2005/2006 ANNUAL REPORT

cs energy

generations ahead

CONTENTS

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

HIGHLIGHTS AND CHALLENGES

2005/2006 IN PERSPECTIVE

CS ENERGY IS A QUEENSLAND GOVERNMENT-OWNED electricity generator with more than 500 employees and a generating capacity of 2,460 megawatts. It meets approximately 30 per cent of Queensland's electricity demand and uses a diverse mix of energy sources including coal, natural gas, coal seam methane and landfill gas.

The Company's vision is to be the leading generator in the Australian electricity market. CS Energy's 10-year plan is the vehicle for achieving this vision and was developed following a significant review of the Company's business strategy in 2004/2005. This annual report is the second to outline progress against the 10-year plan and covers the 2005/2006 financial year.

PEOPLE

ROLLED OUT A NEW LEADERSHIP FRAMEWORK AND REFRESHED PERFORMANCE REVIEW SYSTEM, ROLE PURPOSE STATEMENTS AND COMPLEMENTARY TRAINING.

- Appointed Bill Pike as Site Manager of Kogan Creek Power Station and established his operational team following a national and international recruitment drive.
- Introduced the Safe Move internal campaign to increase safety awareness.
- Appointed Paul Hyslop as General Manager of New Business.

Lost time injury frequency rate		
5.1	4.6	11.3
2005/06	2004/05	2003/04

Employee numbers		
530	461	467
2005/06	2004/05	2003/04

Leadership Principles training		
460	22	0
2005/06	2004/05	2003/04

Apprentice, Trainee and Graduate numbers		
41	39	29
2005/06	2004/05	2003/04

Image (above) Stephanie Huhs, Water Treatment Technician.

HIGHLIGHTS AND CHALLENGES

2005/2006 IN PERSPECTIVE

FINANCE

Profit after tax $000		
56,468	40,630*	30,397
2005/06	2004/05	2003/04

Return on productive assets %		
7.3	5.2	5.3
2005/06	2004/05	2003/04

Qld average pool price $/MWh		
28.12	28.99	28.19
2005/06	2004/05	2003/04

Gearing %		
39.3	40.9	30.6
2005/06	2004/05	2003/04

* Restated to reflect International Finance Reporting Standards.

RETURNED A $56.5 MILLION NET PROFIT

AFTER TAX FOR 2005/2006—AN INCREASE OF 39 PER CENT FROM 2004/2005.

- Generated 13,110 gigawatt hours (GWh) of electricity for 2005/2006 and produced total revenue of $528 million.
- Created approximately half of the total Gas Electricity Certificates for Queensland from the Company's gas-fired plant.
- Received an equity injection of $250 million from the Queensland Government in June 2006, further strengthening CS Energy's balance sheet.

Image (left)
Che Caldwell, Graduate Engineer.

OPERATIONS

- Applied for Federal Government and industry funding to demonstrate the feasibility of oxy-firing clean coal technology, in conjunction with eight partners.
- Achieved three years and five months without a lost time injury at Mica Creek Power Station by 30 June 2006.
- Signed a Joint Development Agreement with Australian Gas Light Company to investigate the upgrading of Mica Creek Power Station.
- Spent $41 million on overhauls, including Australian first overhauls of an Alstom GT26 gas turbine at Swanbank E and a supercritical coal-fired boiler at Callide C.

PROGRESSED THE $1.2 BILLION 750 MEGAWATT

KOGAN CREEK POWER PROJECT TO ALMOST 87 PER CENT COMPLETE AT YEAR-END.

Total energy sold GWh		
13,110	12,494	12,429
2005/06	2004/05	2003/04

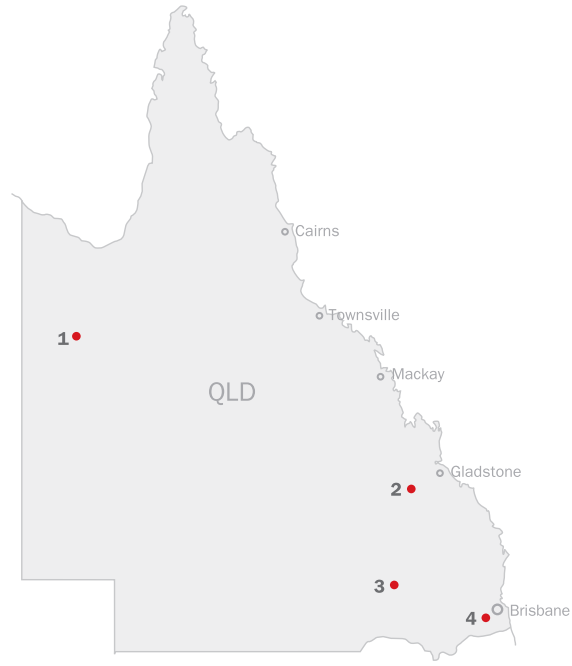
Reliability %		
93.4	94.74	95
2005/06	2004/05	2003/04

Greenhouse intensity $tCO_2e/GWhso$		
851	855	899
2005/06	2004/05	2003/04

Significant environmental incidents		
0	0	0
2005/06	2004/05	2003/04

Image (left)
Natasha Butler, Electrician.

CS ENERGY LOCATIONS



Key

1 Mica Creek Power Station, Mount Isa
2 Callide Power Station, Biloela
3 Kogan Creek Power Station, Chinchilla
4 Swanbank Power Station, Ipswich

CURRENT OPERATIONS (AT 30 JUNE 2006)

Plant	Fuel	Total capacity (MW)	CS Energy owned capacity (MW)
In Operation			
Swanbank			
Swanbank B	Coal-fired	480	480
Swanbank E	Gas-fired[3]	385	385
Callide			
Callide A[1]	Coal-fired	120	120
Callide B	Coal-fired	700	700
Callide C	Coal-fired	900	450
Mica Creek			
Mica Creek A (Units 1,2,3,4)	Gas-fired	132	132
Mica Creek A (Units 5,6,7)	Gas-fired[3]	103	103
Mica Creek B	Gas-fired[3]	35	35
Mica Creek C	Gas-fired[3]	55	55
Under Construction			
Kogan Creek Power Project			
Kogan Creek[2]	Coal-fired	750	750
Total capacity		**3,660**	**3,210**

1 Callide A was placed in storage in December 2001
2 Kogan Creek Power Project is due for commissioning in September 2007
3 Combined cycle

ABOUT CS ENERGY

CS ENERGY'S MISSION IS TO develop the Company into a large, low cost, multi-fuel generator, operating across the National Electricity Market. Our long-term vision is to be the leading generator in the Australian energy market. To achieve this, we are developing the skills of our people, providing the technology and systems to support their work and fostering a corporate environment with six key values: safety, commercial approach, environmental responsibility, teamwork and mutual trust, innovation and creativity, and integrity.

CORPORATE VALUES

SAFETY

We will operate in a manner that **does not harm** our people or our plant.

COMMERCIAL APPROACH

Build value for our shareholders, whilst striving to be the partner of choice in our commercial arrangements.

ENVIRONMENTAL RESPONSIBILITY

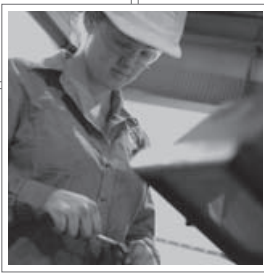
Take a **socially responsible** approach to managing the impact of our operations on the environment.

TEAMWORK AND MUTUAL TRUST

Work constructively together, respecting the unique backgrounds and skills of CS Energy staff.

INNOVATION AND CREATIVITY

Develop an environment in which **innovation is encouraged** and lessons are learnt without recrimination.



INTEGRITY

Maintain the **highest ethical standards** in all of our relationships.

Image (centre)
Scott Walker,
Mechanical Engineer.

Image (left)
Leonie Sandell,
Administration Trainee
Brad Jones,
Overhaul Coordinator.

Image (right)
Simon Dunlop,
Mechanical Fitter.

Image (centre)
Diane Everson,
Environment and
Chemical Officer.

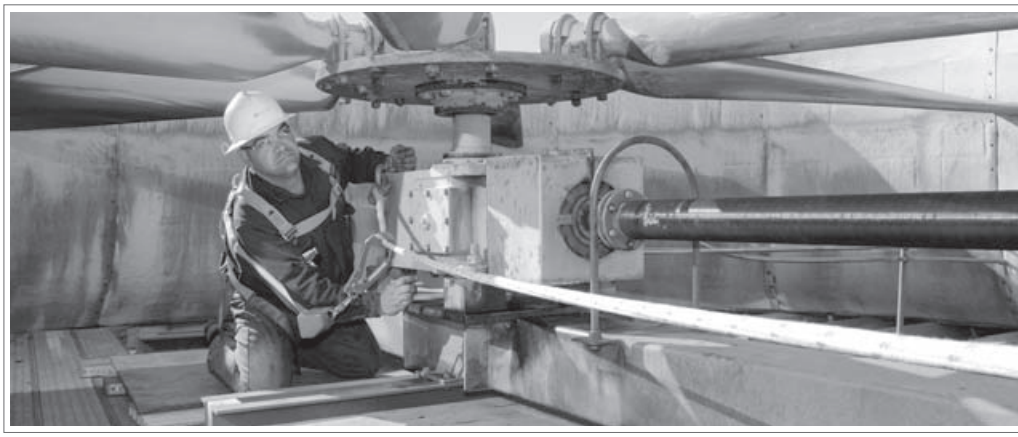
Image (left)
Rachel Hoffmann,
Electrical Apprentice.

Image (right)
Brian Pollock,
Production
Control Officer.

BUSINESS STRATEGY

CS ENERGY'S AMBITION IS TO BE a significant multi-fuelled electricity generator in the National Electricity Market by 2014. During 2005/2006, CS Energy continued implementing its 10-year plan to drive the Company forward.

Image (right)
Regular condition monitoring, such as Fitter Con Constantinou's check of the C2 cooling tower fan at Mica Creek, is an important part of CS Energy's maintenance approach.



Key (below right)

O: Outcomes 2005/2006

P: Plans 2006/2007

THE BUSINESS IS
PEOPLE...

STRATEGIES	OUTCOMES 2005/2006 AND PLANS 2006/2007
SAFETY Ensure no one is injured at a CS Energy work site.	**O:** Developed safety action plan for Kogan Creek Power Project, introduced safety survey to track safety leadership and rolled out new safety awareness campaign to all sites. **P:** Develop safety action plans for all sites, roll out high visibility and flame retardant clothing to operations sites, introduce a Chairman's reward program for safety milestones and start random drug and alcohol testing at all sites.
STRUCTURE Systems must empower and support staff to achieve business objectives.	**O:** Implemented new organisational structure; enhanced HR systems for feedback, performance review and career development; and started developing role purpose statements for all staff. **P:** Bed down performance review system, introduce document management system, finalise procurement review and implement changes, and conduct ongoing improvements to ensure the structure supports the organisation.
LEADERSHIP Leadership must be effective at all levels.	**O:** 'Leadership Principles' training delivered to all staff, predominantly by CS Energy leaders; and started auditing impact of Leadership Principles on CS Energy's business outcomes. **P:** Induct new staff in Leadership Principles, conduct second round of the training for leaders, and respond to outcomes of audit into the effectiveness of the program.
TRAINING Industry and Company resource pools must be deep enough to support CS Energy's growth ambitions.	**O:** New Kogan Creek Power Station Team appointed and commenced training and Graduate Development program expanded. **P:** Complete tailored operator and frontline management training programs for Kogan Creek and other site staff.

