

statement of corporate intent

2007/2008

For Parliamentary tabling

Prepared by
the Directors and Management
of CS Energy Ltd (ABN 54 078 848 745)
for shareholding Ministers:

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and

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30 April 2007

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Part One: Corporate objectives and strategies

1.1 Core business

CS Energy Ltd's (CS Energy) core business is to generate and sell electricity, including participation in electricity trading arrangements in the National Electricity Market (NEM) under the *Electricity Act 1994*. Pursuant to this Act, the Queensland Government has granted CS Energy an authority to connect Callide, Swanbank and Kogan Creek A generating plants to the Queensland electricity transmission grid. CS Energy holds an Australian Financial Services Licence, which enables it to manage revenue fluctuations, associated with the electricity pool, through contract arrangements in the derivative market. The Company holds an electricity retailing licence and enters into power purchase agreements with large, industrial customers in Queensland.

Mica Creek Power Station is not connected to the NEM transmission grid and sells power under power purchase agreements to customers in the north-west Minerals Province.

1.2 The electricity industry in the future

The provision of a reliable and adequate supply of electricity is essential in modern society. The NEM is designed to provide a (high) price signal to encourage the entry of additional generation, to ensure an adequate margin of generation capacity over forecast demand. Unfortunately, the typical term of forward contracts is less than three years, which is significantly less than the time it takes to construct green field base load generation.

Therefore, potential generators are required to perform significant pre-work to position new generation projects in an environment of great uncertainty. Adding to the uncertainty facing generators in the NEM is the issue of placing a cost on the emission of carbon, and the impact, if any, on the financial performance of existing and new generation.

Furthermore, structural changes in the market, especially vertical integration by retailers, are creating uncertainty for new generation projects. In recent times, water availability has adversely impacted generation availability, and, consequently, electricity prices in the pool and in forward contracts have escalated sharply.

The consequence of this situation is that new coal fired generation projects for the NEM are few, and gas-fired projects, with their shorter lead times, lower capital costs and superior carbon emissions, are emerging as the preferred projects for the future.

However, CS Energy holds the view that current gas reserves are insufficient to support a position in which all future generation growth is fuelled by gas. Furthermore, CS Energy's experience as the owner of Swanbank E shows that the project has, until the advent of the 13% GEC scheme, been marginal and that the technical risks associated with large gas turbines are significant.

Therefore, subject to receipt of Government approval, CS Energy proposes in this SCI to continue with three development strands into the future, which are to continue to:

1. Develop large air cooled coal fired projects, using CS Energy owned coal, and using steam conditions in the process that maximise the efficiency of the generation without exposing CS Energy to unacceptable metallurgical risks in the turbine and boiler. In effect, this development strand is Kogan Creek B.
2. Develop large gas fired plant to ensure that the generation portfolio is not totally dependant on coal and the potential adverse impact of a cost on the emission of carbon is minimised through the use of gas. In effect, this development strand is Swanbank F.
3. Develop the Callide A oxy-fired project to demonstrate the ability to retrofit this technology to the existing coal fired generating fleet in Australia.

In these capital intensive projects, CS Energy will first ascertain the potential cost of the project through the normal tendering process. CS Energy is mindful of the competing demands for capital facing Government, and it proposes that these projects could be developed in partnership with other capital providers. This approach also spreads primary development, market and technical risk away from CS Energy. CS Energy proposes to engage with Government on the ideal arrangements for partnering with others. CS Energy's clear preference is to partner at the total portfolio level rather than at the individual project level, thus minimising the overheads and internal divisions that are inherent with multiple partners.

1.3 Corporate objectives and initiatives

CS Energy's ambition is to be:

- Geographically diversified;
- Multi-fuel;
- Emission efficient; and
- Low cost.

Consistent with this long-term, strategic goal, CS Energy's corporate objectives for 2007/2008 are as follows:

1. Increase portfolio generation:
 - 750 megawatt (MW) Kogan Creek A Station achieves commercial load by October 2007.
2. Issue Kogan Creek B Notice to Proceed by June 2008:
 - Development approval received by December 2007.
3. Issue Swanbank F Notice to Proceed by June 2008:
 - Tender invitations issued by September 2007; and
 - Development approval received by March 2008.
4. Complete the exploratory drilling program for the Metgasco coal seam methane joint venture:
 - Assess Core Drilling Program results and determine whether to proceed to Pilot Well Drilling Stage by July 2007; and
 - Complete Pilot Well Drilling program by June 2008, involving drilling up to six pilot wells.
5. Progress the Callide A Oxyfuel project:
 - Sign Joint Venture agreement and finalise LETDF funding by June 2007; and
 - Project under construction by June 2008.
6. Resolve the Mica Creek Power Station renewal strategy by September 2007:
 - Execute a joint venture agreement OR embark on a partial upgrade without a joint venture partner.

These objectives reflect the strategies outlined in Section 1.4 of this document (p4) and are subject to shareholding Minister approval and the Queensland Government's energy policy.

1.4 Operational objectives and initiatives

CS Energy's key operational objectives for 2007/2008 are as follows.

