below for more details). For more information about our stakeholders, please see page 22.

In November 2010, the Queensland Government announced the outcomes of the *Shareholder Review of Queensland Government Owned Corporation Generators* (Generator Restructure). CS Energy transitioned to a new business with a new portfolio on 1 July 2011, in line with the shareholding Ministers' direction following the Generator Restructure. This year's Annual Report details CS Energy's assets for the 2010/2011 financial year. More information on the Generator Restructure can be found on the following page.

Last year, we produced our first combined Annual Report and Sustainability Report following a Corporate Responsibility and Sustainability Review in 2009. CS Energy is committed to embedding sustainability within all of our business practices, and our progress towards this goal is outlined in this report.

CS Energy's 2009/2010 Annual Report was submitted to the Australasian Reporting Awards (ARA) to benchmark our report against the ARA criteria. The ARA was established to improve the standards of reporting in Australia. CS Energy's 2009/2010 Annual Report achieved a silver award, recognising that the report included quality coverage of most aspects of the ARA criteria, adequate disclosures of key aspects of the core business and addressed current legislative and regulatory requirements.

This report, together with our previous reports, is available on the CS Energy website at [www.csenergy.com.au](http://www.csenergy.com.au) or by phoning (07) 3854 7777. We welcome your feedback and suggestions about this report. Feedback can be directed to the Chief Executive via email at [energyinfo@csenergy.com.au](mailto:energyinfo@csenergy.com.au) or by mail to the Chief Executive, CS Energy Limited, PO Box 2227, Fortitude Valley BC Qld 4006.

## How CS Energy measures performance

CS Energy is a member of the Energy Supply Association of Australia (esaa) which represents key sectors of Australia's energy supply industry, including generation, transmission, distribution and retail. We are a signatory to the esaa's Sustainable Practice Framework, a framework designed to encourage excellence in sustainability practice, performance and reporting.

CS Energy participated in the development of the framework with other members of the esaa, and has committed to the following principles:

1. Maintain good corporate governance.
2. Deliver value to shareholders, customers and the community.
3. Provide a safe, secure and reliable energy supply.
4. Engage key internal and external stakeholders on significant sustainability matters.
5. Maintain and enhance workforce health, safety, wellbeing and development.
6. Develop and implement climate change responses.
7. Improve environmental performance and resource efficiency.
8. Foster and support community programs.
9. Promote measurement and reporting of sustainability performance.

Through the esaa forum, these principles were chosen as material by the energy industry and have been cross-referenced with the Global Reporting Initiative's Sustainability Guidelines (GRI G3 Guidelines). We use these principles to form the basis of CS Energy's non-financial reporting. Our performance against the nine principles, together with page references, is included at the end of this report on pages 118 to 119.

CS Energy's 2010/2011 Financial Report has been audited by the Queensland Auditor-General, and his declaration can be found on page 61. Given the change in business focus during 2010/2011 resulting from the Generator Restructure, CS Energy did not undertake an internal audit of the non-financial performance results contained in the 2009/2010 Annual Report as planned. CS Energy is in the process of preparing a new data collection manual for non-financial performance data to ensure performance measurement is consistent across our new portfolio. This manual will provide a basis for a robust internal audit on CS Energy's non-financial performance data.

Each year, CS Energy is required to submit a Statement of Corporate Intent (SCI) and Corporate Plan to our shareholding Ministers, forming a performance agreement between CS Energy and our shareholders. The SCI and Corporate Plan detail financial and non-financial performance criteria that we set out to achieve. Queensland Government owned generating companies were required to amend their SCIs, to reflect the recommendations of the Generator Restructure which called for the companies to re-focus business operations from growth to one of cost competitiveness. A summary of CS Energy's 2010/2011 Amended SCI can be found on page 47 of this report, and a copy of the full 2010/2011 Amended SCI (with commercially sensitive information deleted) can be found on our website.

# About CS Energy

CS Energy is a Queensland Government owned energy provider and as at 30 June 2011, we had 638 employees across four power station sites and a corporate office, and we had a generation capacity of 3,165 megawatts.

CS Energy supplied approximately 30 per cent of Queensland's electricity requirement, using a fuel mix of natural gas, black coal, coal seam methane and landfill gas. We operated a diverse portfolio of operating plant able to supply base, intermediate and peak load, both on and off the national electricity grid.

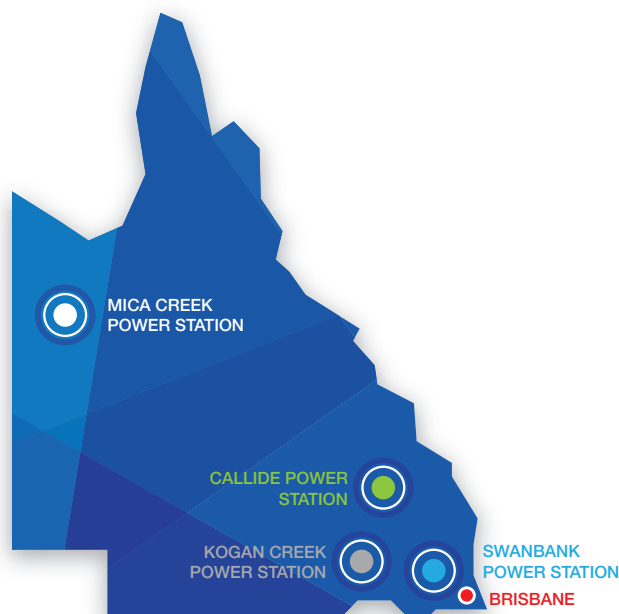
Our operating sites were:

- Callide Power Station, near Biloela in Central Queensland
- Kogan Creek Power Station, near Chinchilla in South West Queensland
- Mica Creek Power Station, near Mount Isa in North West Queensland
- Swanbank Power Station, near Ipswich in South East Queensland.

On 25 November 2010, the outcomes of the *Shareholder Review of Queensland Government Owned Corporation Generators* were announced, including a recommendation to restructure the Queensland Government owned generating companies from three companies into two – a restructured CS Energy and restructured Stanwell Corporation Limited.

Following the restructure, our operating sites from 1 July 2011 are:

- Callide Power Station, near Biloela in Central Queensland
- Gladstone Power Station, at Gladstone (trading rights only)
- Kogan Creek Power Station, near Chinchilla in South West Queensland
- Wivenhoe Power Station, near Esk in South East Queensland.



CS Energy's corporate office continues to be located in Brisbane. We also own the Kogan Mine which supplies black coal to Kogan Creek Power Station, as well as the undeveloped Glen Wilga and Haystack Road coal resources near Chinchilla. CS Energy holds the Interconnection and Power Pooling Agreement (IPPA) that entitles CS Energy to trade the output of Gladstone Power Station in excess of Boyne Aluminium Smelter requirements.

## CS Energy's portfolio prior to 1 July 2011

Plant	Fuel	Station design capacity (MW)	CS Energy owned (MW)
Callide	Callide A <sup>1</sup>	Black coal	120
	Callide B	Black coal	700
	Callide C <sup>2</sup>	Black coal	810
Kogan Creek	Kogan Creek A	Black coal	750
Mica Creek	Mica Creek A (Units 1,2,3,4) <sup>3</sup>	Gas	132
	Mica Creek A (Units 5,6,7)	Gas <sup>4</sup>	103
	Mica Creek B	Gas	35
	Mica Creek C	Gas <sup>4</sup>	55
Swanbank	Swanbank B <sup>5</sup>	Black coal	480
	Swanbank E	Gas <sup>4</sup>	385
<b>Total capacity</b>			<b>3,570</b>
			<b>3,165</b>

1. Callide A Power Station is in storage. One unit is being used for the Callide Oxyfuel Project.

2. Callide C Power Station is owned in a 50 per cent joint venture with InterGen.

3. Mica Creek Power Station Unit A3 has been decommissioned bringing the operating capacity of Mica Creek A Power Station to 99 megawatts.

4. Combined-cycle.

5. Two Swanbank B Power Station units were placed into storage in June 2010 and a further unit in May 2011 bringing operating capacity to 120 megawatts.


## CS Energy's portfolio from 1 July 2011

Plant	Fuel	Station design capacity (MW)	CS Energy owned (MW)
Callide	Callide A <sup>1</sup>	Black coal	120
	Callide B	Black coal	700
	Callide C <sup>2</sup>	Black coal	810
Gladstone <sup>3</sup>	Gladstone Unit 1 to 6	Black coal	1,680
Kogan Creek	Kogan Creek A	Black coal	750
Wivenhoe	Wivenhoe Unit 1 and 2	Pumped storage hydro electric	500
<b>Total capacity</b>			<b>4,560</b>
			<b>4,155</b>

1. Callide A Power Station is in storage. One unit is being used for the Callide Oxyfuel Project.

2. Callide C Power Station is owned in a 50 per cent joint venture with InterGen.

3. CS Energy holds the Interconnection and Power Pooling Agreement that entitles CS Energy to trade the output of Gladstone Power Station in excess of Boyne Aluminium Smelter requirements.

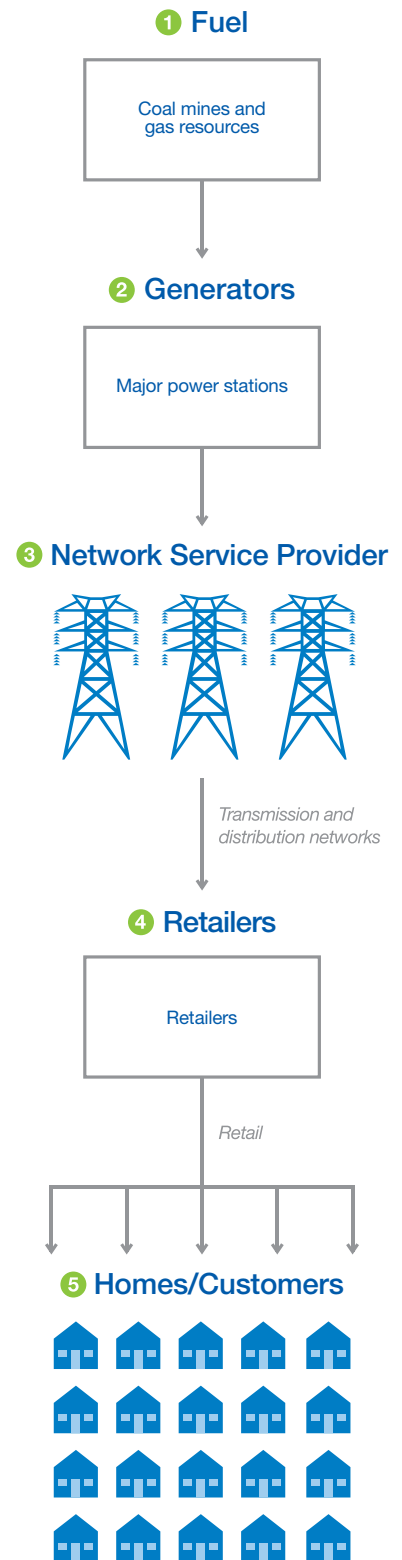


CS Energy is a Queensland Government owned energy provider with a unique mix of technology and an innovative approach that is powered by experienced, skilled and talented people. We strive to deliver a sustainable and commercially viable future for our organisation, our employees and the people of Queensland.

## Organisational structure



## Electricity supply chain

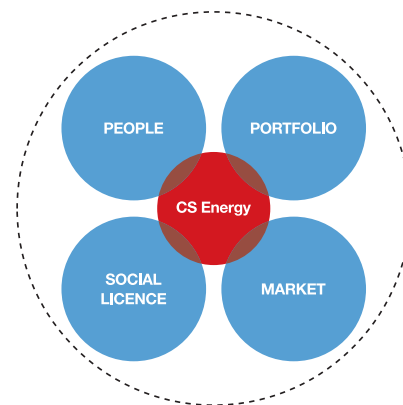


# What drives CS Energy?

CS Energy reports on the progress of key goals through this Annual Report on a corporate and operational level in four areas – People, Portfolio, Market and Social Licence. As CS Energy moves into the future as a new business, we will be setting a strategic direction which strives to deliver a sustainable and commercially viable future for our organisation, our employees and the people of Queensland.

During 2010/2011, CS Energy defined what was important to us and how we undertook business by a set of corporate values:

- Never compromise on safety
- Demonstrate integrity
- Retain a commercial focus
- Foster innovation
- Minimise environmental impact
- Treat each other with respect.

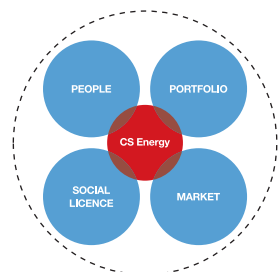


## Highlights 2010/2011

	2008/2009	2009/2010	2010/2011
Lost time injury frequency rate	5	7	2.4
Employee numbers (full time equivalent)	673	644	638
Staff turnover (%)	7	8.8	8.4
Apprentices, trainees and graduates	63	54	41
Total energy sent out (GWhso)	16,675	17,046	15,636
Reliability (%)	90.8	94.6	88.6
Greenhouse intensity (kgCO <sub>2</sub> e/MWhso)	845.5	855.9	819
Significant environmental incidents	1	0	0
Profit after tax (\$000)	93,816	(47,636)	(614,566)
Return on productive assets (%)	8.1	0.6	(37.7)
Queensland average pool price (\$/MWh)	34.00	33.30	30.97
Gearing (%)	44.7	45.1	75.8

\*For definitions see the glossary on inside back cover.

# Performance against measures



CS Energy's corporate scorecard is based on four key measurement areas – People, Portfolio, Market and Social Licence.

Specific goals and strategies for each of these measures are designed to provide a balance between enhancing current business operations and implementing sustainable initiatives needed to take us into the future.

## Strategic objective – People

CS Energy is recognised as having the people with the commitment and skills to deliver business outcomes.

Objective	Targets 2010/2011	Target met?
Employee engagement and effectiveness	Employee availability greater than 97 per cent	✗
	Employee retention rate greater than 88 per cent	✓

### Corporate strategies to achieve these targets include:

- Continuing our leadership development program.
- Communicating effectively with our people so that they are well informed about, and heard by, the company.
- Fostering a culture built on participative and consultative processes that build positive relationships.
- Continuing investment in both internal and industry-wide learning and development programs to build critical skills.
- Negotiating and implementing new enterprise bargaining agreements.

## Strategic objective – Portfolio

CS Energy is acknowledged as a safe and efficient operator of commercial scale, reliable generation plant with a secure, diverse mix of fuel and water resources.

Objective	Targets 2010/2011	Target met?
Safety performance	Lost Time Injury Frequency Rate less than four per cent	✓
Top quartile availability and reliability	Unplanned outage factor less than 6.2 per cent	✗

### Corporate strategies to achieve these targets include:

- Improving and sustaining our safety performance through a cultural safety program, strengthening the capability of health and safety resources, incident investigation training and risk management improvement programs for gas safety, large dangerous goods, contractor management and electrical safety.
- Continuing the implementation of improved enhanced asset management and overhaul processes to deliver enhanced plant availability and reliability outcomes.
- Developing and implementing an efficiency improvement and carbon emission reduction plan.
- Ensuring secure and competitive fuel supplies to all sites.
- Continuing focus on the effective management of costs, consistent with achieving reliability targets.





## Strategic objective – Market

CS Energy is a leader in commercialising low emission technology plant.

Objective	Targets 2010/2011	Target met?
Diversified portfolio with low emission technology	Pre-feasibility projects or investments approved by Board	✓
Commercialisation of oxyfuel technology	Callide Oxyfuel Project commences oxyfiring mode commissioning	✓

### Corporate strategies to achieve these targets include:

- Progressing the Callide Oxyfuel Project demonstration, to provide the platform for the subsequent successful commercialisation of the technology.
- Progressing the Kogan Creek Solar Boost Project.
- Developing a business proposition for combined-cycle gas plant at the existing Mica Creek Power Station.\*
- Developing long term gas supply arrangements to support existing gas generation.\*

\*Gas supply arrangements and the Mica Creek Power Station transferred to Stanwell Corporation Limited on 1 July 2011 as part of the Generator Restructure.

## Strategic objective – Social Licence

CS Energy is acknowledged as a financially viable and socially responsible company.

Objective	Targets 2010/2011	Target met?
Return to shareholders	Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding accounting adjustments greater than \$218 million	✗
Responsible environmental performance	Significant reportable incidents less than 2	✓

### Corporate strategies to achieve these targets include:

- Maintaining ISO14001 environmental management system across all sites.
- Developing abatement and offset measures to offset a percentage of the portfolio carbon emissions.
- Participating in industry forums on key issues, such as low emission coal research and development.
- Pursuing continual improvements in sustainability management and performance through:
  - ▶ Improving emissions output, resource management, water conservation and waste management at our sites.
  - ▶ Addressing sustainable development, efficient resources usage and social responsibility in procurement activities.

# Chairman's review

The 2010/2011 financial year was a year of change for CS Energy. The company is undergoing its most significant structural change since it began in 1997.

While we will be building a new company, we are not starting from scratch. The new company is being founded on existing assets with reputations for performance in the Australian electricity market and, of course, we will benefit from the experience of our employees. However, I believe we need to take every opportunity provided by this restructure to make decisions and set goals which will help us build a sustainable and commercially viable company in line with the direction outlined by our shareholders, the Queensland Government.

## Generator Restructure

In November 2010, the Queensland Government announced the outcomes of the *Shareholder Review of Queensland Government Owned Corporation Generators* (Generator Restructure).

The review commenced in early 2009 and was undertaken to address challenges facing the three Government owned generators – CS Energy, Stanwell Corporation Limited and Tarong Energy Corporation Limited – from a significantly different market and the likely financial impact of a future Commonwealth Government policy to introduce a price on carbon.

The recommendations included a restructure of the Queensland Government's generating companies (Gencos) from three Gencos into two – a restructured CS Energy portfolio (Genco 1) and a restructured Stanwell Corporation Limited portfolio (Genco 2) as well as an immediate re-focus of business strategy from one of growth to one of cost and performance efficiency for the existing asset base.

This signalled a time of considerable change for CS Energy as we prepared to move two of our long-standing power stations – Mica Creek and Swanbank power stations – to the restructured Stanwell Corporation Limited, and bring Wivenhoe Power Station into CS Energy.

The successful transition to the new structure on 1 July 2011 was testimony to the professionalism and dedication of all CS Energy employees.

I would also like to acknowledge the dedication and efforts of the retired Chairman, Mr Stephen Lonie, and his fellow retired Directors Mark Bucknall, Russell Kempnich and Martine Pop during their time at CS Energy. They were instrumental in positioning CS Energy as a leader in the energy industry.

I would also like to recognise the Directors of the new CS Energy Board – Keith Barker, Tracy Dare, Jon Hubbard, Sarah Israel, Greg Simcoe, Karen Smith-Pomeroy and Mark Williamson; who will join me in steering CS Energy through a time of tremendous change in what is unquestionably a very challenging period in the Australian energy industry.

## Financial performance

The 2010/2011 financial year was another challenging year for CS Energy, delivering a consolidated loss after tax of \$614.6 million, which included a net impairment of \$541.2 million, due primarily to the announcement of a carbon price. This unfortunate result

does not justly reflect upon the significant efforts made by our management, staff and contractors.

Our capacity to generate revenue remained constrained due to ongoing unfavourable market conditions. The declining demand for forward contracts within the market, due to the dominance of two major vertically integrated retailers and depressed pool prices, was a large contributor to our poor financial performance.

Within this market outlook, and as a new company with a new portfolio, CS Energy must adapt quickly to secure future success.

## Safety

The Board considers the personal safety of our employees, contractors and their colleagues as the number one priority every day. In 2010/2011, our continued focus on safety resulted in a significant drop in the number of safety incidents. We recorded a total of 10 fewer lost time injuries than the previous year.

However, as we strive toward zero harm, the five lost time injuries our employees and contractors incurred is still too many work related incidents and injuries. As we move forward, our energies and focus will remain on achieving an injury free workplace.

## Reliability and efficiency

The reliability and efficiency of our power stations was significantly impacted by the floods experienced in Queensland in January 2011. During this period, the roads providing our employees access to Kogan Creek Power Station were flooded for over one month, the Swanbank Power Station was isolated in the peak of the floods through Ipswich, and the coal supply to both Callide and Swanbank B power stations was also impacted.

Despite these challenges, our power stations continued to supply power to the national electricity grid, albeit at reduced capacity.

So many people in the communities in which we operate, including some of our employees, were affected by this extreme natural disaster.

Poor coal quality continued to have a major impact on the performance of the Callide B and Callide C power stations.

CS Energy is a supplier of an essential service, electricity, into the competitive National Electricity Market (NEM) and, to remain viable, we must strive to generate electricity at the lowest industry long term cost. We will achieve this through our leading asset management practices.

## Major projects

During the year, we worked with our staff and unions to close progressively the Swanbank B Power Station by 2012. The third of four units was closed in May 2011 and I would like to thank the staff at the Swanbank B Power Station for the dedication and commitment to the power station and the closure process. This has not been an easy time for our people.

We also advanced negotiations with customers and suppliers in the North West Minerals Province around Mount Isa to secure an upgrade to the Mica Creek Power Station ensuring we could meet future energy needs. As part of the customer-driven, competitive

process we were proposing to replace Units A1 to A4 with a new highly efficient combined-cycle gas turbine plant. Participation in this competitive process was transitioned to Stanwell Corporation Limited as part of the Generator Restructure.

## The environment, renewable energy and the carbon challenge

This year we realised significant gains in the development and implementation of our renewable and carbon strategies with the commencement of commissioning on the Callide Oxyfuel Project, the launch of the Kogan Creek Solar Boost Project and announcement of Solar Flagships funding for the Solar Dawn Project.

The continued successful development of the flagship Callide Oxyfuel Project at our Callide A Power Station is being carried out in conjunction with Australian and Japanese joint venture partners. This year, we reached the commissioning phase of the project, making it one of only a handful of projects in the world to move beyond concept stage into construction.

The Kogan Creek Solar Boost Project, launched in April 2011 by Prime Minister Julia Gillard and Queensland Energy Minister Stephen Robertson, will see solar technology applied to Kogan Creek Power Station, to pre-heat the water going into the power station's boiler, thus improving the thermal efficiency of the plant.

On 18 June 2011, the Prime Minister, Julia Gillard, and the Premier, Anna Bligh, announced that the Solar Dawn Project is the preferred solar thermal project in Round 1 of the Australian Government's \$1.5 billion Solar Flagships Program. Solar Dawn is a proposed 250 megawatt solar thermal gas hybrid power plant to be built near Chinchilla in South West Queensland. The proposed Solar Dawn Project is led by a consortium including AREVA Solar, CS Energy and Wind Prospect CWP.

CS Energy continues to focus on improving its environmental performance. The Callide Power Station ash dam is a key project requiring particular attention in the years to come in terms of environmental management.

## Looking forward

### National Electricity Market

Queensland's merchant generators, including CS Energy, will continue to face a difficult market outlook for the next few years, characterised by a current over supply in total supply capacity and the abundance of large gas-fuelled peaking plant owned by the market's two vertically integrated major retailers. These factors will present a major challenge to CS Energy's achievement of an operating profit in 2011/2012.

### Carbon price

The proposed carbon price will have a significant impact on CS Energy, especially with our new portfolio of predominantly coal-fired generation. Without having yet undertaken a full detailed analysis, it is predicted that the carbon price will be our single biggest cost from 2012.

The uncertainty surrounding details of the carbon price has continued to impact the forward contracts market. The carbon price has had a significant impact on the value of our asset base.



## Acknowledgements

I would like to acknowledge:

- The considerable personal energy injected by CS Energy's people across all of our operations. Our people have shown dedication and commitment during what has unarguably been a challenging year for CS Energy.
- Our suppliers and contractors, all of whom are part of CS Energy's world and share its many challenges.
- Finally, but by no means least, the commitment, effort and support of my colleagues on the Board, past and present, all of whom are fully engaged in working with CS Energy's shareholding Ministers and management to identify, assess and address existing and emerging challenges.

I would also like to acknowledge particularly the ongoing support of our shareholding Ministers, both of whom have major portfolio responsibilities, but who provide the Board and management with clear direction regarding issues of importance to the Queensland Government, particularly in these challenging times.

A handwritten signature in black ink, appearing to read 'Denis Byrne'.

**Denis Byrne**

LLB

Chairman

# Chief Executive's review

The foundation of CS Energy's business is to generate electricity safely, reliably and efficiently.

The 2010/2011 financial year has been challenging, both in terms of our operating performance, the performance of the electricity market and significant internal change.

## Generator Restructure

The implementation of the recommendations of the Queensland Government's *Shareholder Review of Queensland Government Owned Corporation Generators* (Generator Restructure) has led to the most significant change in CS Energy's 14 year history.

The recommendation to restructure the Queensland Government owned generating companies from three companies into two generating companies (Gencos) – a restructured CS Energy (Genco 1) and a restructured Stanwell Corporation Limited (Genco 2) – resulted in a reshuffle of assets. Following the restructure, our operating sites are:

- Callide Power Station, near Biloela in Central Queensland
- Kogan Creek Power Station, near Chinchilla in South West Queensland
- Wivenhoe Power Station, near Esk in South East Queensland.

CS Energy's corporate office continues to be located in Brisbane. We continue to own the Kogan Mine which supplies black coal to Kogan Creek Power Station, as well as gaining responsibility for the undeveloped Glen Wilga and Haystack Road coal resources. CS Energy also holds the Interconnection and Power Pooling Agreement to trade the output from Gladstone Power Station and supply electricity to the Boyne Aluminium Smelter.

To ensure a smooth transition and compliance with the *Competition and Consumer Act* and *Corporations Act*, we formed a Transition Team. The Transition Team was charged with ensuring trading within the electricity market was not influenced by the sharing of information and activities between the Gencos. Due to this, the members of the Transition Team were not able to participate in the day to day activities of CS Energy and were carefully selected to ensure that we had an experienced, multidisciplinary team from across the organisation without impacting too heavily on our ongoing operations.

On 8 April 2011, I was appointed as Interim Chief Executive to Genco 1 by the Advisory Board to establish a revised organisational structure and to select an Executive Management Team, subject to full Board ratification on 1 July 2011.

I would like to thank Gary Campbell, who was appointed as CS Energy's Acting Chief Executive during this time until 30 June 2011, all members of the Transition Team and CS Energy's employees for the dedication in keeping the business running, and their commitment to implementing necessary change, through this challenging period.

## Financial performance

CS Energy delivered a consolidated loss after tax of \$614.6 million in 2010/2011, almost 90 per cent of which is attributable to the announcement of a carbon price, equating to a net impairment of \$541.2 million after tax.

In 2010/2011 additional costs due to the impacts of the Queensland floods combined with additional maintenance resulting from coal quality issues at Callide Power Station adversely impacted our financial performance.

Our overall financial performance was also heavily influenced by a reduction in revenue due to adverse market conditions, the impact of the reduced output from our generation assets during the flood and from Callide Power Station, due to poor coal quality.

These factors, together with adjustments for one-off items of significance, resulted in an underlying loss after tax of \$73.4 million for the 2010/2011 financial year.

## Safety

Our safety performance significantly improved this year with CS Energy recording a reduction in lost time injuries from 15 in the previous year, down to five this year. CS Energy is committed to a goal of zero lost time injuries and a safe workplace for its staff and contractors.

Our Health and Safety Taskforce, established to deliver improvements in safety, was instrumental in the improvement of safety this year. This Taskforce comprises a multi-disciplined team drawn from across CS Energy's sites and is instrumental in ensuring that everyone across the business is engaged in the process, to make health and safety first and foremost in everyone's mind.

Safety leadership across the whole organisation is also vitally important. Each member of the Executive Management Team has an individual Safety Leadership Plan. The impact of these initiatives is clearly observable across CS Energy through the major improvement in our safety performance.

## Reliability

In 2010/2011, CS Energy's power stations recorded a reliability of 88.6 per cent and sent out 15,636 gigawatt hours of electricity. Our unplanned outage factor exceeded our target of 6.2 per cent and was primarily driven by two factors:

- The impact of the Queensland floods in January 2011. Fuel supply was impacted at Callide, Kogan Creek and Swanbank B power stations, resulting in these power stations operating at reduced loads. Access to the Kogan Creek and Swanbank power stations was cut by flood waters. However, we continued to operate both power stations with a core team of workers. At Kogan Creek Power Station, we transported staff to the power station by helicopter for over one month during the floods. Even though we operated at a reduced load at Callide, Kogan Creek and Swanbank power stations, we continued to supply electricity to the national electricity grid throughout the natural disaster.
- Reduced generation output from Callide B and Callide C power stations, due to poor coal quality.

Our company-wide asset management, overhaul management and cost management projects are being progressed to help us meet our targeted unplanned outage factor of five per cent in the short term, and two per cent in the long term. While these projects have delivered tangible benefits to date, we must strive to steadily improve the availability and reliability of our plant, as well as reduce unit production costs.

In its second year, the asset management project focused on reviewing maintenance strategies and moving to condition-based monitoring for our assets, acting as an early warning system for potential faults.

CS Energy's overhaul management project aims to improve overhaul scoping, costs and duration, and reduce safety and environmental incidents. This year, we have focused on the systems and tools to deliver best practice in overhaul management planning. Governance structures and processes were enhanced through an integration of SAP, CS Energy's main operating system, and PrimaVera, our project scheduling tool.

### Looking forward

The adverse market conditions are expected to continue for the next few years. During this time, CS Energy will increase its focus on improving operating performance. To achieve this outcome and emerge from these challenges as a stronger company requires the continued dedication, commitment and innovation of CS Energy's people.

The continued focus of our people on meeting the challenges of the current operating environment, and the drive to provide the solutions required in order to meet the present and emerging challenges, will ensure CS Energy generates electricity safely, reliably and efficiently into the future.

I would like to take the opportunity to offer my thanks to the General Manager Portfolio Services, John James, and Chief Financial Officer, Richard Boys, who left CS Energy on 1 July 2011, after many valued years with the company.

I would like to personally thank all CS Energy staff and contractors for their continued efforts and dedication during, what has been, a very challenging time.

I would also like to thank my senior executive team for their efforts through a challenging year and also acknowledge the excellent working relationship that we enjoy with our shareholding Ministers and their respective departments.



### David Brown

C.Eng BSc (Hons)

Chief Executive



# Financial performance

CS Energy produced a consolidated loss after tax of \$614.6 million for the year (2009/2010: \$47.6 million). This loss included an impact from the impairment of assets of \$541.2 million after tax, primarily due to the impacts of the announced carbon price proposed under the Commonwealth Government's 'Clean Energy Legislative Package'.

The underlying loss after tax, excluding the impairment impact, of \$73.4 million (2009/2010: \$47.6 million) resulted from continued poor trading conditions reflected in low market prices and reduced generation due to lower than anticipated demand and reduced reliability.

This year, we earned revenue of \$647 million from operations, which was \$101.3 million lower than the previous year. This reflected continued low market prices for both spot and forward electricity contracts and lower generation due to the impacts of the Queensland floods and poor coal quality.

The lower revenue from operations was partially offset by an increase in other income of \$47.8 million primarily due to the re-measurement of onerous contracts (an expense of \$26.7 million in the prior year).

The cost of operations, including cost of sales and administration costs, decreased marginally by \$15.7 million compared to the prior year. The decrease primarily related to lower cost of sales of \$62.3 million due to reduced generation, and an increase in other

expenses of \$46.6 million, comprising:

- A net loss on derivatives not qualifying for hedging of \$47.5 million
- Research and development costs relating to the Callide Oxyfuel Project of \$23 million
- Higher administration costs of \$13.5 million due to general price increases and additional support costs
- An increase in the write-off of \$8.8 million in exploration and development expenditure.

These increases were offset by:

- one-off costs incurred in 2009/2010 of \$23.5 million associated with the closure of Swanbank B Power Station
- a reduction in the value of an onerous contract of \$21.8 million due to re-measurement.

Finance costs associated with long term borrowings increased during 2010/2011 by \$5.8 million primarily due to increases in interest rates during the period. CS Energy's debt level remains largely unchanged at \$825.8 million. The \$4.4 million increase in finance cost was associated with onerous contracts and rehabilitation provisions.

Challenging market conditions are expected to continue in the short term. These conditions will continue to restrict cash flows, however available debt facilities will be utilised to meet ongoing capital requirements for existing sites.

CS Energy incurred additional costs of \$2.6 million prior to 30 June 2011 as a result of the Queensland Government's

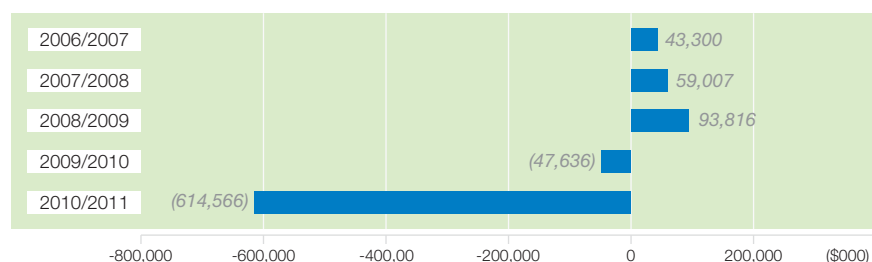
Generator Restructure. There has been no other material financial impact on the consolidated group for the financial year. For further information on the Generator Restructure, see the inside front cover and page 43 of this report. CS Energy has made additional disclosures in the notes to the Financial Statements due to the Generator Restructure, which includes 'disposal groups held for distribution to owners' and a proforma balance sheet as at 1 July 2011.

The future financial and operational impacts of the Generator Restructure are being determined and will be provided to shareholding Ministers through an Amended 2011/2012 Statement of Corporate Intent (SCI). Long term borrowings through Queensland Treasury Corporation have remained largely unchanged at \$825.8 million during the financial year and the available facilities are unchanged on completion of the Generator Restructure. Gearing has increased to 75.8% (2009/2010: 45.1%) primarily due to the impairment of assets, as identified above.

CS Energy continues to maintain a credit rating of AA+ as determined by independent ratings agency Fitch Ratings although a change in the outlook from stable to negative occurred on 27 July 2011. The credit rating reflects CS Energy's strong legal, operating and strategic linkages between the state of Queensland and CS Energy.

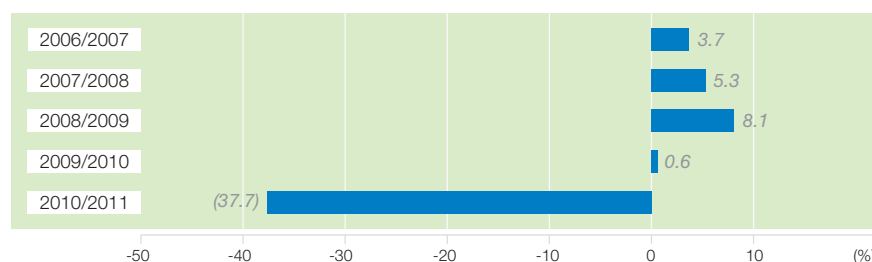
For further information, see the full audited financial report on page 54.

## Profit after tax (\$000)



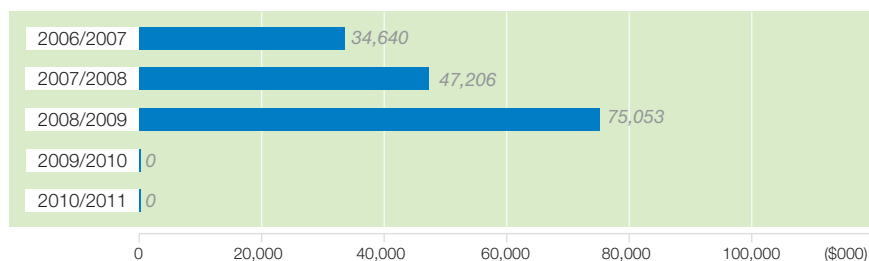
CS Energy produced a consolidated loss after tax of \$614.6 million for the year (2009/2010: \$47.6 million). This loss includes an impact from the impairment of assets of \$541.2 million after tax, primarily due to the impacts of the announced carbon price proposed under the Commonwealth Government's 'Clean Energy Legislative Package'.

## Return on productive assets (ROPA) (%)



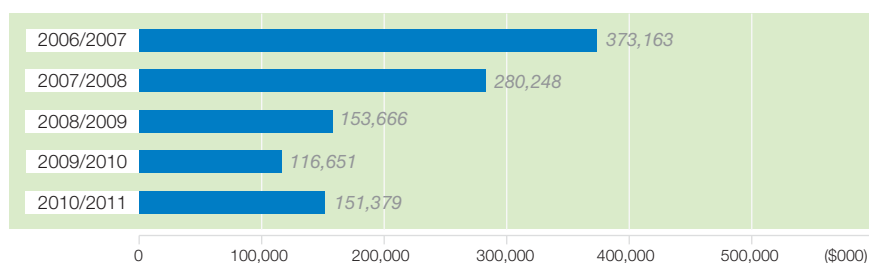
Return on productive assets represents the return the consolidated group has made from the productive assets under its control. It is measured by dividing earnings before financing costs and tax by the average value of productive assets. Productive assets are measured as total assets less work in progress. The same factors which impacted the consolidated groups profit after tax, affect the return on productive assets for the 2010/2011 financial year.