BUSINESS STRATEGY

STRATEGIES	OUTCOMES 2005/2006 AND PLANS 2006/2007
MAINTENANCE Maintenance must be effective and timely to maximise value from the portfolio.	**O:** Revised Maintenance Process Model, developed Corporate Asset Management Framework and formed the Portfolio Services team to lead overhauls and other significant projects. **P:** Complete scoping work for Callide B mid-life refit, apply asset management framework to Kogan Creek and implement at operational sites, complete building Portfolio Services team.
AVAILABILITY The market rewards production, not capacity, so CS Energy must maximise the availability of its plant.	**O:** Focused on combustion and coal quality issues at Callide C to maximise availability, conducted overhauls at Swanbank E and Callide C and applied lessons learned to Kogan A. **P:** Achieve improved availability from Callide C and complete asset and plant strategies for all power stations.
FUEL MANAGEMENT Upstream integration into fuel resources will strengthen the market advantages inherent in a portfolio operation.	**O:** Appointed General Manager New Business, developed portfolio fuel strategy, and began earthworks at Kogan Mine. **P:** Finish building New Business team, progress Kogan Mine, and continue to secure sources of competitively priced gas.
WATER Water use must be carefully managed, to satisfy economic and community needs.	**O:** Completed Stag Creek Pipeline and participated in Western Corridor Recycled Water Scheme. **P:** Start up Kogan A as an air-cooled unit, and prepare Swanbank Power Station to receive recycled water.
FINANCIAL STRENGTH Financial capacity must support growth aspirations.	**O:** Received equity injection of $250 million in June 2006 that further strengthened CS Energy's balance sheet. **P:** Examine finance options to support future projects.
ENVIRONMENT CS Energy must manage its business to minimise its impact on the environment.	**O:** Completed oxy-firing feasibility study, applied for Federal Government funding and signed Memorandum of Understanding with partners; complied will all environmental regulations, and maintained ISO 14001 certification at Swanbank and Corporate Office. **P:** Pending Low Emissions Technology Demonstration Fund funding, execute joint venture agreement between oxy-firing partners and complete detailed design to enable construction in April 2007; and arrange external audits of Callide and Mica Creek power stations to maintain ISO 14001 certification.
COMMUNITY CS Energy must be considered a welcome corporate neighbour.	**O:** Developed community relations plans for all sites to refocus sponsorship activites and maintain meaningful community contributions, and passed audit of noise mitigation effectiveness at Callide. **P:** Maintain communication channels with the community on power station operations and new projects such as oxy-firing and Kogan A.
GROWTH CS Energy will be a multi-fuelled generator with scale and diversity across the NEM.	**O:** Undertook feasibility work on second unit at Kogan Creek and additional gas-fired generation at Swanbank. **P:** Complete joint feasibility study with Australian Gas Light Company into expansion of Mica Creek Power Station.

...SECURING FOUNDATIONS...

...FOR GENERATIONS TO COME

CHAIRMAN'S REVIEW

THIS YEAR, CS ENERGY MADE SIGNIFICANT progress in positioning the Company for a profitable future while responding to the challenges of the present, such as low pool prices and several unplanned outages.

Image (right) Stephen Lonie, Chairman.

CS Energy delivered a strong financial performance in 2005/2006, recording a profit after tax of $56.5 million, its best result in four years and an increase of 39 per cent over the 2004/2005 result. The advantage of CS Energy's diverse portfolio of generating assets is visible in this result. While there were continuing reliability issues at Callide C, CS Energy's other stations increased generation to their customers. Generation at Swanbank E and Mica Creek played an important role in CS Energy's overall profit result, including capturing the benefits of the Queensland Government's 13 per cent Gas Electricity Certificates Scheme.

Image (far right) The Kogan Creek boiler house reached its full height of 75 metres in the first quarter of 2005/2006.

The 750 megawatt Kogan Creek Power Project, under construction near Chinchilla, drove a large amount of activity at CS Energy during the year. By year-end, the project was almost 87 per cent complete and its operational team was appointed and preparing to move to site in October 2006. Kogan Creek is a critical element in securing the Company's future, due to its efficient design and location adjacent to significant coal reserves owned by CS Energy. Feasibility studies into a second unit at Kogan Creek were also undertaken during the year.

CS Energy continued its contribution to the development of the Chinchilla region through its community benefits trust, jointly managed with the Chinchilla Shire Council. This year, over $122,000 was distributed to community groups for a range of local improvement projects. This trust has proven successful in empowering local residents to develop practical projects that benefit the wider community.

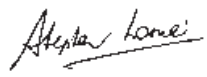
As the sole supplier of power to the North West Minerals Province, CS Energy's Mica Creek Power Station plays an important role in the Company's future growth strategies. During the year, CS Energy signed a Joint Development Agreement with the Australian Gas Light Company to investigate the upgrading of Mica Creek Power Station. Work has now commenced to gauge customer expansion plans and future gas supply options to determine the feasibility and scale of the upgrade of Mica Creek.

Another highlight of the year was the commencement of detailed engineering and design work for the oxy-firing clean coal project, following promising results from the feasibility study. CS Energy also applied to the Federal Government's Low Emissions Technology Demonstration Fund for financial support for demonstrating the technology, as part of stage two. Their decision is expected in 2006/2007 and, if successful, will allow CS Energy, and its project partners, to progress this important work to reduce greenhouse gas emissions from coal-fired electricity generation.

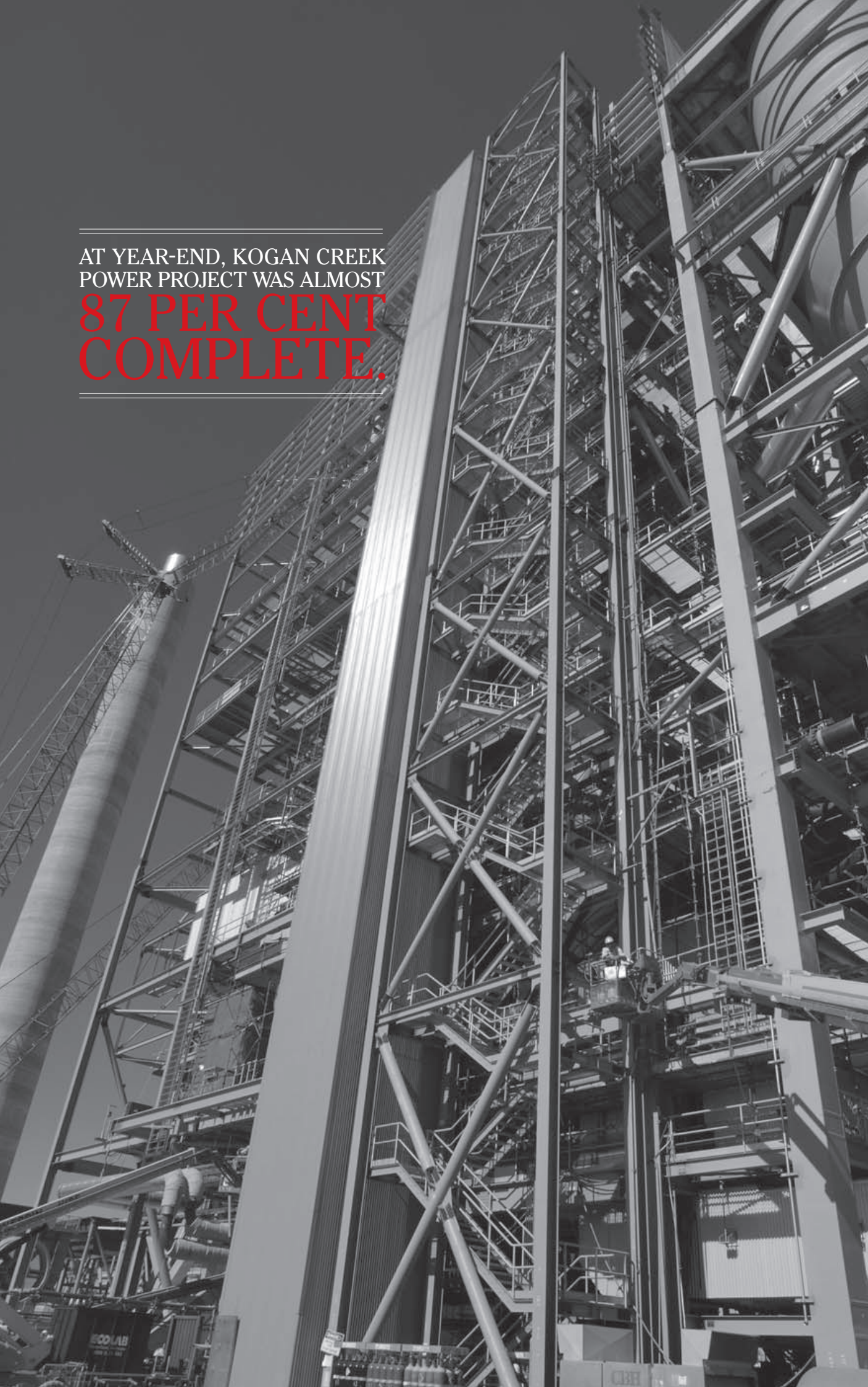
Reflecting the growth of Queensland's domestic gas industry, Swanbank E took delivery of first gas from Tipperary Oil and Gas in November 2005, from Arrow Energy's Kogan North coal seam gas project in January 2006 and Queensland Gas Company's Berwyndale South gas field in April 2006. Planning for a second gas-fired plant at Swanbank also progressed during the year, with the completion of feasibility work into plant options and demolition continuing of the old Swanbank A power station.

Looking ahead, CS Energy will continue with its plans to improve the performance, and expansion of, its generating assets. The Company's immediate focus over the next year will be the completion of Kogan Creek in readiness for commencement of commercial operations in September 2007.

In closing, I would like to acknowledge the efforts of my fellow Directors and all of my colleagues at CS Energy. We are in a challenging but essential growth phase of the Company and I look forward to seeing the fruition of our combined efforts in the coming years.

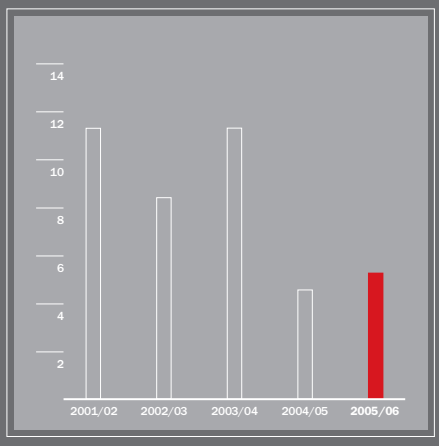


Stephen Lonie
Chairman

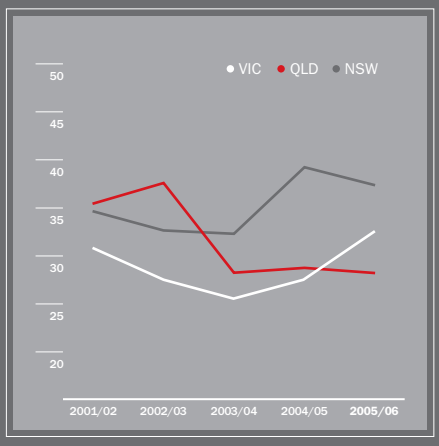


AT YEAR-END, KOGAN CREEK POWER PROJECT WAS ALMOST

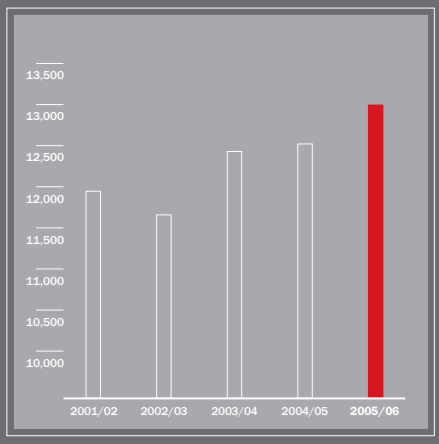
87 PER CENT COMPLETE.



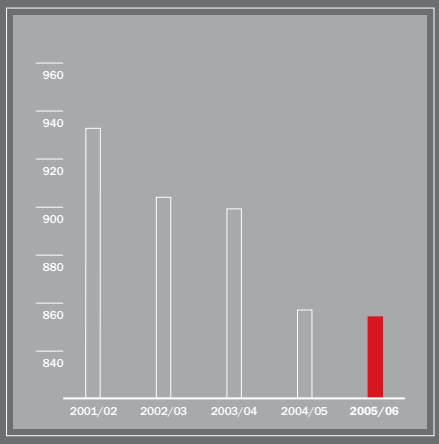
Lost time injury frequency rate



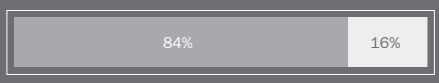
Time weighted average pool price by region ($/MWh)



Energy sold (GWh)



Greenhouse intensity (tCO_2e/GWh sent out)

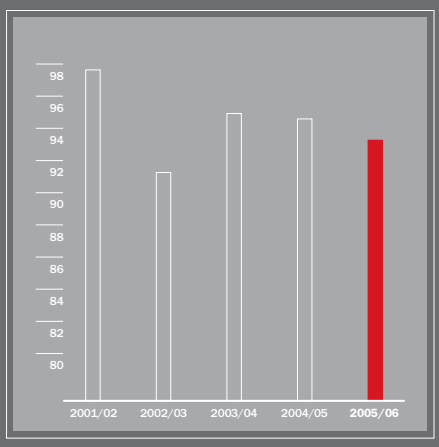


Generating capacity by fuel source 2001/2002 (MW)

● Coal ● Gas and renewables

Generating capacity by fuel source 2005/2006 (MW)

● Coal ● Gas and renewables



Reliability (%)

For all CS Energy plant

CHIEF EXECUTIVE'S REVIEW

THE 2005/2006 FINANCIAL YEAR was a period of intense activity at CS Energy as the Company consolidated its new organisational structure, managed major planned maintenance outages at all sites and implemented a leadership framework to increase organisational effectiveness.

Since its inception in 1997, CS Energy has pursued a growth strategy to retain its edge in an increasingly competitive electricity market. This competitiveness will be tested into the future as the retail electricity sector in Queensland is restructured in 2006/2007.

Image (left)
Mark Chatfield, Chief Executive.

The Company's profit performance this year was strong and efforts to rectify plant issues affecting Callide C's reliability should place CS Energy on a firm footing for an even better result next year. Tube leaks, coal quality and furnace fouling issues affected the performance of Callide C during the last 18 months. Two planned overhauls this year included plant improvements to address these issues and should result in improved performance from C station in 2006/2007.

CS Energy's safety performance at its operational sites improved on last year, with only five lost time injuries (LTIs) in 2005/2006. Mica Creek Power Station was again the best safety performer, achieving three years and five months without an LTI by year-end. We also introduced a new safety awareness campaign and a grants program to site safety committees to achieve a more consistent performance across the Company. Contractor safety performance remains a challenge though. At the Kogan Creek Power Project construction site, there were nine LTIs during the year. CS Energy actively managed this issue with contractors Siemens-Hitachi and is hopeful its new safety initiatives will bring an improved safety performance in the contractor workforce.

An Australian first overhaul at the gas-fired Swanbank E Power Station in April 2006 generated much interest in the industry and resulted in the station moving from six to seven days a week operation. The reliability of Swanbank E, and the Company's other gas-fired power station at Mica Creek, continued to enhance CS Energy's revenue from the Queensland Government's 13 per cent Gas Electricity Scheme.

As work progressed on CS Energy's oxy-firing clean coal project this year, its profile also increased as national debate about Australia's future energy options occupied the media. The benefits of oxy-firing technology are its near-zero greenhouse gas emissions and ability to be retrofitted to existing coal-fired power stations. Turning this project into a reality is essential to securing a sustainable future for coal-fired electricity.

This year, CS Energy placed a high priority on 'people work' as a critical element in our business success. The Company's new organisational structure, which separates operations and maintenance, allowed greater specialisation in each area and proved successful during the busy overhaul calendar. Rollout of the Leadership Principles framework provided staff with the support they needed to respond to performance targets. Looking ahead, succession planning and further training and leadership development activities will be important people work priorities.

The buoyant economic environment in Queensland presented numerous challenges in 2005/2006 as industries competed to attract and retain skilled staff. Resource companies, experiencing high product prices, are increasingly targeting the competent staff in our industry, where low electricity prices limit our ability to compete on dollar terms in the labour market. However, the Company continues to offer its people an attractive and safe working environment in which their achievements are valued and recognised.

2006/2007 promises to be an exciting year, with the Kogan Creek commissioning, moving the oxy-firing project to demonstration stage and improving Callide C's performance emerging as CS Energy's major priorities. The Company's work with Australian Gas Light Company on a potential upgrade of Mica Creek Power Station will also occupy many staff. In closing, I would like to thank all staff for their efforts over the past year and I look forward to another challenging year delivering reliable, competitively priced electricity.

M Chatfield

Mark Chatfield
Chief Executive

OPERATIONS

1

PROGRESS AND LOOKING FORWARD

2005/2006

- Successfully completed overhauls at all three power stations.
- Mica Creek achieved more than three years without a lost time injury.

2006/2007

- Scope mid-life refit of Callide B and achieve improved reliability from Callide C.
- Conduct six overhauls at Mica Creek.
- Finish building Portfolio Services and complete asset and plant strategies for all sites.

POWER STATION PERFORMANCE

CALLIDE POWER STATION

In 2005/2006, Callide Power Station completed two major overhauls, welcomed the completion of a major water-saving initiative and began a mid-life review of two of its units. The Callide complex has a capacity of 1720 megawatts and comprises Callide A (which is in storage for future use in CS Energy's oxy-firing clean coal project), Callide B and Callide C. CS Energy has 100 per cent ownership of A and B stations and owns C station in a 50/50 joint venture with InterGen Australia.

The overhaul of unit C4 in September 2005 was the first major overhaul of a supercritical boiler in Australia and was followed by an overhaul of C3 in May-June 2006. In addition to routine maintenance and repair work, the overhauls included special projects to address boiler-fouling issues that had affected plant reliability. Furnace cleaning systems and modified burners were installed on both units to improve reliability and enable the plant to support increased generating loads. Modifications were also made to the submerged chain conveyor on C3 to reduce ash spillage.

Boiler tube leaks prompted a forced outage at C4 just as the C3 overhaul was to start in May 2006. In response, areas of the C4 waterwall were replaced and by mid-June 2006 both units were back on line. A total of 115,518 hours were worked on the two C station overhauls by Callide staff and 550 contractors who assisted on site. Callide C is expected to have improved reliability in 2006/2007 following these major overhauls.There were no lost time injuries (LTIs) during the overhauls and only two LTIs during the year on site.

Callide B performed solidly in 2005/2006, recording a reliability rate of 96.5 per cent. As Callide B was commissioned in 1988, a mid-life review of the station commenced to ensure it will run economically and reliably for the remainder of its commercial life. Work began on assessing the refurbishments needed and these will be scheduled in overhauls between 2007 and 2010.

The completion of the water-saving Stag Creek pipeline in December 2005 marked a major milestone for Callide Power Station's water management. The 15-kilometre pipeline carries water to Callide Dam and reduces natural water losses, saving approximately 3,000 megalitres per year. CS Energy jointly funded the project with InterGen Australia and bulk water provider SunWater oversaw its design and construction.

Callide conducted civil improvement works to improve its ash dam management and began scoping rehabilitation trials for the ash dam area. A review was also conducted of site oil management systems to comply with the revised AS1940 standard.

Callide ran its second annual World Environment Day staff competition, which proved so popular it was expanded to all CS Energy sites. The competition encourages staff to suggest ideas for

improving the company's environmental performance and provides energy or water-saving household equipment as prizes. The winning entry from the first Callide competition was put into practice on site during the year and involved design improvements to coal-pulverising mills.

Results from noise monitoring adjacent to Callide that found the power station's noise impact was relatively low were endorsed by the Environmental Protection Authority. Callide also presented the results at the first of a planned series of community information sessions designed to increase links with the local community.

Image (left) Modifications to the angle of the submerged chain conveyor at Callide C Station have helped improve reliability.

During 2006/2007, Callide will conduct a minor overhaul of unit B2 in April 2007, closely monitor Callide C's reliability, continue preventative maintenance, select a 'frontline environmental officer' in each workgroup and complete recertification to the revised ISO 14001 standard.

MICA CREEK POWER STATION

A major safety milestone, six overhauls and the announcement of future expansion plans were the highlights of a busy year for Mica Creek Power Station. Mica Creek is a gas-fired power station comprising 10 units of various ages and sizes and is capable of generating 325 MW of electricity. Despite some issues with two units during the year, the power station continued to be a consistent performer in CS Energy's portfolio and recorded an overall reliability figure of 99.49 per cent in 2005/2006.

In January 2006, Mica Creek Power Station celebrated three years without a LTI and the 45th anniversary of the official opening of the station in 1961. By year-end, the power station was nearing three and a half years without a LTI.

Mica Creek's maintenance activities included an overhaul of the C Station gas and steam turbines and a combustor inspection of unit A7 in early 2005/2006. Following a residual vibration issue on unit C2 after the overhaul, CS Energy lodged a latent defect claim with the original equipment manufacturer. The claim was settled and repairs are scheduled for August 2006.

Other units overhauled were A1 in August 2005, A4 from October to December 2005 and B station, which underwent a combustor inspection and generator stator rewind in April 2006. The B station rewind experienced some delays and the unit is expected to be back online in early 2006/2007.

CS Northwest, the CS Energy subsidiary that operates Mica Creek Power Station, became a licensed asbestos removal company under the *Workplace Health and Safety Act (1995)* during the year, in response to a recent law change. Like all old Queensland power stations, Mica Creek contains some asbestos insulation, which is progressively removed during overhauls. Improvements were also made to the bulk acid handling system at Mica Creek to improve safety and reduce spillage risks.

Image (left) Environment Coordinator Wayne Estreich monitors improvements to Mica Creek's bulk acid handling system.

Mica Creek provided apprenticeships and traineeships that offered real skills development opportunities and the chance to learn from experienced mentors. This approach was rewarded when Mica Creek won the Large Host Trainer of the Year Award at the Migate Training Awards in Mount Isa in late 2005.

Mica Creek Power Station used its sponsorship activities in 2005/2006 to increase the profile of the power station in the Mount Isa community and position CS Energy as an employer of choice in an increasingly competitive jobs market. Sponsored

events such as the Mount Isa Business Awards proved successful in meeting these twin aims.

In May 2006, CS Energy joined forces with Australian Gas Light Company (AGL) in a Joint Development Agreement (JDA) to investigate upgrading Mica Creek. Under the terms of the JDA, CS Energy will oversee a redesign and repowering study and will operate the upgraded power station, which is planned to be expanded by 70 to 100 MW by 2010. AGL will take the lead role in procuring and transporting the additional long-term gas supply needed for the expansion.

Priorities for 2006/2007 include six scheduled overhauls and modifying Mica Creek's environmental management system to meet new ISO 14001 requirements.

Image (right)
Over 100 staff and contractors worked on the Swanbank E overhaul in April 2006.