## Dividends payable (\$000)



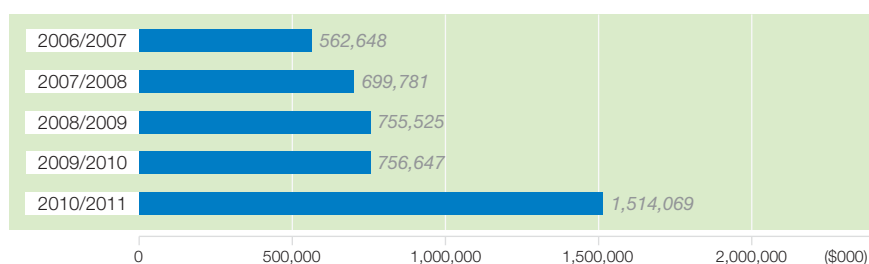
During 2010/2011 CS Energy did not pay a dividend to its shareholders as the 2009/2010 result was a loss after tax. Based on the performance for the 2010/2011 financial year, the company does not anticipate declaring a dividend or pay a dividend within the coming financial year.

## Capital investment in power stations (\$000)



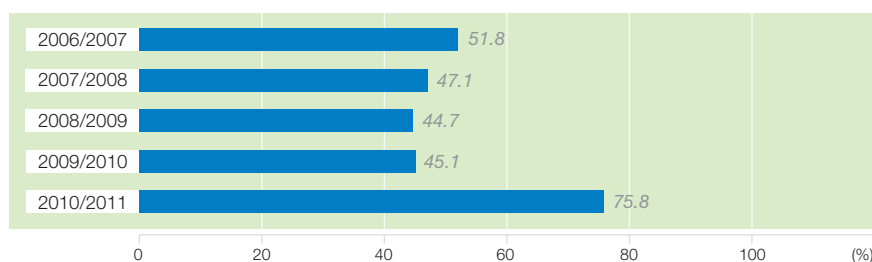
The 23 per cent increase in capital investment in power stations is largely reflective of major refurbishment completed at Callide Power Station including the Unit B1 major overhaul and control system upgrade, installation of new capacity at Mica Creek Power Station and commencement of the Kogan Solar Boost Project.

## Costs (excluding finance costs) (\$000)



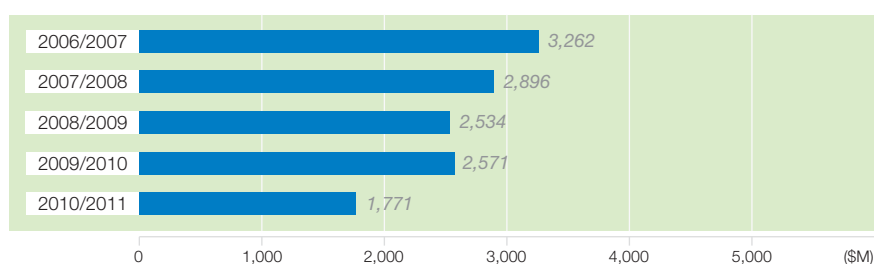
The costs (excluding financing costs) includes an impairment of \$773.2 million. The underlying costs incurred of \$740.9 million, excluding impairment, reflect a reduction from the prior year. The key driver in the decrease relates to a reduction in cost of sales of \$62.3 million due to lower generation. This was offset by additional costs of \$46.6 million primarily due to a fair value adjustment on electricity forward contracts of \$47.5 million.

## Gearing (%)\*



The long term borrowings with Queensland Treasury Corporation have remained largely unchanged at \$825.1 million during the financial year. The deterioration in the gearing percentage for 2010/2011 relates primarily to the recognition of the post tax impairment of \$541.2 million.

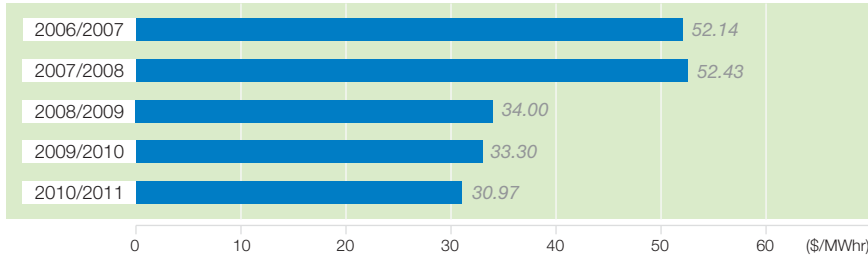
## Assets (\$M)



The reduction in assets of \$800 million relates principally to the impairment recognised of \$773.2 million and the disclosure of assets held for distribution of \$181.1 million.

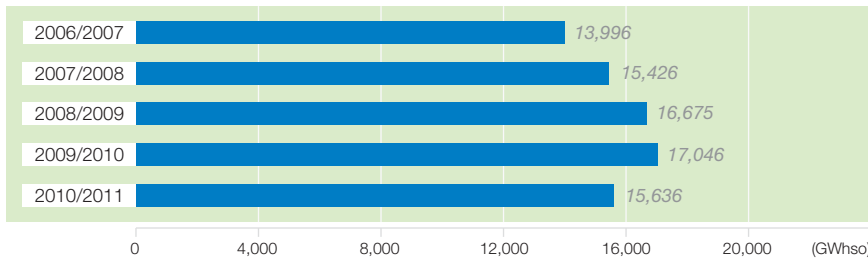
# Market

## Time-weighted average pool price (\$/MWh)



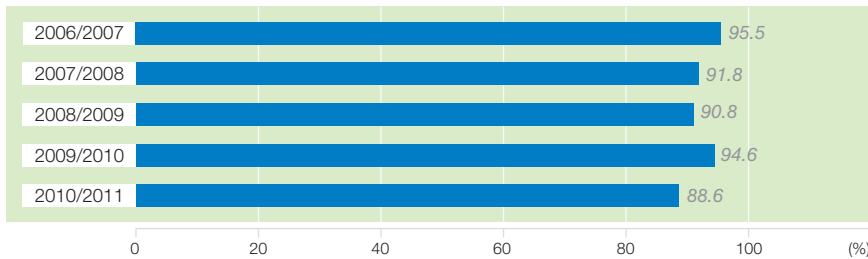
The time-weighted average pool price was lower than last year at \$30.97 per megawatt hour (2009/2010: \$33.30 per megawatt hour) continuing the downward trend in annual pricing. This trend is due primarily to the excess installed generation and lower than forecast electricity demands. This equates to a reserve generation margin in Queensland of approximately 37 per cent.

## Energy sent out (GWhso)



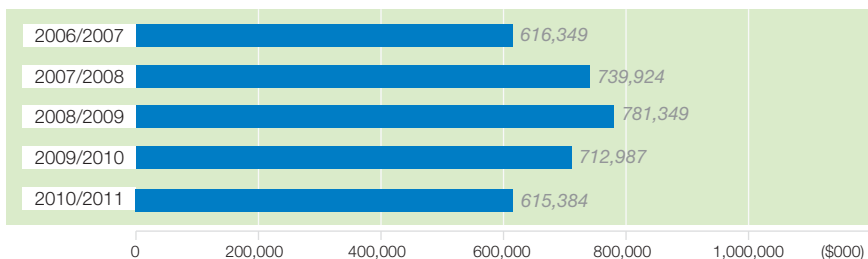
Energy sent out is down on last year reversing the trend of increased amounts of energy sent out seen in recent years. This is due in part to the continued mothballing of Swanbank B Power Station, depressed market conditions and the forced outage rate.

## Reliability (%)\*



Reliability across the fleet decreased in 2010/2011. This was due to higher than expected forced outage rates, primarily caused by coal quality issues at Callide Power Station and running at reduced loads across our portfolio due to the Queensland floods.  
\*For definition see the inside back cover.

## Sales revenue (\$000)



Sales revenue was heavily impacted by low pool prices, low generation sent out, and higher than expected forced outage rates. Contracting for the year was generally on budget. The lower pool prices were caused in part by the excess generation available in the market, which has contributed to a reduction in demand for future contracts. Demand for future contracts has been further dampened by the uncertainty surrounding the introduction of the carbon price.



CS Energy is a participant in the National Electricity Market (NEM) and we sell electricity into the NEM through the spot market, where prices are calculated every five minutes and settled half hourly. We also trade in the contracts market where we enter into financial contracts to supply a fixed amount of electricity at a contracted price over a specified period of time.

CS Energy is also looking to retail directly to large commercial and industrial customers providing another source of revenue and an alternative channel to market for our generation.

### Pool price

Although the NEM is a national market, prices are determined on a regional basis and CS Energy's revenue primarily reflects prices in the Queensland region.

The 2010/2011 financial year has seen additional electricity generation come into the market. This new generation, which now contributes to an approximate 37 per cent reserve margin, has resulted in increased generation competition in the Queensland region, causing further depression of the Queensland Regional Reference Price (RRP). The time-weighted average pool price for Queensland in 2010/2011 was \$30.97 per megawatt hour, which continued the downward price trend seen since 2008/2009.

The Queensland RRP was also affected by mild temperatures throughout the year. The average demand for 2010/2011 was 5,865 megawatts, substantially lower than forecasts by the Australian Energy Market Operator (AEMO). The maximum demand for Queensland was 8,894 megawatts in 2010/2011 compared to a total installed capacity of 12,257 megawatts in Queensland.

### Contracts market

The uncertainty surrounding a carbon policy continued to have a significant impact on the contract market, with participants in the market reluctant to contract beyond 2012, making it difficult to accurately predict the impact on future prices. The announcement to introduce a carbon price has further reduced market confidence due to the lack of detail surrounding the policy.

The CS Energy trading team is working to ensure that the organisation is prepared for a carbon price and an eventual emissions trading scheme. Significant progress had been made in establishing supporting data systems and procedures to accommodate the required trading and acquittal of the carbon permits.

### Green products

During 2010/2011, CS Energy participated in a range of greenhouse intensity reduction schemes.

Gas-fired generation from Swanbank E Power Station was eligible for the Queensland Government's Gas Electricity Certificates under the Queensland Gas Scheme and the New South Wales Greenhouse Gas Abatement Scheme (GGAS).

In addition, the ReOrganic project, which co-fires landfill gas with coal in Swanbank B Power Station was eligible for carbon offset certificates under the GGAS program. For information about the ReOrganic project see page 41.

The New South Wales regulator independently audited Kogan Creek Power Station's average greenhouse gas intensity for 2009/2010 at 917 kilograms of carbon dioxide per megawatt hour sent out, making the power station output eligible to generate GGAS certificates.

### Off-grid activities

In 2010/2011, CS Energy owned and operated the Mica Creek Power Station in Mount Isa, which is not connected to the NEM. Mica Creek Power Station is the primary provider of electricity in the North West Minerals Province and supports the communities of Mount Isa and Cloncurry, as well as local mining and industrial operations.

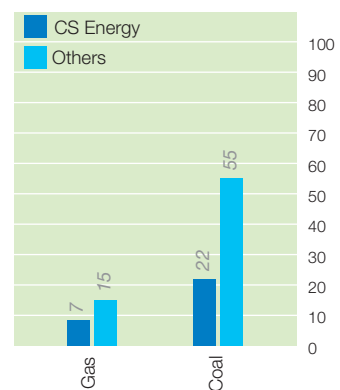
The Mica Creek Power Station comprises 10 small-scale units, two of which are 50 years old and therefore nearing the end of their economic life. CS Energy pursued plans to progressively retire the ageing units, and install new generation plant. The proposed upgrade was contingent on firm contracts being secured with customers in the region. In 2010/2011, the Mica Creek Power Station recorded system reliability

of 97.5 per cent for the year. For more information on the Mica Creek Power Station see page 36.

### Participation in the market

CS Energy participates in shaping the NEM through a number of industry association memberships. Our Chief Executive, David Brown, sits on the Board of the National Generators Forum (NGF), which directly represents 22 major power generators in the NEM. Through our participation in the NGF, CS Energy continues to contribute to debate and formulation of NGF policy.

### Queensland generation (%)



# Portfolio

In 2010/2011, CS Energy's diverse portfolio included four power stations using natural gas, black coal, coal seam methane and landfill gas to generate power. We had eight generating units which supplied electricity to the National Electricity Market (NEM) and a further 10 generating units which supplied energy to the North West Minerals Province, which is not connected to the national electricity grid.

CS Energy's power stations recorded a reliability of 88.6 per cent, compared to 94.6 per cent in 2009/2010 and 90.8 per cent in 2008/2009. CS Energy sent out 15,636 gigawatt hours of electricity, slightly down from the previous year due to the impacts of the floods in January 2011, a major overhaul at Callide Power Station, poor plant reliability and the closure of a third unit at Swanbank B Power Station.

In response to the challenging market conditions we have been facing since 2008/2009, CS Energy continued to focus on three core performance-driven projects across its portfolio – safety, asset management and overhaul management. Further information on safety can be found on page 19.

We continue to target our business strategy and planning to achieve the following key improvements:

- A reduction in our unplanned outage factor
- A reduction in the time and cost of overhauls
- A reduction in the unit cost of production.

## Asset management

The asset management project aims to improve the way we manage our portfolio to increase the availability and reliability of our power stations and reduce maintenance costs. Our asset management project is benchmarked against the requirements of PAS55, a specification for the optimised management of physical assets.

Key outcomes of this project centre on:

- Whole-of-life Asset Plans
- Optimised preventative maintenance routines
- Specific plant area and equipment strategies
- Leading practice engineering and maintenance standards
- Up-skilled plant maintenance capability.

In 2009/2010, the first year of the project, we worked on the foundations for best practice asset management, including company-wide engineering and maintenance standards, improvements in data integrity and risk control and reduction. An internal gap analysis was also undertaken based on 62 elements of good asset management, which lead to the development of maintenance system master data standards, an asset management policy, drawing management standards, strategy development procedures, and lubrication standards.

This year, the project focused on reviewing maintenance strategies, moving to a greater focus on condition-based monitoring for our assets, which acts as an early warning system for potential faults. A review was also undertaken on CS Energy's strategies for:

- Compressed air plant
- Dust collection plant
- Ash and dust plant.

CS Energy's 2010/2011 portfolio					
Plant	Fuel source	Station design capacity (MW)	Energy sent out (GWh)	Reliability (%)	Greenhouse gas intensity (kgCO <sub>2</sub> /MWh generated)
Callide A <sup>1</sup>	Black coal	120	-	-	-
Callide B	Black coal	700	2,923	84.9	932
Callide C <sup>2</sup>	Black coal	810	2,363	88.0	894
Kogan Creek	Black coal	750	5,029	89.5	810
Mica Creek <sup>3</sup>	Gas	325	1,692	98.3	522
Swanbank B <sup>4</sup>	Black coal	480	1,006	89.2	882
Swanbank E	Gas	385	2,203	93.9	375

1. Callide A Power Station is in storage. One unit is being used for the Callide Oxyfuel Project.  
 2. Callide C Power Station is owned in a 50 per cent joint venture with InterGen.  
 3. Mica Creek Power Station Unit A3 has been decommissioned bringing the operating capacity of Mica Creek A Power Station to 99 megawatts.  
 4. Two Swanbank B Power Station units were placed into storage in June 2010 and a further unit in May 2011 bringing operating capacity to 120 megawatts.

The asset management project will adopt a more targeted approach for the next 12 months with a focus on critical plant including:

- Callide Power Station boilers
- Condensing feed-heating plant
- Process fuel
- Air and gas plant
- Supply fuel plant.

## Overhaul management

CS Energy's overhaul management project aims to improve overhaul scoping, costs and duration, and reduce environmental and safety incidents. We apply the *In Full on Time to A1* (IFOT-A1) specification process which is utilised in the petrochemical industry and has been adapted to CS Energy's business processes to deliver tangible outcomes in overhaul management.

In 2009/2010, the first year of the project, CS Energy applied an accelerated version of IFOT-A1 to overhauls planned for delivery within the two year planning horizon.

This year, we focused on the systems and tools to deliver best practice in overhaul management planning. Governance structures and processes were enhanced through an integration of SAP, CS Energy's main operating system, and PrimaVera, our project scheduling tool. The integration enhanced overhaul data integrity and facilitated improvements to the efficient development and updating of overhaul schedules.

In 2011/2012, we will be undertaking further structural reforms to the overhaul management process and embed the overhaul management project across the new portfolio.



Gary Campbell, General Manager Production (right) inspects the Callide Power Station Unit B1 generator rewind with Dev Sharma and Pierre Michaud.

# People

There is a clear link between skilled, loyal and motivated employees and high-performing, sustainable companies. CS Energy continues to put in place strategies and programs to maintain a positive employment climate to attract, develop and retain people with the skills and capabilities to meet our required business outcomes.

## Workforce profile

At 30 June 2011, we employed 652 people across our five sites, which equates to 638 full time equivalent employees. CS Energy offers a variety of occupations and professions, including engineering and sciences, technical and trades, contract administration, project management, legal, workplace health and safety, finance, information technology, procurement and human resources.

During the year, 50 permanent employees joined CS Energy and 48 resignations were accepted. Total staff turnover for the year was 8.4 per cent, a slight decrease from 8.8 per cent last year.

CS Energy also measures employee availability as a key performance indicator, targeting more than 97 per cent availability. In 2010/2011, we recorded an employee availability rate of 97 per cent, which is slightly below our target of greater than 97 per cent availability.

## Planning for the future

CS Energy has a strong commitment to workforce planning, which is essential to managing long term business success and the potential impact of an ageing workforce. In 2010/2011, 35 per cent of our workforce was over 50 years of age. A number of workforce analysis strategies have been implemented, including a 'grow your own' and career pathway approach to employee development that aims to develop existing staff and foster promotion from within.

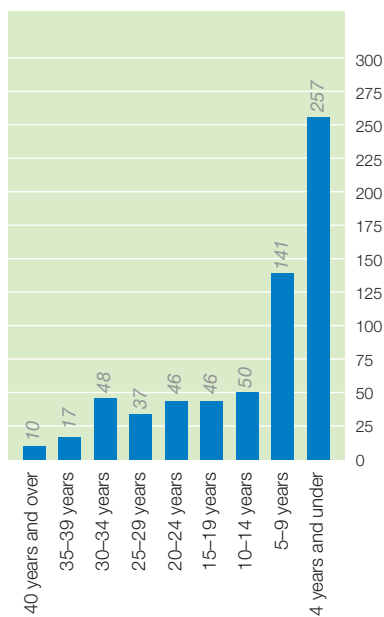
We have also engaged Energy Skills Queensland to ensure we are well prepared for future skills requirements. Energy Skills Queensland delivered a draft Workforce Risk Assessment Report for Callide Power Station. For more information on the draft Workforce Risk Assessment Report, see page 27.

Our human resources team was integral in the development of CS Energy's staff and union consultation plan and transition to a new company on 1 July 2011, after the announcement of the Queensland Government's *Shareholder Review of Queensland Government Owned Corporation Generators* (Generator Restructure) in November 2010.

CS Energy also developed a Position Criticality Matrix that determined staff criticality levels (low, medium, high or very high). Succession plans have been developed for positions with a high or very high criticality rating. CS Energy has also identified high potential employees to build a talent pool of suitably skilled, qualified and aspiring employees for future technical and leadership roles. Work is progressing to finalise tailored development plans for these employees.

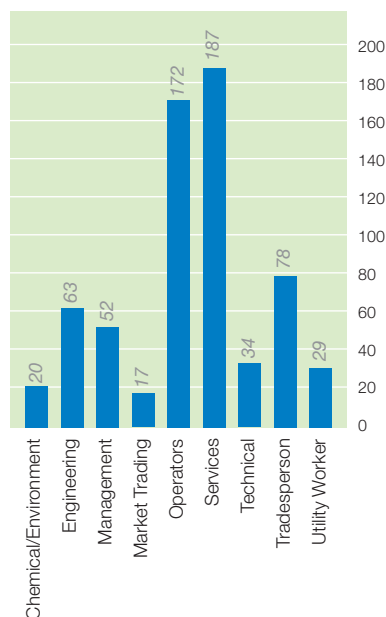
## Employee length of service (years)

Figures are based on actual employees, not full time equivalent figures.



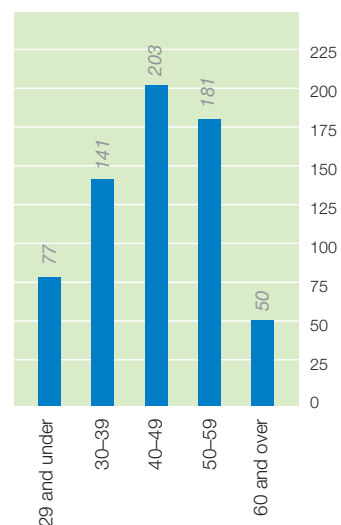
## Occupational profile of our workforce

Figures are based on actual employees, not full time equivalent figures.



## Age profile of CS Energy's workforce

Figures are based on actual employees, not full time equivalent figures.



## 2010/2011 Diversity profile by profession

EEO GROUPS*	Managers & Admin	Professionals	Associated professionals	Tradespersons	Clerical	Labourers	Total
Females	26	27	17	7	19	0	96
Non-English-speaking background	3	9	3	11	1	1	28
People with a disability	0	3	2	11	1	0	17
Aboriginal and Torres Strait Islander (ATSI)	1	1	2	2	1	1	8
<b>Total</b>	<b>30</b>	<b>40</b>	<b>24</b>	<b>31</b>	<b>22</b>	<b>2</b>	<b>149</b>

\*Some people chose not to respond to the EEO survey question about non-English speaking background

### Valuing diversity

We strive for a workplace free from unlawful discrimination and harassment, and CS Energy expects that all people are treated with respect and managers value the diversity within their teams. CS Energy's Equal Employment Opportunity (EEO) policy is available on the website. In 2010/2011, we continued the implementation of our five year EEO Plan.

A diverse group of men and women of varying ages are employed at CS Energy, including a number of people from non-English speaking backgrounds, Aboriginal or Torres Strait Islanders and people with disabilities. Almost 15 per cent of the workforce is female, with the number of women in technical and trade roles remaining relatively stable from year to year.

### Performance management

CS Energy utilises role purpose statements and scorecards to create stronger links between CS Energy's business plan, individual outcomes and team priorities. In 2010/2011, CS Energy employees on Alternative Individual Agreements (AIAs) agreed to scorecards to guide the performance management process, strengthening the alignment between corporate and individual goals and the determination of performance pay.

### Attraction and retention

Employee attraction and retention strategies aim to build on our already skilled workforce, particularly those employees working in remote and regional areas who represent more than 50 per cent of CS Energy's workforce. Competition for skilled employees remains strong as activity in Queensland's resources industry continues to grow, particularly around Chinchilla and Gladstone. CS Energy will continue to

compete against major mining and industrial operators for skilled staff as more projects commence across the state. Our attraction and retention strategy centres on a range of incentives to support employees in remote areas, including holiday travel support and study assistance for the dependants of employees.

### Industrial relations

The majority of CS Energy's staff are employed under Enterprise Bargaining Agreements (EBAs), with the remainder employed under Alternative Individual Agreements. Each site has a separate EBA and more information on the status of our EBAs for each site can be found later in this report under specific site pages.

CS Energy's Corporate Office Enterprise Agreement expires on 30 June 2012. As part of the commitments given during the Queensland Government's Generator Restructure, we will now renegotiate the Corporate Office Enterprise Agreement with the aim of reaching agreement by 30 September 2011. The new agreement will include the Queensland Government's guarantees to unions and staff arising out of the Generator Restructure. The Queensland Government guarantees included:

- Consultation with unions and employees in accordance with enterprise agreements.
- No forced redundancies for award/enterprise agreement employees (this includes Mica Creek employees who, remuneration aside, would be capable of being covered by the Electrical Power Industry Award 2010). Consistent with other such reforms, the Queensland Government's commitment will extend for a period of three years from 1 July 2011. Future bargaining will be subject to the Queensland Government guarantees.

- Possible scope to move employees between the remaining government owned corporations where necessary.

- Providing support to the generating companies to manage and accommodate all employees, so that as general principles and wherever practicable:

- ▶ Employees will maintain similar functions in the work they perform.
- ▶ Employees who work for an asset will remain with the asset.
- ▶ In instances where roles are duplicated in new organisational structures, processes will be established which prioritise existing employees and include where appropriate closed merit selection processes.
- ▶ A program of redeployment and retraining will also be available to employees where necessary.
- ▶ The role of the Chief Executives and Boards of the two restructured entities (in consultation with employees and unions) to determine their future organisational structure is acknowledged.

CS Energy also participated in the Queensland Government's Industrial Relations Steering Committee comprising representatives from the Queensland Government, unions and the three generators – CS Energy, Stanwell Corporation Limited, and Tarong Energy Corporation Limited. The committee consulted on all aspects of the Generator Restructure in the period leading up to the implementation of the restructure on 1 July 2011, including the establishment of Transition Principles for Employee Selection and Transfer.



Hao Tan recently graduated from the Power Generation Skills Development program.

As a result of the Generator Restructure, CS Energy will also seek to renegotiate the transmitted Certified Agreement for Wivenhoe Power Station staff by 30 September 2011.

### Employee engagement

CS Energy seeks to enhance employee engagement through our employee cultural climate survey process. The process provides leaders and teams with feedback that forms the basis for teams to develop improvement plans and implement these plans within a supportive framework. The 2011 employee survey was scheduled to be conducted in March 2011, but was deferred until the completion of reallocation of assets under the Generator Restructure.

### Developing a teamwork culture

The *Teamworks* program continues to enhance team development and build CS Energy's leaders. *Teamworks* provides practical tools and resources to foster supportive leadership, role clarity and effective teamwork within the organisation. New employees complete *Teamworks* online and then attend an interactive workshop within their first six months of employment.

During 2010/2011, the *Teamworks* program was enhanced through the introduction of an online version in October 2010. There were 12 interactive workshops conducted across CS Energy sites during the year, with a total of 101 employees participating in the program.

### Improving induction processes

Our employee onboarding project, *StartUp*, was initiated in March 2009 and formed the basis of a review of CS Energy's induction processes. The new *StartUp* program was progressed in 2010/2011 and piloted on members transferring from Stanwell Corporation Limited as part of the Generator Restructure to provide people with information prior to joining CS Energy and access to the relevant tools from their first day in their new organisation.

## Learning and development

Industry demand for talented, skilled employees remains high and CS Energy aims to meet the skills shortage challenge by creating learning opportunities and development pathways for our people to extend their capabilities through an integrated learning and development strategy.

CS Energy's learning and development team is implementing various strategic training initiatives in the fields of safety and compliance, operations, maintenance and general training.

In 2008, CS Energy established the Learning and Development (L&D) Centre adjacent to the Swanbank Power Station site. The L&D Centre is the hub for the creation and delivery of CS Energy packages across the business and will continue to operate at its Swanbank location.

This approach enables standardisation of packages, consistency of delivery and cost effectiveness in service provision. This year, the learning and development team supported our staff to attain national qualifications in:

- Generation Operations
- Management
- Project Management
- Frontline Management
- Business
- Business Administration
- Human Resources Management
- Human Resources
- Training and Assessment.

### National qualifications attained in 2010/2011

Certificate III	3
Certificate IV	34
Diploma	48
<b>Total</b>	<b>85</b>

## Professional development

During 2010/2011, CS Energy's Supervisor Development Program accepted its fifth intake of candidates for the program. The program, which provides graduates with a nationally recognised Certificate IV in Business (Frontline Management), is tailored to include CS Energy-specific content and is delivered through the Australian Institute of Management. There are 18 supervisors enrolled in the 2011 program.

CS Energy also runs an Emerging Supervisor Program aimed at potential supervisors and those employees who 'step up' into supervisor roles. This program takes participants through two units of the Certificate IV in Frontline Management. We have 30 employees enrolled in the 2011 program.

## Developing the next generation

CS Energy's Graduate Professional Development Program is a three year rotational program which provides graduates with experience at a minimum of two of CS Energy's locations, and a forum for networking and peer support as they transition into substantive roles within the business. At 30 June 2011, there were seven graduates in the program.

CS Energy employs most of its apprentices and trainees through group training organisations. At 30 June 2011, we had 26 group training apprentices and trainees, and 4 employees completing in-house apprenticeships or traineeships as part of their individual development plans.

CS Energy partnered with the Queensland University of Technology (QUT) to deliver the Power Generation Skills Development program. Two staff members graduated from this program, which offers professional engineers and those operating in para-professional roles the opportunity to accelerate their technical competency and fast-track their career in the power sector.

# Corporate performance

## Health and safety

Operating our business safely is CS Energy's highest priority. The health and safety of our employees and contractors is paramount and we foster a culture of responsibility regarding safety, health and wellbeing to ensure that CS Energy continues to generate electricity safely, reliably and commercially.

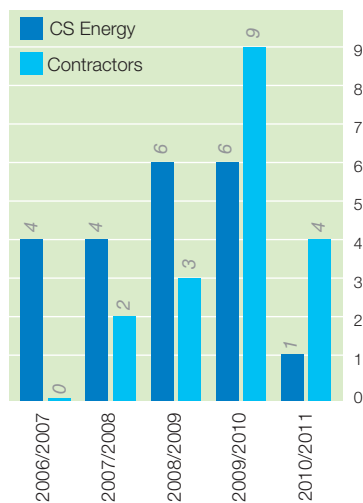
CS Energy is committed to continually improving the safety of our people, targeting zero lost time injuries, and focusing on behavioural change to support a culture where safety is front-of-mind and a part of everything we do. Underpinning this is CS Energy's Health and Safety Management System (HSMS), which has been developed in accordance with Australian Standards and legislative requirements. The key elements of the system such as policy, procedures, staff accountabilities, training, reporting and governance are detailed in our Health and Safety Manual.

A key element of the HSMS is the Permit to Work (PTW) system which is used to coordinate and control the isolation of operating plant at all of CS Energy's power stations. This year, we reviewed the PTW manual to ensure consistency across our sites. Our health and safety team also worked closely with employees from the Wivenhoe Power Station to prepare for their transition into CS Energy on 1 July 2011. CS Energy's PTW procedures can be found on our website.

## Safety performance

In the 2010/2011 financial year, CS Energy recorded five lost time injuries, a significant reduction in the number of lost time injuries recorded in 2009/2010 and 2008/2009. This result translates into a lost time injury frequency rate of 2.4 in 2010/2011, compared to 6.6 in the previous year, and five in the year prior. These figures include both staff and contractors across CS Energy's five sites.

### Number of lost time injuries



CS Energy prioritised a wide-ranging review of the safety management system, behaviours and culture to improve our safety record. Initiatives were developed to facilitate a more robust, continuous improvement process across the organisation, exceeding legislative requirements, and reflecting industry best practice. Importantly, the entire process – from review to implementation – involves ongoing consultation with our people and unions.

This consultation is undertaken through the Health and Safety New Direction Taskforce (Taskforce). The Taskforce was established to implement change across CS Energy, achieve an increased focus on behavioural factors, improve our safety culture and maintain a safe working environment. The Taskforce comprises 16 members from across our sites to achieve a balance of technical expertise and experience. This year, the Taskforce continued the roll out of an enhanced safety system including the development and implementation of a number of proactive initiatives, including:

- Health and Safety Manual
- Workplace Inspections and Behavioural Observations
- Toolbox talks
- Life Savers (a set of health and safety non-negotiable rules)
- Lead indicator reporting.

Training sessions on risk analysis, new procedures and Life Savers were also a key deliverable of the Taskforce.

CS Energy remains committed to zero harm and providing a safe workplace for its staff and contractors, and we are a member of Workplace Health and Safety Queensland's Zero Harm Leadership Forum. This year, CS Energy coordinated quarterly incident awareness and improvement initiative meetings, producing a value-sharing forum for Queensland's leading generators.



## Chairman's Safe Move Awards

The CS Energy Chairman's Safe Move Awards aim to recognise employee contributions to the development of innovative and effective solutions for health and safety issues. This year, we received many entries for our quarterly Safe Move Awards and the annual Generations Ahead Award. The winning entries for the quarterly Safe Move awards included a method for isolating and locking electrical supplies without closing a cabinet door, thus allowing safe access for maintenance; and a modification to a coal mill to improve manual handling while clearing pyrites.

The continued interest in these awards clearly demonstrates CS Energy's employees' commitment to improved health and safety on-site, and represents tangible and measureable outcomes for the business in terms of improved results, risk control, innovation, and employee acceptance.

The annual Generations Ahead Award for the most outstanding safety initiative was awarded to Swanbank Power Station for a safety initiative which reduces safety risks when changing ball mill liners that weigh more than 100 kilograms each.

## Fit for Duty

CS Energy's Fit for Duty policy ensures everyone in the workplace can perform their duties without posing unacceptable risks to the health and safety of themselves or others. A copy of our Fit for Duty policy is available on our website.

A major initiative under the Fit for Duty policy is the Alcohol and Other Drugs Management program, which includes alcohol and drug testing at all CS Energy sites. The testing systems were fully operational by September 2009, and last year, 836 tests were performed with three positive results recorded. In each case, actions were taken in line with CS Energy's procedures. During the testing process, CS Energy ensures the privacy and confidentiality of employees and contractors, and provides support and assistance for employees as required.

Alcohol and drug testing			
Site	No. of tests performed	Positive results	
		Alcohol	Other drugs
Brisbane	129	0	0
Callide	338	0	0
Kogan Creek	84	1	0
Mica Creek	140	0	1
Swanbank	145	0	1
<b>Total</b>	<b>836</b>	<b>1</b>	<b>2</b>

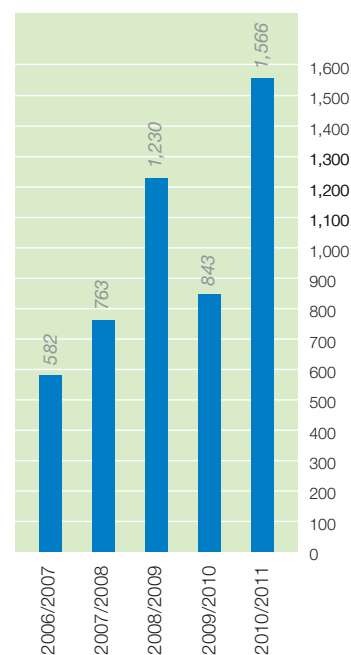
## Health and wellbeing

CS Energy actively promotes the health and wellbeing of our employees. We continued to support a health initiative based on the 10,000 Steps program promoting physical activity, which is linked to our Safe Cycling initiative, currently in its fifth year. CS Energy supplies pedometers so that employees can measure their steps, and provides rewards to encourage participants to achieve key milestones.

In 2010/2011, CS Energy also supported employee participation in sporting activities. Activities included an indoor cricket team at the Swanbank Power Station, and the entry of three teams in the 2011 BRW Corporate Triathlon at the Gold Coast.

CS Energy's Employee Assistance Program offers employees and their families access to free, independent counselling on work or personal issues. During 2010/2011, our employees sought assistance 1,566 times through the program, compared with 843 in the previous year. The increase in assistance provided was largely attributed to our engagement of independent counsellors to assist our staff on an individual basis in the lead up to the Generator Restructure and group sessions conducted on dealing with change.

Number of times staff used Employee Assistance Program



# Social licence

A social licence is earned through consistently delivering on commitments, and establishing the trust and confidence of your stakeholders. At CS Energy, we look to do this by striving to build a financially viable and socially responsible company.

The energy industry is under increasing pressure from governments, society and the media to play its part in moving to a more sustainable future. This challenges CS Energy to build a robust and sustainable company by responsibly managing our existing operations, fostering industry innovation, listening to our stakeholders, and investing in the transition to a low emission future.

## Stakeholder engagement

CS Energy's social licence is built on the trust and confidence of its stakeholders, which includes all groups and individuals with an interest in, or who are affected by, our business.

Broadly, these stakeholders fall into the following groups:

- Current and future employees
- Local communities which host our operations
- Shareholding Ministers and their departments
- Contractors
- Customers
- Unions
- Suppliers
- Special interest groups
- Relevant authorities
- The media
- Current and prospective business partners.

In 2010/2011, CS Energy commenced a process to streamline and map stakeholders across our business at a local, state, national and international level. Engaging with stakeholders at all levels ensures CS Energy remains abreast of existing and emerging issues of importance within the communities in which we operate,

as well as changes in the energy sector. This involves a large number of stakeholder groups with a diverse and complex set of objectives and interests.

While this stakeholder mapping project was put on hold due to the Generator Restructure, we plan to continue the project and implement a new stakeholder relations process in 2011/2012, including the development and roll-out of a tailored stakeholder management database.

Once the new stakeholder relations process is embedded in CS Energy, we will look to our stakeholders to confirm that we are reporting on material issues, as defined by the Energy Supply Association of Australia (esaa).

## Sustainable headquarters

In July 2010, CS Energy became the first energy company in Queensland to join the national CitySwitch Green Office program, a commitment to reducing electricity use in our Brisbane Office. We also moved our Brisbane Office to a six-star Green Star-rated building, embracing environmental sustainability in the workplace and improving energy, waste and water efficiency.

Some of the features of the new building include:

- Sensory lighting which will turn off if no movement is detected
- Aim to divert 70 per cent of building's waste from landfill
- Low printing costs by using central resources rooms using swipe cards to release print and copy jobs
- Water tanks supplying the toilets and irrigation systems saving about 9,300 litres a day (or 3.4 megalitres a year)
- 50 per cent greater fresh air in the building than a standard CBD office
- Low volatile organic compound paints, carpets, glues and sealants used throughout the office.

## Climate change response and adaptation

We are actively working to reduce our carbon footprint through support for the research and development of new technologies and providing investment for low emission and renewable plant.

CS Energy's greenhouse impact is measured in terms of intensity, which is greenhouse gas emissions per unit of energy sent out. CS Energy has a good track record of improving its performance, with greenhouse intensity decreasing from 933 kilograms of carbon dioxide per megawatt hour sent out in 1997 to 819 kilograms of carbon dioxide per megawatt hour sent out in 2011, a reduction of almost 15 per cent.

CS Energy publicly reports its emissions, energy consumption and energy production in accordance with the *National Greenhouse and Energy Reporting Act 2007* (NGER Act).