SWANBANK POWER STATION

Swanbank Power Station was the scene of an Australian first in 2005/2006 when the 385 megawatt, gas-fired E station underwent its first major overhaul since commissioning in 2002. The plant is powered by an Alstom GT26 gas turbine—the only turbine of its type in Australia. Over 100 staff and contractors worked on the overhaul, including 30 Swiss trades and engineering staff from Alstom Power Switzerland. The overhaul was successfully completed in May 2006 after 70,000 hours were worked. Following the overhaul, Swanbank E's operation increased from six to seven days a week and it has an improved plant efficiency that equates to taking 2,500 cars off the road each year. Swanbank E's overall reliability rate for the year was 94.3 per cent.

The Swanbank site also includes the coal-fired Swanbank B power station, which has a capacity of 480MW, and the retired Swanbank A plant that is being demolished. Two successful overhauls at B Station were completed on units 3 and 4 in 2005/2006. The B3 overhaul in September 2005 involved maintenance on all parts of the plant, while the B4 overhaul in May 2006 included tests for condenser leaks and refurbishment of a feedwater heater. Swanbank B provided another year of reliable electricity supply to the national grid, recording an overall reliability rate of 96.9 per cent. In safety reporting, there were three lost time injuries at Swanbank during the year.

As south-east Queensland residents reduced their water usage in response to drought conditions, Swanbank investigated using recycled water from the planned Western Corridor Recycled Water Scheme. Swanbank has also decreased its water usage by 22 per cent over the last five years. A significant proportion of this saving was due to replacing the old Swanbank A plant with the gas-fired Swanbank E in 2002. Other projects that have increased Swanbank's water efficiency include improvements to the site sewerage system and reuse of stormwater collected from E station.

Swanbank's environmental management system was recertified to the ISO 14001 standard in May 2006 following an external audit. The station also reviewed future ash dam storage and at year-end was assessing three options involving both on and off-site storage.

Site environment officers responded immediately to the presence of dead eels in Swanbank Lake in March 2006. Subsequent independent laboratory tests found the eel deaths were unrelated to the power station's operations. Further investigations found similar eel deaths had occurred in Victoria and New South Wales.

Swanbank maintains a close link with the local community through a joint Community Reference Group (CRG) with neighbour Thiess Services. The CRG has been operating for six years and provides valuable feedback on the station's operations and potential community issues. The station also sponsored local events in 2005/2006. More information on these and other CS Energy community activity can be found on page 26 of this report.

During 2006/2007, Swanbank will focus on safety, prepare to receive recycled water, overhaul B1 and conduct general maintenance of other units at the site. For information on the Swanbank A demolition project, please see page 20 of this report.

MAINTENANCE CREWS WORKED
70,000 HOURS
ON THE SWANBANK E OVERHAUL.

OPERATIONS

CORPORATE PERFORMANCE

MARKET PERFORMANCE

CS Energy derives its revenue from the sale of electricity into the National Electricity Market (NEM) and long-term electricity supply contracts at its Mica Creek Power Station in Mount Isa.

In 2005/2006, continuing low NEM pool prices and lower than forecast generation placed significant pressure on CS Energy's revenue stream. The Queensland time weighted average pool price for electricity in 2005/2006 was $28.12/MWh, compared with $28.99 during 2004/2005. CS Energy's electricity revenue was enhanced by its hedging activities, contributing to the strong overall profit result.

During the year, CS Energy made a large contribution to the Queensland Government's 13 per cent Gas Electricity Certificates Scheme (GECS), through its Swanbank E and Mica Creek gas-fired power stations. The scheme requires electricity retailers to purchase Gas Electricity Certificates for 13 per cent of the electricity they sell in Queensland. CS Energy sold Queensland's first GEC in January 2006 and by financial year-end had created approximately half of the GECs created in Queensland.

The market outlook is for pool prices to remain below sustainable levels in the short term, but forecast growth in demand will deliver improved market conditions in the medium term and profitable opportunities for CS Energy.

In off-grid activities, Mica Creek Power Station in northwest Queensland experienced steady demand during 2005/2006 and continued to make a valuable contribution to CS Energy's profit. This demand is expected to increase in line with continued mining development in the region. In response, CS Energy joined with Australian Gas Light Company in May 2006 to investigate expanding Mica Creek's capacity by 70 to 100 megawatts by 2010.

FINANCIAL HIGHLIGHTS

		2005/06	2004/05*	2003/04	2002/03	2001/02
PAT	$000	**56,468**	40,680	30,397	39,716	60,692
ROPA	%	**7.3**	5.2	5.3	6.8	9.5
Gearing	%	**39.3**	40.9	30.6	52.7	55.1
Assets	$M	**2,121**	1,734	1,620	1,610	1,663
TWA pool price	$/MWh	**28.12**	28.99	28.19	37.54	35.40
Green energy products	$000	**23,024**	11,133	1,799	0	0
Total electricity sales	$000	**505,131**	456,229	444,314	460,428	476,137
Costs (excl interest)	$000	**434,011**	398,529	394,860	380,536	378,759
Dividends payable	$000	**40,170**	29,151	28,877	37,730	51,657
Capital investment in power stations	$000	**490,795**	248,696	46,655	61,813	214,289

* Figures restated to International Finance Reporting Standards.

PORTFOLIO SERVICES

Portfolio Services links technical staff across CS Energy's sites in engineering, environment, science, and asset and overhaul management. The Portfolio Services team is based in Brisbane corporate office and works in partnership with these site technical staff.

Portfolio Services provides a coordinated approach to managing its asset portfolio and fostering technical excellence. The team is responsible for long-term asset management and responding to plant performance issues. This team aims to deliver improved reliability and commercial performance at CS Energy power stations.

Image (left)
Portfolio Services helped manage boiler waterwall repairs at Callide C Station.

In 2005/2006, Portfolio Services introduced a more structured approach to overhaul planning and implementation. The team successfully applied this approach to overhauls at Swanbank E in April and Callide C in May–June.

Portfolio Services initiated a mid-life review of Callide B to identify the refurbishments necessary to keep the power station running economically and reliably for the remainder of its commercial life. Areas of the plant needing investigation have been identified and a project is underway to determine the scope of refurbishments required. Repair and refurbishments will be scheduled in overhauls between 2007 and 2010.

During 2006/2007, Portfolio Services will continue scoping work for the Callide B mid-life refit, develop an asset management strategy and finalise technical support arrangements for Kogan Creek Power Station.

OPERATIONS SUPPORT

Operations Support works across CS Energy to ensure systems and processes support the Company's business objectives. During 2005/2006 the unit focused on improving CS Energy's maintenance, procurement, reporting and operator training systems.

Reliability is the cornerstone of CS Energy's performance and one of the best lead indicators for reliability is maintenance effectiveness. Following an external maintenance audit in April 2005, Operations Support established an operations and maintenance group to facilitate a coordinated approach to maintenance improvement and ensure the Company maintains best practice in this area.

A Strategic Sourcing Project began reviewing 80 per cent of CS Energy's purchasing and is anticipated to deliver significant savings on the Company's total spending on materials and services.

Working with end users, Operations Support reviewed CS Energy's performance reporting during the year, examining its ability to support decision making at all organisational levels. A new system, to be rolled out during 2006/2007, includes the measures that help the organisation identify progress towards its goals as well as measures staff need to manage day-to-day operations effectively.

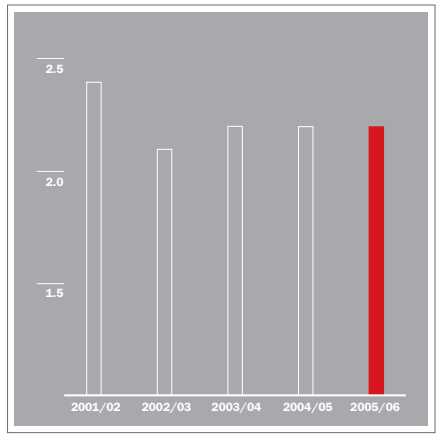
OPERATIONS

In preparation for the operation of Kogan Creek Power Station, Operations Support, Human Resources and site operations staff worked with a specialist supplier to develop an operator training package during 2005/2006. Including classroom and on the job training, the first 22 participants commenced the 12-month, full-time program in June 2006.

During 2006/2007, Operations Support will focus on the Company's people systems, particularly in the areas of workforce and succession planning, and prepare to assimilate Kogan Creek Power Station into CS Energy's portfolio.

Chart (right)
Water consumption intensity (ML/GWhso).

In 1997/1998 CS Energy's water consumption intensity was 2.7ML/GWhso.



ENVIRONMENTAL PERFORMANCE

CS Energy integrates environmental management with its health and safety and risk management systems to ensure a corporate culture of environmental responsibility and position the Company for a sustainable future. The Company's environmental management system is based on the ISO 14001 international standard and is assessed through annual audits.

In 2005/2006, CS Energy continued its approach of providing staff with the systems and skills they need for meeting environmental requirements, promoting a culture of accountability and maintaining open communication with neighbours and stakeholders.

The *CS Energy Environment Policy* guides all environmental decision-making and work practices and is the foundation of the Company's environmental management system.

Chart (right)
CS Energy's Environmental Performance summary for 2005/2006.

Total energy sent out GWhso	**13,110**
Coal used tonnes	**5,041,762**
Gas and renewables TJ fuel	**31,454**
Gas and renewables generation %	**25.6**
Renewable generation GWhso	**17**
CO_2e produced million tonnes equivalent	**11.16**
Greenhouse intensity tonnes CO_2e/GWhso	**851**
Water volume used ML	**28,117**
Ash produced tonnes	**1,033,459**
Ash sold tonnes	**98,943**

External audits of Swanbank Power Station and the Brisbane corporate office in 2005/2006 resulted in their certification to meet recent revisions to the ISO 14001 international Environment Management Systems standard. External audits of Callide and Mica Creek power stations are scheduled for 2006/2007.

CS Energy's oxy-firing research project places it at the forefront of clean coal initiatives in Australia and supports its business objective to reduce greenhouse gas emissions whilst meeting future energy demand. This project is explained in more detail in the Major Projects section of this report.

The coal-fired Swanbank B Power Station uses landfill gas piped from the adjacent Thiess Services landfill site as a supplementary fuel, as part of the ongoing ReOrganic Project. In 2005/2006 Swanbank B generated 30 gigawatt hours of renewable energy from landfill gas, which equates to taking 1,200 cars off the road each year.

WATER MANAGEMENT

Water efficiency has always been a priority for CS Energy, but drought conditions in parts of Queensland during the year heightened the Company's efforts to reduce water use. The completion of the Stag Creek Pipeline in December 2005 added to Callide Power Station's water efficiency efforts (see page 10 of this report) and Swanbank Power Station is one of several proposed customers of the Queensland Government's Western Corridor Recycled Water Scheme.

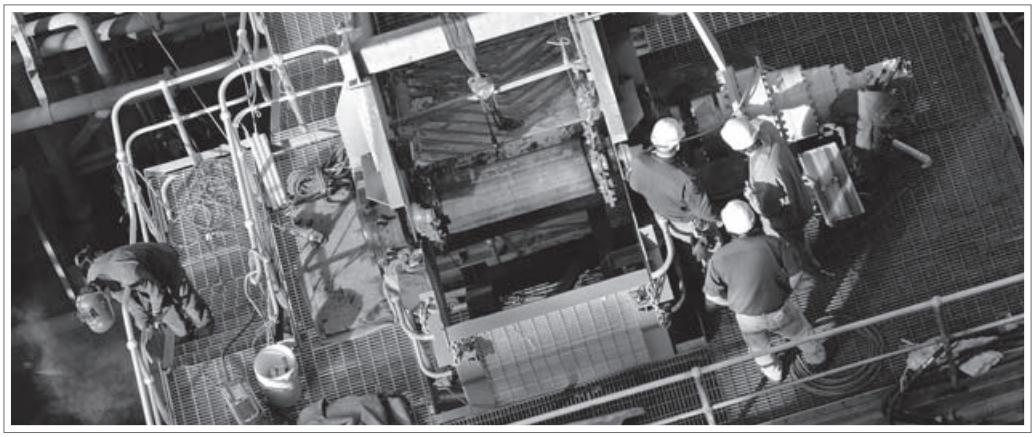


Image (left)
Callide Power Station carried out plant and civil improvement works to enhance its ash management.