The Strategic Plan 2009–2014 and Carbon Management Plan 2009 document a range of carbon reduction strategies that form a roadmap for the development of renewable generation plant and carbon capture and storage technology, plant thermal efficiency, preparation for emissions trading, and the development of carbon offsets. Key examples of CS Energy's focus during 2010/2011 include the announcement of the Kogan Creek Solar Boost Project and Solar Dawn Project (see pages 32 and 33) and the start of commissioning on the Callide Oxyfuel Project (see page 28).

CS Energy has also undertaken preliminary research and development activities on alternative methods of carbon management, including offsets through tree planting, and mineralisation of carbon dioxide.

The Commonwealth Government announced its Clean Energy Future policy in July 2011 which, if legislated, will see a carbon price come into effect on 1 July 2012. CS Energy has gained valuable insights through preparing for emissions trading and investigating the development

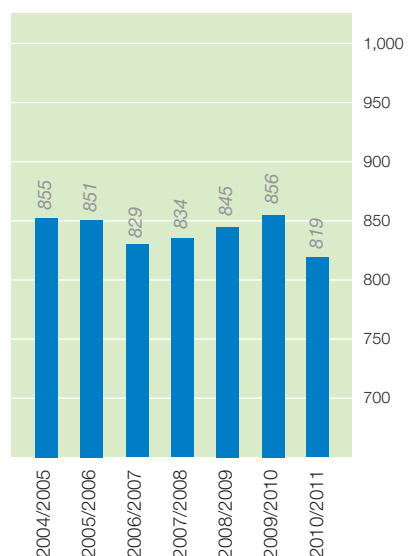
of a carbon offset portfolio. This work, in conjunction with the formation of strategic partnerships, is very important to CS Energy and will assist us in responding to future shifts in public policy. Progress of these strategies is contingent on the development of supporting regulations.

CS Energy introduced a carbon offset program in January 2009. The program targeted all domestic and international air travel, and motor vehicle transport, used by CS Energy employees during the course of their business activities. The emission figures are inclusive of the Ecofund 'Risk Buffer Premium' and can be found in the table below.

Total emissions and carbon offset costs for air travel		
2010	Carbon dioxide emissions	Cost to offset (Gross)*
Jan-Jun (local)	132.35	\$1,203.65
Jan-Jun (International)	19.87	
Jul-Dec (local)	126.42	\$1,167.91
Jul-Dec (International)	21.27	
<b>Total</b>	<b>299.91</b>	<b>\$2,371.56</b>

\* The gross cost to offset is a combined total for local and international offsets.

### Greenhouse gas intensity per energy sent out (kgCO<sub>2</sub>/MWh)



## Environmental performance

CS Energy's four power station sites and our Brisbane Office operate within an Environmental Management System (EMS) that has been certified to the international standard ISO14001. This provides a formal process for sound environmental management, and further strengthens the link between governance, environmental performance and sustainability. Annual audits of each site's EMS against ISO14001 found minor non-conformances at Mica Creek Power Station in relation to the need to review the site environmental issues register, and Swanbank Power Station in relation to document review.

Actions have been taken to ensure full compliance with ISO14001.

Environmental incidents are classed as internal (Category 1 and 2) and external (Category 3 and 4). Internal incidents are minor with no off-site impact, and external incidents are ones which are reported to the Department of Environment and Resource Management (DERM), which may have resulted in off-site impact.

CS Energy continues to target less than two significant environmental incidents as a key performance target. During 2010/2011, CS Energy reported eight environmental incidents to DERM including a contained fuel oil spill at Callide Power Station and

Inputs and outputs			
Inputs and outputs	2009/2010	2010/2011	% change
Total energy sent out (GWhso)	17,046	15,636	(8.3)
Coal used (kilotonnes)	6,951.8	7,554.3	8.7
Gas and renewable used (Petajoules)	32.8	36.7	11.9
Gas and renewable electricity generation (% of portfolio)	20.59	25.11	22
Renewable generation (GWh)	31.24	31.01	(0.7)
Greenhouse gas equivalent produced (MtCO <sub>2-e</sub> )	14.25	12.43	(12.8)
Greenhouse gas intensity (kgCO <sub>2</sub> /MWhso)	855.88	819	(4.3)
Water consumption (ML)	23,000	23,779	3.4
Ash produced (tonnes)	1,612,888	1,800,772	11.6
Ash sold (tonnes)	104,000	101,589	(2.3)

Reportable environmental incidents*					
Year	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Category 3 incidents	1	0	8	5	8
Category 4 incidents	0	0	0	0	0

\*Incidents classed as category 3 or 4 are reportable to the Department of Environment and Resource Management.

Environmental incidents by site 2010/2011				
Site	Internal (Category 1, 2)		External (Category 3, 4)	
	2009/2010	2010/2011	2009/2010	2010/2011
Callide*	59	48	2	7
Kogan Creek	26	17	1	0
Mica Creek	3	4	2	0
Swanbank	6	9	0	1

\*Callide Power Station continues to report a high level of internal incidents (2008/2009: 57, 2009/2010: 59). These are mostly minor ash and oil leaks on-site.

## Corporate performance

high levels of dust emissions on different occasions. At the Swanbank Power Station, foam was released from the fire fighting deluge system. The power station also reported a monitoring result showing the suspended solids level of its water discharge to Oaky Creek was above the licence limit on one occasion.

One complaint was received by CS Energy during the year about the controlled release of excess water from the Callide Power Station ash dam. More information on the release of excess water from the Callide Power Station ash dam can be found on page 28.

### Emissions, effluents and wastes

In addition to carbon dioxide (see page 22), CS Energy power stations emit oxides of nitrogen and sulphur, and water vapour as a result of using fossil fuels to generate power. Data on these emissions is available to the public through the National Pollutant Inventory (NPI) website at [www.npi.gov.au](http://www.npi.gov.au).

Callide, Kogan Creek and Swanbank B power stations produce ash as a by-product of combusting coal. More than 99.9 per cent of this ash is collected before it is recycled or stored in ash dams.

Fly ash is most commonly recycled and used as a cement replacement in concrete, which helps to reduce the greenhouse gas emissions associated with concrete production. Recycled ash can also be used as a soil improver, in reclaiming mining voids, as an adsorbent for oil waste, or as fill in large civil engineering projects such as highway embankments. We continue to be an active member of the Ash Development Association of Australia, which promotes the beneficial use and recycling of power station fly ash.

In 2010/2011, CS Energy recycled 101,589 tonnes of ash from our power stations. For more information, see the respective site pages.

### Water use

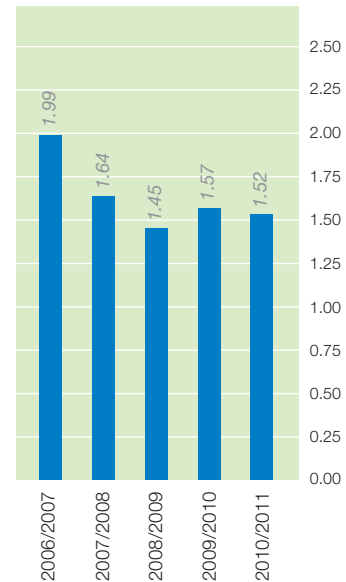
CS Energy is conscious of the energy industry's reliance on water and we use a combination of recycled water, raw water and town water at our sites. To emphasise the importance of water, each site has a water management strategy in place which highlights sustainable and efficient use of this precious resource. These successful management plans have resulted in a significant decrease in our water intensity.

Total consumption and water use intensity are measures used to track CS Energy's water consumption. Water use intensity shows how many megalitres of water are used per gigawatt hour of energy sent out.

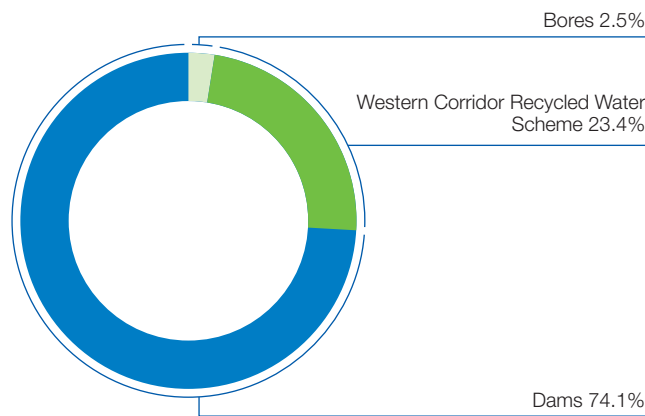
This year our total water consumption was 23,779 megalitres with a water intensity of 1.5 megalitres of water per gigawatt hour of energy sent out, a slight decrease from 1.6 megalitres of water per gigawatt hour of energy sent out in 2009/2010. This decrease was mostly due to Callide Power Station being offline during a major overhaul and operating at reduced capacity during the heavy rainfall in January 2011.

For information about water sources for each site, see the respective site pages later in this report.

### Water use intensity (ML/GWhso)



### Water supply sources 2010/2011



## Community

CS Energy strives to be a responsible corporate citizen. We are committed to building trust and partnerships with the communities we operate in by supporting initiatives that deliver tangible results for the community and CS Energy.

The majority of CS Energy employees and contractors live and work in the regions that host our operations, and these people are the primary champions of the business in these regions. Internal communication processes are prioritised to ensure our employees are informed of our strategic direction and key business decisions.

Quarterly on-site briefings by the Chief Executive and members of the Executive Management Team, provide all employees with the opportunity to hear updates from, and ask questions of, key decision makers in the organisation. A regular staff newsletter, *Energy Matters*, is produced and distributed to all staff. In 2010/2011, a major review of the intranet was progressed to enhance the usability and content of the intranet, and a project scope for an upgrade was established.

At each site, the site manager and employees work together to facilitate CS Energy's active participation and support for local activities and enhanced community awareness and understanding of the operation of the business. For specific details on each site, see the respective site pages later in this report.

CS Energy is committed to making positive and ongoing contributions to the communities we operate in. In 2010/2011, almost \$160,000 was invested in sponsorships and donations to community groups in the Biloela, Chinchilla, Mount Isa and Ipswich regions. The Callide Power Station also rolled out CS Energy's Community Grants Program this year. For more information on the Callide Power Station Community Grants Program, see page 29.

## Workplace giving

In 2010/2011, CS Energy's workplace giving program, *Generosity*, entered its fourth year. CS Energy and its employees donated almost \$140,000 in the financial period, taking the total amount donated since the project's inception in 2008 to approximately \$350,000. Donations from staff are matched dollar-for-dollar by CS Energy, and are distributed to a panel of charities: Angel Flight, Blue Care, Cancer Council Queensland, Greening Australia, Hannah's House and the Hear and Say Centre.

In January 2011, we extended *Generosity* to include the Premiers Disaster Relief Appeal, to give employees the opportunity to donate to the Queensland communities impacted by floods and cyclones, including the communities in which we operate. CS Energy staff raised just over \$25,000 for the appeal, bringing the total donation to \$50,390 after the company matched employee donations.

In 2011/2012, CS Energy plans to review the *Generosity* program to ensure it continues to remain of value to employees and our charity partners.

CS Energy staff also assisted with the clean-up response in local communities after the January floods. Further information can be found on relevant site pages.

## Moving Opera!

This year marked the ninth year of CS Energy's collaborative, long term partnership with Opera Queensland, to bring the *Moving Opera!* program to regional communities. The partnership is aligned to our community goals of education, inclusion and building the next generation by enabling Opera Queensland performers to work with local students over a five day workshop. The week culminates in a public performance, raising funds for the participating schools' music departments. This year, support from CS Energy enabled music students in Biloela and Chinchilla to participate, free of charge, in *Moving Opera!* workshops.

# Callide Power Station



Callide Power Station provides electricity to Australia's national grid from the heart of Queensland. Located approximately 15 kilometres east of Biloela, the Callide Power Station comprises three power stations – Callide A, B and C (Callide Power Plant).

Callide A Power Station was originally constructed in 1965 and was recently refurbished to become the home of the Callide Oxyfuel Project, a world leading

low emission coal demonstration plant. The 700 megawatt Callide B Power Station was commissioned in 1988 and the 900 megawatt Callide C Power Station is owned in a 50 per cent joint venture with InterGen.

## 2010/2011 Performance snapshot

	Callide B	Callide C
Fuel source	Black coal	Black coal
Station design capacity (MW)	700	405 <sup>1</sup>
Total energy sent out (GW/hrs)	2,923	2,363 <sup>1</sup>
Reliability (%)	84.9	88
Coal used (kilotonnes)	1,927.9	2,641.6
Greenhouse gas intensity (kgCO <sub>2</sub> /MWh generated)	932	894
Water consumption (ML)	7,416	7,933
Ash produced (tonnes)	424,226	645,132
Ash sold (tonnes)	18,866	73,520
Employees (full time equivalents)		235.5 <sup>2</sup>
Lost time injuries	1	2
Reportable environmental incidents	7	0

<sup>1</sup> Includes CS Energy's share of outputs under the joint venture.

<sup>2</sup> Not all employees are split by power station. Some employees work across both sites.

## People

There are more than 235 people working across the Callide Power Station sites, making CS Energy one of the major employers in Biloela.

The majority of staff at Callide Power Station are employed under an Enterprise Bargaining Agreement, which expired on 12 June 2011. Negotiations to reach a new agreement commenced on 9 February 2011. CS Energy will continue to proactively engage with unions and employees to reach the best outcomes for our people, the business and the community.

CS Energy engaged Energy Skills Queensland to deliver a draft Workforce

Risk Assessment Report for Callide Power Station to help inform our recruitment and retention strategy. This is a pilot project that has identified critical job roles and analysed current and future labour demand and shortfalls. A range of workforce planning and skills development initiatives have been developed to mitigate risks to the power station's operations.

CS Energy's learning and development team are in the final stages of aligning Callide Power Station's operations training programs on safety and compliance with national standards.

The complex and lengthy Unit B1 overhaul was completed with one lost time injury and six medical treatment injuries, reinforcing the company's and the site's focus on safety. In the lead up to the overhaul, information days were held to discuss safety concerns and procedures with the safety committee, staff and contractors.

During the year, we had three lost time injuries at the Callide Power Station in October 2010, May 2011 and June 2011. See the table below for details on each injury and our response to these incidents.

## Lost time injuries

Date	Worker type	Injury	Action taken
27/10/2010	Contractor	Burn to foot while hot metal gouging.	The Job Safety Analysis for hot metal gouging was reviewed and controls were revised to ensure hot metal does not come into contact with a worker's body.
13/05/2011	Employee	Lower back strain and nausea due to raking pyrites out of a mill.	External experts in physiotherapy and occupational therapy reviewed the process for removing pyrites from mills. Recommendations from the review are being implemented.
02/06/2011	Contractor	Chest injury when pinned between a transport truck and shipping container.	Training was provided to the worker about the risks and hazards associated with crane work. The contracting company revised their work method to separate doggers from the lift area and to use tag lines to control loads from a distance.

## Portfolio performance

The Callide Power Station safety committee meets on a monthly basis and focuses on operational safety and programming and planning notifications. The safety committee also monitors the implementation of actions arising out of investigations into incidents. The safety committee assisted with the roll out of the Life Savers campaign and the new Health and Safety Manual.

### Portfolio

The Callide Power Station recorded lower reliability and production in 2010/2011 due to extremely wet weather, flood impacts and poor quality coal. Callide B Power Station sent out 2,923 gigawatt hours of electricity and recorded 84.9 per cent reliability for 2010/2011. Callide C Power Station recorded a reliability of 88 per cent, sending out 2,363 gigawatt hours of electricity (CS Energy's share of power generated under the joint venture).

A three-month, \$24 million major overhaul on the Unit B1 generator and economiser commenced this year, as well as upgrades to the control systems. The overhaul was part of the five-year mid-life refit of Callide B Power Station. CS Energy had scheduled a turbine overhaul with Hitachi, however this was postponed due to the impact of the earthquake and subsequent tsunami on Hitachi's operations and staff in Japan.

The Callide A Power Station is the site of a world leading clean coal project, the Callide Oxyfuel Project, which progressed to the commissioning stage in 2010/2011. The \$200 million Callide Oxyfuel Project involves retrofitting a Callide A Power Station unit with oxyfuel technology, to enable carbon dioxide to be captured and stored underground, proving it can produce electricity from coal with almost no emissions. The project is a flagship project of the Asia-Pacific Partnership on Clean Development and Climate, and is an important step towards demonstrating practical and adaptable technology to help tackle climate change.

The Callide Oxyfuel Project is a joint venture between CS Energy, the Australian Coal Association, Xstrata Coal, Schlumberger, and Japanese participants: JPower; Mitsui; and IHI Corporation. The project has also received financial support from the Commonwealth, Queensland and Japanese governments.

During 2010/2011, the Callide Oxyfuel Project moved from the construction phase of the project into commissioning, making it one of the first clean coal technology projects in the world to move beyond the concept phase into construction and one step closer to reality. Major achievements have included the completion of construction work on the boiler and the first firing of the power station in March 2011. Pre-commissioning activities are occurring to coincide with the final stages of mechanical completion on the air separation unit.

CS Energy provides operation and maintenance services for the Callide Oxyfuel Project and has over 30 people on-site undertaking commissioning activities.

The Joint Venture has maintained active involvement with its key stakeholders including the Queensland Government, the Commonwealth Government and the Japanese Ministry for the Environment, Trade and Industry (METI), and has hosted a number of delegations from overseas institutions and researchers. A key activity that was undertaken in 2010/2011 was preparations for the second International Oxyfuel Conference to be held in Yeppoon in September 2011.

For further information on the Callide Oxyfuel Project including project schedules and technical details visit the project's website at [www.callideoxyfuel.com](http://www.callideoxyfuel.com).

### Social licence

Black coal for Callide Power Station is conveyed from the adjacent Callide Coalfields, owned by Anglo Coal. The coal-fired electricity generation process creates ash, and CS Energy promotes reuse and recycling of fly ash. This year, we supplied 92,386 tonnes of ash to Cement Australia and Mansell for reuse.

The bulk of the water used at Callide Power Station comes from the Gladstone Area Water Board's Awoonga Dam and is transported by pipeline to the Callide Dam, minimising evaporation. CS Energy has an additional minor allocation from SunWater's Callide Dam and a supply of potable water from the Banana Shire. During the year, the Callide Dam catchment received heavy rainfall, resulting in the dam overflowing after many years of very low levels.

The rain also impacted the Callide Power Station's ash dam. On 1 November 2010, at the start of the wet season, the water level in the ash dam was below the Design Storage Allowance and Mandatory Reporting Level, meeting the requirements of our Development Approval and the Callide Ash Dam Management Plan. Significant rainfall events in the area in December 2010 raised the water level in the ash dam by 1.27 m. Further rain at the power station in January 2011 increased the water level of the ash dam by another 0.35 m, bringing the water level close to overflowing.

CS Energy assessed a range of water level management options, including the release of excess water from the Callide Power Station ash dam, which would reduce the likelihood of a spill in the event of further heavy rain.

CS Energy started a controlled release of excess water from the ash dam in conjunction with releases from Callide Dam immediately after receiving approval of a Transitional Environmental Program from the Department of Environment and Resource Management (DERM).



DERM approved a controlled release of up to five per cent of the Callide Creek flowrate, subject to a minimum Callide Creek flowrate of 300 megalitres per day.

CS Energy undertook three separate releases during the year when approval conditions were met. We worked with DERM and Sunwater, the operators of Callide Dam, to ensure:

- Controlled releases were within drinking, stock and irrigation water quality requirements.
- Future controlled releases of water from the ash dam coincide with the appropriate rate of releases from Callide Dam into Callide Creek.

CS Energy continues to monitor the ash dam water level on a daily basis and keeps landowners in the vicinity of the dam and the Banana Regional Council up-to-date with developments.

This year, CS Energy also completed an Environmental Investigation into elevated levels of sulphate in ground water and surface water being monitored in Callide Creek, to determine whether or not increased levels were a result of seepage from Callide Power Station's ash dam. CS Energy has been liaising with DERM to determine mitigation actions to minimise potential off-site seepage.

The Callide Community Partnerships Committee launched the Callide Power Station Community Grants Program during 2010/2011. The grants provide an avenue to foster and enhance the economic, cultural or social development of the local region with the objective of enhancing the reputation of the Biloela district as a great place to live and work. We ran two rounds of grants programs in September 2010 and May 2011, and provided over \$15,000 for eight worthwhile community projects.

#### Callide Power Station Community Grants Program recipients

Round	Organisation	Grant	Purpose
1	Biloela Kindergarten	\$2,500	Purchase of materials for early childhood development of cognitive learning.
1	Callide Valley Agricultural & Pastoral Society	\$2,500	76th Annual Callide Valley Show.
1	Biloela Eisteddfod Society	\$2,500	Judges for the 2011 Eisteddfod.
2	Biloela State School Special Education Program	\$2,963	Purchase of electronic devices and software to assist in educating special needs children.
2	Biloela Junior Cricket Association	\$2,160	Lighting costs at the Megavalis Sports oval for the 2011/2012 cricket season.
2	Biloela Potters Club	\$500	Installation of a lockable storage cabinet for hazardous materials to ensure the facility is child friendly.
2	Biloela Amateur Swimming Club	\$1,000	Funding towards the purchase of new lane rope reels for the Biloela Aquatic Centre.
2	Dawes Hall Recreation Club	\$1,000	Funding towards the installation of solar panels at the community hall.



Site environmental coordinator, Daniel Peters-Hughes (right), and ash dam supervisor, Steve Gray, inspect the siphons installed to release excess water from the ash dam.

# Kogan Creek Power Station



Kogan Creek Power Station, located near Chinchilla on Queensland's Darling Downs, is one of Australia's newest and most efficient coal-fired power stations commencing operations in 2007.

The power station has a capacity of 750 megawatts and comprises a single boiler, turbine and generator unit, making it the largest single generating unit in the Australia. Kogan Creek Power Station features

supercritical boiler technology producing steam at a higher pressure and temperature compared with a conventional subcritical boiler design used in most power stations in Australia.

CS Energy also owns the Kogan Mine, which supplies black coal to the power station by an overland conveyor. CS Energy has engaged Golding Contractors to operate the mine.

## 2010/2011 Performance snapshot

	Kogan Creek
Fuel source	Black coal
Station design capacity (MW)	750
Total energy sent out (GW/hrs)	5,029
Reliability (%)	89.5
Coal used (kilotonnes)	2,508.8
Greenhouse gas intensity (kgCO <sub>2</sub> /MWh generated)	810
Water consumption (ML)	523
Ash produced (tonnes)	612,424
Employees (full time equivalents)	49
Lost time injuries	0
Reportable environmental incidents	0

### People

During 2010/2011, there were 49 full time equivalent employees working at the Kogan Creek Power Station, the majority of whom are employed under an Enterprise Bargaining Agreement.

The Kogan Creek Power Station Enterprise Bargaining Agreement expired on 1 October 2010. CS Energy actively and constructively negotiated a new agreement with unions, which was lodged with Fair Work Australia for approval on 29 June 2011. Progress on negotiations was impacted by flooding that isolated the Kogan Creek Power Station.

Golding Contractors, who operate the Kogan Mine on behalf of CS Energy, employ approximately 75 people to ensure coal is delivered to the Kogan Creek Power Station.

Our learning and development team aligned all Kogan Creek Power Station specific training with the national Australian Quality Training Framework Standards.

During 2010/2011, Kogan Creek Power Station achieved one year lost time injury free and on 30 June 2011, had reached 467 days without a lost time injury. The power station's safety committee meets on a monthly basis and reviews any safety incidents on-site and ensures actions from safety investigations are implemented.

### Floods

The Kogan Creek Power Station is accessed by roads with bridges and causeways crossing the Condamine River that are susceptible to flooding during major rain events. On Tuesday 21 December 2010, CS Energy evacuated employees from the Kogan Creek Power Station due to the impact of floods on the access routes to the site. This decision was made to ensure the safety of our staff.

Until Monday 24 January 2011, access routes to the power station remained inaccessible due to flooding in the Chinchilla and surrounding areas. Across the period, teams of core employees were flown in and out of the site by helicopter on a rotational basis to ensure the power station and coal mine continued to operate. Employees not required at the site supported the local community in clean-up efforts and were provided with training in Chinchilla at a temporary office set up at the Chinchilla RSL.

Pit operations at Kogan Mine, which supplies Kogan Creek Power Station, were also impacted by weather and safety conditions. The Kogan Mine and the coal conveyor, which supplies the power station's coal, were surrounded by flood waters but continued to operate throughout the flood. The conveyor was not damaged by the flood waters.

The high rainfall resulted in large volumes of water collecting in the Kogan Mine's storage dams and inside the flood protection levees. A Transitional Environmental Program was put in place for February and March 2011 to discharge this excess water into Kogan Creek in accordance with conditions agreed with the Department of Environment and Resource Management.

## Portfolio performance

### Portfolio

The Kogan Creek Power Station recorded lower reliability and production in 2010/2011 due to flood impacts, extremely wet weather and some operational issues. The Kogan Creek Power Station sent out 5,029 gigawatt hours of electricity, an increase of over 700 gigawatt hours on 2009/2010, and recorded 89.5 per cent reliability for 2010/2011.

In 2010/2011, the Kogan Mine supplied 2.5 million tonnes of high quality, low-sulphur black coal to the power station. During the year, CS Energy finished work on the Out of Pit Ash Cell (OPAC) at the Kogan Mine. The ash cell is a permanent storage facility for ash from the power station and will assist in rehabilitating the mine. Ash is transferred four kilometres to the OPAC via two pipelines, which are capable of delivering 2,000 tonnes of ash each per day. The OPAC has a capacity of five million cubic metres of ash and will have a life in excess of six years. As the ash reaches the full height, the OPAC will be covered with mine spoil and progressively rehabilitated with top soil and planted with native trees and grasses.

This year has been a milestone year for the \$104.7 million Kogan Creek Solar Boost Project, with Prime Minister Julia Gillard and Queensland Energy Minister, Stephen Robertson officially launching the project on 13 April 2011. With a maximum output of 44 megawatts during peak solar conditions, the Kogan Creek Solar Boost Project will provide up to 44,000 megawatt hours of additional electricity per year, enough to power 5,000 homes.

The project will augment the Kogan Creek Power Station's feedwater system to increase the power station's electrical output and fuel efficiency. It will use Compact Linear Fresnel Reflector technology to heat the feedwater entering the boiler, supplementing the conventional coal-fired heating process. This solar addition will enable the Kogan Creek Power Station to produce more electricity with the same amount of coal, make the coal-fired plant more fuel efficient and reduce the power station's greenhouse intensity.

Each megawatt hour generated using the Solar Boost technology will avoid carbon dioxide being emitted. Each year, it is estimated that the Kogan Creek Solar Boost Project will generate enough electricity to avoid 35,600 tonnes of greenhouse gases, which is equivalent to taking 11,000 cars off the road.

The Commonwealth Government's Renewable Energy Demonstration Program has contributed more than \$34 million to the project. CS Energy has also received support from the Queensland Government through a contribution of \$35.4 million to CS Energy's Carbon Reduction Program, which has enabled us to direct funds to the Kogan Creek Solar Boost Project.

During 2010/2011, the Front End Engineering Design phase of the project was completed with the development of conceptual budgets, signing of documents, community consultation and the approval of the development application. Detailed design on the project is now well underway and site mobilisation occurred in June 2011.



Kogan Creek Solar Boost Project Manager Alan Brake shows Prime Minister Julia Gillard solar monitoring equipment at the official launch of the Kogan Creek Solar Boost Project.

## Social licence

Black coal for Kogan Creek Power Station is conveyed from CS Energy's adjacent Kogan Mine. CS Energy has been working with a number of potential users to recycle fly ash, a by-product of the coal-fired electricity generation process.

The innovative dry-cooling system at the Kogan Creek Power Station results in a minimal design consumption of only 1,500 megalitres of water a year at full load. This equates to approximately one-tenth the consumption of a similarly sized conventionally wet-cooled plant. The power station's water is supplied from bores and operational improvements have reduced consumption to less than 50 per cent of design.

CS Energy partnered with two consortia in bids for Commonwealth Solar Flagships funding. Two bids, submitted by the Solar Flair Alliance and Solar Dawn, were shortlisted in the first stage of the Round 1 Solar Flagships Program.

On 18 June 2011, the Prime Minister Julia Gillard and Queensland Premier Anna Bligh announced that the Solar Dawn Project was the preferred solar thermal project in Round 1 of the Commonwealth Government's \$1.5 billion Solar Flagships Program. Solar Dawn is a proposed 250 megawatt solar thermal gas hybrid power plant to be built near Chinchilla in South West Queensland. The proposed Solar Dawn Project is led by a consortium including AREVA Solar, CS Energy and Wind Prospect CWP.

The proposed project is part of the Commonwealth Government's Solar Flagships Program, which aims to provide the foundation for large-scale, grid-connected solar power and to accelerate the commercialisation of solar power in Australia. It is a key component of the Commonwealth Government's \$5 billion Clean Energy Initiative.

Once completed, Solar Dawn will be the largest of its kind and one of the most environmentally efficient power production plants in the world. Solar Dawn will be located at Kogan Creek, in the vicinity of our existing Kogan Creek Power Station.

The seventh round of funding under the Chinchilla Community Benefits Trust was awarded during 2010/2011 (see table below for details). The Chinchilla Community Benefits Trust was established to provide community support during the construction of the Kogan Creek Power Station. Since the Trust was established in 2005, more than \$870,000 has been invested in social infrastructure and community service projects in the region.

The Chinchilla Community Benefits Trust aims to develop recreation and cultural facilities, upgrade infrastructure and services and mitigate any social and environmental impacts from our operations. CS Energy is committed to the Trust and this program continues to be a key focus of the site's community relations commitment.

CS Energy is committed to a further eight rounds of funding worth \$25,000 per round.

CS Energy and Western Downs Regional Council, as trustees, recognise that the Trust has been very successful in assisting many worthwhile projects to progress and in 2009/2010 agreed to combine the 2009/2010 and 2010/2011 rounds of funding to create a larger funding pool of \$50,000 to allow substantial community infrastructure projects to apply.

Approximately 40 community members attended a community forum in December 2010 hosted by CS Energy to provide an update on major initiatives planned for the Kogan Creek Power Station in 2011. Local businesses and residents were provided with information on our plans for 2011, including the power station's first major plant overhaul since construction was completed three years ago.

CS Energy, along with solar technology provider, AREVA Solar, provided a detailed overview of the Kogan Creek Solar Boost Project and responded to a number of community questions.

### Chinchilla Community Benefits Trust grant recipients

Organisation	Grant	Purpose
Chinchilla State School	\$15,000	Installation of a commercial oven in the new multi-purpose hall.
Chinchilla Rugby League	\$12,500	Installation of a sound system on second multi use sports fields
Chinchilla Rotary Club	\$7,500	Construction of toilets in Rotary Park
QCWA Chinchilla	\$7,500	Internal painting on the CWA house
Chinchilla Agriculture & Pastoral Society	\$7,500	Installation of seating around showground main arena

# Mica Creek Power Station



Mica Creek Power Station is situated in Queensland's North West Minerals Province and has been providing power to the North West for 50 years. The power station supplies the regions mining industry including Mount Isa Mines, Ernest Henry Mine, Century Mine and Birla's Mount Gordon copper mine. We also supply energy to meet domestic and commercial requirements for Mount Isa, Cloncurry and surrounding communities.

Mica Creek Power Station is a gas-fired power station comprising 10 units capable of generating up to 325 megawatts of electricity. On 1 July 2011, the Mica Creek Power Station transferred to Stanwell Corporation Limited as part of the restructure of the Queensland Government owned generating companies.

## 2010/2011 Performance snapshot

	Mica Creek
Fuel source	Gas
Station design capacity (MW)	325
Total energy sent out (GW/hrs)	1,692
Reliability (%)	98.3
Gas used (Petajoules)	18.4
Greenhouse gas intensity (kgCO <sub>2</sub> /MWh generated)	522
Water consumption (ML)	3,053
Employees (full time equivalents)	74
Lost time injuries	1
Reportable environmental incidents	0

## People

The Mica Creek Power Station employs 74 full time equivalent employees on-site. The Mica Creek Power Station Enterprise Bargaining Agreement, covering 32 employees on-site, expires on 31 August 2011. CS Energy progressed a framework for negotiation of a new agreement with our shareholders, the Queensland Government. CS Energy commenced constructive discussions with unions and a formal transition of the agreement process to Stanwell Corporation Limited occurred in July 2011.

CS Energy undertook significant effort to ensure our people were prepared for the transition of the Mica Creek Power Station from CS Energy to Stanwell Corporation Limited ownership.

In 2010/2011, the Mica Creek Power Station recorded one lost time injury after reaching 598 days without injury. This is an excellent safety record, considering this was achieved over a period of overhauls, the decommissioning of Unit A3 and the construction and installation of mobile generating units.

The Mica Creek Power Station safety committee meets on a monthly basis to review operational safety, as well as and programming and planning of overhauls. The safety committee also implements the recommendations of safety incident investigations to ensure the workplace remains safe.

## Lost time injuries

Date	Worker type	Injury	Action taken
04/06/2011	Contractor	Injury to lower back due to cramped conditions in the cooling tower.	A revised procedure is being developed for access into and performing work within the cooling towers, including increased rotation of workers to minimise time spent in cramped and awkward positions.

## Portfolio performance

### Portfolio

The Mica Creek Power Station sent out 1,692 gigawatt hours of electricity to meet customer demands in the North West Minerals Province. In 2010/2011, the Mica Creek Power Station recorded a reliability of 98.3 per cent, a decrease on previous years largely due to Unit A3 being offline.

The gas-fired Mica Creek Power Station is the main power provider for the Mount Isa and Cloncurry regions and planned expansion of mining output in the North West Minerals Province requires additional power supply to the region. The current generation capacity of Mica Creek Power Station is fully contracted, and while the power station can meet current customer demand, an upgrade of the site is required to meet future customer demand and replace these older units at the power station which are nearing the end of their economic life.

The Queensland Government and the Queensland Resources Council jointly commissioned the Sims Report in 2008 to develop a solution for the best delivery model for future energy supply in the region. The Sims Report, which was released in May 2009, identified an upgrade of Mica Creek Power Station as one of the main options to meet the North West Minerals Province's future electricity needs. However, the report concluded that there were too many market variables to recommend one solution and recommended a customer-driven process in which proponents of energy supply solutions would compete for customer commitments.

As at 30 June 2011, CS Energy remained part of the competitive, customer-driven process to determine the preferred energy supply solution for the region and had submitted offers for long term energy supply to customers, including Xstrata and Ergon Energy.

An upgrade of the 325 megawatt gas-fired Mica Creek Power Station would ensure the power station continues to deliver a secure, reliable and efficient electricity supply to customers well into the future. The proposed upgrade involves retiring the Mica Creek Power Station's four older units (A1-A4) and replacing them with 120 megawatts of new efficient gas generation capacity.

CS Energy's offers to customers were supported by the power station's strong track record of providing a reliable supply of energy to the region, and the project's ability to secure local jobs and provide up to 150 additional employment opportunities during construction.



Relocatable generators arrive on-site to supplement the supply of electricity to the North West Minerals Province.



CS Energy transitioned the project to Stanwell Corporation Limited as part of the reallocation of assets under the Queensland Government's Generator Restructure.

Mica Creek Power Station's Unit A3 was removed from service in April 2010 after the unit tripped as a result of a generator earth fault. The estimated repair timeframe was 34 weeks. As an expedient option, CS Energy elected to reinforce Mica Creek Power Station's plant by investing approximately \$30 million in new relocatable generation plant. Three relocatable gas turbine units have been purchased to replace the capacity of Unit A3.

Two 5.7 megawatt Solar Taurus T60 gas-fired generating units arrived on-site in September 2010 and were commissioned in December 2010. In June 2011, a 15 megawatt Titan T130 gas-fired generating unit arrived on-site. In preparation for the generating unit's arrival, CS Energy completed civil works, installed a step-up transformer on-site and worked with Ergon Energy on a 220 kilovolt switchyard extension.

CS Energy is completing the installation and commissioning of the three mobile units, on behalf of Stanwell Corporation Limited, by the end of August 2011.

## Social licence

Mica Creek Power Station is fuelled by gas from Santos' South West Queensland fields, via the Carpentaria Pipeline.

Water for Mica Creek Power Station is provided by the Leichhardt supply system and Rifle Creek Dam. The cooling water is cycled up to 12 times through the power station and provides effluent water for reuse by Xstrata mining operations. This year, 394.5 megalitres of water was released to the mine, up on last year's figure of 380.1 megalitres.

The Mica Creek Power Station continues to be an integral part of Mount Isa and the surrounding community through its active involvement in key industry, commerce and community groups, including the Mount Isa Townsville Economic Zone (MITEZ) group. MITEZ is the peak regional development organisation for an area encompassing seven local government areas – Mount Isa, Cloncurry, McKinlay, Richmond, Flinders, Charters Towers and Townsville.

CS Energy was a Corporate Member of MITEZ and provided input and feedback towards strategic planning activities.

A crew of eight employees at the Mica Creek Power Station entered the Mount Isa Dragon Boat Regatta in October 2010, an event for local businesses to construct a vessel by hand using eco-friendly reusable materials. CS Energy won the prize for 'Best Creation' and finished second overall in the race.

The Mica Creek Power Station was also the major sponsor of the Northern Outback Business Awards, which celebrates Northern Outback businesses and recognises outstanding contributions to the growth of the economy. The awards also recognise the important social and environmental contributions made by organisations through excellence of service, commitment to their customers, philanthropic ideals, ethical behaviour and environmental sustainability. The Northern Outback Business Awards is a joint initiative of the Isa Business Network that comprises the Mount Isa Chamber of Commerce, Department of Employment, Economic Development and Innovation, Mount Isa Regional Centre, Mount Isa Institute of TAFE, The North West Star and the Mount Isa City Council to recognise and encourage better business outcomes in the region.