CS Energy's other two operating sites also contribute to the Company's commitment to improving overall water efficiency. Since November 2004, Mica Creek Power Station has provided effluent water for reuse by nearby Xstrata mining operations, with 380 megalitres provided in 2005/2006. The completed Kogan Creek Power Station near Chinchilla will use dry cooling technology, resulting in 90 per cent less water use than conventional coal-fired generators.

WASTE MANAGEMENT

At Swanbank and Callide power stations, there were ongoing review and upgrades of ash management systems during the year. Swanbank investigated future ash management storage options and funded further research into ash dam rehabilitation. CS Energy also worked with the Cooperative Research Centre for Coal in Sustainable Development and the Ash Development Association of Australia to identify further opportunities for using fly ash. Callide Power Station conducted civil improvement works to enhance ash dam management and began scoping rehabilitation trials for an area of the ash dam. It is intended that all Callide ash will be managed using dense phase technology during 2006/2007.

AWARENESS

CS Energy encourages its employees to show individual commitment to responsible environmental management. Environment and safety risk assessments are conducted for all relevant tasks on site. Regular training, briefings, staff newsletters and internal events such as World Environment Day competitions all contribute to increasing staff awareness of the environment and their responsibilities.

CS Energy is committed to open dialogue with its neighbours. At Swanbank Power Station, a joint community reference group (CRG) with Thiess Landfill Services enables the power station to inform local residents about environmental and other news at site. In November 2005, Callide Power Station held an inaugural community forum to provide similar information, while a CRG at Chinchilla based on the successful Swanbank model entered its second year.

MAJOR PROJECTS

2

PROGRESS AND LOOKING FORWARD

2005/2006

- Submitted oxy-firing clean coal research project for Federal Government funding.
- Progressed Kogan Creek Power Project to more than 87 per cent complete.

2006/2007

- Conclude detailed design of oxy-firing project and move to demonstration phase.
- Commission Kogan Creek Power Station.
- Complete Swanbank A demolition project.

KOGAN CREEK POWER PROJECT

Construction at the Kogan Creek Power Project site near Chinchilla reached its peak in 2005/2006. The year began with site crews standing the first structural steel and by year-end, construction work had transformed the site so much that the boiler house and chimney had become local landmarks. A viewing area was opened nearby to allow the public to view the site up close.

Kogan Creek Power Project will be the largest single generating unit in Australia and comprises a 750 megawatt power station, a coal mine, a water supply pipeline and a transmission interconnection to the National Grid. It will operate as a base load power station and will generate enough electricity to power almost one million homes.

A consortium of Siemens and Hitachi is constructing the Kogan Creek Power Project on behalf of CS Energy and at 30 June 2006, it was almost 87 per cent complete and on target to meet its commercial load date of September 2007. The site workforce peaked at 900 in June 2006 and over 1.8 million hours had been worked since construction began in September 2004.

The boilerhouse was the focus of activity for much of the year as site crews prefabricated boiler pressure parts on the ground and installed them with large cranes. By the end of the first quarter of 2005/2006 the boiler house reached its full height of 75 metres when the two top steel girders, each weighing over 100 tonnes, were installed. Installation of the remaining boiler pressure parts took place over the rest of the year and hydro testing was scheduled for early July 2006.

The steelworks on the turbine house and air-cooled condensers were nearing completion at year-end and all major concrete pours had been completed, including the 153m chimney windshield that supports a 160m flue. Major plant components that arrived on site included the 298-tonne generator transformer installed in January 2006 and the 320 tonne generator stator, which arrived on 29 June 2006 and was installed on 3 July. All major turbine components also arrived and will be fully installed in the second quarter of 2006/2007.

In February 2006, CS Energy appointed Golding Contractors to develop and operate the Kogan Coal Mine, which is located four kilometres east of the power station. The mine will provide up to 2.8 million tonnes of black coal annually and be developed using modern open cut mining methods. At the end of 2005/2006, site crews had commenced exploratory drilling and stripping of topsoil and overburden. Mine equipment had also begun arriving on site.

Kogan Creek Power Station features advanced supercritical steam and dry cooling technologies that will ensure minimum water use and produce

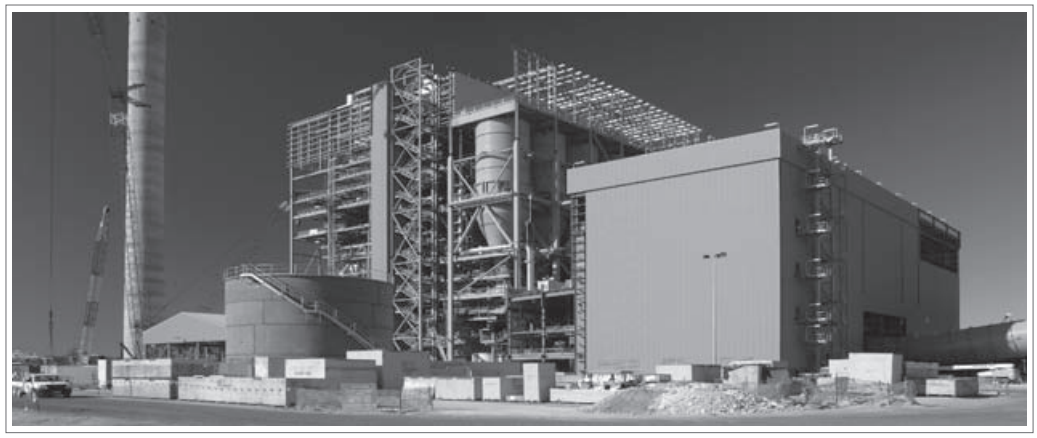


Image (left)
Kogan Creek Power Project was almost 87 per cent complete by the end of June 2006.

one of the lowest environmental emissions, per gigawatt hour, of any coal-fired power station in Australia. The good quality of Kogan coal eliminates the need for washing, further reducing pressure on the valuable local water supplies.

A total of nine lost time injuries for 2005/2006 made safety improvement a priority at the Kogan Creek site. CS Energy actively managed this issue with Siemens Hitachi throughout the year, which resulted in new initiatives to improve safety performance. These included supervisor training, a safety observation programme, workgroup member signoff on Job Safety Environment Analysis sheets and multiple control methods on high risk activities, such as working at heights. In addition, the consortium introduced a policy of issuing stop work notices for safety breaches.

2006/2007 marks the final year of construction of Kogan Creek Power Project and the beginning of commissioning and transition activities in readiness for commercial operation in September 2007.

CLEAN COAL RESEARCH

CS Energy reinforced its position at the forefront of Australia's clean coal research during 2005/2006. The Company completed a feasibility study into the potential for a combination of oxy-firing and carbon capture and storage to reduce the greenhouse impact of electricity generation from coal. The project, carried out through the Cooperative Research Centre for Coal in Sustainable Development (CCSD), and under the umbrella of the Australian Coal Association's COAL21 program, examined the commercial and operational feasibility of converting one of CS Energy's 30MW Callide A units.

Oxy-firing technology has the potential to produce near-zero emissions through a combination of oxygen combustion and carbon dioxide (CO_2) capture. Coal is normally burned in air, which contains a variety of gases, of which CO_2 comprises approximately 15 per cent. Firing coal in oxygen concentrates the CO_2 to around 80 per cent making it more economical to capture. Once captured, the gas can be liquefied for geological storage.

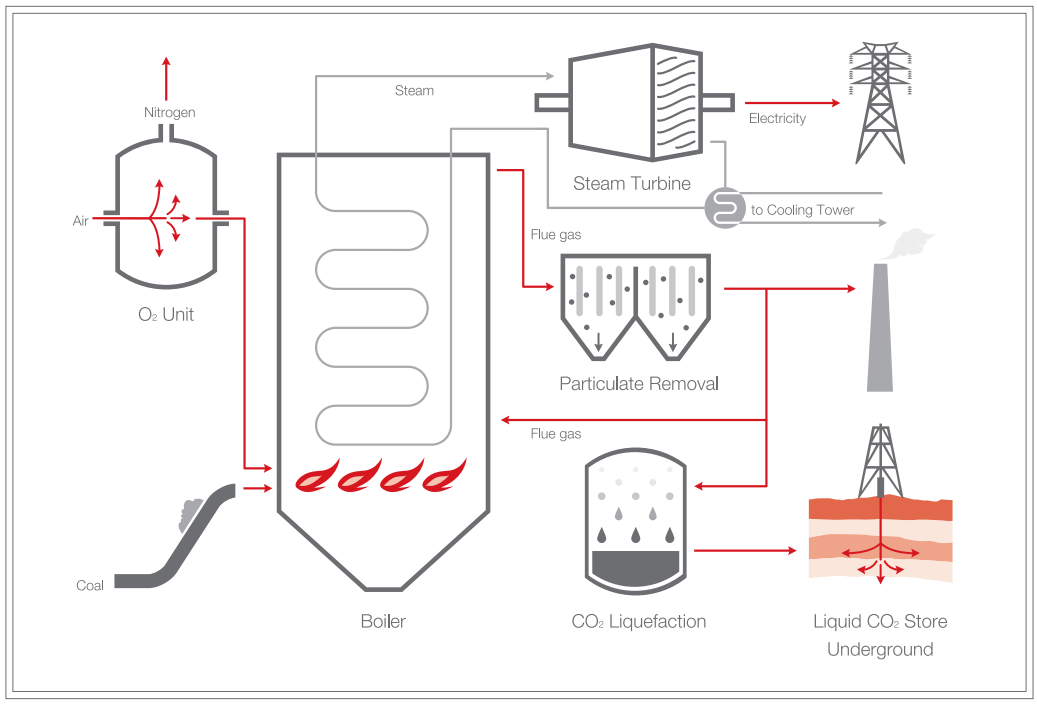
Work completed during the year in a pilot oxy-fuel facility in Japan confirmed the design parameters developed for the proposed oxy-fuel demonstration plant, including the improved combustibility of coal and significant reduction in other emissions such as oxides of nitrogen and oxides of sulfur. Studies conducted through the Cooperative Research Centre for Greenhouse Gas Technologies (CO_2CRC) identified and assessed underground sandstone formations within 350 km of Callide, which could potentially store CO_2 produced from the demonstration project.

Following the positive results obtained from the two-year feasibility study, a partnership was established in March under a Memorandum of Understanding between CS Energy, IHI Engineering Australia, Xstrata Coal, Schlumberger, JCoal, IHI (Japan), JPower, CCSD and CO_2CRC to undertake front end engineering design and to develop project agreements for the oxy-fuel demonstration project. This was followed up by an application for Federal Government funding through the Low Emissions Technology Development Fund (LETDF). Successful applicants will be advised in the second half of calendar 2006. The project has received conditional funding support from the Australian Coal Association through the $300 million COAL21 fund, announced in February 2006.

Should the LETDF application succeed, plans for 2006/2007 include execution of an incorporated joint venture agreement between the partners and conclusion of detailed design, to facilitate construction at Callide from April 2007.

During 2005/2006, CS Energy also contributed research findings and in-kind support to the CCSD's work on co-firing biomass with coal and utilisation of coal combustion by-products such as fly ash. CS Energy also worked with the Queensland Sustainable Energy Industry Development Group to develop professional workshops on installing renewable energy technology in regional Queensland.

Image (right) Oxy-firing and geosequestration process.



SWANBANK A DEMOLITION

The project to demolish the 40-year-old Swanbank A coal-fired power station made major progress in 2005/2006. The demolition is a key part of preparing the Swanbank site to take advantage of future generation opportunities, while at the same time removing the many hazards existing in a plant of this age.

Trio Industries was appointed in April 2005 as the contractor to demolish the station and to dispose of all materials from site. The contract was

extended in February 2006 to include the demolition of Swanbank A's cooling towers and three concrete chimney stacks. The scheduled completion date is December 2006.

Commissioned in 1966 and comprising six 68 megawatt units, Swanbank A's size, location and age all presented challenges for the demolition contractor. Swanbank A contains asbestos, like other power stations of its era, and is located adjacent to the operating Swanbank B power station. Trio Industries' expertise in demolishing large industrial sites has resulted in the successful management of these challenges to date.

The demolition process involves cutting the equipment and buildings into sections using the 'cut and drop' method, which minimises workers' exposure to risk. The sections are then cut into smaller pieces using oxy torches and hydraulically powered mechanical shears, and sorted and stockpiled on site before being taken away for recycling. A small amount of equipment from the power station was sold following calls for Expressions of Interest, including coal pulveriser mills and several boiler feed pumps.

At 30 June 2006, the project was progressing on schedule and the majority of equipment had been removed, including all turbo-generators, transformers, precipitators, fabric filters, coal bunkers, conveyors, boilers, air pre-heaters and economisers. The demolition of a 300 tonne boiler furnace in May 2006 marked the first time a furnace of its size had been cut and removed in a single controlled 'drop' by a pre-engineered hanger cutting sequence. This method is quicker and safer than the conventional method of removing furnace casings in multiple pieces and was used to demolish the remaining boilers in June 2006.

All boiler asbestos insulation has been removed from site and disposed of according to Workplace Health and Safety regulations and the National Code of Practice for the Safe Removal of Asbestos. The transformers on site contained low level PCB contaminated oil and these were also removed and disposed of according to regulatory requirements.

The site workforce peaked at 50 during 2005/2006 before decreasing to a crew of 21 at year-end, with 82,382 hours worked. Two lost time injuries occurred during the year, which is a solid safety result considering the risks involved in the demolition job.

Image (left)
CS Energy Project Manager David Collins (left) tracks progress at the Swanbank A demolition site with Trio Industries Site Manager Lester Stewart.

NEW PROJECTS

CS Energy is continuing to examine opportunities for the next major generation development in Queensland. The Kogan Creek Power Station site has the capacity to accommodate a second unit and during 2005/2006, CS Energy commenced a feasibility study for Kogan B. CS Energy has also completed feasibility on plant options for additional gas fired generation capacity in south-east Queensland. During 2006/2007 the Company will review market conditions to determine the timing to progress either of these projects for approval by shareholding Ministers.

NEW BUSINESS

3

PROGRESS AND LOOKING FORWARD

2005/2006

- Signed Joint Development Agreement with Australian Gas Light Company to investigate upgrading Mica Creek.
- Took delivery of first gas from three suppliers.

2006/2007

- Advance the proposed redevelopment and expansion of Mica Creek.
- Finalise arrangements for using recycled water at Swanbank.

Image (right) CS Energy joined forces with AGL in May 2006 to investigate expanding Mica Creek Power Station.

NEW BUSINESS INCLUDES the business development, resources (fuel and water) acquisition and related management functions. Combining these functions has been a strategic decision of CS Energy as, increasingly, successful development in the power sector is heavily contingent on access to and control of key resource inputs.

CS Energy continued to examine the next major generation development in Queensland during the year. The Company considered a second unit at Kogan Creek and a gas-fired development in south-east Queensland. For information on feasibility planning for these projects see page 21 of this report.

In May 2006, CS Energy and Australian Gas Light Company (AGL) executed a joint development agreement (JDA) to investigate upgrading the 325MW, gas-fired Mica Creek Power Station. The expansion of Mica Creek aims to provide competitively priced power to existing customers and to cater for anticipated growth in energy demand, in line with expected future development of the Carpentaria Minerals Province around Mount Isa.

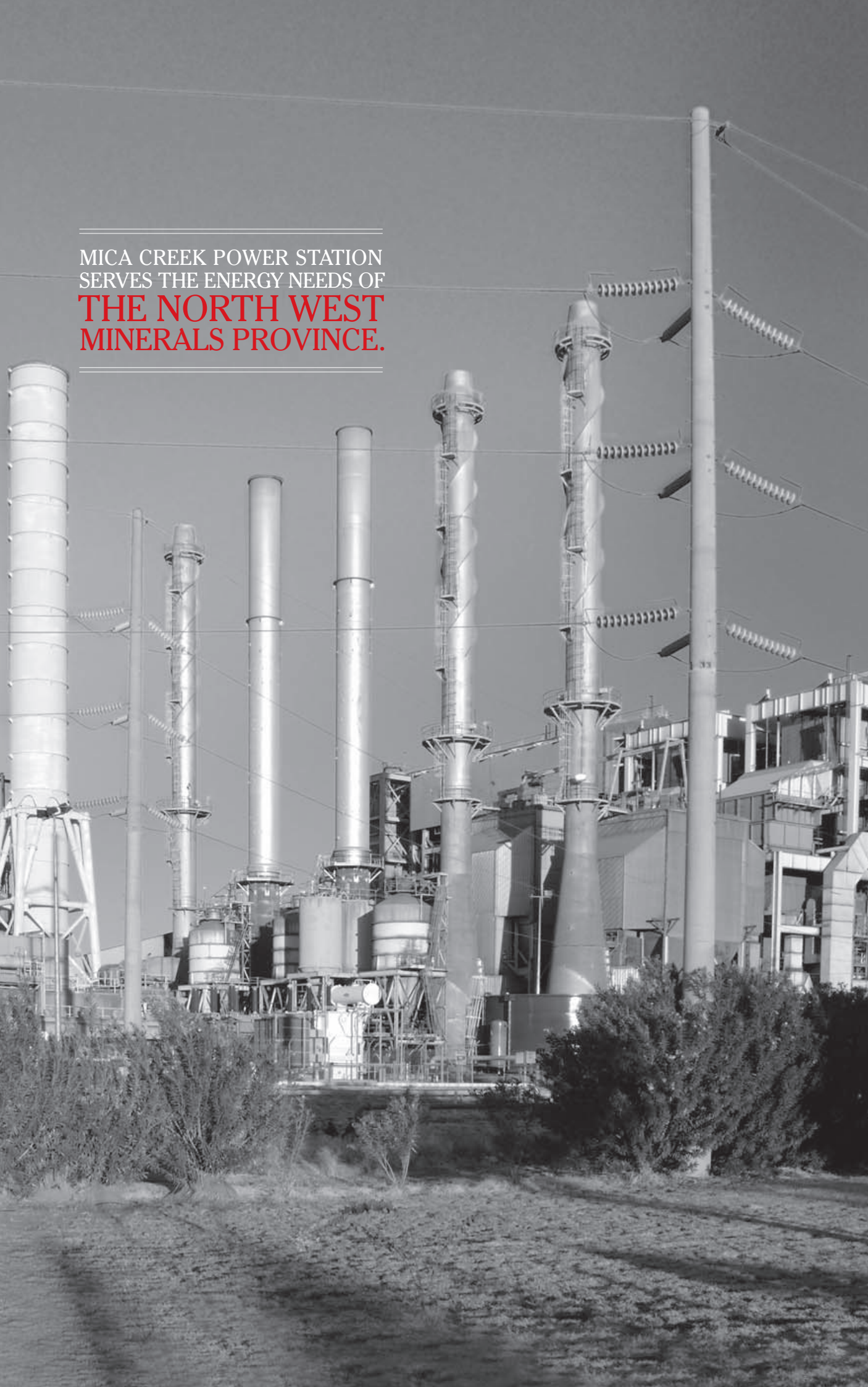
Under the terms of the JDA, CS Energy will oversee the redesign and repowering study and operate the upgraded power station. It is planned to expand Mica Creek by up to 100 MW at a projected cost of $150–200 million by 2010. AGL will procure and transport the additional long-term supply of gas for the power station, which will be sourced as part of AGL's wholesale gas activities.

RESOURCES

CS Energy sources conventional and coal seam gas and has long-term agreements in place with a number of suppliers. Swanbank E took delivery of first gas from Tipperary Oil and Gas in November 2005, from Arrow Energy's Kogan North coal seam gas project in January 2006 and Queensland Gas Company's Berwyndale South gas field in April 2006. CS Energy has also supported the PNG Gas Project since its inception, signing a Conditional Terms Sheet with PNG Gas Marketing Group in 2004 and continuing negotiations on a formal gas supply agreement throughout 2005/2006.

Coal is sourced from a number of suppliers for use at Swanbank B and Callide power stations. In 2005/2006, CS Energy, Callide Power Management and Anglo Coal continued a value management study to enhance the combined operation of the mine and Callide Power Station, following some instances of coal clinkering.

In 2006/2007 the New Business team will advance the proposed redevelopment and expansion at Mica Creek and continue to seek other new business opportunities.


MICA CREEK POWER STATION
SERVES THE ENERGY NEEDS OF
THE NORTH WEST
MINERALS PROVINCE.

ORGANISATIONAL DEVELOPMENT

4

PROGRESS AND LOOKING FORWARD

2005/2006

- Introduced 'Safe Move' awareness campaign to improve safety performance.
- Expanded graduate development program and introduced tailored training and professional development opportunities.

2006/2007

- Implement human resources program for Kogan Creek Power Station.
- Roll out high visibility and flame retardant clothing for all operational sites.

SAFETY

In 2005/2006, CS Energy celebrated significant safety milestones, while also responding to the challenges presented by a diverse portfolio of power stations, a major construction project at Kogan Creek and a complex demolition of the old Swanbank A power station. The company also implemented a new safety awareness campaign across all sites.

The achievement of three years without a lost time injury (LTI) at Mica Creek Power Station in January 2006 set an extraordinary standard for health and safety at CS Energy and across the power industry. By 30 June 2006, Mica Creek was nearing almost three and a half years without an LTI. Replicating Mica Creek's excellent safety record at CS Energy's other sites is now a priority for the company.

Overall, there were 16 LTIs across all CS Energy sites in 2005/2006 and the corresponding Lost Time Injury Frequency Rate was 5.1. These figures include CS Energy employees and contractors. Nine of the LTIs occurred at the Siemens-Hitachi controlled Kogan Creek Power Project, which is the largest construction site in Queensland and had a peak workforce of 900 people. CS Energy worked with Siemens-Hitachi throughout 2005/2006 on measures to improve site safety.

CS Energy introduced the 'Safe Move' awareness campaign at all sites in early 2006 to emphasise the importance of risk management for any work and improve safety performance. The campaign proved to be a simple and effective way to minimise risks and incorporated CS Energy's established Job Safety Environment Analysis and Permit to Work systems.

CS Energy implemented a quarterly Safety Leadership Survey to report on the safety performance of its leaders and identify areas for improvement. Survey results to date indicate a 15 per cent improvement in staff perceptions of the safety focus of their manager. The survey highlights that leaders set the example for safety in the workplace and complements CS Energy's Leadership Principles framework outlined on page 25 of this report.