# Swanbank Power Station



The Swanbank Power Station is located nine kilometres from Ipswich in South East Queensland, and comprises the gas-fired Swanbank E and the coal-fired Swanbank B power stations.

The 385 megawatt Swanbank E Power Station features the Alstom GT26 gas turbine, which was the largest gas turbine in Australia at the time of its commissioning in 2002. Using highly efficient combined-cycle technology,

waste heat from the gas turbine is reused to generate additional electricity via a second turbine at no extra fuel cost. As at 30 June 2011, the Swanbank E Power Station gas turbine had run continuously for 245 days, leading to a world record for the international fleet of this turbine on 2 July 2011.

## 2010/2011 Performance snapshot

	Swanbank E	Swanbank B
Fuel source	Gas	Black coal
Station design capacity (MW)	385	480
Total energy sent out (GW/hrs)	2,203	1,006
Reliability (%)	93.9	89.2
Gas used (Petajoules)	18.3	n/a
Coal used (kilotonnes)	n/a	476
Greenhouse gas intensity (kgCO <sub>2</sub> /MWh generated)	375	882
Water consumption (ML)	2,631	2,223
Ash produced (tonnes)	n/a	118,990
Ash sold (tonnes)	n/a	9,203
Employees (full time equivalents)	41	66
Lost time injuries	0	1
Reportable environmental incidents	0	1

The Swanbank B Power Station has been generating electricity since 1971 and comprises four 120 megawatt units. In March 2010, following an extensive review, CS Energy announced the progressive closure of the power station between 2010 and 2012. Two units were closed in June 2010, with the third unit closing in May 2011.

The Swanbank Power Station, including the project to shut down the final Swanbank B Power Station operating unit, has been transferred to Stanwell Corporation Limited as part of the Queensland Government's Generator Restructure.

### People

The majority of staff at Swanbank Power Station are employed under an Enterprise Bargaining Agreement. As a result of the restructure of the Queensland Government owned generating companies, the targeted completion of negotiations on a new Enterprise Bargaining Agreement has been brought forward to 30 September 2011. The development of a framework for negotiations will be pursued by Stanwell Corporation Limited as the power station's new owner.

CS Energy's management and staff continued to work together to facilitate the transition process for Swanbank B Power Station staff due to the closure of the power station. CS Energy's enterprise bargaining agreement includes a commitment of no forced redundancies or relocations and we were committed to offering opportunities for employees to retrain and transfer to positions within the organisation.

The Swanbank Futures Group, which included six site delegates nominated by unions, was established in late 2009 and continued to oversee the consultation process and placement options for staff. The Swanbank Futures Group was established to play an active role in employee-related matters associated with the progressive closure of Swanbank B Power Station and, in particular, future employment opportunities for Swanbank B Power Station employees.

During 2010/2011, the Swanbank Futures Group established a recruitment process for Swanbank E Power Station positions, including the finalisation of an organisational structure and role descriptions. Two staff representatives were involved in the short-listing of applicants for all Swanbank E Power Station roles, acted as observers on the interview panel for each role, and had the opportunity to provide feedback to the interview panel following each interview.

We worked with all remaining staff on a case-by-case basis regarding their future employment opportunities, which included redeployment within CS Energy, transitioning to other government owned corporations and voluntary redundancies. As part of CS Energy's commitment to retaining all employees, we enabled staff and their families to travel to other power station sites for familiarity visits if they were considering redeployment.

An external consultancy was engaged to work on retirement planning for the staff members who had chosen to take a voluntary redundancy and also provided assistance to staff applying for redeployment within CS Energy or transition to roles outside CS Energy. As at 30 June 2011, 11 staff had accepted positions within other areas of CS Energy and 60 staff members had a request for voluntary redundancy accepted.

The Swanbank Power Station safety committee, which met monthly, helped implement CS Energy's Life Savers campaign and examined lead indicators. The committee refocused most work to planning the safe shutdown of Swanbank B Power Station and establishing independent processes and procedures for the Swanbank E Power Station.

## Portfolio performance

The Emergency Response Team was also restructured to comprise Swanbank E Power Station employees. The emphasis of the Emergency Response Team was placed on first response personnel, who were trained to manage site emergencies for a short period until the Queensland Fire and Rescue Service arrive. During this process, the Swanbank Futures Group was consulted on the changing role and how best to manage the site in an emergency situation.

Swanbank Power Station employees achieved one year without a lost time injury, with one injury to a contractor occurring during the period. For information on the lost time injury, see the table below.

### Portfolio

The Swanbank Power Station was isolated at different times during the floods experienced in South East Queensland in January 2011. During the time of isolation, both Swanbank B and Swanbank E power stations continued to provide electricity to the National Electricity Grid. The access route from the coal mine that supplies fuel to the Swanbank B Power Station was impacted by the floods, and we monitored our stockpiles to ensure a continued supply of electricity to the National Electricity Grid.

The majority of our staff at Swanbank Power Station live in the Ipswich community, which was severely impacted by the floods.

In some cases, the homes of our staff were inundated and isolated. When the access routes to Swanbank Power Station opened, staff members that could return to work assisted in the clean-up efforts in the local area. A core team of employees remained on-site to operate both power stations.

In 2010/2011, the Swanbank B Power Station sent out 1,006 gigawatt hours of electricity and recorded 89.2 per cent reliability. Major activities at Swanbank B Power Station during the year focused on the shutdown of Unit B1 on 15 May 2011 and decommissioning units B4 and B2, which shutdown in June 2010.

### Lost time injuries

Date	Worker type	Injury	Action taken
27/12/2010	Contractor	Injury to lower back after slipping on a wet concrete walkway.	The concrete walkway was cleaned using a high pressure water gennie. Anti-slip concrete surface sealing product was applied. Regular inspections were scheduled for the area to check for any water and algae growth on the pathway.



Chief Executive David Brown (centre), farewells Swanbank Power Station site with former site managers Alistair Brown and John James.

The Swanbank E Power Station produced 2,203 gigawatt hours of electricity this year, and recorded 93.9 per cent reliability. The power station was taken offline for the B3 inspection, an inspection of the gas-fired power station following on from the C2 major overhaul in July 2009. On the return to service after the inspection, we noticed an issue with the clutch. Innovative work on the part of Swanbank Power Station workers ensured a swift replacement of the Swanbank E Power Station clutch, leading to a world record of the longest continuous period of operation for this type of turbine.

## Social licence

Fuel is supplied to the Swanbank B Power Station by a combination of truck and rail from the New Hope Corporation's Acland open cut mine on the Darling Downs. During 2010/2011, CS Energy celebrated its ninth year of operating the Swanbank ReOrganic Energy project, which used landfill gas from the adjacent landfill to co-fire with coal at Swanbank B Power Station. Still one of Australia's largest waste-to-energy projects, ReOrganic Energy was a joint project between CS Energy, Thiess Services, Landfill Management Services and New Hope Energy. The gas produced approximately five megawatts of electricity and has reduced greenhouse gas emissions by more than three million tonnes of carbon dioxide since the projects inception. This is equivalent to taking over 100,000 cars off the road.

As an active member of the Ash Development Association of Australia, CS Energy promotes the beneficial use and recycling of power station fly ash.

The Swanbank B Power Station fly ash is supplied to Pozzolanac and the Ipswich Motorway Upgrade Project. Approximately 60,000 tonnes of ash was mixed with crusher dust and cement to make a solid fill underneath the eight kilometre Dinmore to Goodna stretch of the project. CS Energy is working with the Queensland Government to determine the viability of using fly ash to fill mine voids at Collingwood Park.

Works undertaken in accordance with the Transitional Environmental Program (TEP) for disposal of ash to the Swanbank Power Station ash dam have been completed, and a close-out report submitted to the Department of Environment and Resource Management (DERM). The TEP covered the period from 17 October 2008 to 31 August 2010.

Gas for the Swanbank E Power Station is sourced from coal seam methane gas fields at Scotia, Spring Gully, Berwyndale and Kogan North fields. CS Energy recognised the importance of being involved in the fuel supply chain, to reduce risks especially in the demanding gas market. In 2004, CS Energy established a joint venture arrangement with Arrow Energy to develop a coal seam methane gas field capable of producing 4 petajoules of gas over a 15 year term.

Gas production from the Kogan North gas field has increased slightly, to approximately 3.4 petajoules of gas per year. At 30 June 2011, the top 10 producing wells in the Kogan North gas field were producing approximately 70 per cent of CS Energy's gas requirements. The joint venture was in discussion on further development in the gas field, to reach a supply level of 4 petajoules per annum.

As a result of the Queensland Government's Generator Restructure, CS Energy has transferred responsibility of our gas interests to Stanwell Corporation Limited.

Swanbank Power Station continues to source the majority of its water from the Western Corridor Recycled Water Project at Bundamba. In periods of heavy rain, CS Energy may also pump small quantities of water from the Bremer River at Berrys Lagoon. Water from the Wivenhoe system is no longer needed, releasing this valuable resource back into South East Queensland's water supply.

During the year, CS Energy completed a three year environmental study at Swanbank Power Station, to monitor the impact of using recycled water at the power station, and submitted a final report on the study to DERM on 1 October 2010. A condition of the site Development Approval allows for the results of the study to be used for amending the water discharge parameters or limits for the ongoing use of recycled water by Swanbank B and Swanbank E power stations. This matter has been transferred to the new asset owner, Stanwell Corporation Limited.

In 2010/2011, the Swanbank Power Station Community Grants Program provided \$7,500 to local community groups, to give back to the local community in which we operate. The grants provided an avenue to foster and enhance the economic, cultural or social development of our local region and ensure that the Ipswich community continues to be a great place to live and work.

### Swanbank Power Station Community Grants Program recipients

Organisation	Grant	Purpose
Australian Breastfeeding Association - Ipswich Group	\$2,865	A marquee, change table, comfortable seats, water and signage for a baby care tent for use at community events in Ipswich.
Ipswich West Special School	\$1,135	Assist in the purchase of bicycles to teach students bicycle road safety and maintenance.
Jacaranda St Community Preschool and Kindergarten	\$1,000	Towards the replacement of sandpit shade structure to bring the structure up to date with workplace health and safety standards.
Bundamba State School	\$1,000	Towards an Indigenous Dance Group and Indigenous Bush Tucker Garden to promote awareness and confidence in students.

# Corporate Governance Report

Corporate Governance framework	43
Generator Restructure	43
The Board	43
Board committees	43
Audit Committee	44
Risk Committee	44
Staff and Remuneration Committee	45
Major Capital and Technical Committee	45
Executive Management Team	45
Reporting	45
Performance	45
Risk and assurance	45
Climate change	46
Ethical and responsible behaviour	46
Release of information	46
Information and advice	46
Remuneration	46
Directions and Notifications	46
Statement of Corporate Intent	47
Corporate hospitality	47
Board of Directors profiles	48
Executive profiles	52

CS Energy was established in 1997 under the *Government Owned Corporations Act 1993* (GOC Act) and is incorporated as a public company, under the Corporations Law. Shares in CS Energy are held by two Queensland Government Ministers on behalf of the people of Queensland.

At 30 June 2011 our shareholding Ministers were:

- The Honourable Rachel Nolan MP, Minister for Finance, Natural Resources and The Arts.
- The Honourable Stephen Robertson MP, Minister for Energy and Water Utilities.

## Corporate Governance framework

The corporate governance framework comprises a series of policies, procedures and guidelines to ensure the highest level of ethics, efficiency, and financial and risk management are maintained. This framework provides the transparency and accountability required by CS Energy's stakeholders.

The Corporate Governance Policy is the cornerstone of this framework, which reflects the objectives outlined by the ASX Corporate Governance Council's principles of Good Corporate Governance and Best Practice Recommendations.

The Corporate Governance Policy can be found on our website. Responsibility for ensuring that good corporate governance is practised rests with the Board.

## Generator Restructure

The Queensland Government's *Shareholder Review of Queensland Government Owned Corporation Generators* commenced in early 2009 and was undertaken to address challenges facing the three Queensland Government owned generators – CS Energy, Stanwell Corporation Limited and Tarong Energy Corporation Limited – from a significantly different market and the likely financial impact of a future Commonwealth Government policy to introduce a price on carbon.

On 25 November 2010, the Queensland Government announced the recommendations of the review (Generator Restructure), including a recommendation to restructure the Queensland Government's generating companies (Gencos) from three

Gencos into two – Genco 1 (restructured CS Energy portfolio) and Genco 2 (restructured Stanwell Corporation Limited portfolio).

A Transition Team was formed to ensure that the Queensland Government and CS Energy remained compliant with the *Competition and Consumer Act* and *Corporations Act* throughout the restructure process. In particular, the sharing of information or activities which could influence trading within the electricity market needed to be avoided. Because of this, the members of the Transition Team were not able to participate in the day to day activities of CS Energy and were carefully selected to ensure that we had an experienced, multidisciplinary team from across the organisation without impacting too heavily on our ongoing operations.

Shareholding Ministers announced the appointment of Genco 1's (restructured CS Energy portfolio) Advisory Board on 14 March 2011, which was established to oversee the transition of CS Energy into Genco 1. The role of the Advisory Board included the development of a new corporate strategy for CS Energy and the appointment of an Interim Chief Executive. The Board comprised Denis Byrne, Karen Smith-Pomeroy and Tracy Dare, whose biographies can be found on pages 48 and 49.

Tracy Dare took a leave of absence from the CS Energy Board to participate in the Advisory Board. Russell Kempnich resigned from the CS Energy Board to take up an appointment on the Genco 2 Advisory Board.

On 8 April 2011, the Advisory Board appointed David Brown as Interim Chief Executive of Genco 1, the restructured CS Energy. The new organisational structures and Executive Management Team were developed, subject to full Board ratification on 1 July 2011. Gary Campbell, formerly General Manager Operations, was appointed as CS Energy's Acting Chief Executive for the period 30 June 2011.

The new Executive Management Team was announced on 15 April 2011 and they were formally appointed to their positions on 1 July 2011 following Board approval.

Stephen Lonie, Mark Bucknall and Martine Pop resigned from the CS Energy Board on 30 June 2011. On 1 July 2011, Denis Byrne took up the role of Chairman of CS Energy and Keith Barker, Tracy Dare, Jon Hubbard, Sarah Israel, Greg Simcoe, Karen Smith-Pomeroy and Mark Williamson joined the Board as Directors. Bob Henricks has taken a leave of absence from the CS Energy Board.

## The Board

CS Energy's Board comprises nine independent, non-executive Directors appointed by the Governor in Council under the GOC Act. The Board is responsible for setting CS Energy's strategic direction, reviewing and approving plans by the Executive Management Team, monitoring corporate performance, managing risk and upholding our Code of Conduct, which can be found on the website.

A key responsibility of the Board is reporting to CS Energy's shareholding Ministers on our performance against the objectives set out in CS Energy's Statement of Corporate Intent (SCI).

The Board meets monthly, and more frequently if required, to oversee operations. An induction is available for all new Board members to enhance operational and structural knowledge, and ensure they are aware of their governance responsibilities. Site visits and briefings are arranged to ensure Directors maintain the knowledge and skills needed to fulfil their roles.

The Company Secretary for CS Energy at 30 June 2011, Warren Packer, has 25 years experience in audit and risk management in the energy industry and is a member of the Australian Institute of Company Directors, the Australian Institute of Company Secretaries and a Fellow of CPA Australia. On 1 July 2011, Rebecca Freath, formerly Senior Legal Counsel to CS Energy, was appointed as Company Secretary.

## Board committees

During 2010/2011, the Board had four committees to assist in the management of particular business areas and provide a forum for Directors and the Executive Management Team to discuss more complex business issues. All four committees report to the Board.

# Corporate Governance Report

## Board Meeting and Board Committee Meeting attendances for 2010/2011

Name	Board (11 Meetings)	Board Risk (4 Meetings)	Audit (5 Meetings)	Major Capital and Technical (9 Meetings)	Staff and Remuneration (5 Meetings)
Stephen Lonie	11	4	5	9	5
Mark Bucknall	9	2	n/a	n/a	5
Tracy Dare <sup>1</sup>	7	3	3	n/a	n/a
Bob Henricks	9	3	n/a	9	4
Sarah Israel	11	4	2 <sup>2</sup>	n/a	n/a
Russell Kempnich <sup>3</sup>	7	3	n/a	7	n/a
Martine Pop	7	3	3	n/a	n/a

1. Leave of absence taken from 15 March 2011 to 30 June 2011 to join the Genco 1 Advisory Board.

2. Joined Audit Committee from 31 March 2011.

3. Resigned on 15 March 2011 to join the Genco 2 Advisory Board.

## Audit Committee

The Audit Committee assists the Board in overseeing the reliability and integrity of financial reporting practices, accounting policies, auditing and external reporting. The committee provides advice to the Board on financial statements, financial systems integrity and business risks. It also monitors compliance with all applicable laws, company policies and the operation of internal control systems for areas such as business, operational, asset and financial risk. The Audit Committee Charter can be found on the website.

The committee oversees development of the Internal Audit Plan and results of internal audit activities and recommendations. It is also the primary point of reference for CS Energy's external auditor, the Auditor General of Queensland. The committee accepts reports from the Queensland Audit Office and oversees progress on implementing recommendations flowing from Queensland Audit Office reports, on behalf of the Board of Directors.

The committee meets quarterly and its members during the 2010/2011 financial year were Tracy Dare (until 15 March 2011 as Chair), Stephen Lonie, Martine Pop and Sarah Israel (joined from 15 March 2011).

Highlights for 2010/2011 include:

- Enhanced the annual planning process to include a detailed, risk based assurance map. The map identified the major areas of business risk (using the corporate risk management process), controls and the historic audit work completed as a basis for the preparation of a focused, risk based audit plan for the 2011/2012 year.
- Oversaw the Internal Audit scorecard for tracking the status of audit findings, timeliness of audit issue resolution and the identification of outstanding items. This information is being used to monitor progress of resolution of action items by management.
- Oversaw an Information Systems Steering Committee designed to review controls and provide governance to the processes associated with modification to information business systems.
- Monitored improvements to the maintenance and contracting systems and processes.
- Audited, reviewed and commented on the accounting impact of various long term contracts.

## Risk Committee

As risk management is a core responsibility of the Board, CS Energy has a dedicated Risk Committee. This committee oversees risk management systems and ensures compliance with policies, procedures and legal obligations. The Risk Committee Charter can be found on the website. The committee met quarterly, and in 2010/2011 comprised all Directors and was chaired by Sarah Israel.

Highlights for 2010/2011 include:

- Oversaw the introduction of and development of the revised CS Energy risk management framework which is premised on the new global ISO31000 Risk Standard.
- Provided direction on insurance matters.
- Provided advice on CS Energy's pecuniary risk and conflict of interest matters.
- Oversaw third party liability claims.



## Staff and Remuneration Committee

The Staff and Remuneration Committee provides advice on remuneration policies and practices. It makes recommendations to the Board on negotiation parameters for Enterprise Bargaining Agreements as well as remuneration packages and other terms of employment for the Executive Management Team. The committee ensures employees are fairly remunerated for their work and that CS Energy always acts in the best interests of its shareholders on remuneration matters.

Each year, the committee reviews executive remuneration against agreed performance measures. The Staff and Remuneration Committee Charter can be found on the website.

The committee meets quarterly and in 2010/2011 its members were Mark Bucknall (Chair), Stephen Lonie and Bob Henricks.

Highlights for 2010/2011 include:

- Reviewed and approved a revised performance management system.
- Reviewed the Enterprise Bargaining Agreement frameworks for Callide and Kogan Creek power stations.
- Monitored the implementation of the Queensland Government 2009/2010 wages framework.

On 1 July 2011, the new Board expanded the mandate of this committee to include overall issues relating to people, culture and safety. To reflect this expanded role, the committee was renamed to the People and Safety Committee.

## Major Capital and Technical Committee

During 2010/2011, the Board Major Capital and Technical Committee played an important role in overseeing CS Energy's major projects. The committee met monthly to review progress on major projects and provide technical and commercial advice.

The committee's members during 2010/2011 were Stephen Lonie (Chair), Bob Henricks and Russell Kempnich (up to 15 March 2011).

Highlights for 2010/2011 include:

- Monitored the Mica Creek Power Station relocatable generating units project.
- Oversaw the planning, review and approval of CS Energy's approach to new low emission and renewable generation projects such as the Kogan Creek Solar Boost Project.
- Oversaw CS Energy's involvement in the Solar Dawn and Solar Flair consortium bids shortlisted under the Commonwealth Government's Solar Flagship program.
- Oversaw the capital input to the Callide B Power Station mid-life refit project.
- Oversaw CS Energy's operational and contractual commitment to the Callide Oxyfuel Project.

## Executive Management Team

The Board appoints CS Energy's Chief Executive and other members of the Executive Management Team after receiving written approval from shareholding Ministers. The Chief Executive is accountable to the Board, and is responsible for managing the performance of CS Energy's business and the Executive Management Team.

## Reporting

The Board regularly reports to its shareholding Ministers to ensure they are informed about the operations, performance and financial position of the company. CS Energy produces five key documents to report on its performance:

- A Corporate Plan that outlines key strategies, objectives for the next five years and performance indicators. The plan also provides an industry and economic outlook and the potential impact on CS Energy.
- A Statement of Corporate Intent (SCI) that outlines goals and objectives for the next financial year. A summary of the 2010/2011 SCI appears on page 47 of this report.
- Quarterly Reports of progress against the performance targets and measures in the SCI.
- An Interim Report on mid-year financial performance.

- An Annual Report on performance for each financial year, which meets statutory requirements for government owned corporations and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

## Performance

The performance of the Board is periodically evaluated at a formal workshop facilitated by an independent corporate governance specialist. An independent review of Board Performance was completed in early 2011. The review provided recommendations to ensure our corporate governance processes are sound and that the Board operates in a cohesive and effective manner.

## Risk and assurance

The Board has ultimate responsibility for managing potential risks for CS Energy and ensuring compliance with relevant laws, regulations and policies. The risk and assurance function oversees this activity and reports independently to the Board and management. It incorporates internal audit, risk management, insurance oversight and the compliance function.

These functions are responsible for reviewing activities, information and records to ensure that:

- Financial and operational information is reliable.
- Compliance with laws, regulations, policies and procedures occurs.
- Business risks are identified and appropriate management plans are adopted.
- Procedures are in place to safeguard assets and revenue, and ensure effective use of resources.

CS Energy's risk management framework is designed to ensure all potential financial, operational and other risks are identified, assessed, monitored and reported to the Board.

The Board Risk Committee oversees the risk management framework and responsibilities, as outlined on page 44 of this report. The Board's responsibilities in this area are facilitated by the work of the Risk and Compliance Committee which was established by the Executive Management

# Corporate Governance Report

Team to further oversight trading operations, audit reports/recommendations and compliance activities.

In 2010/2011, the Risk and Compliance Committee met monthly to coordinate responses to market and operational risks as they arise. CS Energy's Risk Management Policy provides guidance for the Board and staff on the approach to risk management. Staff are required to conduct all business activities in a manner that complies with the law, and within Board-approved limits of authority.

## Climate change

Climate change has become a principal business risk for the energy sector and, as such, affects CS Energy's financial position, operations and business strategy. This year, we continued the implementation of a carbon management plan.

The introduction of government regulatory responses to climate change, and adverse effects of variable weather will affect CS Energy's business and future growth. We are required, under the *National Greenhouse and Energy Reporting Act (Cth)* (NGER Act), to extend greenhouse and energy reporting obligations and provide details of climate change risks and responsibilities. CS Energy issued its second report on 21 October 2011.

## Ethical and responsible behaviour

CS Energy is committed to conducting all business activities with integrity, honesty and in compliance with relevant laws and standards. Staff and the Board act in accordance with the CS Energy Code of Conduct, which outlines the principles for conducting business in an ethical and responsible manner. The Board has also adopted the Director's Code of Conduct from the Articles of Association of the Australian Institute of Company Directors.

To ensure compliance and prevent conflicts of interest, we have a number of policies and procedures in addition to the Code of Conduct including a Share Trading Policy, Compliance Policy, and a Procedure for Pecuniary Interest, Conflict of Interests and Protected Disclosures.

The Share Trading Policy provides guidance on the legal requirements of the *Corporations Act 2001* with respect to inside information and insider trading.

The policy requires officers and Directors to not engage in share trading transactions with companies with whom CS Energy has a contractual relationship and where the officer could be in possession of price-sensitive information or be placed in a position of a conflict of interest.

Declaration of conflicts of interest by the Board or Executive Management Team is a standing item on the agenda of the monthly Board meetings. Board members and executives are also required to make annual declarations of companies in which they hold shares, or with which they have relationships that have the potential to lead to a conflict of interest. An external, independent check of these declarations against publicly available databases is carried out annually.

Staff and Directors are encouraged to report any conduct they observe that they believe is a potential breach of CS Energy policies or external regulations or laws. The CS Energy Procedure for Pecuniary Interest, Conflict of Interests and Protected Disclosure outlines the process for responding to these disclosures and confidentiality provisions for the individual making the disclosure.

## Release of information

CS Energy strives to be as open and accountable as possible, while still protecting information that is commercially sensitive. We have adopted the Queensland Government's 'Right to Information' approach for providing the community with greater access to information. This followed the Queensland Government commissioning an independent review of the *Freedom of Information Act 1992*, which resulted in the enactment of the *Right to Information Act 2009* and the *Information Privacy Act 2009*.

To comply with the new legislation, CS Energy added a 'publication scheme' to its website, which shows the classes of information available, links to the information and contact details for members of the public wishing to access additional information. Under the new legislation, CS Energy is exempted from releasing commercially sensitive information that could jeopardise its position in the national electricity market.

## Information and advice

Directors can seek independent professional advice on matters before the Board after receiving approval from the Chair. CS Energy bears the cost of this external advice. Directors can also seek professional information from CS Energy employees, subject to approval from the Chief Executive and attendance by a member of the Executive Management Team.

## Remuneration

Directors are remunerated at a level determined by the Governor in Council and reimbursed for reasonable expenses incurred while conducting business on behalf of CS Energy.

The Board approves the remuneration levels for the Chief Executive and other members of the Executive Management Team.

Details of remuneration paid to Directors and Executive Management Team members during the year appear in Note 29 of the Financial Statements.

## Directions and Notifications

The *Shareholder Review of Queensland Government Owned Corporation Generators* included a recommendation to restructure the Queensland Government owned generating companies from three companies into two. To facilitate the restructure, CS Energy received three formal Ministerial directions from its shareholding Ministers pursuant to Section 299 of the *Electricity Act 1994* on 25 November 2010, 10 February 2011 and 5 April 2011.

CS Energy was directed to:

- Undertake consultation with unions and employees on the restructure as detailed in the Queensland Government's Generator Restructure (including the preferred two-Genco structure).
- Provide full cooperation and assistance to the Queensland Government and its advisors.
- Ensure that employees and contractors provide full cooperation and assistance to the Queensland Government and its advisors.

There were no notifications issued by shareholding Ministers during 2010/2011.

## Statement of Corporate Intent

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

The full SCI, which includes details of the mission, vision, objectives, activities, capital structure and dividend policies, is tabled in the Queensland Legislative Assembly in accordance with Section 121 of the GOC Act.

In summary, the 2010/2011 SCI outlines the following key business objectives:

- People – CS Energy is recognised as having the people with the commitment and skills to deliver business outcomes.
- Portfolio – CS Energy is acknowledged as a safe and efficient operator of commercial scale, reliable generation plant and CS Energy has a secure diverse mix of fuel and water resources.
- Future – CS Energy is a leader in commercialising low emission technology plant.
- Social Licence – CS Energy is acknowledged as a financially viable and socially responsible company.

Shareholding Ministers wrote to CS Energy on 29 March 2011 requesting an amended 2010/2011 SCI be submitted to reflect the recommendations of the Generator Restructure, in particular, the immediate refocus of business strategy from one of growth to one of cost and performance efficiency for the existing asset base.

Accordingly, CS Energy has amended the 2010/2011 SCI to comply with shareholding Ministers' request. Consistent with Queensland Government requirements, CS Energy has amended the editorial content of the 2010/2011 Amended SCI but maintained the financial and non-financial forecasts as agreed by the CS Energy Board and shareholding Ministers prior to the commencement of the 2010/2011 financial year. The figures contained in the 2010/2011 Amended SCI document are as at 28 May 2010 and are not reflective of CS Energy's forecasts or financial position and performance.

## Corporate hospitality

CS Energy hosted the following events during 2010/2011.

Corporate hospitality		
Event	Date	Cost
Christmas function – Callide	27/11/2010	\$11,650
Christmas function – Swanbank	10/12/2010	\$7,000
Christmas function – Brisbane	17/12/2010	\$6,896
Swanbank Service Recognition function	5/2/2011	\$5,247
Brisbane Service Recognition function	19/2/2011	\$4,933

# Board of Directors profiles

The following profiles are of CS Energy's current Board of Directors.



### Denis Byrne Chairman

LLB

Director since 1 July 2011

Denis Byrne was appointed as Chairman of the CS Energy Board on 1 July 2011. He has practised commercial law for 28 years, with wide experience in the corporate, infrastructure and resources areas, and has pursued a career as a non-executive director since 1997.

Prior to joining the CS Energy Board, Mr Byrne served as Chairman of the Stanwell Corporation Board for five years. He is currently a Director of Asia Pacific Nickel Pty Ltd

Mr Byrne served for 10 years on the Australian Takeovers Panel and seven years on the New Zealand Takeovers Panel. He was President of the Queensland Law Society from 1985–1986, President of the Law Council of Australia in 1988/1989, former Managing Partner of Freehill Hollingdale & Page, and inaugural Chairman of the Queensland Gas Appeals Tribunal. He also served as a member of the Prime Minister's Rail Taskforce.

Mr Byrne was involved in the restructure of several industries, at a national level, including the horticulture industry, and later served as a Director of Horticulture Australia from 2001–2004. He also served as Chairman of the Fisheries Research and Development Corporation and as a Director of a number of other corporations.



### Keith Barker Director

BSc (Hons) MBA

Director since 1 July 2011

Keith Barker has over 30 years experience in the resources sector in engineering, corporate, finance and advisory roles, where his main areas of expertise lie in mine planning, investment evaluation and infrastructure.

Mr Barker was a Director of the Queensland Resources Council from 2006 to June 2011. He was Managing Director and Chief Executive Officer of coal exploration and development company Northern Energy Corporation from its conception in 2004 until June 2011.

Prior to his appointment to Northern Energy Corporation, Mr Barker was a consultant providing coal market and infrastructure advice to a number of mining companies, infrastructure providers and financial entities. Between 1989 and 2000, Mr Barker was employed as Manager Corporate Development with QCT Resources, then Australia's largest publicly listed coal mining company.



### Tracy Dare Director

B.Bus (Acct); Grad.Dip.Adv.Acc; AICAA; FAIM, GAICD

Director since 2008

Tracy Dare has extensive experience in commercial and business restructuring, managing large-scale, complex and diverse assignments and in a wide variety of industries.

Ms Dare is the Executive Manager Business Development of RSL Care Limited. She has previously served as National Manager of Suncorp Metway's Corporate Banking business and prior to this was a senior partner of KPMG Brisbane. She is an experienced company director with former appointments to the Queensland Gaming Commission, the Brisbane City Council – City Businesses/City Fleet, as well as a number of not for profit entities. Currently, Ms Dare is a Director of the Australian Institute of Management (AIM) Qld & NT and the AIM Graduate Studies Institute.

Ms Dare's term as a member of the CS Energy Board was renewed on 1 July 2011.



### Jon Hubbard Director

B.Com, CA, GAICD

Director since 1 July 2011

Jon Hubbard recently retired from PricewaterhouseCoopers (PwC) after 24 years with the firm, the last 11 and a half as a partner.

Mr Hubbard moved to the Brisbane office of PwC in 2005 having recognised the sustainable business opportunity to build both a coordinated energy industry focus across the firm in Queensland, and a dedicated specialist energy strategy and reform team, which he led.

Mr Hubbard specialises in energy strategy and reform, with a particular focus on the Queensland energy sector. He has provided advice to a wide range of clients on such matters as corporate strategy, business development, finance and restructuring, risk management, economic regulation, and climate change and renewable energy.



### **Sarah Israel Director**

B Bus, FCPA, FAICD

Director since 2005

Sarah Israel has 15 years experience at board level in both the private and public sectors, with particular experience as a chair and member of audit, compliance and risk committees.

Ms Israel has industry experience in electricity, toll roads, export credit, regional aviation, investment banking, investment management and consultancies to developing nation governments. She also has executive management experience in project finance, management and development, financial control, budgeting and governance frameworks.

Ms Israel is a Director of Energy Super and the Queensland Rural Adjustment Authority. She was previously a director of the Queensland Electricity Transmission Corporation (Powerlink Queensland).

Ms Israel's term as a member of the CS Energy Board was renewed on 1 July 2011.



### **Greg Simcoe Director**

Director since 1 July 2011

Mr Simcoe held the position of State Secretary of the Builders Labourers Federation (BLF) in Queensland for 18 years, prior to his retirement in late 2010. He was one of the longest serving State Secretaries of BLF Queensland.

His current positions include Chairman of the Building Employees Redundancy Trust, Chair of the Construction Income Protection Fund, Chair of the Construction Skills Training Centre, Director of BUSSQ (Super Fund), Director of the Queensland Construction Training Fund, and Vice President of CFMEU Construction and General Division.

He has also been a Trustee Member of the Australian Institute of Superannuation Trustees, Branch Secretary of the Construction, Forestry, Mining and Energy Union (CFMEU) Construction and General Division.



### **Karen Smith-Pomeroy Director**

MNIA, PNA, FAIBF, MAICD

Director since 1 July 2011

Karen Smith-Pomeroy is a financial services professional with extensive experience in senior roles within the Australian banking and finance industry, predominantly in credit, finance and risk areas. She is currently Chief Risk Officer at Suncorp Bank and served on the Board of Tarong Energy Corporation from 2007–2011.

Ms Smith-Pomeroy is a Fellow of the Institute of Public Accountants, a Member of the Australian Institute of Company Directors, and a Fellow of the Financial Services Institute of Australia. She is also a committee member of the Australian Chapter of the Risk Management Association Inc.

Ms Smith-Pomeroy was appointed as member of the CS Energy Board of Directors on 1 July 2011.



### **Mark Williamson Director**

M.A.I.C.D

Director since 1 July 2011

Mark Williamson is an experienced director who has served on a number of boards, including Stanwell Corporation, North Queensland Cowboys Rugby League Club, Brisbane Marketing Ltd, Hamilton Island Airport Ltd, Brisbane Visitors' and Convention Bureau, AFTA (Qld), Starlight Children's Foundation (Qld) and the Mackay Port Authority. Mr Williamson also holds a membership with the Australian Institute of Company Directors.

Mr Williamson has held the position of Director, Northern Region for SingTel Optus. Prior to this appointment, he held senior executive roles in the electricity, IT, telecommunications and airline industries. His professional career has been primarily in sales and marketing and in general management at state, national and international levels.

# Board of Directors profiles

The following profiles are of CS Energy's Board of Directors as at 30 June 2011.



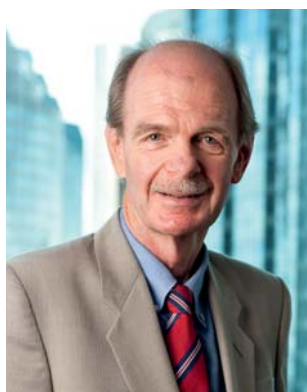
### **Bob Henricks** Director

Queensland Certificate of Competency as Electrical Mechanic (Electrician)

Director since 1999 (leave of absence taken from 30 June 2011)

Bob Henricks brings more than 40 years of experience in the electricity industry to the CS Energy Board. Mr Henricks has served on the board of AUSTA Electric and chairs the Energy Supply Industry Superannuation Fund, and one other superannuation fund. He was also a director of CS Energy Oxyfuel Pty Ltd.

Mr Henricks is a director of Queensland Private Capital Group Pty Ltd. He is a past State Secretary and National President of the Electrical Trades Union and is also currently a member of the (Australian Government) Central Trades Committee. Mr Henricks, who took his apprenticeship at 15, is still a licensed electrician. He was a member of the CS Energy Major Capital and Technical Committee and Staff and Remuneration Committee.



### **Stephen Lonie** Chair

B Com, MBA, CA, F Fin, FIMCA, FAICD

Director from 1999 to 30 June 2011

Stephen Lonie is a Chartered Accountant, and currently practices as an independent management consultant. Mr Lonie is a former partner of the international accounting and consulting firm, KPMG.

Mr Lonie is also the Chairman of the Rock Building Society Limited, and Jellinbah Resources Pty Limited. Mr Lonie chaired CS Energy's Major Capital and Technical Committee and was a member of the CS Energy Audit Committee and Staff and Remuneration Committee.



### **Mark Bucknall** Director

BA, LLB

Director from 2005 to 30 June 2011

Mark Bucknall is the managing partner of his own legal practice. He came 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.

Awarded a Commonwealth sports achievement award for services to Australian Football, he is an active community member and contributes professional support to community legal centres and sporting organisations.

Mr Bucknall was chair of the CS Energy Staff and Remuneration Committee.



### **Russell Kempnich Director**

BEng (Mech)

Director from 2008 to 15 March 2011

Russell Kempnich has more than 30 years experience in coal resource evaluation, process plant design, construction and commissioning gained both in Australia and internationally.

A founding partner and nonexecutive Chairman of Sedgman Limited, Mr Kempnich led the organisation's growth from a consulting and engineering firm to a market leader in coal preparation, design and construction. He was also responsible for the expansion of the company operations internationally.

Mr Kempnich commenced his career in 1977 as an engineer with the Australian Coal Industry Research Laboratories where he was responsible for the coal preparation pilot plant facilities at Maitland, NSW.

Mr Kempnich was a member of the CS Energy Major Capital and Technical Committee.