CS Energy trialled high visibility and flame retardant clothing at its power stations to test its wearability and suitability for site conditions. Improvements were made to the clothing samples in response to staff feedback and a final option will be rolled out to all sites in 2006/2007. CS Energy also led an agreement with other Queensland generators to establish an industry standard for flame retardant clothing for electrical work at power stations.

CS Energy benchmarked its crisis and emergency response plans against industry best practice, conducted staff training and crisis simulations, and improved reporting and documentation procedures. Emergency Response Teams at Callide and Swanbank power stations also underwent additional training to maintain their specialised skills.

One of the more unusual sponsorships CS Energy provided this year enabled the Rural Doctors Association of Queensland to run a crisis simulation as part of their annual conference at Chinchilla. As the conference was located near Kogan Creek Power Project, CS Energy saw an opportunity to provide local emergency services with an opportunity to test their skills in partnership with doctors from around Queensland.

Other safety focussed activities in 2005/2006 included:

- Working with other generators to provide consistent standards across industry for high risk work such as working in confined spaces and working at heights;
- Providing a $100,000 grant to each site health and safety committee to implement staff health and safety suggestions;
- Introducing a defensive driving course for staff who regularly drive to Kogan Creek Power Project and other sites;
- Implementing gas safety management plans at each site in response to new legislation.

In 2006/2007, CS Energy will:

- Expand the Safe Move program to promote key risk areas;
- Introduce a Chairman's Rewards Program to recognise significant safety innovations and milestones;
- Rollout high visibility and flame retardant clothing to all power stations;
- Complete a pandemic plan to increase CS Energy's emergency preparedness; and
- Introduce an 'Over 50s Club' offering free health assessments to all employees aged over 50.

Image (left)
Kogan Production Control Officer Alan Howieson (right) tests his operator training with Swanbank Senior Operator Michael Grice.

OUR PEOPLE

CS Energy employs over 500 staff at four sites across Queensland – Swanbank, Callide and Mica Creek power stations and Brisbane corporate office. By 30 June 2006, a further 30 operational team members were training and preparing for the commissioning of Kogan Creek Power Station in late 2006.

CS Energy continued rolling out its leadership framework introduced in the previous year, with a focus on establishing the right structure and working arrangements to underpin organisational effectiveness. By June 2006, most employees had participated in workshops about the leadership framework and its application to CS Energy's structure, job roles and everyday working relationships. A Frontline Management training program for supervisors was also being prepared at year-end to provide additional skills development opportunities for leaders.

To support the leadership framework, CS Energy reviewed and redesigned a number of its people systems. One example was the introduction of new Role Purpose Statements to better define roles, set clear expectations and define the measures of employee effectiveness. An improved performance review system was implemented, with Role Purpose Statements serving as the guiding document for measuring and improving performance. CS Energy also worked to ensure its electronic human resource information systems were geared to support these new processes and provide employees and supervisors with ready access to information.

ORGANISATIONAL DEVELOPMENT

In January 2006, CS Energy conducted a major recruitment drive for 37 operational staff for the Kogan Creek Power Station near Chinchilla. The high number and calibre of applications from Queensland, interstate and overseas was encouraging given the tight labour market conditions. A range of induction, employee relations, training and relocation processes were developed to support the new staff and ensure a successful start to the power station.

In response to the ongoing skills shortage in the power and resources industries, CS Energy stepped up efforts to attract and retain quality staff. These efforts included revamping careers promotional material, an increased presence at careers fairs and expanding the graduate development program to include three new professions. Adding to these efforts was ongoing sponsorship of the Queensland Electricity Transmission and Distribution Bursary and collaborative work with other generators and universities to investigate post-graduate engineering professional development options. CS Energy also continued to provide apprentice and trainee opportunities at all of its power stations, and a joint community based apprenticeship scheme with Downs Group Training in readiness for when Kogan Creek is operational.

Communicating to staff based in four locations presents its own set of challenges. A staff newsletter, quarterly presentations and regular updates by the Chief Executive all keep staff informed of key news, the company's performance and future direction. CS Energy also initiated a communications review during the year to evaluate communication in the Company and identify areas for improvement. A market research firm conducted qualitative and quantitative research in early 2006 and the findings indicated satisfaction with current communication tools and processes, but also found several communication issues that are common to large, geographically dispersed organisations. Implementing key recommendations from this audit is a priority for 2006/2007.

With the assistance of its employees, unions and industry stakeholders, CS Energy successfully negotiated new Enterprise Bargaining Agreements for Swanbank and Mica Creek power stations.

During 2006/2007, CS Energy will update its five-year Equal Employment Opportunity Management Plan, train new staff in the leadership program and rollout its human resources framework for the Kogan Creek Power Station.

COMMUNITY

CS Energy strives to be an active participant in the four communities that host its operations – Ipswich, Biloela, Mount Isa and Chinchilla. More than 85 per cent of the Company's staff live and work in these towns, contributing to local economic and social life. CS Energy's sponsorship strategy is to support projects that make a lasting contribution to these communities and address lifestyle issues in regional Queensland.

A particular focus area is providing skills and personal development opportunities for local youth. One of the most successful results of this approach is the long-running *Moving Opera!* partnership between CS Energy and Opera Queensland. *Moving Opera!* is a five-day workshop that gives secondary students the chance to develop their performance and vocal skills under the tutelage of Opera Queensland artists. At the end of the week the students stage a free community concert to display what they've learned. For some students the program is the first step in a musical career, but for most it is a once in a lifetime opportunity that boosts their self-esteem and confidence.

Moving Opera! returned to Mount Isa and Ipswich in early 2006 after initial workshops in these communities several years ago. The success of the earlier workshops had increased awareness of the program and resulted in several repeat participants. CS Energy and Opera Queensland also commissioned an eight-minute DVD during the year to highlight to staff and potential sponsors the metamorphosis students undergo in *Moving Opera!*

Other sponsorships that provided opportunities for youth included the Boonah Arts Festival and Ipswich Kids Kingdom, where CS Energy funded performances of CSIRO's educational 'Electricity and Magnetism' show. The Company also supported the national endurance horse-riding event, the Tom Quilty Gold Cup, which returned to Boonah for the second time in six years and is popular with riders across a range of ages and skill levels.

ORGANISATIONAL DEVELOPMENT

CS Energy continued to support the economic development of the communities in which it operates. All power station managers participated in local business development bodies such as the Ipswich Business Network, the Mount Isa Chamber of Commerce and Enterprise Biloela. Mica Creek Power Station also sponsored the Mount Isa Business Awards in October 2005, which were designed to foster business confidence in the remote northwest and reward excellence.

Like many Queensland companies, several CS Energy staff members have a family member or friend who has been affected by cancer. This year a combined effort across sites saw the Company reach a fundraising high for the Leukaemia Foundation's World's Greatest Shave for a Cure. Over 30 staff participated in the event and raised over $3,600.

Image (left)
Ipswich students staged a memorable performance as part of CS Energy and Opera Queensland's *Moving Opera!* program.

Community reference groups at Ipswich and Chinchilla continued CS Energy's tradition of open dialogue with its neighbours. These groups have an independent chair and local members elected by the public. They meet regularly to share information and address any concerns relating to Swanbank Power Station or the Kogan Creek Power Project.

In November 2005, Callide Power Station held the first of a series of public information sessions to brief the Biloela community about its operations, while in Mount Isa, planning is underway for a community newsletter about Mica Creek Power Station.

In other community activities, CS Energy partnered with Chinchilla Shire Council to fund the second round of its Chinchilla Community Benefits Trust program, which aims to support charitable projects of benefit to the region. Twelve sporting, education and agricultural community groups shared more than $122,000 in funding announced in November 2005. The main criterion is that the successful projects benefit a wide cross-section of the community.

School, university and TAFE groups toured CS Energy's power stations during the year and the Company's staff gave presentations at schools and local careers days. The largest tour group numbers came from CS Energy's partnership with Keep Australia Beautiful Queensland (KABQ) and Thiess Services at Swanbank. In 2005/2006, 449 primary and secondary school students completed KABQ's environmental education program at Swanbank Power Station.

In 2006/2007, CS Energy will work with local communities on priority initiatives such as the oxy-firing clean coal project and the commissioning of the Kogan Creek Power Station. The Company will also continue to seek new ways to make meaningful contributions to the communities in which it operates.

CORPORATE GOVERNANCE

5

PROGRESS AND LOOKING FORWARD

2005/2006

- Completed Board Evaluation Review facilitated by independent corporate governance specialist.
- Conducted risk assessment workshops to identify and manage risks across the organisation.

2006/2007

- Implement recomendations of Board Evaluation Review.
- Establish a self-insurance company to manage the risks of the insurance market.

CS ENERGY WAS ESTABLISHED IN 1997 under the *Government Owned Corporations Act 1993* (GOC Act) and is incorporated as a public company, subject to Corporations Law. Five State Government Ministers hold CS Energy shares, and two of these Ministers are voting shareholders who represent the interests of the people of Queensland. At 30 June 2006, CS Energy's shareholding Ministers were the Deputy Premier, Treasurer and Minister for State Development, Trade and Innovation Anna Bligh MP and the Minister for Energy and Aboriginal and Torres Strait Islander Policy John Mickel MP. From 13 September 2006, the voting shareholders were the Deputy Premier, Treasurer and Minister for Infrastructure Anna Bligh MP and the Minister for Mines and Energy Geoff Wilson MP.

CS Energy has a corporate governance framework to ensure it maintains the highest standards of ethics, efficiency and commercial performance. Central to this framework is a *Corporate Governance Charter* that reflects the objectives of good corporate governance in the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. Responsibility for ensuring the company practises good corporate governance rests with its Board.

THE BOARD

The CS Energy Board consists of seven, independent, non-executive directors appointed by the Governor in Council. The Board is responsible for setting CS Energy's strategic direction, reviewing and approving plans by senior management, monitoring corporate performance, managing risk, upholding the Company's Code of Conduct and meeting other statutory and regulatory requirements.

CS Energy provides an induction manual to all new Board members to ensure they understand their responsibilities and arranges site visits, staff briefings and training to ensure Directors maintain the knowledge and skills needed to fulfil their roles.

For biographies of CS Energy's current Directors, please refer to pages 32–33 of this report. There were two new Directors appointed on 1 July 2005. They were Ms Sarah Israel and Mr Mark Bucknall.

All CS Energy Directors are independent. The test of independence applied by the Company is that an actual conflict of interest exists when a reasonable person, in possession of relevant facts, would conclude that the individual's private interests are likely to influence the CS Energy decision-making process. CS Energy regards this as its Materiality Threshold.

BOARD COMMITTEES

The Board conducts monthly meetings, and additional meetings as required, to oversee CS Energy's operations. Directors also participate in briefing sessions on topical issues such as environmental performance, plant management strategies and market trading activities. This combination of regular and structured communication enables the Board to address strategic issues critical to the long-term success of the Company.

There are four Board sub-committees that provide a forum for Directors and the executive management team to discuss more complex business issues.

The **Audit Committee** oversees CS Energy's financial reporting practices, accounting policies, auditing and external reporting. During 2005/2006, the committee's members were Julie Leaver (Chair), Stephen Lonie and Sarah Israel.

As risk management is a core responsibility of CS Energy's Board, the Company has a dedicated **Board Risk Management Committee** in place. The committee oversees the Company's risk management system and ensures compliance with its policies, procedures and legal obligations. The Risk Management Committee meets quarterly, comprises all Directors and is chaired by Timothy Crommelin. CS Energy's risk management system is outlined in more detail under the 'Managing Risk' heading in this section.

CS Energy's **Staff and Remuneration Committee** advises on remuneration policies and practices. In particular, 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 CS Energy's employees are fairly remunerated for their work and that the Company acts in the best interests of shareholders on remuneration matters. Each year, the committee reviews executive remuneration against agreed performance measures.

The Staff and Remuneration Committee held four meetings in 2005/2006 and its members were Tony White (Chair), Stephen Lonie and Mark Bucknall.

As a company with an ongoing and significant capital development program, the Board's **Major Capital and Technical Committee** plays an important role in tracking the progress and overseeing the risk management of major projects. The committee meets monthly to review progress on major projects and provide technical and commercial advice. In 2005/2006 the Major Capital and Technical Committee consisted of Stephen Lonie (Chair), Bob Henricks and Tony White.

PERFORMANCE

It is the role of the Board to monitor CS Energy's corporate performance. The performance of the Board is also periodically evaluated at a formal workshop facilitated by independent corporate governance specialists.

CS Energy has a performance review system to evaluate employees' performance every six months.

BOARD MEETING AND BOARD COMMITTEE MEETING ATTENDANCES FOR 2005/2006

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

Name	Board	Board Risk	Audit	Major Capital	Staff and Remuneration
	11 Meetings	3 Meetings	4 Meetings	11 Meetings	4 Meetings
Stephen Lonie	11	3	4	11	4
Tim Crommelin	10	3	n/a	n/a	n/a
Julie Leaver	10	3	4	n/a	n/a
Bob Henricks	9	3	n/a	9	n/a
Tony White	11	3	n/a	10	4
Sarah Israel	9	1	4	n/a	n/a
Mark Bucknall	8	2	n/a	n/a	4

CORPORATE GOVERNANCE

Image (right) Brisbane staff (from left) Chris Wayne, Ron Roduner, Frank Welch, Damon Clarke and Phillippa Mowle test their crisis readiness during a mock exercise.

REPORTING

CS Energy's Board reports to its shareholding Ministers about the operations, performance and financial position of the Company. CS Energy produces four key reporting documents:

- A *Corporate Plan* that outlines strategies and objectives for the next five years and their performance indicators. The plan also provides an industry and economic outlook and the potential impact on CS Energy.
- A *Statement of Corporate Intent* (SCI) outlining CS Energy's goals and objectives for the next financial year. A summary of the 2005/2006 SCI is on page 36 of this report.
- *Quarterly Reports* of the Company's progress meeting the performance targets and measures in the SCI.
- An *Annual Report* for each financial year that meets statutory requirements for government-owned corporations and the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

Audit is an essential component of CS Energy's reporting activities. The Internal Audit function is an independent service that reports to the Board and management. Internal Audit reviews CS Energy's activities, information and records to ensure that:

- Financial and operational information is reliable;
- Compliance with laws, regulations, policies and procedures occurs; and
- Appropriate procedures are in place to safeguard assets and revenue, and ensure effective use of resources.

CS Energy's external auditor is the Auditor General of Queensland.

MANAGING RISK

CS Energy's Board has ultimate responsibility for managing all potential risks for the Company. CS Energy's risk management framework ensures all potential financial, operational and other risks are identified, assessed, monitored and reported to the Board.

The Board Risk Committee is comprised of all Board Members and oversees CS Energy's risk management framework. The Board's responsibilities in this area are facilitated by the work of the two management committees that report to the Board Risk Committee:

- the **Risk Coordination Committee,** which meets on a quarterly basis to coordinate responses to market and operational risks as they arise.
- the **Market Risk Management Committee,** which monitors market risk on a monthly basis and recommends systems and controls to manage those risks.

CS Energy's *Risk Management Policy* guides the Board and staff on the Company's risk management approach. Staff are required to conduct all business activities in a manner that complies with the law and within Board-approved limits of authority.

CODES OF CONDUCT

CS Energy conducts all business activities with integrity, honesty and complies with relevant laws and standards. The Company has adopted the *Directors Code of Conduct* from the Articles of Association of the Australian Institute of Company Directors. Staff members abide by the *CS Energy Code of Conduct.*

DIRECTORS' 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. Details of remuneration paid to Directors during the year appear in Note 31 to the Financial Statements.

INTERNAL AND EXTERNAL ADVICE PROTOCOLS

Directors can seek independent professional advice on matters before the Board after receiving approval from the Chair. Directors can also seek professional information from CS Energy employees.

DIRECTIONS AND NOTIFICATIONS

CS Energy received no directions from its shareholding Ministers during the year.

INCREASED CRISIS TRAINING

STRENGTHENED CS ENERGY'S RISK MANAGEMENT SYSTEM.

DIRECTORS' PROFILES

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

Chairman Appointed 1 July 1999, reappointed 1 July 2006, term expires 30 September 2009.

Stephen Lonie is an independent management consultant and company director, following over 30 years experience with the major accounting and consultancy firm KPMG. He is currently Managing Director of Village Life Ltd, and a non-executive director of Charter Pacific Limited and Voxson Limited. Mr Lonie chairs CS Energy's Major Capital and Technical Committee and is a member of the CS Energy Audit Committee and Staff and Remuneration Committee.

Image (right)
Stephen Lonie, Chairman.

TIMOTHY CROMMELIN B Com, F Fin, FAICD

Deputy Chairman Appointed 1 July 1997, reappointed 1 July 2005, term expires 30 June 2008.

Tim Crommelin is Chairman of ABN Amro Morgans Limited, a Member Corporation of the Australian Stock Exchange. Mr Crommelin brings more than 35 years experience in investment, marketing, stockbroking and capital raising to the Board. He holds a commerce degree from the University of Queensland. His directorships include Australian National University Superannuation Investment Fund, Australian Cancer Research Foundation, Brisbane Grammar School, Abney Hotels Limited and the Queensland Museum Foundation. Mr Crommelin is a member of the Senate, University of Queensland and chairs CS Energy's Risk Management Committee.

MARK BUCKNALL BA, LLB

Director Appointed 1 July 2005, term expires 30 June 2008.

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

BOB HENRICKS Queensland Certificate of Competency as Electrical Mechanic (Electrician)

Director Appointed 1 July 1999, reappointed 1 July 2006, term expires 30 September 2009.

Bob Henricks brings more than 40 years of experience to the CS Energy Board. Mr Henricks has served on the board of AUSTA Electric and chairs the Electricity Supply Industry Superannuation Fund and two other superannuation funds. He is also chair of Meanderham Pty Ltd, Electro Group Training Qld Ltd and Electro Group Apprentices Qld Pty Ltd. Mr Henricks is a director of Qld Private Capital Group Pty Ltd. He chairs the Queensland Electrotechnology Industry Training Council, is past State Secretary and National President of the Electrical Trades Union and is a member of the (Australian Government) Central Trades Committee. Mr Henricks, who took his apprenticeship at 15, is still a licensed electrician. He is a member of CS Energy's Major Capital and Technical Committee.

DIRECTORS' PROFILES

Image (left)
Timothy Crommelin, Deputy Chairman.

Image (centre)
Mark Bucknall, Director.

Image (right)
Bob Henricks, Director.

Image (left)
Sarah Israel, Director.

Image (centre)
Julie Leaver, Director.

Image (right)
Tony White, Director.

SARAH ISRAEL B Bus, FCPA, FAICD

Director Appointed 1 July 2005, term expires 30 June 2008.

Sarah Israel has extensive experience in project finance, investment banking and regional development and currently has consulting roles in finance projects in Australia and internationally. Her experience also includes time in the mining and minerals processing and oil and gas industries. Ms Israel is a director of Queensland Sugar Limited (QSL), Export Finance and Insurance Corporation (EFIC), Skytrans Airlines, Australian Biodiesel Group and ESI Superannuation. She is Chair of the Audit Committees of QSL, EFIC and Australian Biodiesel, and sits as a member of the Audit Committee of Queensland Transport. She was previously a director of the Queensland Electricity Transmission Corporation (Powerlink). Ms Israel is a member of CS Energy's Audit Committee.

JULIE LEAVER B Com, FCPA, MAICD

Director Appointed 2 December 1999, reappointed 1 July 2006, term expires 30 September 2009.

Julie Leaver has held senior financial roles in the telecommunications and mining industries with companies listed on the Australian and New York stock exchanges. During her 10 years with Telstra Corporation, Ms Leaver was responsible for preparing the Group's financial statements, annual reports and US prospectus. She was the Telstra Group coordinator of the US prospectus for T2, the second tranche of the sale of the Federal Government's interest in its ownership of Telstra. Ms Leaver's experience also extends to 15 years with the former MIM Group, membership of the Australian Accounting Standards Board and project management and corporate governance roles. Ms Leaver chairs CS Energy's Audit Committee.

TONY WHITE Dip Mech Eng, FIE Aust, Aus IMM, FAIM

Director Appointed 18 July 1997, reappointed 1 July 2005, term expires 30 June 2008.

Tony White is a technical consultant for Itochu Australia Ltd and a director of Community and Corporate Financial Services Pty Ltd and the Queensland Coal and Oil Shale Superannuation Fund. He is also Chairman of Copperform Holdings Pty Ltd and was Chairman of CS Energy subsidiary Sigma Process Solutions until its acquisition by Alstom Power Australia in March 2003. Mr White has extensive experience in the resources sector, having previously been Executive General Manager, Coal, Copper and Metals Processing with Mount Isa Mines Ltd, where he was able to combine his engineering experience with business development and financial management. Mr White chairs CS Energy's Staff and Remuneration Committee and is a member of the Major Capital and Technical Committee.

SENIOR MANAGEMENT TEAM PROFILES

MARK CHATFIELD B App Sc, BE, Grad Dip Bus, MIE (Aust)

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

TONY ANDERSEN BE, MIE (Aust)

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

RICHARD BOYS BCom, MBA, FCIS

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

RON RODUNER BE (Hons), MIE (Aust), MBA, FAICD

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

SENIOR MANAGEMENT TEAM PROFILES

Image (left)
Turbine blades were individually cleaned and checked for wear and tear during the Swanbank E overhaul.

CHRIS TURNBULL B Bus MAICD

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

MALCOLM KEAG BE (Chem) (Resigned 3 August 2006)

General Manager Organisational Development Mr Keag has worked in a wide range of roles in the minerals processing, mining and human resources areas for more than 18 years in corporate and consulting environments. Previous companies include Nabalco, Comalco, Pacific Coal, Coal and Allied, Energy Resources of Australia, World Competitive Practices and The Empower Group. As General Manager Organisational Development, he is accountable for human resources, occupational health and safety, marketing and communication, and industrial relations.

PAUL HYSLOP MBA, BE (Hons), BA, Grad Dip (Applied Finance)

General Manager New Business Mr Hyslop has gained a diverse breadth of experience in the power industry over the last 16 years through working in system operation, marketing and trading, and business development at companies such as Hydro Tasmania, Snowy Hydro and Edison Mission Energy. Most recently, he worked for economics firm ACIL Tasman in Melbourne where he consulted to the electricity and gas industries. A qualified electrical engineer, Mr Hyslop also holds an Arts Degree, a Masters of Business Administration and a Graduate Diploma in Applied Finance. He is currently studying a Graduate Diploma in Economics.

STATEMENT OF CORPORATE INTENT

UNDER THE *GOVERNMENT OWNED CORPORATIONS ACT (GOC Act) 1993,* 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 voting shareholding Ministers and complements the Company's five-year Corporate Plan.

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

In summary, the 2005/2006 SCI outlines the following key business objectives:

- Increase the Company's portfolio of generating assets – both by expanding existing operations and identifying suitable new sites.
- Continue to diversify fuel sources
- Increase the efficiency of the existing portfolio of assets and meet reliability, safety and environmental goals.