### **Martine Pop Director**

PhD, EEC Commercial Law, FAICD

Director from 2009 to 30 June 2011

Martine Pop has more than 28 years of banking, credit, risk management, audit and control management experience with Banque Nationale de Paris, Macquarie Bank and Challenge Bank in senior and executive positions. For the past 14 years Ms Pop has worked as a consultant providing risk management and corporate management/governance advisory services to the private and public sectors, including six years as an Executive Consultant with Ernst & Young.

Ms Pop is currently a Director of Wheat Exports Australia. Former directorships include Verve Energy, Gold Corporation, SBS, AGR Matthey, The Grain Pool of WA, Australian Rail Track Corporation, Chairperson of the WA Meat Industry Authority and member of the Police and Nurses Credit Society's Nomination Committee.

She was a member of the 2004 review of Australian Wheat Export arrangements commissioned by the Australian Government. Ms Pop was a member of CS Energy's Audit Committee. She was chair or member of a number of Audit and Governance Committees for Public Sector Agencies.

# Executive profiles



### David Brown Chief Executive

C.Eng BSc (Hons)

David Brown is a chartered engineer with more than 30 years experience in the energy industry in the United Kingdom and Australia. Mr Brown graduated with first class honours in a Bachelor of Science degree in natural gas engineering from the University of Salford in the United Kingdom (UK). He started his career with British Gas plc before joining Southern Electric plc at a time of significant change in the UK power industry.

In Australia, Mr Brown has worked as a consultant to the power industry and later as General Manager of Bell Bay Power Pty Ltd, a Hydro Tasmania subsidiary company. He joined CS Energy as General Manager Operations in 2007 and was appointed as Chief Executive in December of that year.

During the Queensland Government's Generator Restructure Mr Brown was appointed as Interim Chief Executive Officer for the period April to June 2011. On 1 July 2011, he was formally appointed as Chief Executive of the restructured CS Energy portfolio.



### Garry Button Chief Financial Officer

BCom (UNSW), FCPA, FFTP, MAICD

Garry Button was appointed as Chief Financial Officer of CS Energy on 1 July 2011. He is responsible for finance, business strategy, planning and reporting, procurement and shareholder relations.

Prior to joining CS Energy, Mr Button served as Chief Financial Officer for Stanwell Corporation from 2008 to 30 June 2011. He has also held several senior financial and corporate roles within Queensland Rail, Fairfax and Unilever Australia. He is a Fellow of both CPA Australia, the Finance and Treasury Association (of which he is also a past national President and NSW Chapter Chairman), as well as a Member of the Australian Institute of Company Directors.



### Gary Campbell Executive General Manager Production

BE (Elect)

Gary Campbell has more than 30 years experience in the energy sector in Australia and New Zealand.

He joined CS Energy in 2004 as Site Manager at Callide Power Station and was appointed to the General Manager Operations role in April 2008.

During the Queensland Government's Generator Restructure, Mr Campbell served as Acting Chief Executive for the period April to June 2011. On 1 July 2011, he was formally appointed as Executive General Manager Production of the restructured CS Energy portfolio. In this role he is accountable for the overall performance of CS Energy's generation assets at Callide, Kogan Creek, and Wivenhoe power stations, as well as overhaul delivery, resource management, and stores and inventory.

In New Zealand, Mr Campbell held the position of Station Manager with New Plymouth and Huntly Power Stations and was Chief Executive of Waitaki Power in New Zealand. He was General Manager Operations of Tarong Energy from 1999 until 2002.



### Terry Killen Executive General Manager Trading

B.Ed, MBA, Grad Dip. Mgt, Dip Fin, Dip Prod. Mgt, Dip Tech Analysis, GAICD

Terry Killen has worked in the energy industry since 1986. During this time he has held a number of management roles in information technology, strategic and business planning, HR, procurement and market operations. Prior to joining CS Energy, he held trading management roles for Loy Yang Power and Edison Mission Energy in Victoria.

As Executive General Manager Trading, Mr Killen is responsible for CS Energy's trading operations, forecasting, market analysis and carbon management. He was appointed to the role on 1 July 2011 after serving as CS Energy's General Manager Corporate Services and Head of Market Operations.

An AFMA accredited trader, Mr Killen is also CS Energy Director on the Board of Callide Power Trading.





### **Andrew Krotewicz** Executive General Manager Asset Strategy

BEng (Electrical), Dip Mgt

Andrew Krotewicz was appointed as Executive General Manager Asset Strategy of CS Energy on 1 July 2011. In this role he is responsible for asset management, technical services, environment and quality, overhaul planning and asset enhancement and renewal projects.

Mr Krotewicz has almost 30 years experience in the power industry in Queensland and Western Australia. Prior to joining CS Energy, he was General Manager Generation Operations at Tarong Energy. He is an electrical engineer and has a suite of skills and knowledge in best practice operations, maintenance, engineering, project delivery and asset management.

In Western Australia, Mr Krotewicz worked on large-scale, gas-fired cogeneration plants for Alcoa's alumina smelters. The joint venture was one of the first privately owned generators operating in the then recently deregulated state electricity market.



### **Michael Turner** Executive General Manager Corporate

HNC Engineering (Mechanical & Production), HNC Electrical Engineering (Power bias), PGrad Dip Mgt (Manchester University)

Michael Turner has more than 30 years experience in the energy industry in both Australia and the United Kingdom as a qualified electrical and mechanical engineer. Mr Turner has held various senior management roles over the past 15 years, including six years with PricewaterhouseCoopers' Energy Utilities division, and most recently five years with ENERGEX in senior strategic and network asset management roles.

As Executive General Manager Corporate, Mr Turner is responsible for business integration and improvement, IT, industrial relations, human resources, learning and development, risk and assurance and internal audit. He was appointed to the role on 1 July 2011 and prior to this served as General Manager Organisation Development at CS Energy.

# Financial Report

<b>Directors' Report</b>	55
<b>Auditor's Independence Declaration</b>	61
<b>Financial Report (comprising)</b>	
Statement of Comprehensive Income	62
Balance Sheet	63
Statement of Changes in Equity	64
Cash Flow Statement	66
Notes to the Financial Statements	67
Directors' Declaration	116
<b>Audit Report (comprising)</b>	
Independent Auditor's Report	117

CS Energy Limited and controlled entities ACN 078 848 745

This financial report covers both CS Energy Limited as an individual entity and the consolidated group consisting of CS Energy Limited and its subsidiaries. The financial report is presented in the Australian currency. CS Energy Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is: CS Energy Limited, Level 2 HQ North Tower, 540 Wickham Street, FORTITUDE VALLEY, QLD, 4006. A description of the nature of the consolidated group's operations and its principal activities is included in the front of the Annual Report which is not part of this financial report. The financial report was authorised for issue by the Directors on 29 August 2011. The company has the power to amend and reissue the financial report.

The Directors present their report on the consolidated group, consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

## Directors

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

Ms T Dare	(unpaid leave of absence 15 March 2011 to 30 June 2011)
Ms S Israel	
Mr RJ Henricks	(unpaid leave of absence from 1 July 2011)
Mr R Kempnich	(resigned 15 March 2011)
Mr SE Lonie (former Chairman)	(resigned 30 June 2011)
Mr M Bucknall	(resigned 30 June 2011)
Ms M Pop	(resigned 30 June 2011)
Mr J Hubbard	(appointed 1 July 2011)
Mr D Byrne (Chairman)	(appointed 1 July 2011)
Mr K Barker	(appointed 1 July 2011)
Mr G Simcoe	(appointed 1 July 2011)
Ms K Smith-Pomeroy	(appointed 1 July 2011)
Mr M Williamson	(appointed 1 July 2011)

The following current directors of CS Energy Limited held positions in other Government Owned Generators prior to 30 June 2011:

Mr D Byrne*	Chairman Stanwell Corporation Limited 1 July 2010 to 16 March 2011
Ms K Smith-Pomeroy*	Director Tarong Energy Corporation Limited 1 July 2010 to 22 March 2011
Mr M Williamson	Director Stanwell Corporation Limited 1 July 2010 to 30 June 2011

*\*Granted unpaid leave of absence from duties on appointment to the Advisory Board of the putative entity Genco 1 (CS Energy Limited) with resignations provided to the respective entities effective 30 June 2011.*

Details about Directors, and the Company Secretary, are included in the Annual Report, as follows:

- Qualifications, experience and special responsibilities and
- Meetings held and Director attendance.

These sections of the Annual Report form part of this report.

## Principal activities

During the year, the principal activity of CS Energy Limited was the generation and trading of electricity from coal and gas fired power stations.

	Consolidated results	
	2011 \$'000	2010 \$'000
Profit/(Loss) after income tax	(614,566)	(47,636)

## Dividends – CS Energy Limited

Details of dividends paid or declared in respect of the current and prior year:

	\$'000
Dividend declared during the year ended 30 June 2010 and paid prior to 30 June 2011	-
Dividend declared during the year ended 30 June 2011	-

## Results of operations

The consolidated group's result for the year was a loss after tax of \$614.6 million (2010: loss after tax \$47.6 million). This result included:

- Finance costs of \$87.6 million (2010: \$77.4 million);
- Impairment of \$773.2 million (2010: nil) of assets, including those held for distribution (in accordance with the Queensland Government Generator Restructure); and
- Income tax benefit of \$270.4 million (2010: benefit of \$16.3 million).

The loss before finance costs and income tax benefit was \$797.4 million compared to a prior year profit of \$13.5 million.

The primary reason for the extent of the net loss after tax of the consolidated group was due to impairment write-downs taken on the consolidated group's generation assets. The write downs occurred on both generation assets that were retained by the consolidated entity following the Queensland Government Generator Restructure (refer **Matters subsequent to reporting date**) and, to a lesser extent, write-downs to fair value on generation assets held for distribution to Stanwell Corporation Limited.

The underlying performance of the consolidated entity, excluding the impacts of impairments referred to above, was a net loss after tax of \$73.4 million, compared to a prior year net loss after tax of \$47.6 million. The decline in the underlying performance was due to a decline in revenues which arose through lower wholesale electricity prices and reduced generation.

The income tax benefit of \$270.4 million relates predominantly to the tax benefit of the impairment write downs of \$231.9 million, being 30% of the \$773.2 million impairment recognised.

## Review of operations

The consolidated group's total revenue and other income decreased by \$53.4 million, or 7.0%, reflecting a decrease in total revenue of \$101.3 million (13.5%), partially offset by an increase in other income of \$47.8 million, or 218.9%.

The key component of the reduction in total revenue was a reduction in the sale of electricity arising from a decrease in:

- Generation dispatched due to a combination of the surplus of generation capacity in the market;
- Operating reliability (caused in part by poor fuel quality); and
- The realised load weighted average pool price for the financial year being lower than in the prior year.

The increase in other income was principally due to the following items of a one-off nature:

- An increase in income from the re-measurement of certain onerous contract obligations of \$42.6 million (2010: an expense of \$26.7 million);
- An increase in government grant income associated with the Callide Oxyfuel project, of \$13.0 million;

which was partially offset by:

- A reduction of \$7.8 million from the valuation of certain financial instruments that do not qualify as hedges.

The consolidated group's total expenses, before finance costs and income tax expense, increased by \$757.4 million, or 100.1% for the year. This increase was attributable to:

- Cost of sales – \$516.4 million, down by \$62.3 million (10.8%);
- Other expenses – \$224.5 million, up by \$46.6 million (26.2%). and
- Impairment – \$773.2 million, up by 100%.

The decrease in cost of sales of \$62.3 million was principally due to reduced fuel and water costs and lower levels of generation but was also impacted by a reduction in allocated depreciation of \$12.0 million as a result of the reduced underlying asset values from the prior year.

The increase in other expenses was attributable to the following key elements:

- An increase in the re-measurement of derivatives that do not qualify as hedges of \$47.5 million;
- An increase in research and development expenditure on the Callide Oxyfuel project of \$23.0 million;
- An increase in administration costs due to higher support costs, and general cost increases of \$13.5 million;
- Impairment write-down for gas exploration and evaluation expenditure as a result of lower than expected levels of production of \$8.8 million;
- Restructure costs being those associated with the restructure of the three Queensland Government Owned Corporation generators, being the CS Energy Limited consolidated group, Stanwell Corporation Limited and Tarong Energy Corporation Limited, from three into two of \$2.6 million;

This was offset by:

- A reduction of \$23.6 million in one-off expenses from the prior year associated with redundancy costs, costs incurred in varying contract provisions in a fuel supply agreement and costs associated with the write-down of obsolete stock, following the decision to progressively close the Swanbank B power station by April 2012;
- Re-measurement of onerous contracts due to an increase in the expected future benefits that will be derived by the consolidated group of \$21.8 million; and
- A decrease in network and market costs as a result of lower market based ancillary services charges of \$3.6 million.

The impairment of generation assets of \$773.2 million is primarily due to the impact of the carbon price proposed under the Australian Government's 'Clean Energy Legislative Package'. Other factors considered in the impairment assessment include the continued decline in wholesale electricity prices and the review of coal quality and supply conditions within coal supply agreements with consideration given to the consequential impact on operational and maintenance costs. Refer Note 4 Critical Accounting Estimates and Judgements.

The increase in finance costs of \$10.2 million was attributable to an increase in the interest rates with overall debt remaining relatively unchanged as well as an increase in the finance costs associated with the unwind of onerous contracts.

## Significant changes in the state of affairs

On 24 June 2011 a regulation was gazetted for the Queensland Government Generator Restructure (Generator Restructure). The regulation was effective 1 July 2011 and whilst not having a material impact on the operations of the consolidated group during the financial year, the restructure resulted in additional costs incurred, as mentioned above, of \$2.6 million prior to 30 June 2011 as well as the requirement to disclose the consequential financial and operating impacts. Refer to **Matters subsequent to reporting date** below for further details. Other than this, there have been no significant changes in the state of affairs of the consolidated group during the financial year.

## Matters subsequent to reporting date

On 25 November 2010, the Queensland Government announced the restructure of the three Queensland Government Owned Corporation generators, being the CS Energy Limited consolidated group, Stanwell Corporation Limited and Tarong Energy Corporation Limited, from three into two. The proposed final asset allocation was announced on 10 March 2011 with the completion date of the restructure being 1 July 2011.

The assets and associated liabilities transferred to Stanwell Corporation Limited on 1 July 2011 are accounted for as "disposal groups held for distribution to owners" from the date the regulation was approved by the Governor in Council on 24 June 2011. As at 24 June 2011, the assets to be transferred were substantially finalised and the Generator Restructure was considered highly probable to proceed. The Generator Restructure was substantially completed on 1 July 2011.

On 10 July 2011, the Australian Government announced a carbon price path and proposed adoption of an emissions trading scheme. The carbon price was clarified in 'The Clean Energy Future' under the 'Clean Energy Plan' which focuses on carbon price, land action, and renewable energy alternatives

The adoption of a carbon price through the 'Clean Energy Legislative Package' is considered highly probable and accordingly the assumptions relating to the impacts of carbon have been included within the fair value and value in use calculations which underlie the impairment write-downs, onerous contract re-measurement impacts and the resulting carrying values of impacted assets and liabilities. The carbon price, once legislated, will also create significant additional cash requirements within the consolidated group to support future carbon liabilities and carbon permit purchases.

On 26 August 2011, correspondence was received from the shareholding Ministers on behalf of the Queensland Government, committing to an immediate equity injection of \$150 million. A more detailed analysis of CS Energy's future funding needs will be undertaken following completion of the capital structure review currently being undertaken by Queensland Treasury Corporation.

The financial statements are prepared on a going concern basis and reflect a net asset position of \$263.7 million and a net current asset position of \$137.3 million at 30 June 2011. As a result of the Queensland Government's announcement of the restructure, a pro-forma balance sheet has been prepared on the completion date of 1 July 2011 to reflect the opening financial position post the restructure, being as follows:

Balance Sheet	At 30 June 2011 \$'000	Less Transfer to Stanwell \$'000	Add Received \$'000	Pro-forma at 1 July 2011 \$'000
Total current assets	579,940	273,956	-	305,984
Total non-current assets	1,190,819	-	94,405	1,285,224
<b>Total assets</b>	<b>1,770,759</b>	<b>273,956</b>	<b>94,405</b>	<b>1,591,208</b>
Total current liabilities	442,608	278,828	40,345	204,125
Total non-current liabilities	1,064,409	-	233,601	1,298,010
Total liabilities	1,507,017	278,828	273,946	1,502,135
<b>Net assets</b>	<b>263,742</b>	<b>(4,872)</b>	<b>(179,541)</b>	<b>89,073</b>
Share capital	953,115	97,215	(179,541)	676,359
Reserves	9,833	-	-	9,833
Retained Earnings	(699,206)	*(102,087)	-	(597,119)
<b>Equity</b>	<b>263,742</b>	<b>(4,872)</b>	<b>(179,541)</b>	<b>89,073</b>

\*Reflects the derecognition of an onerous contract reallocated under the Generator Restructure but not accounted for under AASB Interpretation 1038 *Contributions by Owners made to Wholly Owned Public Sector Entities*.

The 1 July 2011 pro-forma balance sheet reflects a net asset position of \$89.1 million and a net current asset position of \$101.9 million. The change in the statement of position of the consolidated group, as a result of the Generator Restructure arises from the following:

- Transfer of the following assets or business units of the consolidated group to Stanwell Corporation Limited:
  - ▶ Mica Creek business unit;
  - ▶ Swanbank business unit; and
  - ▶ Collinsville Power Purchase Agreement
- Receipt of the following assets or business units by the consolidated group:
  - ▶ Gladstone Interconnection and Power Pooling Agreement (IPPA) from Stanwell Corporation Limited;
  - ▶ Wivenhoe business unit from Tarong Energy Corporation Limited; and
  - ▶ Glen Wilga coal resource from Tarong Energy Corporation Limited.

Note 3 in the Financial Statements provides further information on the financial impacts of the Generator Restructure.

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections based on forward year growth rates adjusted for current market conditions and the revised portfolio for a period of not less than thirteen months from the date of this report. These cash flow projections show that the ability to meet debts as and when they are payable is dependent on the ongoing availability of undrawn debt facilities with Queensland Treasury Corporation. Currently available undrawn debt and working capital facilities with Queensland Treasury Corporation at 30 June 2011 are in excess of \$600 million. In the longer term, the ability of CS Energy Limited and the group to continue as a going concern is critically dependent upon:

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

In addition, the group has received a guarantee from the Queensland Government to support existing and future debt facilities and a commitment for a capital structure review within the financial year to identify the required capital structure to maintain a stand-alone investment-grade credit rating. On 26 August 2011, correspondence was received from the shareholding Ministers on behalf of the Queensland Government, committing to an immediate equity injection of \$150 million. A more detailed analysis of CS Energy's future funding needs will be undertaken following completion of the capital structure review currently being undertaken by Queensland Treasury Corporation.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that CS Energy Limited and the consolidated group will be able to pay their debts as when they become due and payable. The financial report does not include any adjustments relating to the recoverability and/or classification of assets or the amounts and/or classification of liabilities should CS Energy Limited or the consolidated group not continue as a going concern.

At the date of this report, apart from the matters discussed above, the Directors are not aware of any other matter or circumstance, which has arisen since 30 June 2011, that has significantly affected, or may significantly affect:

- (a) The consolidated group's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The consolidated group's state of affairs in future financial years.

## Likely developments and expected results of operations

As noted in **Matters subsequent to reporting date**, the Queensland Government Generator Restructure was gazetted via regulation on 24 June 2011 with an effective date for transfer on 1 July 2011. The regulation has resulted in a change in the portfolio both in mix through receipt of the Wivenhoe pumped storage Power Station and an increase in gross available generation to 4,155 MW (including availability under the Gladstone Interconnection and Power Pooling Arrangement (IPPA)). Generating assets transferred out of the portfolio included Swanbank B, Swanbank E and Mica Creek Power Stations and the Collinsville Power Purchase Agreement.

The financial and operational impacts of the change are still being determined and will be provided to shareholding Ministers in October 2011 through the amended 2011/2012 Statement of Corporate Intent. The Statement of Corporate Intent will reflect the recommendations of the Generator Restructure in particular the immediate refocus of business strategy from growth to cost and performance efficiency for the existing asset base.

On 10 July 2011, the Australian Government announced a carbon price path and proposed adoption of an emissions trading scheme. The carbon price was clarified in 'The Clean Energy Future' under the 'Clean Energy Plan' which focuses on carbon price, land action, and renewable energy alternatives.

The adoption of a carbon price through the 'Clean Energy Legislative Package' is considered highly probable and accordingly the assumptions relating to the impacts of carbon have been included within the fair value and value in use calculations which underlie the impairment write-downs, onerous contract re-measurement impacts and the resulting carrying values of impacted assets and liabilities. The carbon price, once legislated, will also create significant additional cash requirements within the consolidated group to support future carbon liabilities and carbon permit purchases.

## Environmental regulation

The consolidated group's activities are subject to environmental regulation under both Commonwealth and State legislation in relation to the operation and expansion of its power station portfolio. The primary State environmental laws governing these activities are the *Environmental Protection Act 1994 (Qld)* and the *Sustainable Planning Act 2009 (Qld)*. The consolidated group operates its power stations in accordance with the approvals it holds under these Acts, and its various generating licences.

During the year, eight environmental matters were reported to the Department of Environment and Resource Management (DERM) and one complaint was received and resolved with a resident. Swanbank Power Station reported one minor exception to the water discharge suspended solids level specified in its approval. The consolidated group took actions in response to all these issues in consultation with DERM.

### Callide Power Station

A number of these environmental matters related to particulate emissions from Callide B Power Station, and as a result on 4 July 2011, DERM issued a warning letter to CS Energy Limited in relation to exceedances of the particulate emission limit applying to the Callide B Power Station stack. DERM was advised of the actions taken to improve the performance of the flue gas cleaning plant, noting the abnormal operating conditions at the time of the events.

In addition to the above matters, following a notification to DERM on 16 April 2010, in relation to seepage loss from the Callide Ash Dam B, CS Energy submitted an Environmental Investigation report to DERM on 4 March 2011 identifying actions CS Energy will implement to minimise off-site seepage from the ash dam. DERM advised in a letter of 1 April 2011 of its acceptance of the Report and its intention to amend the site Development Approval (DA) and require preparation of a Transitional Environmental Program (TEP). The TEP which addresses further investigation of Ash Dam B seepage has been submitted and approved, and discussions are continuing with DERM on proposed amendments to the site DA.

Following extensive rainfall over the December 2010-January 2011 period, and in accordance with an approved TEP, CS Energy initiated controlled co-releases from the ash dam on 11 January 2011, diluted by releases by Sunwater from the Callide Dam, in accordance with an approved TEP. Refer to the Annual Report for further details.

### Kogan Creek Power Station & Coal Mine

The December 2010-January 2011 rainfall also raised the water level in the Kogan Creek Initial Ash Disposal Area to just below the spillway. Following discussions with DERM, CS Energy prioritised water recycling to the station and enhanced evaporation measures to reduce the water level in the facility.

The Kogan Creek and Condamine River flood events over the December 2010-January 2011 period also affected the Kogan Mine resulting in water being released under a TEP. Refer to the Annual Report for further details.

### Swanbank Power Station

Works undertaken in accordance with the TEP for disposal of ash to the Swanbank Ash Dam have been completed. Refer to the Annual Report for further details.

Other than those matters disclosed above, to the group's knowledge, there are no further environmental enforcement actions pending against it.

The consolidated group is required to comply with the requirements of the *National Greenhouse and Energy Reporting Act 2007* (the NGER Act). As the controlling corporation, CS Energy Limited has established independently-audited systems and procedures to support reporting under the Act by the due date of 31 October each year.

Further information on the consolidated group's environmental performance can be found in the Annual Report.

## Indemnification and insurance of officers

CS Energy Limited indemnifies each officer of the Company and its controlled entities against any costs incurred by the officer in investigating or defending legal proceedings commenced against the officer or which the officer has reason to believe will be commenced against the officer or in responding to or appearing before enquiries or investigations in connection with or as a consequence of the officer acting in any capacity except where the liability arises out of:

- (i) The improper use of position or information to gain any profit or advantage or cause detriment to any company;
- (ii) Conduct involving a wilful breach of duty in relation to any company; or
- (iii) Any criminal, dishonest or fraudulent acts or omissions.

During the financial year, CS Energy Limited maintained a policy to insure all officers of the Company and its controlled entities, including Directors and Secretaries and the General Managers of each of the divisions of the consolidated group.

# CS Energy Limited (and controlled entities) Directors' Report

for the year ended 30 June 2011

## Auditor's independence declaration

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

## Preparation of Parent Entity Accounts

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

## Rounding of amounts to the nearest thousand dollars

The parent entity is a company 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

Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, in accordance with that Class Order.

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



**Mr D Byrne**

Chairman



**Ms T Dare**

Director

Brisbane

29 August 2011



To the Directors of CS Energy Limited

This auditors independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

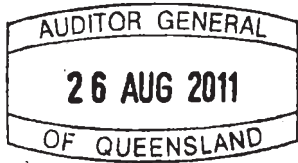
**Independence Declaration**

As lead auditor for the audit of CS Energy Limited for the year ended 30 June 2011, 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.



**G G Poole** FCPA  
Auditor-General of Queensland  
Queensland Audit Office  
Brisbane



**CS Energy Limited (and controlled entities)** Statement of Comprehensive Income  
for the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Revenue from operations</b>					
Revenue from the sale of electricity	5	615,384	712,987	297,799	394,897
Other revenue	5	31,653	35,320	46,820	92,964
		647,037	748,307	344,619	487,861
Other income	6	69,669	21,848	55,569	20,789
Cost of sales		(516,441)	(578,777)	(285,694)	(342,376)
Other expenses	7	(224,465)	(177,870)	(185,406)	(169,542)
Impairment	7	(773,163)	-	(364,864)	-
Finance costs	7	(87,630)	(77,437)	(85,213)	(75,543)
<b>Profit before income tax</b>		(884,993)	(63,929)	(520,989)	(78,811)
Income tax (expense)/benefit	8	270,427	16,293	158,521	30,867
<b>Profit/(Loss) for the year</b>		<b>(614,566)</b>	<b>(47,636)</b>	<b>(362,468)</b>	<b>(47,944)</b>
<b>Other comprehensive income</b>					
Changes in fair value of cash flow hedges, net of tax	26	(81,622)	71,752	(81,622)	71,752
Actuarial gain/(loss) defined benefit plan, net of tax		659	860	659	860
<b>Other comprehensive income for the year, net of tax</b>		(80,963)	72,612	(80,963)	72,612
<b>Total comprehensive income for the year</b>		<b>(695,529)</b>	<b>24,976</b>	<b>(443,431)</b>	<b>24,668</b>
Profit is attributable to:					
Owners of CS Energy Limited		(614,566)	(47,636)	(362,468)	(47,944)
Total comprehensive income is attributable to:					
Owners of CS Energy Limited		(695,529)	24,976	(443,431)	24,668

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

**CS Energy Limited (and controlled entities)** Balance Sheet  
as at 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	31,891	113,242	9,920	85,965
Trade and other receivables	10	137,426	128,397	104,737	93,368
Inventories	11	63,244	75,171	32,023	35,515
Derivative financial assets	12	73,423	96,765	73,423	96,765
Assets held for distribution	13	273,956	-	184,649	-
<b>Total current assets</b>		<b>579,940</b>	<b>413,575</b>	<b>404,752</b>	<b>311,613</b>
<b>Non-current assets</b>					
Derivative financial assets	12	28,913	51,064	28,913	51,064
Other receivables	14	-	11,759	1,253,308	1,308,565
Equity accounted investments	15	1	1	-	-
Other non-current assets	16	-	16,803	51,815	68,618
Property, plant and equipment	17	1,060,414	2,012,400	103,289	602,520
Deferred tax assets	18	93,450	58,671	71,281	39,943
Retirement benefit assets	25	8,041	7,071	8,041	7,071
<b>Total non-current assets</b>		<b>1,190,819</b>	<b>2,157,769</b>	<b>1,516,647</b>	<b>2,077,781</b>
<b>Total assets</b>		<b>1,770,759</b>	<b>2,571,344</b>	<b>1,921,399</b>	<b>2,389,394</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Derivative financial liabilities	12	78,747	21,524	78,747	21,524
Trade and other payables	19	76,311	115,326	50,626	75,128
Current tax liabilities		-	4,444	-	4,444
Provisions	20	8,722	45,006	7,773	42,683
Liabilities held for distribution	13	278,828	-	245,119	-
<b>Total current liabilities</b>		<b>442,608</b>	<b>186,300</b>	<b>382,265</b>	<b>143,779</b>
<b>Non-current liabilities</b>					
Derivative financial liabilities	12	47,482	15,095	47,482	15,095
Trade and other payables	21	42,380	25,007	-	-
Borrowings	22	825,876	826,091	825,876	826,091
Deferred tax liabilities	23	88,714	334,399	17,567	150,283
Provisions	24	59,957	225,181	40,121	202,627
<b>Total non-current liabilities</b>		<b>1,064,409</b>	<b>1,425,773</b>	<b>931,046</b>	<b>1,194,096</b>
<b>Total liabilities</b>		<b>1,507,017</b>	<b>1,612,073</b>	<b>1,313,311</b>	<b>1,337,875</b>
<b>Net assets</b>		<b>263,742</b>	<b>959,271</b>	<b>608,088</b>	<b>1,051,519</b>
<b>Equity</b>					
Contributed equity	27	953,115	953,115	953,115	953,115
Reserves	26	9,833	91,455	9,833	91,455
Retained earnings/(accumulated losses)		(699,206)	(85,299)	(354,860)	6,949
<b>Total equity</b>		<b>263,742</b>	<b>959,271</b>	<b>608,088</b>	<b>1,051,519</b>

The above balance sheet should be read in conjunction with the accompanying notes.

**CS Energy Limited (and controlled entities)** Statement of Changes in Equity  
for the year ended 30 June 2011

Consolidated	Note	Attributable to members of the parent			Total equity
		Contributed equity	Hedging reserve	Retained earnings/ (Accumulated losses)	
Balance at 1 July 2009		953,115	19,703	(38,523)	934,295
<b>Total comprehensive income for the period</b>					
Net profit for the year		-	-	(47,636)	(47,636)
<i>Other comprehensive income</i>					
Changes in fair value of cash flow hedges, net of tax	26	-	71,752	-	71,752
Actuarial gain/(loss) on the defined benefit plan, net of tax	25	-	-	860	860
Total other comprehensive income		-	71,752	860	72,612
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>71,752</b>	<b>(46,776)</b>	<b>24,976</b>
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends - final dividend provided for		-	-	-	-
Total contributions by and distributions to owners	28	-	-	-	-
<b>Balance at 30 June 2010</b>		<b>953,115</b>	<b>91,455</b>	<b>(85,299)</b>	<b>959,271</b>
Balance at 1 July 2010		953,115	91,455	(85,299)	959,271
<b>Total comprehensive income for the period</b>					
Net profit for the year		-	-	(614,566)	(614,566)
<i>Other comprehensive income</i>					
Changes in fair value of cash flow hedges, net of tax	26	-	(81,622)	-	(81,622)
Actuarial gain/(loss) on the defined benefit plan, net of tax	25	-	-	659	659
Total other comprehensive income		-	(81,622)	659	(80,963)
<b>Total comprehensive income for the period</b>			<b>(81,622)</b>	<b>(613,907)</b>	<b>(695,529)</b>
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends - final dividend provided for		-	-	-	-
Total contributions by and distributions to owners	28	-	-	-	-
<b>Balance at 30 June 2011</b>		<b>953,115</b>	<b>9,833</b>	<b>(699,206)</b>	<b>263,742</b>

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

**CS Energy Limited (and controlled entities)** Statement of Changes in Equity  
for the year ended 30 June 2011

Company	Attributable to members of the parent				
	Note	Contributed equity	Hedging reserve	Retained earnings/ (Accumulated losses)	Total equity
Balance at 1 July 2009		953,115	19,703	54,033	1,026,851
<b>Total comprehensive income for the period</b>					
Net profit for the year		-	-	(47,944)	(47,944)
<i>Other comprehensive income</i>					
Changes in fair value of cash flow hedges, net of tax	26	-	71,752	-	71,752
Actuarial gain/(loss) on the defined benefit plan, net of tax	25	-	-	860	860
Total other comprehensive income		-	71,752	860	72,612
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>71,752</b>	<b>(47,084)</b>	<b>24,668</b>
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends - final dividend provided for		-	-	-	-
Total contributions by and distributions to owners	28	-	-	-	-
<b>Balance at 30 June 2010</b>		<b>953,115</b>	<b>91,455</b>	<b>6,949</b>	<b>1,051,519</b>
Balance at 1 July 2010		953,115	91,455	6,949	1,051,519
<b>Total comprehensive income for the period</b>					
Net profit for the year		-	-	(362,468)	(362,468)
<i>Other comprehensive income</i>					
Changes in fair value of cash flow hedges, net of tax	26	-	(81,622)	-	(81,622)
Actuarial gain/(loss) on the defined benefit plan, net of tax	25	-	-	659	659
Total other comprehensive income		-	(81,622)	659	(80,963)
<b>Total comprehensive income for the period</b>			<b>(81,622)</b>	<b>(361,809)</b>	<b>(443,431)</b>
<b>Transactions with owners, recorded directly in equity</b>					
<i>Contributions by and distributions to owners</i>					
Dividends - final dividend provided for		-	-	-	-
Total contributions by and distributions to owners	28	-	-	-	-
<b>Balance at 30 June 2011</b>		<b>953,115</b>	<b>9,833</b>	<b>(354,860)</b>	<b>608,088</b>

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

**CS Energy Limited (and controlled entities)** Cash Flow Statement  
for the year ended 30 June 2011

	Note	Consolidated		Parent	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities</b>					
Cash receipts from customers		674,960	801,082	333,328	437,261
Cash payments to suppliers and employees		(478,586)	(550,301)	(289,341)	(378,723)
Cash generated from operations		196,374	250,781	43,987	58,538
Interest received		637	448	98	54
Operating borrowing costs paid		(64,718)	(58,048)	(64,719)	(58,048)
Tax equivalent payment		-	(12,191)	-	(12,191)
<b>Net cash inflow provided by operating activities</b>	37	132,293	180,990	(20,634)	23,466
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(160,070)	(116,651)	(63,161)	(63,847)
Repayment of loans to related parties		-	-	(74,859)	(40,737)
Repayments of loans from related parties		-	-	108,061	121,714
Payments for gas exploration and evaluation assets		(2,169)	(4,056)	(2,169)	(4,056)
Payments for research and development		(27,775)	(5,396)	-	-
Receipts from open futures positions		(23,000)	46,500	(23,000)	46,500
<b>Net cash provided by (used in) investing activities</b>		(213,014)	(79,603)	(55,128)	59,574
<b>Cash flows from financing activities</b>					
Repayment of borrowings		-	-	-	-
Dividends paid	20	-	(75,053)	-	(75,053)
<b>Net cash provided by (used in) financing activities</b>		-	(75,053)	-	(75,053)
<b>Net increase (decrease) in cash and cash equivalents</b>		(80,721)	26,334	(75,762)	7,987
Cash and cash equivalents at the beginning of the financial year		113,242	86,908	85,965	77,978
Less: Cash balances held for distribution		(630)	-	(283)	-
<b>Cash and cash equivalents at the end of the year</b>	8	<b>31,891</b>	<b>113,242</b>	<b>9,920</b>	<b>85,965</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

## 1. Summary of significant accounting policies

CS Energy Limited is a company domiciled in Australia. Its registered office and principal place of business is Level 2 North Tower, 540 Wickham Street, Fortitude Valley, Qld 4006.

The consolidated group is primarily involved in the generation of electricity from coal and gas fired power stations.

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the parent financial statements for CS Energy Limited as an individual entity and the consolidated group consisting of CS Energy Limited and its subsidiaries. Comparative information is reclassified where appropriate to enhance comparability.

### (a) Basis of preparation

#### Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, the *Government Owned Corporations Act 1993* and related regulations and the *Corporations Act 2001*.

The financial report of the consolidated group and the financial report of the parent comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board (IASB) with the exception of the initial recognition of the liabilities and assets transferred from Enertrade Limited to CS Energy Limited during the year ended 30 June 2008, which was accounted for under AASB Interpretation 1038 *Contributions by Owners made to Wholly-Owned Public Sector Entities*, issued by the Australian Accounting Standards Board, for which there is no international equivalent accounting standard.

#### Going concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial statements at 30 June 2011 reflect a net asset position of \$263.7 million (2010: \$959.3 million) and a net current asset position of \$137.3 million (2010: \$227.3 million).

As a result of the Queensland Government's announcement of the restructure of the three Queensland Government Owned Corporation generators on 25 November 2010, the proposed final asset allocation announcement on 10 March 2011 and the gazetted regulation on 24 June 2011, a pro-forma balance sheet has been prepared at the completion date of 1 July 2011 to reflect the opening financial position following the Generator Restructure. Refer note 3 for further information.

The pro-forma balance sheet at 1 July 2011 reflects a net asset position of \$89.1 million and a net current asset position of \$101.9 million. The change in the statement of position of the group relates to the following:

- Transfer of the following assets or business units of the consolidated group to Stanwell Corporation Limited:
  - ▶ Mica Creek business unit;
  - ▶ Swanbank business unit; and
  - ▶ Collinsville Power Purchase Agreement
- Receipt of the following assets or business units by the consolidated group:
  - ▶ Gladstone Interconnection and Power Pooling Agreement (IPPA) from Stanwell Corporation Limited;
  - ▶ Wivenhoe business unit from Tarong Energy Corporation Limited; and
  - ▶ Glen Wilga coal resource from Tarong Energy Corporation Limited.

The Directors in their consideration of the appropriateness of the preparation of the financial statements on a going concern basis have prepared cash flow forecasts and revenue projections based on forward year growth rates adjusted for current market conditions and the revised portfolio for a period of not less than thirteen months from the date of this report. These cash flow projections show that the ability to meet debts as and when they are payable is dependent on the ongoing availability of undrawn debt facilities with Queensland Treasury Corporation. Currently available undrawn debt and working capital facilities with Queensland Treasury Corporation at 30 June 2011 are in excess of \$600 million. In the longer term, the ability of CS Energy Limited and the group to continue as a going concern is critically dependent upon:

- Access to undrawn debt facilities with Queensland Treasury Corporation; and
- The continued support of the Queensland Government

In addition, the group has received a guarantee from the Queensland Government to support existing and future debt facilities and a commitment for a capital structure review within the financial year to identify the required capital structure to maintain a stand-alone investment-grade credit rating. On 26 August 2011, correspondence was received from the shareholding Ministers on behalf of the Queensland Government, committing to an immediate equity injection of \$150 million. A more detailed analysis of CS Energy's future funding needs will be undertaken following completion of the capital structure review currently being undertaken by Queensland Treasury Corporation.

On the basis of the information available, the Directors consider that there are reasonable grounds to believe that CS Energy Limited and the consolidated group will be able to pay their debts as when they become due and payable. The financial report does not include any adjustments relating to the recoverability and/or classification of assets or the amounts and/or classification of liabilities should CS Energy Limited or the consolidated group not continue as a going concern.

#### **Historical cost convention**

These financial statements have been prepared under the historical cost convention, except for:

- Derivative financial instruments measured at fair value; and
- The superannuation defined benefit plan asset which is measured as the net total of the plan assets, plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

#### **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 also requires management to exercise its judgment in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

#### **Cost of sales included in Statement of Comprehensive Income**

The line item Cost of sales disclosed on the face of the Statement of Comprehensive Income includes fuel, water, operations, maintenance and depreciation costs directly attributable to the generation of electricity.

### **(b) Principles of consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements incorporate the financial statements of all subsidiaries of CS Energy Limited. CS Energy Limited ('the company' or 'parent') and its subsidiaries together are referred to in this financial report as the group or the consolidated group.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the consolidated group. They are de-consolidated from the date that control ceases.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost in the parent financial statements of CS Energy Limited.

#### **(ii) Business Combinations**

All business combinations post 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. This policy has not been applied in either the current or prior financial year.

#### **Measuring goodwill**

For acquisitions on or after 1 July 2009, the consolidated group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the consolidated group to the previous owners of the acquiree, and equity interests issued by the consolidated group. Consideration transferred also includes the fair value of any contingent consideration of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the consolidated group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses. This policy has not been applied in either the current or prior financial year.

For acquisitions between 1 July 2004 and 1 July 2009, goodwill represents the excess of the cost of the acquisition over the group's interests in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised directly in profit or loss.



#### Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

#### Non-controlling interest

The consolidated group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

#### Transaction costs

Transaction costs that the consolidated group incurs in connection with a business combination on or after 1 July 2009, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Transaction costs that were incurred for acquisitions between 1 July 2004 and 1 July 2009 were capitalised as part of the cost of the acquisition.

#### (iii) Accounting for non-controlling interests

Acquisitions of non-controlling interests occurring on or after 1 July 2009, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions. Previously, goodwill was recognised arising on the acquisition of a non-controlling interest in a subsidiary; and that represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

#### (iv) Loss of control

Upon the loss of control, the group derecognises the assets and liabilities of the subsidiary and any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

#### (iv) Joint ventures

##### Jointly controlled assets

The proportionate interests in the assets, liabilities, expenses and income from sale of goods or services of jointly controlled assets have been incorporated in the financial statements of the parent entity and consolidated group under the appropriate headings.

#### Joint controlled entities

The interest in each jointly controlled entity is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of each entity is recognised in the statement of comprehensive income, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to each entity are set out in note 36.

The consolidated group's share of its jointly controlled entities' post acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post acquisition movements in equity is recognised in equity. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

Dividends receivable from equity accounted jointly controlled entities are recognised in the parent entity's statement of comprehensive income as revenue, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the consolidated group's share of losses in an associate equals or exceeds its interest in the jointly controlled entity, including any other unsecured long term receivables, the consolidated group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

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

#### (v) Transactions eliminated on consolidation

Intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

#### (vi) Assets and liabilities received from owners

Where assets and liabilities are transferred from another wholly-owned government entity to the consolidated group, these transfers are recognised in equity as contributions by/distributions to owners as designated by the shareholding Ministers on 21 June 2011. Such assets and liabilities are recognised at the book values of the transferring entity immediately prior to the transfer.

Subsequent to initial recognition assets and liabilities are measured in accordance with the requirements of applicable Australian Accounting Standards.

**(c) Foreign currency translation**

Items included in the financial statements of each of the consolidated group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated group's financial statements are presented in Australian dollars, which is CS Energy Limited's functional and presentation currency.

Transactions in foreign currencies are translated to the respective functional currencies of the consolidated group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on qualifying cash flow hedges, which are recognised in other comprehensive income.

**(d) Revenue recognition**

All revenue is measured at the fair value of the consideration received or receivable.

**Electricity sales**

Revenue from the sale of electricity is recognised as the electricity generated is dispatched into the National Electricity Market (NEM) or in the period that the electricity generated, which is pursuant to a power purchase agreement (PPA), is transferred to the counterparty. The effective portion of electricity derivatives designated as cash flow hedges, relating to electricity traded in the pool market, is recognised in electricity revenue in the period to which the contract settlement relates. Proceeds from sale of electricity from testing plant under construction are deducted from the construction cost of that plant.

Pool market revenue is based on spot prices calculated by the Australian Energy Market Operator (AEMO) (previously the National Electricity Market Management Company (NEMMCO)) trading systems.

**Gas electricity certificate sales**

Revenue from the sale of certificates under the Queensland Government's gas electricity certificate (GEC) scheme is recognised when the electricity giving rise to the GEC, is dispatched into the NEM. Fair value is determined as the contracted sale price to the extent the GECs have been forward sold, or otherwise if not sold under contract, is determined based on observable market prices.

**Operation and maintenance service fees**

Revenue is earned for the provision of operation and maintenance services performed for other entities. This revenue is recognised on an accrual basis in proportion to the stage of completion of the transaction at the reporting date.

**Interest income**

Interest income comprises interest income on funds invested and is recognised in profit or loss as it accrues using the effective interest method.

**(e) Finance costs**

Finance costs comprise interest on borrowings and the unwinding of the discount on provisions. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

**(f) Income tax**

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted, at the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if

they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity or other comprehensive income are also recognised directly in equity or other comprehensive income.

#### **Tax consolidation legislation**

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

The head entity, CS Energy Limited, and all other tax consolidated group members, continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each tax consolidated group member continued to be a stand-alone taxpayer in its own right.

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

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

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

#### **(g) Operating lease payments**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease. Any lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Any contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

#### **(h) Impairment of assets**

##### **Non-financial assets**

Assets are reviewed and tested at each reporting date for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes 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 (CGU)). Impairment losses are recognised in profit or loss. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

In assessing collective impairment the consolidated group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit

conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

#### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments, other than borrowings are measured as described in note 1(l). Borrowings are measured at amortised cost, using the effective interest method.

Trade and other receivables, loans and borrowings and trade and other payables are recognised on the date that they are originated. All other financial instruments are recognised initially on the trade date at which the consolidated group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the consolidated group's contractual rights to the cash flows from the financial assets expire or if the consolidated group transfers the financial assets to another party without retaining control of substantially all risks and rewards of the assets. Financial liabilities are derecognised if the consolidated group's obligations specified in the contract expire or are discharged or cancelled.

#### **Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### **Trade and other receivables**

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid, on average, within 45 days of recognition.

#### **Borrowings**

Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

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.

As part of the group's interest rate management strategy, forward start loans are entered into from time to time to fund large future capital commitments. Forward start loans provide access to funds on a specific date at a predetermined interest rate. The obligations under forward start loans are recognised at fair value at the time each loan is drawn down.

#### **(j) Inventories**

Inventories comprise fuel, stores and water, which are stated at the lower of cost and net realisable value. Cost comprises the cost of purchase, which is assigned to individual items of inventory on the basis of weighted average cost. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **(k) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and associated transaction costs are recognised in profit or loss when incurred. Derivatives are subsequently re-measured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value and changes therein are accounted for as described in the following sections.

#### **Cash flow hedges**

The group designates certain derivatives as hedges of the cash flows of highly probable forecast transactions (cash flow hedges). The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 12. Movements in the hedging reserve in shareholders' equity are shown in note 26.

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

Amounts previously recognised in other comprehensive income and presented in equity are recycled in profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of electricity swaps hedging variable revenue is recognised in profit or loss within 'revenue from the sale of electricity'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging imported goods is recognised in profit or loss within 'cost of goods sold'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and presented in the hedging reserve in equity are transferred from other comprehensive income and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income and presented in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income and presented in equity is immediately transferred to profit or loss.

#### **Embedded derivatives**

Any derivatives embedded in other financial instruments or host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Changes in the fair value of the embedded derivatives are recognised immediately in profit or loss.

#### **Derivatives which do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. The main categories of non-qualifying instruments for the group are sold options, instruments held for trading, and instruments which were not designated as hedges. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

#### **(l) Fair value estimation – financial assets and liabilities**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current offer price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for non-standard financial instruments held by the group. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the consolidated group and counterparty when appropriate. An analysis of financial instruments carried at fair value by valuation method is disclosed in note 12.

The carrying value less impairment provision for trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate at reporting date that is available to the group for similar financial instruments.

#### **(m) Property, plant and equipment**

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

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

Land is not depreciated. Depreciation on other assets is recognised in profit or loss on a straight line method to allocate their net book amount, net of their residual values, over their estimated effective useful lives, as follows:

Power stations	2 – 29 years
Capitalised overhauls	2 – 4 years
Development costs	9 – 29 years
Buildings	10 – 40 years
Other, property plant and equipment	1 – 5 years

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

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

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

#### **Property, plant and equipment constructed by the consolidated group**

The cost of property, plant and equipment constructed by the consolidated group includes acquisition and development costs, the cost of all materials and services used in construction, direct overheads (including labour) on the project, commissioning costs and borrowing costs during construction.

#### **Capitalised overhauls**

Costs incurred on the overhaul of power station generation plant are capitalised to the extent that the economic benefits attributable to the capitalised costs are derived in future periods. Other maintenance and repair costs are charged as expenses to profit or loss when incurred.

#### **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.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the consolidated group's outstanding borrowings during the year.

#### **Development costs**

Costs incurred in acquiring an interest in and furthering the development of coal and fuel assets, which will ultimately form part of the cost of the asset, are carried in property, plant and equipment under the category of development costs (note 17).

These amounts are transferred to work in progress once construction commences.

#### **(n) Non-current assets and liabilities and disposal groups held for distribution**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through a distribution transaction rather than through continuing use, are classified as held for distribution. This condition is regarded as met only when the distribution is highly probable and the non-current asset or disposal group is available for immediate distribution in its present condition. Management must be committed to the distribution, which should be expected to qualify for recognition as a completed distribution within one year from the date of classification.

Non-current assets and disposal groups as held for distribution are measured at the lower of their carrying value and fair value less cost to distribute, except for the following assets and liabilities:

- Deferred tax balances;
- Assets and liabilities associated with employee benefits; and
- Financial assets and liabilities.

An impairment loss is recognised for any initial or subsequent write-down of the asset or disposal group to fair value less cost to distribute. A gain is recognised for any subsequent increases in fair value less cost to distribute of an asset or disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised at the date of transfer of the non-current asset or disposal group is recognised at the date of de-recognition.

Fair value is determined on a discounted cash flow basis, based on assumptions disclosed in Note 4 and agreed to by the respective entities.

Non-current assets or disposal groups classified for distribution are not depreciated or amortised while they are classified as held for distribution. Interest and other expenses attributable to the liabilities of a non-current asset or disposal group classified as held for distribution continue to be recognised. Non-current assets and liabilities and disposal groups classified as held for distribution are presented separately from other assets in the balance sheet.

**(o) Provisions**

Provisions are recognised when the group 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 has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the group's assessment of the current market relating to time value of money and the risks specific to the liability. The unwinding at the discount rate of provisions is recognised in profit or loss as finance costs over the period of the obligation.

**Onerous contracts**

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

**Site rehabilitation and closure costs**

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

**Dividends**

Provision is made for the amount of any dividend declared or recommended, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at reporting date.

**(p) Gas exploration and evaluation assets**

Expenditure incurred on activities that precede gas exploration and evaluation, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred.

For each area of interest the expenditure is recognised as an exploration and evaluation asset where:

- Costs are expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are transferred to development costs once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

**Impairment testing of exploration and evaluation assets**

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The consolidated group performs impairment testing in accordance with the accounting policy set out at 1(h)

**(q) Employee benefits**

**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and that portion of accumulated sick leave that is payable on termination, are recognised in respect of employees' services up to the reporting date and are measured at undiscounted amounts based on remuneration rates at reporting date, including related on-costs, such as workers' compensation insurance and payroll tax.

**(ii) Long service leave**

The liabilities expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits and measured in accordance with (i) above. Liabilities expected to be settled more than 12 months from the reporting date are recognised, and are measured at the present value of expected future payments to be made in respect of services provided by employees at reporting date. Expected future

payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. For long service leave, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

**(iii) Bonus plans**

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

**(iv) Superannuation funds**

All employees of the group are entitled to benefits on retirement, disability or death from the group's defined benefit superannuation plan or defined contribution plan or the superannuation plan that the employee has elected as their preferred superannuation plan.

**Defined contribution plan**

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

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

**Defined benefits plan**

The consolidated group's defined benefit plan provides lump sum benefits based on years of service and final average salary. A liability or asset in respect of the group's defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the plan's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. When the calculation results in a benefit to the consolidated group, the recognised asset is limited to the total of any unrecognised post service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic

benefit is available to the consolidated group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Expected future payments are discounted using 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.

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

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

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

**(v) Termination benefits**

Termination benefits are recognised as an expense when the consolidated group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

**(r) Goods and services tax**

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 receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(s) Rounding of amounts**

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 report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.



**(t) Government grants**

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the consolidated group will comply with the conditions associated with the grant. Grants that compensate the consolidated group for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the consolidated group for the cost of an asset are recognised in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset.

Project costs associated with the grants are recognised as an intangible asset or property, plant and equipment only when the recognition criteria of such assets are met.

Government grant income received on behalf of other recipients is not accounted for as income by the consolidated group.

**(u) Research and development activities**

Expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, or planning and designing for the production of new or substantially improved products and processes is recognised in profit or loss when incurred.

**2. New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those standards which may impact the entity in the period of initial application, but although they are available for early adoption as at June 2011, they have not been applied in preparing the consolidated financial statements:

- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* – AASB 14 makes amendments to Interpretation AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated group's 30 June 2012 financial statements, with retrospective application required. The consolidated group has not yet determined the potential effect of the standard.
- AASB 1054 *Australian Additional Disclosures* removes many of the additional domestic disclosures previously required under standards. This Standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards and is effective for the consolidated group's 2012 financial statements. Retrospective application is applicable. The consolidated group has not yet determined the potential effect of the standard.
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* introduces new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety but for which the entity retains continuing involvement. The standard is applicable for the consolidated group's 30 June 2012 financial statements. The consolidated group has not yet determined the potential effect of the standard.
- IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 will become mandatory for the consolidated group's 30 June 2014 financial statements with retrospective application required. The consolidated group has not yet determined the potential effect of the standard.
- IFRS 11 *Joint Arrangements* amends the current practice of accounting for joint ventures (now called joint arrangements) and states that classifications of joint arrangements depend on whether parties have rights to and obligations for underlying assets and liabilities. Under the new standard, interests in joint ventures are accounted for by using the equity method of accounting. The standard is mandatory for the group's 30 June 2014 financial statements with retrospective application required. The consolidated group has not yet determined the potential effect of the standard.
- AASB 9 *Financial Instruments* (revised December 2010) replaces the classification and measurement requirements for financial assets and financial liabilities currently contained in AASB 139 *Financial Instruments: Recognition and Measurement*. The standard will become mandatory for the consolidated group's 30 June 2014 financial year. Retrospective application is generally required. The consolidated group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for consolidated group's 30 June 2012 financial statements. The consolidated group has not yet determined the potential effect of the standard.

- IFRS 12 *Disclosure of interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. The new standard is mandatory for the consolidated group's 30 June 2014 financial statements. The consolidated group has not yet determined the potential effect of the standard.
- IFRS 13 *Fair Value Measurement* explains how to measure fair value when required to by other IFRSs. The standard will become applicable for the group's 30 June 2014 financial statements with prospective application required. The group has not yet determined the potential effect of the standard.

### 3. Events occurring after the balance sheet date

On 25 November 2010 the Queensland Government announced the restructure of the three Queensland Government Owned Corporation generators, CS Energy Limited, Stanwell Corporation Limited and Tarong Energy Limited. The proposed final asset allocation was announced on 10 March 2011 and the

regulation gazetted on 24 June 2011. The effective date of the transfer was 1 July 2011. As a result of the announcement the following changes to the financial position were effected:

- Transfer of the following assets or business units of the consolidated group to Stanwell Corporation Limited:
  - ▶ Mica Creek business unit;
  - ▶ Swanbank business unit; and
  - ▶ Collinsville Power Purchase Agreement
- Receipt of the following assets or business units by the consolidated group:
  - ▶ Gladstone Interconnection and Power Pooling Agreement (IPPA) from Stanwell Corporation Limited;
  - ▶ Wivenhoe business unit from Tarong Energy Corporation Limited; and
  - ▶ Glen Wilga coal resource from Tarong Energy Corporation Limited.

To reflect the results of the restructure a pro-forma balance sheet for the consolidated group as at 1 July 2011 has been prepared and disclosed below.

Balance Sheet	At 30 June 2011 \$'000	Less Transfer to Stanwell \$'000	Add Received \$'000	Pro-forma at 1 July 2011 \$'000
Total current assets	579,940	273,956	-	305,984
Total non-current assets	1,190,819	-	94,405	1,285,224
<b>Total assets</b>	<b>1,770,759</b>	<b>273,956</b>	<b>94,405</b>	<b>1,591,208</b>
Total current liabilities	442,608	278,828	40,345	204,125
Total non-current liabilities	1,064,409	-	233,601	1,298,010
Total liabilities	1,507,017	278,828	273,946	1,502,135
<b>Net assets</b>	<b>263,742</b>	<b>(4,872)</b>	<b>(179,541)</b>	<b>89,073</b>
Share capital	953,115	97,215	(179,541)	676,359
Reserves	9,833	-	-	9,833
Retained Earnings	(699,206)	*(102,087)	-	(597,119)
<b>Equity</b>	<b>263,742</b>	<b>(4,872)</b>	<b>(179,541)</b>	<b>89,073</b>

\*Reflects the derecognition of an onerous contract reallocated under the Generator Restructure but not accounted for under AASB Interpretation 1038 *Contributions by Owners made to Wholly Owned Public Sector Entities*.

The balance sheet reflects a net asset position of \$89.1 million and a net current asset position of \$101.9 million. The subsequent event has resulted in a significant change in the financial position of the consolidated group from 1 July 2011. Refer to note 1(a) regarding preparation of the financial statements on a going concern basis.

On 10 July 2011, the Australian Government announced a carbon price path and proposed adoption of an emissions trading scheme. The carbon price was clarified in 'The Clean Energy Future' under the 'Clean Energy Plan' which focuses on carbon price, land action, and renewable energy alternatives.

The adoption of a carbon price through the 'Clean Energy Legislative Package' is considered highly probable and accordingly the assumptions relating to the impacts of carbon have been included within the fair value and value in use calculations which underlie the impairment write-downs, onerous contract re-measurement impacts and the resulting carrying values of impacted assets and liabilities. The carbon price, once legislated, will also create significant additional cash requirements within the consolidated group to support future carbon liabilities and carbon permit purchases.

On 26 August 2011, correspondence was received from the shareholding Ministers on behalf of the Queensland Government, committing to an immediate equity injection of \$150 million. A more detailed analysis of CS Energy's future funding needs will be undertaken following completion of the capital structure review currently being undertaken by Queensland Treasury Corporation.

#### 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated group and that are considered to be reasonable under the circumstances. Resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (i) Asset impairment testing

Annually, the consolidated group considers the existence of any impairment indicators, in accordance with the accounting policy stated in note 1(h) where necessary. The recoverable amount of the asset or cash generating unit (CGU) of assets has been determined on a value in use basis, with the exception of assets held for distribution where recoverable amount was measured at fair value less costs to sell.

Value in use and fair value less cost to sell calculations require assumptions to be made in the following key areas:

- (a) Discount rate;
- (b) Forecast electricity prices;
- (c) Forecast fuel prices and supply (coal and gas);
- (d) Carbon cost and pass through provisions;
- (e) Plant reliability;
- (f) Forecast operating expenditure requirements;
- (g) Future regulatory environment; and
- (h) Accessibility and pricing of water.

On 10 July 2011, the Australian Government announced a carbon price path and proposed adoption of an emissions trading scheme. The carbon price was clarified in 'The Clean Energy Future' under the 'Clean Energy Plan' which focuses on carbon price, land action, and renewable energy alternatives. Key assumptions used in the value in use calculations relating to carbon price and its impacts include:

- The Carbon price trajectory adopted is the July 2011 Commonwealth Treasury modelling 'Strong growth, low pollution – modelling carbon price' at the initial carbon price at commencement on 1 July 2012 of \$23/tCO<sub>2</sub> and then the transition to a cap and trade pricing mechanism after 2015;
- Future generation mix within a carbon price environment indicates a low probability of new coal fired generation. New entrants are assumed to be predominantly gas fired with a component of renewable energy sources resulting in an expected loss of market share and reduced generation for coal fired operators;
- Demand forecasts are based on historical generation outcomes, with forward year growth rates adjusted for current market conditions and base modelling provided by the AEMO Electricity Statement of Opportunities and the Powerlink 2011 Annual Planning Report; and
- The forecast gas price is based on the Department of Employment, Economic Development and Innovation 2010 Annual Gas Market Review which indicates an increase in gas prices impacting both new entrants and the operating capacity of current gas generators.

The adoption of a carbon price through the 'Clean Energy Legislative Package' is considered highly probable and accordingly the assumptions relating to the impacts of carbon have been included within the fair value and value in use calculations which underlie the impairment write-downs, onerous contract re-measurement impacts and the resulting carrying values of impacted assets and liabilities. The carbon price, once legislated, will also create significant additional cash requirements within the consolidated group to support future carbon liabilities and carbon permit purchases.

It should be noted that whilst the carbon price has been clarified in the 'Clean Energy Legislative Package, the legislation is yet to be finalised and passed by Parliament which may potentially significantly impact on the assumptions used. This creates an inherent uncertainty on the future application of the legislation and the resulting value of generating assets and onerous contracts. This significant uncertainty will exist until the relevant legislation is enacted and the Australian Government's Climate Change Plan is implemented.

Impairment recognised, other than the impact of carbon, relates to the continued decline in wholesale electricity market prices, review of coal quality/supply and the consequential operational and maintenance impacts. These latter issues are closely monitored and are subject to continued negotiation with suppliers.

The sensitivities on the valuation of assets of the consolidated group are as follows:

	Change in Carrying Value \$'M		Change in Carrying Value \$'M
<b>Assets</b>			
Carbon price increase 5%	(170.0)	Carbon price decrease 5%	164.2
Market price increase 5%	416.2	Market price decrease 5%	(359.6)
Discount rate increase 1%	(101.2)	Discount rate decrease 1%	114.4

**(ii) Electricity derivative contracts measured at fair value (refer note 12)**

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

**(iii) Onerous contracts (refer notes 20 and 24)**

**Power purchase agreement**

An onerous provision is recognised for unavoidable costs related to the consolidated group's obligations under a power purchase agreement (refer note 24). Significant estimates are made in the:

- (a) Estimation of the unavoidable costs and related economic benefits to be derived by the consolidated group from the sale of electricity purchased under the contract; and
- (b) Determination of an appropriate discount rate.

**Water purchase agreement**

An onerous provision is recognised for unavoidable costs related to the consolidated group's obligations under a water purchase agreement (refer note 24). Significant estimates are made in the:

- (a) Estimation of the portion of the allocation that is excess to operating requirements; and
- (b) Determination of an appropriate discount rate.

**(iv) Rehabilitation and site closure costs provision (refer note 24)**

A provision is recognised for the consolidated group's obligation in relation to the rehabilitation and site closure of each power station and mine.

Significant estimates made with respect to this provision are the:

- (a) Estimation of costs to fulfil the consolidated group's obligations. Such estimated costs may change depending on changing technology and techniques;
- (b) Determination of an appropriate discount rate; and
- (c) Estimation of the timing of when the rehabilitation will occur.

**(v) Defined benefit plan assets (refer note 25)**

An asset is recognised for the surplus of defined benefit plan assets over plan obligations. Various actuarial assumptions are used by actuaries, which are discussed in note 25.

**(vi) Non-current assets held for distribution (refer note 13)**

Non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less cost to distribute, except for the following assets and liabilities:

- (a) Deferred tax balances;
- (b) Assets and liabilities associated with employee benefits; and
- (c) Financial assets and liabilities.

The fair value less costs to distribute has been determined based on discounted cash flows, with the assumptions used in the valuation consistent with the assumptions used in impairment testing contained in Note 4 (i).

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>5. Revenue</b>				
<b>Sales revenue</b>				
Revenue from the sale of electricity	615,384	712,987	297,799	394,897
<b>Other revenue</b>				
Interest income	1,755	1,097	1,216	703
Dividends income	-	-	-	35,113
Operation and maintenance services fees	23,224	23,355	41,818	53,205
Sale of by-products	1,130	1,745	1,130	1,745
Leasing revenue	1,714	1,775	1,714	1,775
Insurance claim proceeds <sup>(1)</sup>	2,546	5,246	-	-
Other	1,284	2,102	942	423
	31,653	35,320	46,820	92,964
<b>Total revenue</b>	<b>647,037</b>	<b>748,307</b>	<b>344,619</b>	<b>487,861</b>

<sup>(1)</sup> Proceeds from insurance claim in respect of damage to a station transformer at Kogan Creek Power Station.

<b>6. Other income</b>				
Net gain on disposal of property, plant and equipment	28	60	28	60
Net gain on fair value of derivatives not qualifying as cash flow hedges	10,010	17,753	10,010	17,753
Government grants <sup>(1)</sup>	14,100	1,059	-	-
Onerous contract – re-measurement	45,531	2,976	45,531	2,976
	<b>69,669</b>	<b>21,848</b>	<b>55,569</b>	<b>20,789</b>

<sup>(1)</sup> Commonwealth and Queensland Government grant income received in support of the Kogan Solar Boost Project.

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>7. Expenses</b>				
Profit before income tax includes the following specific expenses:				
<b>Other expenses</b>				
Network and market costs	19,894	23,461	5,449	9,825
Administration costs	112,049	98,503	115,215	109,266
Onerous contracts re-measurement	4,948	26,716	4,948	26,716
Net loss on derivatives not qualifying as hedges	47,512	-	47,512	-
Research and development	28,412	5,396	636	-
Loss on disposal of property, plant & equipment	214	103	210	44
Exploration & evaluation expenditure written off	8,800	109	8,800	109
Contract variation costs <sup>(1)</sup>	-	10,500	-	10,500
Redundancy costs <sup>(1)</sup>	-	9,449	-	9,449
Obsolete stock write-down <sup>(1)</sup>	-	3,633	-	3,633
Restructure costs (Note 3)	2,636	-	2,636	-
	<b>224,465</b>	<b>177,870</b>	<b>185,406</b>	<b>169,542</b>
<b>Impairment</b>				
Impairment write-down generation assets (Note 13)	679,956	-	364,864	-
Impairment write-down on re-measurement of a disposal group held for distribution (Note 13)	93,207	-	-	-
	<b>773,163</b>	<b>-</b>	<b>364,864</b>	<b>-</b>
<b>Depreciation &amp; amortisation</b>				
Depreciation included in cost of sales <sup>(2)</sup>	100,682	112,652	33,543	37,110
Depreciation included in administration costs	6,174	6,535	6,174	6,536
Capitalised overhauls included in cost of sales	41,948	42,573	22,796	26,118
	<b>148,804</b>	<b>161,760</b>	<b>62,513</b>	<b>69,764</b>
<b>Finance costs</b>				
Interest and finance charges	65,330	59,559	65,330	59,559
Less: amount capitalised	-	-	-	-
Finance costs – rehabilitation provision	7,343	6,504	4,926	4,610
Finance costs – onerous contracts provision	14,957	11,374	14,957	11,374
	<b>87,630</b>	<b>77,437</b>	<b>85,213</b>	<b>75,543</b>
<b>Rental expense relating to operating leases</b>				
Minimum lease payments	1,380	2,184	1,190	2,108
<b>Employee benefit expenses</b>				
Wages and salaries expense	82,983	80,289	64,916	62,170
Defined contribution superannuation expense	7,860	4,596	6,210	2,873

<sup>(1)</sup> 2010 – These costs were incurred as a result of the decision to progressively close the Swanbank B power station by April 2012.

<sup>(2)</sup> 2010 change in accounting estimate – The Directors reassessed the estimated useful life of the Mica Creek power station unit A3 assets, and the net effect was an increase in depreciation expense for the year of \$6,620,000.

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>8. Income tax expense</b>				
<b>(a) Income tax expense/(benefit)</b>				
Current tax	(12,204)	4,449	(26,404)	(15,346)
Adjustments for current tax of prior periods	(662)	(131)	(53)	(65)
Deferred tax	(257,561)	(20,611)	(132,064)	(15,456)
	<b>(270,427)</b>	<b>(16,293)</b>	<b>(158,521)</b>	<b>(30,867)</b>
Deferred income tax expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 18)	(55,180)	(16,865)	(37,070)	(9,043)
(Decrease) increase in deferred tax liabilities (note 23)	(202,381)	(3,746)	(94,994)	(6,413)
Previously unrecognised tax losses now recouped	-	-	-	-
	<b>(257,561)</b>	<b>(20,611)</b>	<b>(132,064)</b>	<b>(15,456)</b>
<b>(b) Reconciliation of income tax expense to prima facie tax calculated at Australia statutory rate:</b>				
Profit/(loss) from operations before income tax expense	(884,993)	(63,929)	(520,989)	(78,811)
Tax at the Australian tax rate of 30% (2010– 30%)	(265,497)	(19,179)	(156,297)	(23,643)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	17	19	14	15
Non-taxable dividends	-	-	-	(10,534)
Non-taxable financial instruments	(2,228)	3,357	(2,228)	3,357
Sundry items	(2,057)	(359)	43	3
	(269,765)	(16,162)	(158,468)	(30,802)
Adjustments for current tax of prior years	(662)	(131)	(53)	(65)
Previously unrecognised tax losses now recouped	-	-	-	-
<b>Income tax expense</b>	<b>(270,427)</b>	<b>(16,293)</b>	<b>(158,521)</b>	<b>(30,867)</b>
<b>(c) Amounts recognised in other comprehensive income</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly recognised in other comprehensive income				
Changes in fair value of cash flow hedges	(34,981)	30,751	(34,981)	30,751
Actuarial gain (loss) on defined benefit plan	283	369	283	369
	<b>(34,698)</b>	<b>31,120</b>	<b>(34,698)</b>	<b>31,120</b>
<b>(d) Tax losses</b>				
Unused Australian capital tax losses for which no deferred tax asset has been recognised	86,902	86,874	86,902	86,874
Potential tax benefit @ 30%	26,070	26,062	26,070	26,062

### Tax consolidation legislation

CS Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(f). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, CS Energy Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate CS Energy Limited for any current tax payable assumed and are compensated by CS Energy Limited for any current tax receivable and deferred tax assets relating to unused tax losses

or unused tax credits that are transferred to CS Energy Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the 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 intercompany receivables or payables.

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>9. Current assets – cash and cash equivalents</b>				
Cash at bank and on hand	30,060	28,236	8,089	959
Deposits at call – Queensland Treasury Corporation (QTC)	1,831	85,006	1,831	85,006
	<b>31,891</b>	<b>113,242</b>	<b>9,920</b>	<b>85,965</b>

### Cash at bank and on hand

Cash at bank is bearing an interest rate of between 3.15% and 3.25%. (2010: 2.0% and 4.5%).

The total balance reconciles to cash at the end of the financial year, as shown in the cash flow statement.

### 10. Current assets – trade and other receivables

Trade receivables	69,443	56,994	50,849	34,754
Other receivables	67,913	66,375	53,818	53,618
Prepayments	70	5,028	70	4,996
	<b>137,426</b>	<b>128,397</b>	<b>104,737</b>	<b>93,368</b>

#### (a) Trade receivables

The consolidated group has recognised no losses in respect of bad and doubtful trade receivables during the year ended 30 June 2011 (2010: nil). There were also no trade receivables past their due date.

#### (b) Other receivables

These amounts generally arise from non-electricity related transactions of the consolidated group. Interest is not charged on outstanding balances. Collateral is not normally obtained.

#### (c) Credit risk

There is concentration of credit risk in relation to trade and other receivables. Refer to note 12(e) for more details on specific concentrations of credit risk and the credit quality.



	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>11. Current assets – inventories</b>				
Fuel and stores	63,244	75,171	32,023	35,515

## 12. Financial instruments

The consolidated group's activities expose it to a variety of financial risks – commodity price risk, foreign exchange risk, interest rate risk, credit risk, and liquidity risk. The consolidated group's overall risk management program includes the management of commodity and financial markets exposures and seeks to minimise potential adverse effects on the financial performance of the consolidated group. Risk management is implemented pursuant to policies approved by the Board of Directors.

### (a) Derivative financial instruments

<b>Current assets</b>				
Forward foreign exchange contracts – cash flow hedges	-	225	-	225
Forward foreign exchange contracts – do not qualify for hedge accounting	15	-	15	-
Electricity derivative contracts – cash flow hedges	43,728	92,037	43,728	92,037
Electricity derivative contracts – do not qualify for hedge accounting	29,680	4,503	29,680	4,503
<b>Total current derivative financial instrument assets</b>	<b>73,423</b>	<b>96,765</b>	<b>73,423</b>	<b>96,765</b>
<b>Non-current assets</b>				
Forward foreign exchange contracts – cash flow hedges	-	99	-	99
Electricity derivative contracts – cash flow hedges	16,190	47,301	16,190	47,301
Electricity derivative contracts – do not qualify for hedge accounting	12,723	3,664	12,723	3,664
<b>Total non-current derivative financial instrument assets</b>	<b>28,913</b>	<b>51,064</b>	<b>28,913</b>	<b>51,064</b>
<b>Current liabilities</b>				
Forward foreign exchange contracts – cash flow hedges	234	558	234	558
Forward foreign exchange contracts – do not qualify for hedge accounting	1,389	-	1,389	-
Electricity derivative contracts – cash flow hedges	33,290	7,962	33,290	7,962
Electricity derivative contracts – do not qualify for hedge accounting	43,834	13,004	43,834	13,004
<b>Total current derivative financial instrument liabilities</b>	<b>78,747</b>	<b>21,524</b>	<b>78,747</b>	<b>21,524</b>
<b>Non-current liabilities</b>				
Electricity derivative contracts – cash flow hedges	14,837	1,934	14,837	1,934
Electricity derivative contracts – do not qualify for hedge accounting	32,645	13,161	32,645	13,161
<b>Total non-current derivative financial instrument liabilities</b>	<b>47,482</b>	<b>15,095</b>	<b>47,482</b>	<b>15,095</b>

CS Energy Limited is a party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in wholesale electricity prices and foreign currency exchange rates. The majority of the electricity derivative contracts are electricity swaps. The categories of derivative financial instruments are used by the group and discussed below are as follows:

- Over-the-counter (OTC) electricity swap contracts;
- Exchange traded electricity futures contracts; and
- Forward foreign exchange contracts.

### (b) Commodity price risk

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

The consolidated group is exposed to commodity price risk on electricity sales via the National Electricity Market. This risk arises from fluctuations in the wholesale price of electricity.

Electricity swaps and futures contracts are used to manage this electricity price risk. The majority of these types of financial instruments have a time to maturity of between 3 months and 3 years.

The consolidated group's risk management policy is to hedge a substantial proportion of the production that is highly likely to occur. The policy prescribes a target range of allowable hedging levels for discrete time periods based on a number of operational, technical and market parameters.

#### Over-the-counter electricity contracts

CS Energy Limited has entered into a number of over-the-counter (OTC) electricity contracts, mostly swap contracts. The majority of these swap contracts are such that CS Energy Limited receives a fixed rate per megawatt hour from counterparties (predominantly retailers) in exchange for payment of the pool price per megawatt hour for the contract period. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in trade receivables or payables.

#### Exchange traded electricity futures contracts

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

#### Sensitivity analysis on the electricity derivative portfolio

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

	Consolidated		Parent	
	Equity \$'000	Profit or (loss) \$'000	Equity \$'000	Profit or (loss) \$'000
<b>30 June 2011</b>				
Electricity price – increase 10%	(46,181)	(6,380)	(46,181)	(6,380)
Electricity price – decrease 10%	46,214	6,390	46,214	6,390
<b>30 June 2010</b>				
Electricity price – increase 10%	(40,124)	(4,332)	(40,124)	(4,332)
Electricity price – decrease 10%	40,143	4,300	40,143	4,300

**(c) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions are denominated in, or calculated against, non-Australian currency. The consolidated group procures new generation plant, spare parts and maintenance services for existing plant, and has been or is exposed to foreign exchange risk arising from currency exposures to the Euro (EUR), Japanese Yen (JPY), and United States Dollar (USD).

The consolidated group has entered into forward exchange contracts to purchase EUR, JPY, and USD, as a hedge against the anticipated purchase of generation plant and spare parts sourced mainly from, Europe, Japan and the United States of America. These contract maturities are timed to match payments under the supply contracts. The risk management

policy is to hedge between 95% and 100% of committed transactions that are denominated in, or calculated against foreign currency where settlement is to be within 12–18 months.

The consolidated group had no material unhedged exposure to foreign currency risk at balance date.

**Sensitivity analysis**

A 10% strengthening of the Australian Dollar against the following currencies at 30 June 2011 would have increased/ (decreased) equity and the profit or loss by the amounts shown in the following table. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2010.

AUD	Consolidated		Parent	
	Equity \$'000	Profit or (loss) \$'000	Equity \$'000	Profit or (loss) \$'000
<b>30 June 2011</b>				
JPY	(174)	-	(174)	-
EUR	-	(1,266)	-	(1,266)
<b>30 June 2010</b>				
JPY	(532)	-	(532)	-
USD	(1,986)	-	(1,986)	-

A 10% weakening of the Australian dollar against the following currencies would have increased/(decreased) equity and the profit or loss by the amounts shown in the following table. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2010.

<b>30 June 2011</b>				
JPY	212	-	212	-
EUR	-	1,547	-	1,547
<b>30 June 2010</b>				
JPY	650	-	650	-
USD	2,427	-	2,427	-

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

**(d) Liquidity risk**

The consolidated group is exposed to liquidity risk through the volatility of its operating cash flows. The consolidated group manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 22. Funding approval is sought in advance for expenditure commitments that extend beyond the current financial year, pursuant to the Queensland Government's State Borrowing Programme.

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

<b>Consolidated</b>						
	Carrying amount \$'000	Total contractual cash flows \$'000	Less than one year \$'000	1-2 years \$'000	2-5 years \$'000	More than \$'000
<b>30 June 2011</b>						
<b>Non-derivative financial liabilities</b>						
Loans from QTC	825,876	1,170,896	69,064	68,921	206,763	826,148
Trade and other payables	118,691	118,691	76,311	42,380	-	-
<b>Derivative financial liabilities</b>						
Electricity contracts	124,606	130,060	80,982	46,415	2,663	-
Forward foreign exchange contracts	1,623	1,623	1,623	-	-	-
<b>Total</b>	<b>1,070,796</b>	<b>1,421,270</b>	<b>227,980</b>	<b>157,716</b>	<b>209,426</b>	<b>826,148</b>
<b>Derivative financial assets</b>						
Electricity contracts	102,321	106,072	75,583	28,201	2,288	-
Forward foreign exchange contracts	15	15	15	-	-	-
	<b>102,336</b>	<b>106,087</b>	<b>75,598</b>	<b>28,201</b>	<b>2,288</b>	<b>-</b>
<b>30 June 2010</b>						
<b>Non-derivative financial liabilities</b>						
Loans from QTC	826,091	1,141,256	67,868	67,915	203,745	801,728
Trade and other payables	140,333	140,333	115,326	25,007	-	-
<b>Derivative financial liabilities</b>						
Electricity contracts	36,061	36,786	21,380	11,742	2,523	1,141
Forward foreign exchange contracts	558	558	558	-	-	-
<b>Total</b>	<b>1,003,043</b>	<b>1,318,933</b>	<b>205,132</b>	<b>104,664</b>	<b>206,268</b>	<b>802,869</b>
<b>Derivative financial assets</b>						
Electricity contracts	147,505	153,999	98,903	40,004	15,092	-
Forward foreign exchange contracts	324	324	324	-	-	-
	<b>147,829</b>	<b>154,323</b>	<b>99,227</b>	<b>40,004</b>	<b>15,092</b>	<b>-</b>

<b>Parent</b>						
	Carrying amount \$'000	Total contractual cash flows \$'000	Less than one year \$'000	1-2 years \$'000	2-5 years \$'000	More than \$'000
<b>30 June 2011</b>						
<b>Non-derivative financial liabilities</b>						
Loans from QTC	825,876	1,170,896	69,064	68,921	206,763	826,148
Trade and other payables	50,626	50,626	50,626	-	-	-
<b>Derivative financial liabilities</b>						
Electricity contracts	124,606	130,060	80,982	46,415	2,663	-
Forward foreign exchange contracts	1,623	1,623	1,623	-	-	-
<b>Total</b>	<b>1,002,731</b>	<b>1,353,205</b>	<b>202,295</b>	<b>115,336</b>	<b>209,426</b>	<b>826,148</b>
<b>Derivative financial assets</b>						
Electricity contracts	102,321	106,072	75,583	28,201	2,288	-
Forward foreign exchange contracts	15	15	15	-	-	-
	<b>102,336</b>	<b>106,087</b>	<b>75,598</b>	<b>28,201</b>	<b>2,288</b>	<b>-</b>
<b>30 June 2010</b>						
<b>Non-derivative financial liabilities</b>						
Loans from QTC	826,091	1,141,256	67,868	67,915	203,745	801,728
Trade and other payables	75,128	75,128	75,128	-	-	-
<b>Derivative financial liabilities</b>						
Electricity contracts	36,061	36,786	21,380	11,742	2,623	1,141
Forward foreign exchange contracts	558	558	558	-	-	-
<b>Total</b>	<b>937,838</b>	<b>1,253,728</b>	<b>164,934</b>	<b>79,657</b>	<b>206,268</b>	<b>802,869</b>
<b>Derivative financial assets</b>						
Electricity contracts	147,505	153,999	98,903	40,004	15,092	-
Forward foreign exchange contracts	324	324	324	-	-	-
	<b>147,829</b>	<b>154,323</b>	<b>99,227</b>	<b>40,004</b>	<b>15,092</b>	<b>-</b>

The anticipated time at which cash flows from hedges are expected to impact profit or loss is consistent with the maturity profiles for derivative financial assets and liabilities in the above tables and on page 36.

**(e) Credit risk exposures**

For financial instruments, credit risk arises from the potential failure of counterparties to meet their financial obligations under their respective contracts. A material exposure arises from OTC swap contracts and the consolidated group is exposed to loss in the event that counterparties fail to settle the contracted amounts. A significant portion of the consolidated group's hedge contracts, and consequent credit risk, are with the two major electricity retailers in the Queensland market. The consolidated group also has a concentration of credit exposure to the National Electricity Market, operated by the Australian Energy Market Operator (AEMO).

To manage credit risk appropriately, the consolidated group has policies in place to ensure transactions, which may result in credit risk, either involve counterparties of appropriate credit quality, or that sufficient security is obtained. Overall credit risk is maintained within parameters specified by the Board so that a

material loss on account of credit risk is low. Financial derivative counterparties are limited to those that are at least investment grade (as determined by recognised providers of credit rating information), or alternatively provide credit enhancement. The consolidated group also uses International Swap and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts payable to and receivable from individual counterparties. Cash investments are limited to high quality counterparties.

The carrying amount of the consolidated group's financial assets (as disclosed in notes 9, 10, 12 and 13) represents the maximum exposure to credit risk at reporting date. A summary of the credit quality of financial assets that are neither past due nor impaired is assessed by reference to external credit ratings as reflected in the following table:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Cash and cash equivalents</b>				
AA+ to AA-	31,891	113,242	9,920	85,965
<b>Total</b>	<b>31,891</b>	<b>113,242</b>	<b>9,920</b>	<b>85,965</b>
<b>Trade and other receivables</b>				
AA+ to AA-	8,295	15,982	8,295	14,424
A+ to A-	51,424	38,449	51,424	38,449
BBB+ to BBB-	4,073	15,508	4,073	13,301
AEMO	27,608	29,003	9,152	14,912
Other non-rated	46,026	41,214	1,285,101	1,320,847
<b>Total</b>	<b>137,426</b>	<b>140,156</b>	<b>1,358,045</b>	<b>1,401,933</b>
<b>Derivative financial assets</b>				
AA+ to AA-	13,019	29,797	13,019	29,797
A+ to A-	48,904	27,558	48,904	27,558
BBB+ to BBB-	40,413	90,474	40,413	90,474
<b>Total</b>	<b>102,336</b>	<b>147,829</b>	<b>102,336</b>	<b>147,829</b>

**(f) Interest rate risk**

The consolidated group is exposed to changes in interest rates via its borrowings.

The consolidated group's financier, Queensland Treasury Corporation (QTC), provides loan facility arrangements to assist in managing this risk. The consolidated group specifies to QTC the overall target term structure of its debt portfolio and the weighting of various component maturities of debt. The term structure of the debt is set to reduce exposure to adverse interest rate movements, match underlying business cash flows and reduce the overall cost of funding. The consolidated group's pricing for the debt is set based on QTC's financing cost to issue its own debt instruments of equivalent terms.

**Sensitivity analysis**

**(a) Fair value sensitivity for fixed rate instruments**

The consolidated group does not account for any fixed rate borrowings at fair value through profit or loss, nor are derivatives used to hedge these borrowings under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date does not affect profit or loss, or equity

**(b) Fair value sensitivity for variable rate instruments**

A change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following table. This analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

	Profit or loss		Equity	
	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
<b>Variable rate borrowings</b>				
30 June 2011	(777)	777	(777)	777
30 June 2010	(777)	777	(777)	777

**(g) Fair values**

The carrying amounts shown in the balance sheet of the consolidated group and the parent, except for loans from QTC (refer note 22), approximate their fair value.

The fair value of Loans from QTC together with the carrying amount shown in the balance sheet of the consolidated group and parent, is as follows:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying amount	825,876	826,091	825,876	826,091
Fair value	857,432	862,497	857,432	862,497

The fair value of Loans from QTC is inclusive of costs which would be incurred on settlement of the liability.

The fair value is based upon market prices where a market exists or by discounting the expected future cash flows by the

current interest rates for liabilities with similar risk profiles. Where borrowings are carried at an amount above net fair value, those borrowings have not been decreased to fair value, as they will be retained to maturity.

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

**Fair value hierarchy**

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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 (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>30 June 2011</b>				
<b>Consolidated</b>				
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	-	15	-	15
Electricity contracts	48,904	53,417	-	102,321
	<b>48,904</b>	<b>53,432</b>	-	<b>102,336</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	-	1,624	-	1,624
Electricity contracts	84,555	40,050	-	124,605
	<b>84,555</b>	<b>41,674</b>	-	<b>126,229</b>
<b>Parent</b>				
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	-	15	-	15
Electricity contracts	48,904	53,417	-	102,321
	<b>48,904</b>	<b>53,432</b>	-	<b>102,336</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	-	1,624	-	1,624
Electricity contracts	84,555	40,050	-	124,605
	<b>84,555</b>	<b>41,674</b>	-	<b>126,229</b>
<b>30 June 2011</b>				
<b>Consolidated</b>				
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	-	324	-	324
Electricity contracts	27,558	119,947	-	147,505
	<b>27,558</b>	<b>120,271</b>	-	<b>147,829</b>
<b>Derivative financial liabilities</b>				
Forward foreign exchange contracts	-	558	-	558
Electricity contracts	26,012	10,049	-	36,061
	<b>26,012</b>	<b>10,607</b>	-	<b>36,619</b>
<b>Parent</b>				
<b>Derivative financial assets</b>				
Forward foreign exchange contracts	-	324	-	324
Electricity contracts	27,558	119,947	-	147,505
	<b>27,558</b>	<b>120,271</b>	-	<b>147,829</b>
<b>Derivative financial liability</b>				
Forward foreign exchange contracts	-	558	-	558
Electricity contracts	26,012	10,049	-	36,061
	<b>26,012</b>	<b>10,607</b>	-	<b>36,619</b>



**(h) Capital management**

The consolidated group's objectives when managing capital are to safeguard the consolidated group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, as well maintain a capital structure aimed at achieving an investment grade credit rating, thereby optimising the consolidated group's cost of capital.

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

Consistent with other industry participants, the consolidated group monitors capital on the basis of its gearing ratio. This ratio is calculated by dividing net debt by net debt plus equity. Net debt is calculated as total borrowings less cash and cash equivalents. Equity is calculated as 'equity' shown in the balance sheet excluding reserves associated with cash flow hedging activities.

The gearing ratios for the consolidated group at 30 June 2011 and 30 June 2010 were as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Net debt (\$'000)	793,922	712,849
Adjusted equity (\$'000)	253,909	867,996
Gearing ratio (%)	75.8	45.1

**13. Non-current assets and liabilities classified as held for distribution**

On 25 November 2010, the Queensland Government announced the restructure of the three Queensland Government Owned Corporation generators, being the CS Energy Limited consolidated group, Stanwell Corporation Limited and Tarong Energy Corporation Limited, from three into two. The proposed final asset allocation was announced on 10 March 2011 and the completion date of the restructure is 1 July 2011. The *Government Owned Corporation (Generator Restructure) Regulation 2011* was gazetted on 24 June 2011.

The assets and liabilities transferred on 1 July 2011 were transferred at the value included in the balance sheet for the business unit for the day immediately before the transfer day. It should be noted that at any time within 1 year after the transfer day, the shareholding Ministers may correct an error in the assets and liabilities.

The assets and associated liabilities transferred on 1 July 2011 are accounted for as "disposal groups held for distribution to owners" as required by AASB Interpretation 1038 *Contributions by Owners made to Wholly Owned Public Sector Entities* from the date the draft regulation was approved by the Governor in Council on 24 June 2011. As at 24 June 2011, the assets to be transferred were substantially finalised and the restructure was considered highly probable to proceed. The Generator Restructure was substantially completed on 1 July 2011.

Key aspects of the transaction include a transfer of the following assets or business units of the consolidated group to Stanwell Corporation Limited:

- Mica Creek business unit;
- Swanbank business unit; and
- Collinsville Power Purchase Agreement

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

**Carrying amounts of assets and liabilities**

The carrying amount of the group's assets and associated liabilities held for distribution at 30 June 2011 are as follows:

	Consolidated	Parent
	2011 \$'000	2011 \$'000
<b>Carrying amount after classified as held for distribution</b>		
Cash and cash equivalents	630	283
Trade and other receivables	33,912	23,799
Inventories	16,255	7,495
Property, plant and equipment	181,084	125,948
Exploration, evaluation and development	6,008	6,008
Deferred tax assets*	36,067	21,116
<b>Total assets</b>	<b>273,956</b>	<b>184,649</b>
Trade and other payables	19,048	10,520
Provisions	201,329	180,494
Financial instruments	49,113	49,113
Deferred tax liability*	9,338	5,012
<b>Total liabilities</b>	<b>278,828</b>	<b>245,119</b>
<b>Net carrying amount</b>	<b>(4,872)</b>	<b>(60,470)</b>

\* The deferred tax balances will be derecognised on 1 July 2011 and the new owner will account for the tax balances on transfer of the assets and liabilities.

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>14. Non current assets – other receivables</b>				
Prepayments	-	11,759	-	11,759
Loans to related parties	-	-	1,253,308	1,296,806
	<b>-</b>	<b>11,759</b>	<b>1,253,308</b>	<b>1,308,565</b>

Further information relating to loans to related parties is set out in note 34.

**15. Non current assets – investments  
accounted for using equity method**

<b>Interest in jointly controlled entities</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
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The interests in the jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by a subsidiary of the consolidated group (note 36).

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>16. Non current assets – other non-current assets</b>				
<b>Financial</b>				
Shares in subsidiaries (note 35)	-	-	51,815	51,815
<b>Other</b>				
Gas exploration, evaluation and development assets	-	16,803	-	16,803
	<b>-</b>	<b>16,803</b>	<b>51,815</b>	<b>68,618</b>

These financial assets are carried at cost.

CS Energy Limited has entered into gas development joint ventures to secure fuel supplies for its power station operations at Swanbank (refer note 36). As at 30 June 2011 the Swanbank business unit has been classified as held for distribution.

<b>Movements in gas exploration, evaluation and</b>				
Opening balance at 1 July	16,803	19,945	16,803	19,945
<b>Additions</b>	2,326	1,027	2,326	1,027
Exploration & evaluation expenditure written off <sup>(1)</sup>	(8,800)	(109)	(8,800)	(109)
Amortisation	(4,321)	(4,060)	(4,321)	(4,060)
Reclassification to assets held for distribution	(6,008)	-	(6,008)	-
<b>Closing balance at 30 June</b>	<b>-</b>	<b>16,803</b>	<b>-</b>	<b>16,803</b>

<sup>(1)</sup> Refer note 7.

Recoverability of the carrying amount of gas exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## 17. Non current assets – property, plant and equipment

<b>Consolidated</b>						
	<b>Power stations \$'000</b>	<b>Capitalised overhauls \$'000</b>	<b>Other property, plant and equipment \$'000</b>	<b>Work in progress \$'000</b>	<b>Development costs \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2009</b>						
<b>Cost</b>	2,533,232	140,017	134,305	130,874	21,491	2,959,919
Accumulated depreciation and impairment losses	(748,099)	(104,429)	(47,610)	-	(1,374)	(901,512)
Net book amount	1,785,133	35,588	86,695	130,874	20,117	2,058,407
<b>Movements for the year ended 30 June 2010</b>						
Opening net book amount	1,785,133	35,588	86,695	130,874	20,117	2,058,407
Additions	48,148	46,911	9,170	10,347	2,075	116,651
Transfers between classes	89,706	18,488	7,943	(116,136)	(1)	-
Disposals	-	(6)	(954)	62	-	(898)
Depreciation/impairment charge	(113,905)	(36,779)	(10,149)	-	(927)	(161,760)
Closing net book amount	1,809,082	64,202	92,705	25,147	21,264	2,012,400
<b>At 30 June 2010</b>						
<b>Cost</b>	2,669,894	188,906	148,455	25,147	23,565	3,055,967
Accumulated depreciation and impairment losses	(860,812)	(124,704)	(55,750)	-	(2,301)	(1,043,567)
Net book amount	1,809,082	64,202	92,705	25,147	21,264	2,012,400
<b>Movements for the year ended 30 June 2011</b>						
Opening net book amount	1,809,082	64,202	92,705	25,147	21,264	2,012,400
Additions	40,274	8,655	3,590	97,240	1,620	151,379
Transfers between asset classes	7,429	(857)	957	(7,529)	-	-
Disposals	(200)	(7)	(107)	-	-	(314)
Reclassification to assets held for distribution	(120,552)	(22,153)	(12,696)	(25,683)	-	(181,084)
Impairment	(773,163)	-	-	-	-	(773,163)
Depreciation	(102,004)	(34,035)	(11,348)	-	(1,417)	(148,804)
Closing net book amount	860,866	15,805	73,101	89,175	21,467	1,060,414
<b>At 30 June 2011</b>						
<b>Cost</b>	1,435,153	69,124	119,056	89,175	25,186	1,737,693
Accumulated depreciation and impairment losses	(574,287)	(53,319)	(45,955)	-	(3,719)	(677,280)
<b>Net book amount</b>	<b>860,866</b>	<b>15,805</b>	<b>73,101</b>	<b>89,175</b>	<b>21,467</b>	<b>1,060,414</b>

<b>Parent</b>						
	<b>Power stations \$'000</b>	<b>Capitalised overhauls \$'000</b>	<b>Other property, plant and equipment \$'000</b>	<b>Work in progress \$'000</b>	<b>Development costs \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2009</b>						
<b>Cost</b>	914,826	84,342	56,296	118,061	-	1,173,525
Accumulated depreciation and impairment losses	(453,477)	(74,731)	(36,786)	-	-	(564,994)
Net book amount	461,349	9,611	19,510	118,061	-	608,531
<b>Movements for the year ended 30 June 2010</b>						
Opening net book amount	461,349	9,611	19,510	118,061	-	608,531
Additions	38,608	17,093	6,708	1,438	-	63,847
Transfers between classes	85,091	15,941	4,254	(105,286)	-	-
Disposals	-	-	(94)	-	-	(94)
Depreciation/impairment charge	(47,055)	(17,883)	(4,826)	-	-	(69,764)
Closing net book amount	537,993	24,762	25,552	14,213	-	602,520
<b>At 30 June 2010</b>						
<b>Cost</b>	1,038,525	103,865	65,562	14,213	-	1,222,165
Accumulated depreciation and impairment losses	(500,532)	(79,103)	(40,010)	-	-	(619,645)
Net book amount	537,993	24,762	25,552	14,213	-	602,520
<b>Movements for the year ended 30 June 2011</b>						
Opening net book amount	537,993	24,762	25,552	14,213	-	602,520
Additions	6,630	145	2,150	45,435	-	54,360
Transfers between asset classes	3,526	76	755	(4,357)	-	-
Disposals	(200)	(7)	(59)	-	-	(266)
Reclassification to assets held for distribution	(112,786)	(5,023)	(7,050)	(1,089)	-	(125,948)
Impairment	(364,864)	-	-	-	-	(364,864)
Depreciation	(42,709)	(13,812)	(5,992)	-	-	(62,513)
Closing net book amount	27,590	6,141	15,356	54,202	-	103,289
<b>At 30 June 2011</b>						
<b>Cost</b>	344,025	37,405	46,780	54,202	-	482,412
Accumulated depreciation and impairment losses	(316,435)	(31,264)	(31,424)	-	-	(379,123)
<b>Net book amount</b>	<b>27,590</b>	<b>6,141</b>	<b>15,356</b>	<b>54,202</b>	<b>-</b>	<b>103,289</b>

## 18. Non current assets – deferred tax assets

<b>Consolidated</b>						
	Derivative financial instruments \$'000	Provisions \$'000	Provision for rehabilitation and other closure costs \$'000	Tax losses \$'000	Other \$'000	Total \$'000
<b>At 30 June 2009</b>	-	14,301	21,965	-	8,825	45,091
Charged/(credited) to profit or loss	-	7,623	2,210	-	7,032	16,865
Under provision prior year	-	-	-	-	(3,279)	(3,279)
Acquisition of tax losses	-	-	-	-	(6)	(6)
<b>At 30 June 2010</b>	-	21,924	24,175	-	12,572	58,671
Charged/(credited) to profit or loss	18,733	(5,214)	7,372	-	34,289	55,180
Under provision prior year	-	-	-	-	294	294
Reclassification to assets held for distribution	(14,734)	(10,738)	(16,635)	-	6,040	(36,067)
Charged directly to equity	3,168	-	-	-	-	3,168
Acquisition of tax losses	-	-	-	12,204	-	12,204
<b>Net deferred tax assets at 30 June 2011</b>	<b>7,167</b>	<b>5,972</b>	<b>14,912</b>	<b>12,204</b>	<b>53,195</b>	<b>93,450</b>

<b>Parent</b>						
	Derivative financial instruments \$'000	Provisions \$'000	Provision for rehabilitation and other closure costs \$'000	Tax losses \$'000	Other \$'000	Total \$'000
<b>At 30 June 2009</b>	-	12,963	16,535	-	1,543	31,041
Charged/(credited) to profit or loss	-	7,576	1,563	-	(96)	9,043
Under provision prior year	-	-	-	-	(151)	(151)
Acquisition of tax losses	-	-	-	-	10	10
<b>At 30 June 2010</b>	-	20,539	18,098	-	1,306	39,943
Charged/(credited) to profit or loss	18,733	(5,245)	2,373	-	21,209	37,070
Under provision prior year	-	-	-	-	12	12
Reclassification to assets held for distribution	(14,734)	(9,824)	(11,292)	-	14,734	(21,116)
Charged directly to equity	3,168	-	-	-	-	3,168
Acquisition of tax losses	-	-	-	12,204	-	12,204
<b>Net deferred tax assets at 30 June 2011</b>	<b>7,167</b>	<b>5,470</b>	<b>9,179</b>	<b>12,204</b>	<b>37,261</b>	<b>71,281</b>

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>19. Current liabilities – trade and other payables</b>				
Trade payables	31,331	57,480	12,676	29,303
Other payables	39,700	30,603	37,950	27,974
Futures margin receipts	-	17,851	-	17,851
Unearned revenue	5,280	9,392	-	-
	<b>76,311</b>	<b>115,326</b>	<b>50,626</b>	<b>75,128</b>

<b>20. Current liabilities – provisions</b>				
Onerous contracts (note 24)	-	30,294	-	30,294
Employee benefits	8,722	13,808	7,773	11,485
Employee redundancies	-	904	-	904
	<b>8,722</b>	<b>45,006</b>	<b>7,773</b>	<b>42,683</b>

<b>Dividends</b>				
Carrying amount at start of year	-	75,053	-	75,053
Dividends declared	-	-	-	-
Dividends paid	-	(75,053)	-	(75,053)
<b>Carrying amount at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance sheet date.

<b>21. Non-current liabilities – trade and other payables</b>				
Unearned revenue	42,380	25,007	-	-

<b>22. Non-current liabilities – borrowings</b>				
Loans from QTC	825,876	826,091	825,876	826,091

All loans from the Queensland Treasury Corporation at 30 June 2011 are unsecured (2010: unsecured).

<b>(a) Financing arrangements</b>				
Facility used at balance date				
QTC facilities <sup>(1)</sup>	825,876	826,091	825,876	826,091
Bank loan facilities	-	-	-	-
	<b>825,876</b>	<b>826,091</b>	<b>825,876</b>	<b>826,091</b>
Unused at balance date				
QTC facilities <sup>(1)</sup>	576,698	576,698	576,698	576,698
QTC facilities <sup>(2)</sup>	400,000	400,000	400,000	400,000
Bank loan facilities	1,000	1,000	1,000	1,000
	<b>977,698</b>	<b>977,698</b>	<b>977,698</b>	<b>977,698</b>
Total facilities available				
QTC facilities	1,802,574	1,802,789	1,802,574	1,802,789
Bank loan facilities	1,000	1,000	1,000	1,000
	<b>1,803,574</b>	<b>1,803,789</b>	<b>1,803,574</b>	<b>1,803,789</b>

<sup>(1)</sup> Unrestricted access available.

<sup>(2)</sup> Access restricted to transactions associated with hedging and trading activities and compliance with conditions contained in CS Energy Limited's Australian Financial Services Licence.

CS Energy Limited also has access to further approved facilities of \$50.362 million, via the State Borrowing Program for 2011/12, which was approved on 15 July 2011.

### 23. Non-current liabilities – deferred tax liabilities

<b>Consolidated</b>							
	Derivative financial instruments \$'000	Trade receivables \$'000	Defined benefit asset \$'000	Property plant and equipment \$'000	Capital work in progress \$'000	Other \$'000	Total \$'000
<b>At 30 June 2009</b>	4,578	11,177	1,884	220,751	28,193	40,994	307,577
Charged/(credited) to profit or loss	(1,966)	(1,961)	(132)	12,936	42	(12,665)	(3,746)
Under provision prior year	-	-	-	-	-	(552)	(552)
Charged directly to equity	30,751	-	369	-	-	-	31,120
<b>At 30 June 2010</b>	33,363	9,216	2,121	233,687	28,235	27,777	334,399
Charged/(credited) to profit or loss	(1,550)	(1,990)	8	(210,565)	8,711	3,005	(202,381)
Under provision prior year	-	-	-	-	-	(2,436)	(2,436)
Reclassification to liabilities held for distribution	-	(2,678)	-	-	(1,960)	(4,700)	(9,338)
Charged directly to equity	(31,813)	-	283	-	-	-	(31,530)
<b>Net deferred tax liabilities at 30 June 2011</b>	-	<b>4,548</b>	<b>2,412</b>	<b>23,122</b>	<b>34,986</b>	<b>23,646</b>	<b>88,714</b>

<b>Parent</b>							
	Derivative financial instruments \$'000	Trade receivables \$'000	Defined benefit asset \$'000	Property plant and equipment \$'000	Capital work in progress \$'000	Other \$'000	Total \$'000
<b>At 30 June 2009</b>	4,578	5,079	1,884	87,374	77	25,757	124,749
Charged/(credited) to profit or loss	(1,966)	(699)	(132)	9,308	63	(12,987)	(6,413)
Under provision prior year	-	-	-	-	-	827	827
Charged directly to equity	30,751	-	369	-	-	-	31,120
<b>At 30 June 2010</b>	33,363	4,380	2,121	96,682	140	13,597	150,283
Charged/(credited) to profit or loss	(1,550)	(2,132)	8	(96,682)	6,520	(1,158)	(94,994)
Under provision prior year	-	-	-	-	-	(1,180)	(1,180)
Reclassification to liabilities held for distribution	-	(2,070)	-	-	(92)	(2,850)	(5,012)
Charged directly to equity	(31,813)	-	283	-	-	-	(31,530)
<b>Net deferred tax liabilities at 30 June 2011</b>	-	<b>178</b>	<b>2,412</b>	-	<b>6,568</b>	<b>8,409</b>	<b>17,567</b>



	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>24. Non-current liabilities – provisions</b>				
Employee entitlements	10,250	14,785	9,527	12,491
Rehabilitation and site closure costs	49,707	81,069	30,594	60,809
Onerous contracts	-	121,772	-	121,772
Employee redundancies	-	7,555	-	7,555
	<b>59,957</b>	<b>225,181</b>	<b>40,121</b>	<b>202,627</b>
Non-current provisions	59,957	225,181	40,121	202,627
Current provisions (refer note 20)	8,722	45,006	7,773	42,683
<b>Total provisions</b>	<b>68,679</b>	<b>270,187</b>	<b>47,894</b>	<b>245,310</b>

Reconciliation of movements in provisions (note 20 and 24):

<b>Rehabilitation and site closure costs</b>				
Carrying amount at start of year	81,069	73,783	60,809	55,682
Increase in provisions	600	865	600	600
Change from re-measurement	19,104	(83)	4,859	(83)
Provision used during the year	-	-	-	-
Reclassification to liabilities held for distribution	(58,408)		(40,600)	
Finance costs	7,342	6,504	4,926	4,610
<b>Carrying amount at end of year</b>	<b>49,707</b>	<b>81,069</b>	<b>30,594</b>	<b>60,809</b>
<b>Onerous contracts</b>				
Carrying amount at start of year	152,066	116,952	152,066	116,952
Change from re-measurement	(4,852)	44,764	(4,852)	44,764
Provision used during the year	(35,731)	(21,024)	(35,731)	(21,024)
Reclassification to liabilities held for distribution	(126,440)		(126,440)	
Finance costs	14,957	11,374	14,957	11,374
<b>Carrying amount at end of year</b>	<b>-</b>	<b>152,066</b>	<b>-</b>	<b>152,066</b>

#### Onerous contract provision for power purchase agreement

Pursuant to the passing of regulation *QPTC Restructure – Stage 1* under the *Government Owned Corporations Act 1993*, Enertrade's interest in the long-term power purchase agreement (PPA) for the Collinsville Power Station (owned and operated by Transfield Services) was transferred to CS Energy Limited on 19 August 2007. The transfer was non-reciprocal. The PPA agreement, which extends to 2016, is an onerous contract as the unavoidable cost of meeting the ongoing obligations under the PPA exceeds the benefits expected to be received.

The provision for onerous contract reflects the least net cost of the PPA, which is the lower of the cost of fulfilling the agreement or the compensation payable as defined in the agreement for early termination.

The extent of the future losses from the PPA will depend on future wholesale pool prices, as well as the need for CS Energy Limited to meet its network support obligations. The future levels of Queensland wholesale pool prices are significantly uncertain. The critical determinants of future pool prices will be the bidding behaviour of participants in the National Electricity Market, load growth, the proposed carbon price, network reliability and the introduction of new generation capacity.

The discount rate used at 30 June 2011 reflects the current market assessments of the time value of money and the risks specific to the obligation. As at 30 June 2011, the Collinsville Power Purchase Agreement is classified as held for distribution under the Generator Restructure.

**Onerous contract provision for water purchase agreement**

Pursuant to section 360ZDD(1)(b) of the *Water Act 2000 (Qld)*, CS Energy became a party to a contract with the South East Queensland Water Grid Manager for the supply of bulk water to the Swanbank power stations. The contract commenced on 1 July 2008 and has an initial term of 10 years.

This contract provides for a maximum allocation of water for use at the Swanbank power stations. Consideration consists of a fixed charge component, and a variable charge component, calculated on a per megalitre basis. As at 30 June 2011 the Swanbank business unit is classified as held for distribution under the Generator Restructure.

The maximum allocation specified in the contract is in excess of both the current and anticipated future operating requirements of the Swanbank power stations. A provision for an onerous contract has been recognised for that portion of the fixed charge that relates to water currently identified as excess to operating requirements.

The discount rate used at 30 June 2011 reflects the current market assessments of the time value of money and the risks specific to the obligation.

**Rehabilitation and site closure costs**

Refer note 1(o) for details relating to rehabilitation and site closure costs provisions.

**25. Retirement benefit obligations – defined benefit plan**

**(a) Superannuation Plans**

Some employees of the consolidated group are entitled to benefits from the Energy Super Fund (ESF) on retirement, disability or death. The consolidated group has a defined benefit plan and a defined contribution plan. The defined benefit plan provides lump sum benefits based on years of service and final average salary. The defined contribution plan receives fixed contributions from consolidated group companies, on behalf of employees and the consolidated group's legal or constructive obligation is limited to these contributions. Other employees have exercised their right to have their superannuation contributions paid to their nominated superannuation funds.

The consolidated entity has determined that, in accordance with the terms and conditions of defined benefit plans, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of the obligations. As such, no decrease in the defined benefit asset is necessary at 30 June 2011 (20 June 2010: No decrease in defined benefit asset).

The following information in notes 25(b) to 25(j) is in respect of the ESF defined benefit plan only.

**(b) Balance sheet amounts**

The amounts recognised in the balance sheet are determined as follows:

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Present value of the defined benefit obligation	(97,760)	(91,674)	(97,760)	(91,674)
Fair value of defined benefit plan assets	105,801	98,745	105,801	98,745
<b>Net asset in the balance sheet</b>	<b>8,041</b>	<b>7,071</b>	<b>8,041</b>	<b>7,071</b>

The consolidated group intends to continue to contribute to the defined benefit section of the plan at a rate of 10% of salaries, in line with the actuary's latest recommendations.

**(c) Categories of plan assets**

The major categories of plan assets are as follows:

Cash	5,290	4,937	5,290	4,937
Equity instruments	52,901	49,372	52,901	49,372
Debt instruments	15,870	14,812	15,870	14,812
Property	10,580	9,875	10,580	9,875
Other assets	21,160	19,749	21,160	19,749
	<b>105,801</b>	<b>98,745</b>	<b>105,801</b>	<b>98,745</b>

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>(d) Reconciliations</b>				
<b>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</b>				
Balance at the beginning of the year	91,674	82,599	91,674	82,599
Current service cost	4,332	4,084	4,332	4,084
Interest cost	4,545	4,456	4,545	4,456
Actuarial (gains) and losses recognised in equity	1,791	2,096	1,791	2,096
Contributions by plan participants	1,265	1,269	1,265	1,269
Benefits paid by the plan	(5,847)	(2,830)	(5,847)	(2,830)
Balance at the end of the year	97,760	91,674	97,760	91,674
<b>Reconciliation of the fair value of plan assets:</b>				
Balance at the beginning of the year	98,745	88,879	98,745	88,879
Expected return on plan assets	5,816	5,289	5,816	5,289
Actuarial gains and (losses) recognised in equity	2,733	3,326	2,733	3,326
Contributions by group companies into the plan	4,354	4,081	4,354	4,081
Benefits paid by the plan	(5,847)	(2,830)	(5,847)	(2,830)
Balance at the end of the year	105,801	98,745	105,801	98,745

**(e) Amounts recognised in statement of comprehensive income**

The amounts recognised in the statement of comprehensive income are as follows:				
Current service cost	4,332	4,084	4,332	4,084
Interest cost	4,545	4,456	4,545	4,456
Expected return on plan assets	(5,816)	(5,289)	(5,816)	(5,289)
Total included in employee benefits expense	3,061	3,251	3,061	3,251
<b>Actual return on plan assets</b>	<b>8,549</b>	<b>8,615</b>	<b>8,549</b>	<b>8,615</b>

**(f) Amounts recognised in other comprehensive income**

Cumulative loss amount at the beginning of year	(11,467)	(12,697)	(11,467)	(12,697)
Actuarial (loss)/gain recognised in the year	942	1,230	942	1,230
Cumulative loss amount at the end of year	(10,525)	(11,467)	(10,525)	(11,467)

	Consolidated		Parent	
	2011	2010	2011	2010
<b>(g) Principal actuarial assumptions</b>				
The amounts recognised in the statement of comprehensive income are as follows:				
Discount rate	5.2%	5.1%	5.2%	5.1%
Expected return on plan assets	6.0%	6.0%	6.0%	6.0%
Future salary increases	4.5%	4.5%	4.5%	4.5%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes, as well as the expected and actual allocation of plan

assets to these major categories, which resulted in the selection of a 7.0% rate of return (gross of tax and net of expenses) and a 6.0% rate of return (net of tax and expenses).

**(h) Employer contributions**

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the assessment as at 30 June 2010 was undertaken in early 2011.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution, which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above and particular actuarial assumptions as to the plan's future experience (as detailed below), the actuary recommended in the actuarial review as at 30 June 2010, the payment of employer contributions to the fund of 10% of salaries for employees who are members of the defined benefit section. These contribution rates have been adopted by the consolidated group from 1 July 2011.

Total employer contributions expected to be paid by the consolidated group for the year ending 30 June 2012 are \$3,665,000 (prior year \$4,046,000) and for the parent: \$3,665,000 (prior year \$4,046,000).

The economic assumptions used by the actuary to make the funding recommendations were a long-term investment earning rate of 6% pa (net of fees and taxes) and a salary increase rate of 4.5% p.a., together with an age related promotional scale.

**(i) Net financial position of plan**

In accordance with AAS 25 *Financial Reporting by Superannuation Plans*, the plan's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This amount has been determined as at the date of the most recent actuarial report of the superannuation fund, 30 June 2010, and a surplus of \$5,548,000 was reported as at 30 June 2011.

The surplus as at 30 June 2010 under AAS25 differs from the net asset of \$8,041,000 recognised in the balance sheet as at 30 June 2011 due to the different rules in the relevant accounting standards AAS25 and AASB 119 *Employee Benefits* and the different measurement dates.

**(j) Historic summary**

	Consolidated			Parent		
	2011 \$'000	2010 \$'000	2009 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Defined benefit plan obligation	(123,046)	(111,727)	(111,727)	(123,046)	(111,727)	(111,727)
Fair value of plan assets	128,594	112,688	112,688	128,594	112,688	112,688
Surplus	5,548	961	961	5,548	961	961

26. Reserves	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Hedging reserve – cash flow hedges</b>				
Balance at 1 July	91,455	19,703	91,455	19,703
Revaluation of forward foreign exchange contracts – gross	(333)	200	(333)	200
Revaluation of electricity derivative contracts – gross	(56,165)	103,142	(56,165)	103,142
Forward foreign exchange contracts realised, capitalised to property, plant and equipment – gross	333	-	333	-
Electricity derivative contracts realised as revenue– gross	(60,438)	(839)	(60,438)	(839)
Deferred tax	34,981	(30,751)	34,981	(30,751)
<b>Balance at 30 June</b>	<b>9,833</b>	<b>91,455</b>	<b>9,833</b>	<b>91,455</b>

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity,

as described in note 1(k). Amounts are recognised in profit or loss when the associated hedged transaction affects income.

	Parent		Parent	
	2011 Shares	2010 Shares	2011 \$	2010 \$
<b>27. Contributed equity</b>				
<b>a) Share capital</b>				
Ordinary shares – fully paid				
A Class (voting)	260,000,004	260,000,004	260,000,004	260,000,004
B Class (non-voting)	822,503,917	822,503,917	822,503,917	822,503,917
	<b>1,082,503,921</b>	<b>1,082,503,921</b>	<b>1,082,503,921</b>	<b>1,082,503,921</b>

The shares are held by the Minister for Finance, Natural Resources and The Arts and the Minister for Energy and Water Utilities.

**c) Ordinary shares**

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

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

**d) Other adjustments to contributed equity**

During the 2008 year, certain liabilities and assets were transferred from Enertrade to CS Energy Limited, which constituted a net distribution to owners of \$129,389,416

recognised in equity. The transfers were made to CS Energy Limited at the book values in Enertrade's most recent financial statements. The net liabilities at the date of transfer constituted mainly an onerous contract provision of \$109,564,207 and derivative financial instruments of \$20,888,178.

**e) Events occurring after the balance sheet date**

On 26 August 2011, correspondence was received from the shareholding Ministers on behalf of the Queensland Government, committing to an immediate equity injection of \$150 million. A more detailed analysis of CS Energy's future funding needs will be undertaken following completion of the capital structure review currently being undertaken by Queensland Treasury Corporation.

	Parent	
	2011 \$'000	2010 \$'000
<b>28. Dividends</b>		
<b>Final dividend for the year ended 30 June</b>	-	-

The dividend policy, as governed by the *Government Owned Corporations Act 1993*, is to pay a dividend equivalent to 80% (or a percentage approved by shareholding Minister, if different), of adjusted consolidated profit. Adjusted consolidated profit is profit after tax adjusted for specific non-cash or fair value adjustments.

**29. Directors and executives disclosures**

Whilst CS Energy Limited is not a disclosing entity and thus not required to comply with the disclosure requirements relating to executive remuneration included in accounting standard

AASB 124 *Related Party Disclosures*, the note has been prepared on the basis of guidelines issued by the Queensland Treasurer, which are generally in accordance with the requirements of the standard.

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

**(a) Directors**

The following persons were Directors of CS Energy Limited during the whole financial year, unless otherwise noted:

**Non-executive Chairman:**

SE Lonie.

**Non-executive Directors:**

M Bucknall;

T Dare (on unpaid leave of absence from 15 March 2011 to 30 June 2011);

RJ Henricks (on unpaid leave of absence from 1 July 2011);

S Israel;

R Kempnich (resigned 15 March 2011);

M Pop.

**Principles used to determine the nature and amount of remuneration**

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

**Superannuation**

Directors receiving personal payments are also entitled to superannuation contributions.

**Relationship between remuneration and entity's performance**

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

**Remuneration**

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

Consolidated			
Director	Short-term employee benefits \$	Post employment benefits \$	Total \$
<b>SE Lonie</b>			
2011	88,887	7,999	96,886
2010	78,853	-	78,853
<b>M Bucknall</b>			
2011	34,722	3,125	37,847
2010	32,393	2,915	35,308
<b>T Dare <sup>(1)</sup></b>			
2011	24,548	2,209	26,757
2010	31,943	2,874	34,817
<b>RJ Henricks</b>			
2011	37,498	3,861	41,359
2010	35,092	3,645	38,737
<b>S Israel</b>			
2011	36,126	3,738	39,864
2010	32,393	3,402	35,795
<b>R Kempnich <sup>(2)</sup></b>			
2011	23,565	2,121	25,686
2010	31,043	2,793	33,836
<b>JA Leaver <sup>(3)</sup></b>			
2011	-	-	-
2010	7,900	711	8,611
<b>M Pop <sup>(4)</sup></b>			
2011	33,332	3,000	36,332
2010	23,282	2,095	25,377
<b>Total</b>			
2011	278,678	26,053	304,731
2010	272,899	18,435	291,334

<sup>(1)</sup> Remuneration details for 2011 are in respect of the period 1 July 2010 to 15 March 2011. <sup>(2)</sup> Remuneration details for 2011 are in respect of the period 1 July 2010 to 15 March 2011.

<sup>(3)</sup> Remuneration details for 2010 are in respect of the period 1 July 2009 to 30 September 2009. <sup>(4)</sup> Remuneration details for 2010 are in respect of the period 1 October 2009 to 30 June 2010.

**Other transactions with directors and director-related entities**

A Director, Ms T Dare, is a Director of the Queensland and Northern Territory Division of the Australian Institute of Management Qld & NT. The Australian Institute of Management Qld & NT provided training services to the consolidated group on normal commercial terms and conditions.

A former Director, Mr SE Lonie, was a former partner of KPMG. A Director, Ms T Dare, is a former partner of KPMG. KPMG provided accounting and taxation services to the consolidated group on normal commercial terms and conditions

A Director, Mr R Henricks, is Chairman of the Energy Super Fund. A Director, Ms S Israel, is a Director of the Energy Super Fund. The majority of employees of CS Energy Limited are entitled to benefits from this fund.

	Consolidated		Parent	
	2011 \$	2010 \$	2011 \$	2010 \$
Training: Australian Institute of Management	71,715	-	71,213	-
Accounting and taxation services: KPMG	192,282	101,621	192,282	101,621

**Executives**

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

- Chief Executive;
- Chief Financial Officer;
- General Manager Operations;
- General Manager Business Development;
- General Manager Organisation Development;
- General Manager Corporate Services; and
- General Manager Portfolio Services.

**Principles used to determine the nature and amount of remuneration**

Executives receive a base salary (incorporating cash, allowances and non-monetary benefits), superannuation, other benefits and a performance payment. Executive remuneration is established by using external independent quantitative benchmarks to compare the position requirements with similar positions across a broad cross section of the labour market. The performance payment is up to a maximum of 15% of total fixed remuneration. Executive remuneration (and any change to executive remuneration) requires approval of the Board of Directors, in accordance with the Government Owned Corporations Governance Arrangements for Chief and Senior Executives.

**Relationship between remuneration and entity's performance**

The remuneration for executives is designed to attract and retain executives with the calibre necessary to ensure the organisation's success. The performance payment is conditional upon attainment of specified and measurable performance outcomes compared to Key Performance Indicators (KPIs). The KPIs are directly related to measures the Board of Directors considers to be indicators of good corporate performance.

**Service contracts**

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

The remuneration and other terms of employment for each executive is specified in individual employment agreements. Annual adjustments to the remuneration are made in accordance with CS Energy Remuneration Policy for Senior Executives as approved by the shareholding Ministers. The agreement provides a total remuneration package that enables each executive to package a range of benefits including a motor vehicle and superannuation.

The contractual arrangements for the Chief Executive (contract commenced 24 December 2007) include the following terms:

- Employment term – 3 years expiring 23 December 2010, with an opportunity for CS Energy Limited to either extend beyond the termination date under the existing agreement or extend beyond the termination date under the terms of a new agreement. The Board of Directors has extended the existing contract by a further 2 years, to 24 December 2012.

- Remuneration reviewed annually;
- Total remuneration as outlined in the following table;
- Termination notice of not less than 6 months written notice by either party;
- Payment of a severance payment of 12 weeks remuneration, if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination, other than for disciplinary reasons, which is the greater of:
  - ▶ The remaining balance of the contract; or
  - ▶ A service payment, equal to the greater of 13 weeks salary or 2 weeks salary per year of continuous service with CS Energy Limited up to a maximum of 52 weeks salary; and a separation payment, equal to the greater of 13 weeks salary or a sum equal to 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the General Manager Organisation Development (commenced 13 July 2009) included the following terms:

- Employment term – 3 years expiring 13 July 2012, with renewal for a further 2 year term contemplated;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party;
- Payment of a severance payment of 12 weeks remuneration if the employment contract is not renewed upon serving the full term of the contract; and
- Payment of a termination benefit on early termination, other than for disciplinary reasons, equivalent to 2 weeks remuneration per completed year of service, to a maximum of 52 weeks, with a minimum 4 weeks, in addition to a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the General Manager Portfolio Services (contract commenced 17 December 2007) include the following terms:

- Employment term – 3 years expiring 16 December 2010, with renewal for a further 2 year term contemplated. The Board of Directors extended the contract to 30 June 2011;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Payment of a severance payment equivalent to CS Energy Redundancy Policy if the employment contract is not renewed upon serving the full term of the contract; and

- Payment of a termination benefit on early termination, other than for disciplinary reasons, equivalent to CS Energy Redundancy Policy and in addition a separation payment of 20% of the residual value of the contract (excluding future bonuses).

The contractual arrangements for the General Manager Operations (contract commenced 21 April 2008) include the following terms:

- Employment term – open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party;
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks); and
- If the executive is terminated for reasons other than voluntary separation or discipline they are entitled to 26 weeks salary reduced by notice period on termination.

The contractual arrangements for the General Manager Corporate Services (contract commenced 25 May 2009) include the following terms:

- Employment term – open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 3 months written notice by either party; and
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service to a maximum of 75 weeks remuneration (in addition to a separation payment of 13 weeks).

The contractual arrangements for the General Manager Business Development (contract commenced 23 March 2009) include the following terms:

- Employment term – open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice of not less than 1 month written notice by either party;
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service in addition to a separation payment of 13 weeks remuneration to a maximum of 75 weeks remuneration; and



- If an executive is terminated for reasons other than voluntary separation or discipline they are entitled to 12 months salary or entitlements if they have been employed for more than 5 years, or 9 months salary and entitlements if employed for less than 5 years.

The contractual arrangements for the Chief Financial Officer (contract commenced 13 December 2002) include the following terms:

- Employment term – open tenure;
- Remuneration reviewed annually;
- Total remuneration, as outlined in the following table;
- Termination notice not less than 1 month written notice by either party;
- Should the position become redundant, a payment of a severance amount equivalent to 3 weeks remuneration per completed year of service in addition to a separation payment of 13 weeks remuneration to a maximum of 75 weeks remuneration; and
- If an executive is terminated for reasons other than voluntary separation or discipline they are entitled to

12 months salary or entitlements if they have been employed for more than 5 years, or 9 months salary and entitlements if employed for less than 5 years.

#### Impact of remuneration contracts on future periods

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

#### Performance related bonuses

The Board of Directors approves executive performance payments, each year, immediately after the financial year to which the performance payment relates. Scorecards for individual executives are set by the Board of Directors.

The 'scorecards' have an organisational focus and align with short, medium and long term goals for CS Energy.

Performance indicators have a balance of financial and non-financial outcomes including a focus on operational issues such as productivity, service delivery, safety and compliance with relevant Government policies.

Consolidated			
Executive	Short-term employee benefits \$	Post employment benefits \$	Total \$
<b>Chief Executive</b>			
2011	489,987	45,361	535,348
2010	489,868	43,020	532,888
<b>Chief Financial Officer</b>			
2011	269,897	33,763	303,660
2010	262,363	32,040	294,403
<b>General Manager Operations <sup>(1)</sup></b>			
2011	310,381	29,401	339,782
2010	274,112	24,575	298,687
<b>General Manager Business Development</b>			
2011	270,786	34,282	305,068
2010	282,312	32,161	314,473
<b>General Manager Organisational Development <sup>(2)</sup></b>			
2011	268,475	24,095	292,570
2010	240,912	20,556	261,468
<b>General Manager Corporate Services</b>			
2011	266,298	23,776	290,074
2010	240,968	23,259	264,227
<b>General Manager Portfolio Services</b>			
2011	256,791	31,942	288,733
2010	250,045	28,289	278,334
<b>Total</b>			
2011	2,132,615	222,620	2,355,235
2010	2,040,580	203,900	2,244,480

<sup>(1)</sup> Remuneration details for 2011 include a component of higher duties allowance as Acting Chief Executive for the period 11 April 2011 to 30 June 2011.

<sup>(2)</sup> Remuneration details for 2010 are in respect of the period 13 July 2009 to 30 June 2010.

Except as otherwise disclosed, this disclosure relates to the total compensation provided by CS Energy Limited in respect of each position.

Senior executives may also earn performance based at risk incentive bonuses, which are not disclosed in this note.

**Other transactions with executive and executive-related entities**

There were no other transactions with executives, including their executive-related entities.

### 30. Employee performance payments

Performance payments to employees of the consolidated group payable in respect of the relevant financial year:

Financial year	Aggregate performance payments \$	Total salary and wages earned by employees receiving a performance payment \$	Number of employees receiving a performance payment \$
2011	3,803,241	73,483,582	675
2010	2,781,130	70,619,377	673

The following categories of employees are eligible for at-risk performance incentive payments:

- Chief Executive;
- Senior executives;
- Contract employees; and
- Employees whose term and conditions are outlined in certified agreements.

	Consolidated		Parent	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>31. Remuneration of auditors</b>				
<b>Remuneration for audit or review of the financial reports of the parent or any entity in the consolidated group:</b>				
Auditors of the parent				
Parent	250,000	230,000	250,000	230,000
Controlled entities	20,000	20,000	-	-
<b>Consolidated group</b>	<b>270,000</b>	<b>250,000</b>	<b>250,000</b>	<b>230,000</b>

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>32. Commitments for expenditure</b>				
<b>Capital commitments</b>				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable as follows:				
<b>Property, plant and equipment</b>				
Within one year	114,313	17,204	15,772	17,204
Later than one year, but not later than five years	44,669	8,732	55	8,732
Subtotal	158,982	25,936	15,827	25,936
Less: Commitments transferred out				
Within one year	28,131	-	15,772	-
Later than one year, but not later than five years	3,349	-	55	-
Later than five years	-	-	-	-
Subtotal	31,480	-	15,827	-
Plus: Commitments transferred in				
Later than one year, but not later than five years	-	-	-	-
Within one year	-	-	-	-
Later than one year, but not later than five years	-	-	-	-
Subtotal	-	-	-	-
<b>Total capital commitments</b>	<b>127,502</b>	<b>25,936</b>	<b>-</b>	<b>25,936</b>

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Operating lease commitments – group as lessee</b>				
Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable as follows:				
Not later than one year	1,626	2,555	1,626	2,509
Later than one year, but not later than five years	7,151	7,058	7,151	7,058
Later than five years	4,016	6,081	4,016	6,081
Subtotal	12,793	15,694	12,793	15,648
Less: Commitments transferred out				
Not later than one year	10		10	
Later than one year, but not later than five years	10		10	
Later than five years	-	-	-	-
Subtotal	20		20	
Plus: Commitments transferred in				
Not later than one year	66,384	-	66,384	-
Later than one year, but not later than five years	163,423	-	163,423	-
Later than five years	573,215	-	573,215	-
Subtotal	803,022	-	803,022	-
<b>Total operating lease commitments</b>	<b>815,795</b>	<b>15,694</b>	<b>815,795</b>	<b>15,648</b>

### Operating leases

The consolidated group leases office space under non-cancellable operating leases. The leases have varying terms,

escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

<b>Other expenditure commitments</b>				
Commitments for other operating expenditure contracted for at the reporting date but not recognised as liabilities, payable as follows:				
Not later than one year	53,293	-	40,605	-
Later than one year, but not later than five years	176,977	-	131,250	-
Later than five years	155,058	-	25,933	-
Subtotal	385,328	-	197,788	-
Less: Commitments transferred out				
Not later than one year	48,362	-	40,605	-
Later than one year, but not later than five years	156,243	-	131,250	-
Later than five years	25,933	-	25,933	-
Subtotal	230,538	-	197,788	-
Plus: Commitments transferred in				
Not later than one year	41	-	41	-
Later than one year, but not later than five years	-	-	-	-
Later than five years	-	-	-	-
Subtotal	41	-	41	-
<b>Total other expenditure commitments</b>	<b>154,831</b>	<b>-</b>	<b>41</b>	<b>-</b>

### 33. Contingent liabilities

As CS Energy Limited considers that the probability of an outflow of economic benefits is remote, specific details about contingent liabilities have not been disclosed.

### 34. Related parties

#### Directors and executives

Disclosures relating to directors and executives are set out in note 29.

#### Parent entities

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

#### Investments in controlled entities

Details of investments in controlled entities are set out in note 35.

#### Transactions with related parties

Transactions between CS Energy Limited and other entities in the wholly-owned consolidated group during the year ended 30 June 2011 consisted of:

- (a) Loans advanced by CS Energy Limited;
- (b) The payment of interest on the above loans;
- (c) The supply of labour by CS Energy Limited;
- (d) Dividends paid to controlling entity; and
- (e) Transactions between CS Energy Limited and its wholly-owned controlled entities under the tax sharing agreement described in note 8.

Interest is charged on loans only to the extent that capitalisation is adopted in accordance with AASB 123 *Borrowing Costs*. There was no interest charged on these loans during 2011 (2010 – nil).

No impairments have been recognised in relation to any outstanding balances.

The terms and conditions of the tax funding agreement are set out in note 8.

#### Related party transactions and balances

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The following transactions occurred with related parties				
Sale of goods and services	-	-	31,812	28,083
Dividend revenue	-	-	-	35,113
	-	-	31,812	63,196
The following balances are outstanding at reporting date in relation to transactions with related parties				
Non-current receivable – loans to related parties	-	-	1,253,308	1,296,806
<b>Loans to subsidiaries</b>				
Balance at 1 July	-	-	1,296,806	1,359,821
Loans advanced	-	-	370,458	319,583
Loan repayments received	-	-	(413,956)	(382,598)
Balance at 30 June	-	-	1,253,308	1,296,806

All other transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

There was no interest charged on loans during the year (2010 – nil).

Outstanding balances are unsecured and are repayable in cash.

### State controlled entities

CS Energy Limited enters into transactions with parties who are ultimately controlled by the State of Queensland.

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

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Statement of comprehensive income</b>				
Amounts included in revenue from the sale of electricity and other revenue	50,924	69,765	23,038	45,335
Amounts included in cost of sales and other expenses	26,528	24,476	12,883	11,788
Amounts included in finance costs	65,330	59,559	65,330	59,559
<b>Balance sheet</b>				
Amounts included in trade and other receivables	3,047	3,461	3,047	3,461
Amounts included in trade and other payables	5,187	4,389	5,118	3,593
Amounts included in borrowings	825,876	826,091	825,876	826,091

### 35. Investments in controlled entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding %	Equity Holding %
CS Energy Mica Creek Pty Ltd	Australia	Ordinary	100	100
CS North West Pty Ltd	Australia	Ordinary	100	100
Callide Energy Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Station Pty Ltd	Australia	Ordinary	100	100
Aberdare Collieries Pty Ltd	Australia	Ordinary	100	100
CS Energy Kogan Creek Pty Ltd	Australia	Ordinary	100	100
Kogan Creek Power Pty Ltd	Australia	Ordinary	100	100
CS Kogan (Australia) Pty Ltd	Australia	Ordinary	100	100
Swanbank Energy Pty Ltd	Australia	Ordinary	100	100
SE CSE Pty Ltd	Australia	Ordinary	100	100
CS Energy Oxyfuel Pty Ltd	Australia	Ordinary	100	100
Manzillo Insurance (PCC) Ltd – Cell EnMach	Guernsey	Ordinary	100	100

### 36. Interests in joint ventures

#### (a) Jointly controlled assets

The consolidated group has a 50% participating interest in the Callide Power Project Joint Venture, which is represented by Callide Energy Pty Ltd's interest of 50% in the joint venture (Callide Energy Pty Ltd is a wholly-owned subsidiary of CS Energy Limited). IG Power (Callide) Ltd, an unrelated entity, holds the remaining 50% interest.

The consolidated group has a 50% participating interest in the Kogan North Joint Venture, a gas development joint venture with

Australian CBM Pty Ltd, a wholly-owned subsidiary of Arrow Energy NL.

The consolidated group has a 75.22% participating interest in the Callide Oxyfuel Project Joint Venture, a project involved in clean coal technology research. Grants are receivable from both government and non-government entities to fund the project on the basis that certain project milestones are met.

The consolidated group's share of assets employed in the joint ventures is included in the balance sheet under the following classifications.

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Current assets</b>				
Cash	295	239	-	-
Receivables	804	1,283	-	-
Inventories	4,196	1,740	-	-
	5,295	3,262	-	-
<b>Non-current assets</b>				
Gas exploration and evaluation costs	6,008	16,803	-	-
Property, plant and equipment	119,268	307,383	-	-
Share of assets employed in joint ventures	130,571	327,448	-	-

Name of entity	Principal activity	Ownership interest		Carrying amount	
		2011 %	2010 %	2011 \$	2010 \$
Callide Power Management Pty Ltd	Joint Venture Manager	50	50	500	500
Callide Power Trading Pty Ltd	Electricity Marketing Agent	50	50	500	500
				1,000	1,000

	Consolidated	
	2011 \$'000	2010 \$'000
<b>Movements in carrying amount of interests in jointly controlled entities</b>		
Carrying amount at the beginning of the financial year	1	1
<b>Carrying amount at the end of the financial year</b>	<b>1</b>	<b>1</b>
Share of joint venture entities' assets and liabilities		
Current assets	1	1
Total assets	1	1
Total liabilities	-	-
<b>Net assets</b>	<b>1</b>	<b>1</b>
<b>Share of joint venture entities' revenues, expenses and results</b>		
Revenues	-	-
Expenses	-	-
<b>Profit/(loss) before income tax</b>	<b>-</b>	<b>-</b>

### 37. Reconciliation of profit for the year to net cash provided by operating activities

	Consolidated		Parent	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year	(614,566)	(47,636)	(362,468)	(47,944)
Depreciation and amortisation	148,805	161,760	62,514	69,764
Fair value adjustment to derivatives	37,502	(17,753)	37,502	(17,753)
Non-cash retirement benefits net income	(28)	439	(28)	439
Net loss/(gain) on sale of non-current assets	191	13	182	(16)
Impairment write-down	773,163	-	364,864	-
Exploration & evaluation expenditure written off	8,800	109	8,800	109
Onerous contract – re-measurement	(25,626)	35,114	(25,626)	35,114
<b>Change in operating assets and liabilities</b>				
(Increase) decrease in assets:				
Receivables	(19,997)	(10,040)	(8,039)	(13,972)
Inventories	(696)	36,927	(370)	31,997
Deferred tax asset	(36,515)	4,269	(17,461)	(15,526)
Prepayments	18,966	8,692	12,660	8,387
(Decrease) increase in liabilities:				
Accounts payable, employee benefits, borrowings and other provisions	76,205	29,707	33,360	(11,677)
Deferred tax liability	(233,911)	(20,611)	(126,524)	(15,456)
Net cash provided by operating activities	132,293	180,990	(20,634)	23,466

### 38. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that CS Energy Limited and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- CS Energy Mica Creek Pty Ltd;
- CS North West Pty Ltd;
- Callide Energy Pty Ltd;
- Kogan Creek Power Station Pty Ltd;
- Aberdare Collieries Pty Ltd;
- CS Energy Kogan Creek Pty Ltd;
- Kogan Creek Power Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- Swanbank Energy Pty Ltd;
- SE CSE Pty Ltd; and
- CS Energy Oxyfuel Pty Ltd.

Summarised financial information on the aforementioned wholly-owned subsidiaries is presented in the following tables.

**CS Energy Limited (and controlled entities)** Notes to the Financial Statements  
for the year ended 30 June 2011

2011					
Subsidiary Name	Purpose	Total Assets \$'000	Total Liabilities \$'000	Total Revenue from Ordinary Activities \$'000	Profit/(Loss) Before Income Tax \$'000
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	131,755	259,465	65,888	(185,308)
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	875,581	979,020	152,638	(102,386)
Kogan Creek Power Pty Ltd	Provides labour to Kogan Creek power station	8,228	5,776	9,367	-
CS Energy Kogan Creek Pty Ltd	40% owner of Kogan Creek Power Pty Ltd	72,697	36,376	-	-
CS Kogan (Australia) Pty Ltd	60% owner of Kogan Creek Power Pty Ltd	488	-	-	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	160,240	160,913	31,182	(8)
CS Energy Mica Creek Pty Ltd	Owner of Mica Creek power station	88,393	142,673	102,038	(68,025)
CS North West Pty Ltd	Provides labour to Mica Creek power station	4,661	3,176	10,265	-
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide Oxyfuel clean coal project	20,594	37,080	448	(13,228)
Swanbank Energy Pty Ltd	Dormant entity	-	-	-	-
SE CSE Pty Ltd	Dormant entity	-	-	-	-

2010					
Subsidiary Name	Purpose	Total Assets \$'000	Total Liabilities \$'000	Total Revenue from Ordinary Activities \$'000	Profit/(Loss) Before Income Tax \$'000
Callide Energy Pty Ltd	Owner of 50% of Callide C power station	316,127	314,121	86,533	10,515
Kogan Creek Power Station Pty Ltd	Owner of Kogan Creek power station	1,005,282	1,037,173	140,352	25,868
Kogan Creek Power Pty Ltd	Provides labour to Kogan Creek power station	7,197	4,745	8,623	-
CS Energy Kogan Creek Pty Ltd	40% owner of Kogan Creek Power Pty Ltd	72,684	36,363	-	-
CS Kogan (Australia) Pty Ltd	60% owner of Kogan Creek Power Pty Ltd	518	31	-	-
Aberdare Collieries Pty Ltd	Owner of coal mine that supplies Kogan Creek power station	125,645	126,320	28,083	15
CS Energy Mica Creek Pty Ltd	Owner of Mica Creek power station	144,748	151,525	96,874	16,366
CS North West Pty Ltd	Provides labour to Mica Creek power station	4,741	3,256	12,304	-
CS Energy Oxyfuel Pty Ltd	Holds CS Energy's interest in the Callide Oxyfuel clean coal project	29,951	38,152	335	(4,002)
Swanbank Energy Pty Ltd	Dormant entity	-	-	-	-
SE CSE Pty Ltd	Dormant entity	-	-	-	-

**CS Energy Limited (and controlled entities)** Directors' Declaration  
for the year ended 30 June 2011

In the directors' opinion:

- (a) The financial statements and notes set out on pages 62 to 116 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - (ii) Giving a true and fair view of the company's and consolidated group's financial position as at 30 June 2011 and of their performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) There are reasonable grounds to believe that the Company and the group entities identified in note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

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



**Mr D Byrne**  
Chairman



**Ms T Dare**  
Director

Brisbane  
29 August 2011



## To the Members of CS Energy Limited

### Report on the Financial Report

I have audited the accompanying financial report of CS Energy Limited, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising 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 1(a), 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

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CS Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In my opinion –

- (a) the financial report of CS Energy Limited is in accordance with the *Corporations Act 2001*, including –
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1a.

### Emphasis of Matter – Significant Uncertainty Regarding the Impact of Carbon Pricing Mechanism

I draw attention to Note 4 to the financial statements which describes the uncertainty related to the proposed introduction of the Federal Government's "Clean Energy Plan". This uncertainty impacts on impairment testing performed as at 30 June 2011 which resulted in the recognition of an impairment loss of \$773.163 million (refer Note 7) for the consolidated group as at 30 June 2011. My opinion is not modified in respect of this matter.

### Other Matters – Electronic Presentation of the Audited Financial Report

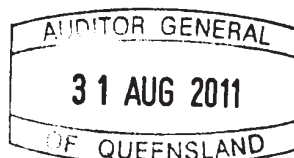
This auditor's report relates to the financial report of CS Energy Limited and the consolidated entity for the year ended 30 June 2011. Where the financial report is included on the CS Energy Limited website the company's directors are responsible for the integrity of CS Energy Limited's website and I have not been engaged to report on the integrity of CS Energy Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



G G Poole FCPA  
Auditor-General of Queensland

Queensland Audit Office  
Brisbane



## Energy Supply Association of Australia's (esaa) Sustainable Practice Framework Principles analysis of CS Energy's 2010/2011 Annual Report

GRI Indicator	Indicator Category	Indicator description	CS Energy Disclosure	Page references
<b>esaa Sustainability Principle 1: Maintain good corporate governance practices</b>				
4.1	Governance, Commitments and Engagement (Governance)	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Full	2, 43-45
4.2	Governance, Commitments and Engagement (Governance)	Indicate whether the chair of the highest governance body is also an Executive Officer (and, if so, their function within the organisation's management and the reasons for this arrangement).	Full	43
4.3	Governance, Commitments and Engagement (Governance)	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Full	43
4.4	Governance, Commitments and Engagement (Governance)	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Partial	46
4.5	Governance, Commitments and Engagement (Governance)	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Full	105
4.6	Governance, Commitments and Engagement (Governance)	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Full	46, 105-117
4.7	Governance, Commitments and Engagement (Governance)	Processes for determining the qualifications and expertise of members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	Partial	43
4.8	Governance, Commitments and Engagement (Governance)	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Partial	3, 19-23, 45
4.9	Governance, Commitments and Engagement (Governance)	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Partial	23, 43-45
4.10	Governance, Commitments and Engagement (Governance)	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Partial	45
4.12	Governance, Commitments and Engagement (Governance)	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Nil	
EC2	Economic (Economic Performance)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Partial	46
EN28	Environmental (Compliance)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Full	23-24
S08	Social Performance: Society (Compliance)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	n/a	
<b>esaa Sustainability Principle 2: Deliver value to shareholders, customers and the community</b>				
EC1	Economic (Economic Performance)	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Partial	10-11, 25, 54
EC8	Economic (Indirect economic impacts)	Developments and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Partial	25, 29, 33, 37, 41
<b>esaa Sustainability Principle 3: Provide a safe, secure and reliable energy supply</b>				
EU6	Sector Specific: Economic Section (Availability and Reliability)	Planning to ensure short and long term electricity availability and reliability.	Full	14-15
EU25	Sector Specific: Social Section (Public Health and Safety)	Number of injuries and fatalities to the public involving company assets, including legal judgements, settlements and pending legal cases of diseases.	Nil	
<b>esaa Sustainability Principle 4: Engage key internal and external stakeholders on significant and sustainability matters</b>				
4.14	Governance, Commitments and Engagement (Stakeholder Engagement)	List of stakeholder groups engaged by the organisation.	Full	22
4.15	Governance, Commitments and Engagement (Stakeholder Engagement)	Basis for identification and selection of stakeholders with whom to engage.	Partial	IFC, 22
4.16	Governance, Commitments and Engagement (Stakeholder Engagement)	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Partial	IFC, 22
4.17	Governance, Commitments and Engagement (Stakeholder Engagement)	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Nil	

## Energy Supply Association of Australia's (esaa) Sustainable Practice Framework Principles analysis of CS Energy's 2010/2011 Annual Report

GRI indicator	Indicator Category	Indicator description	CS Energy Disclosure	Page references
<b>esaa Sustainability Principle 5: Maintain and enhance workforce health, safety, wellbeing and development</b>				
LA2	Social Performance: Labour Practices & Decent Work	Total number and rate of employee turnover by age group, gender, and region.	Partial	16
LA6	Social Performance: Labour Practices & Decent Work	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.	Nil	
LA7	Social Performance: Labour Practices & Decent Work	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Partial	20, 27, 31, 35, 39-40
LA10	Social Performance: Labour Practices & Decent Work (Training and Education)	Average hours of training per year per employee by employee category.	Nil	
LA14	Social Performance: Labour Practices & Decent Work (Diversity and Equal Opportunity)	Ratio of basic salary of men to women by employee category.	Nil	
HR4	Social Performance (Human Rights)	Total number of incidents of discrimination and actions taken.	Nil	
EU14	Sector Specific: Social Section (Employment)	Processes to ensure retention and renewal of skilled workforce.	Full	16-17, 19, 27
EU18	Sector Specific: Social Section (Employment)	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	Nil	
<b>esaa Sustainability Principle 6: Develop and implement climate change responses</b>				
EN3	Environmental (Energy)	Direct energy consumption by primary energy source.	Nil	
EN6	Environmental (Energy)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Partial	4-5, 22-23, 28, 32-33
EN16	Environmental (Emissions, Effluents and Waste)	Total direct and indirect greenhouse gas emissions by weight.	Partial	3, 23
EN18	Environmental (Emissions, Effluents and Waste)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partial	4-5, 22-23, 28, 32-33
<b>esaa Sustainability Principle 7: Improve environmental performance and resource efficiency</b>				
EU11	Sector Specific: Economic (System Efficiency)	Average generation efficiency by energy source and by country or regulatory regime.	Full	14, 27, 31, 35, 39
EU12	Sector Specific: Transmission and distribution efficiency	Report transmission efficiency and distribution efficiency separately. Separation between technical and non-technical losses (e.g. unauthorised connections) is not required.	n/a	
EN8	Environmental (Water)	Total water withdrawal by source.	Full	24, 27, 31, 35, 39
EN12	Environmental (Biodiversity)	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	n/a	
EN14	Environmental (Biodiversity)	Strategies, current actions, and future plans for managing impacts on biodiversity.		
EN20	Environmental (Emissions, Effluents and Waste)	NOx, SOx, and other significant air emissions by type and weight.	Partial	24
EN21	Environmental (Emissions, Effluents and Waste)	Total water discharge by quality and destination.	Nil	
EN22	Environmental (Emissions, Effluents and Waste)	Total weight of waste by type and disposal method.	Partial	23
<b>esaa Sustainability Principle 8: Foster and support community programs</b>				
SO1	Social Performance: Society (Community)	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Partial	25, 29, 33, 37, 41
<b>esaa Sustainability Principle 9: promoting measurement and reporting of sustainability performance</b>				
NA	NA	Has the organisation reporting on the indicators referenced in this table?	Full	118-119

IFC = Inside front cover

# Index

apprentices, trainees and graduates	19
ash reuse	24, 28, 33, 41
asset base	Inside front cover
Board, committees of	43-45
business strategy	6-9
Callide Oxyfuel Project	28
Callide Power Station	26-29
carbon management	22-23
carbon offsets	23
carbon price	6-9, 11, 13
climate change	22-23, 46
Code of Conduct	46
community contribution	25, 29, 33, 37, 41
company structure	2
complaints	24
corporate governance	42-53
corporate social responsibility	22-25
Directors' profiles	48-51
Directors' report	55
diversity, workplace	17
drugs and alcohol	21
electricity demand	13
electricity generation	12, 14
electricity industry structure	2
employee assistance	21
Enterprise Bargaining Agreements	17, 27, 31, 35, 39
environmental management systems	23
Executive Management Team profiles	52-53
Gas Electricity Certificate	13
gas supply	37, 41
industrial relations	17
ISO14001	23

Kogan Creek A Power Station	30-33
Learning and Development Centre	19
Mica Creek Power Station	34-37
Mica Creek upgrade	36-37
National Electricity Market	13
National Greenhouse and Energy Reporting Act (NGERS)	22
philanthropy	25, 29, 33, 37, 41
power station emissions	14, 23, 27, 31, 35, 39
profit, financial	10
reliability	12, 14
remuneration, Board and Executive	105-110
renewable energy	23, 41
ReOrganic Energy	41
safety performance	20-21, 27, 31, 35, 39-40
sponsorships	25
stakeholder engagement	22
Swanbank Power Station	38-41
water	23-24, 27-28, 31, 33, 35, 37, 39, 41
workplace giving	25

# Glossary

Term	Definition
CO <sub>2</sub> CRC	Cooperative Research Centre for Greenhouse Gas Technologies
Energy sent out	The amount of electricity sent to the grid
Gearing	A financial term that describes the relationship between debt and equity
GEC	Gas Electricity Certificate
GW	Gigawatt (one GW = one thousand megawatts)
GWh	Gigawatt hour (one gigawatt generating for one hour)
Greenhouse intensity per energy sent out (kgCO <sub>2</sub> /MWhso)	Emissions of carbon dioxide per gigawatt hour of energy sent out
ISO14001	International Standard for Environment Management Systems
Lost time injury (LTI)	A lost time injury is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred
Lost time injury frequency rate (LTIFR)	The number of lost time injuries per million hours worked by employees and contractors (calculated on a 12 month moving average)
ML	Megalitre (one ML = one million litres)
MW	Megawatt (one MW = one million watts)
MWh	Megawatt hour (one megawatt generating for one hour)
NEM	National Electricity Market
PAT	Profit after tax
PPA	Power Purchase Agreement
Pool price	The variable market price for electricity
REC	Renewable Electricity Certificate
Reliability	A measure of a generator's capacity to achieve full load when plant is not undergoing a planned outage
ROPA	Return on productive assets

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