1. Lost time injury rate of 0:
 - Introduce an alcohol and drug management program for all sites;
 - Introduce a fatigue management program for all sites;
 - Implement safety awards to focus on improvements and innovations in safety; and
 - Upgrade CS Energy's Safety Management systems to Australian standard, although formal certification will not be sought.
2. Reportable environmental incident rate of 0:
 - Maintain CS Energy's ISO 14001 certification at all sites; and
 - Introduce a Company-wide World Environment Day competition, rewarding initiatives to reduce the environmental impact of CS Energy's operations.
3. Portfolio reliability target of 94 percent:
 - Commence the Callide B mid-life refit;
 - Complete the Callide C O&M agreement with InterGen;
 - Embed the Portfolio Services model for maintenance and asset management; and
 - Apply CS Energy's leadership principles work to ensure efficiently directed activity on maintenance.
4. Improve preventative maintenance performance:
 - Complete at least 80% of maintenance routines.

1.5 Corporate strategies

Consistent with its 2007/2008 to 2011/2012 Corporate Plan, CS Energy's key strategies for achieving its 2007/2008 objectives are to:

- **Improve existing asset performance**

Work will commence on the Callide B Station mid-life refit during 2007/2008. This five-year, approximately \$167 million project will extend the plant's capability to the end of its engineered life of 35 years.

Subject to Government approval, CS Energy will also commence work on the Mica Creek Power Station Renewal Project, with the initial stage entailing the replacement of A Station units 1-4, originally commissioned in the early 1960s. The current program aims to issue an Invitation to Tender for new gas turbine plant by early July 2007. Notice to Proceed on the Project will be subject to availability of power generation equipment and the renewal of long-term gas supply and power purchase agreements.

A major focus for CS Energy during 2007/2008 is the further development of its portfolio approach to corporate services and support. Following the successful implementation of its Portfolio Services engineering strategy, CS Energy has determined that similar efficiency gains can be made in areas such as IT, Finance and HR services. A project to transition from site-based to corporate-wide support in these areas will commence during 2007/2008.

CS Energy will also continue to work with the Callide C EPC contractor and coal supplier to resolve outstanding technical issues with the boiler performance, and with joint venture partners InterGen and China Huaneung, to ensure a smooth transition to a new management structure agreed during 2006/2007.

- **Secure control of key inputs of fuel and water**

CS Energy will continue to pursue control of fuel supply and pricing, in particular, through proactive involvement with gas developers, but also in respect of attractive coal resources such as Glen Wilga.

CS Energy has, for some time, been engaged in a strategy of securing future economic gas supplies through investment in junior gas developers and diversification of suppliers. This strategy will continue through 2007/2008, with the completion of the exploration program at the Stratheden joint venture development with Metgasco. At completion of this program, CS Energy has the option to invest further in the development, in return for gas supplied to Swanbank Power Station for the potential Swanbank F development.

In addition, CS Energy continues to investigate new developments and alternative suppliers to stimulate competition in the gas industry, as well as exploring alternative supply arrangements that may facilitate gas swaps and trades.

With water supply to Swanbank Power Station restricted, generation levels at the plant will also be affected.

CS Energy is also exploring a range of strategies to secure water supplies at its other sites, including investigation of the feasibility of coal seam gas water, water trading, modifications to current storage and the retro-fitting of hybrid cooling to other existing plant.

Decisions for future plant will include a water plan, addressing the available water supplies, reliability, risks and plant selection issues.

Grow and diversify the company's generation portfolio

Any new developments at CS Energy are contingent upon securing competitive plant supply, fuel and water contracts and Shareholding Ministers' approval. While taking regard of these conditions, CS Energy will continue to foster a growth related outlook, investing in further development work on a Kogan Creek B unit, and Swanbank F, a major combined cycle peaking plant.

Commercial funding partnerships are seen as central to CS Energy's growth strategy and, during 2007/2008, the Company intends to develop a framework for such funding partnerships. CS Energy's strategy must include a mechanism for dealing with emerging dominant private sector retailers in Queensland and the Company intends to pursue linkages and alliances rather than compete directly for retail business.

It is likely that the energy industry will be required to respond to the introduction of a carbon emissions trading scheme sometime in the future. Since 1997, CS Energy has reduced its reliance on coal fired generation from 100% to around 70% and, with the commissioning of Kogan Creek A, will have reduced its portfolio carbon intensity by 20%. CS Energy will continue to manage this risk by developing a low emission portfolio, implementing carbon capture ready technology for new coal fired plant and further investing in gas-fired technology.

During 2007/2008, CS Energy intends to commence construction of the Callide Oxyfuel Project under an integrated joint venture agreement with the Australian Coal Association, IHI, Jpower, Jcoal and Schlumberger. The project includes the retro-fitting of oxyfiring technology to one of the mothballed 30MW Callide A units and testing the feasibility of disposing of the resultant carbon dioxide stream through geosequestration. If successful, the technology could be operational as early as 2020 and the specification for Kogan Creek B Station is being drafted to facilitate the retrofit of Oxyfuel capability following commissioning.

Simultaneously, the Company is stimulating the coal seam methane industry through farm-in investments in junior developers and diversification of its supply contracts, in order to facilitate further gas fired generation developments in Queensland.

1.6 Performance drivers

External factors affecting CS Energy's business during the life of this plan are:

- Drought related water restrictions;
- The implementation of full retail contestability in Queensland in 2007;
- Structural changes to the electricity industry in NSW and Queensland;
- Growing public concern about climate change and greenhouse gas emissions; and
- The emerging trend towards vertical integration in the NEM.

Emerging issues that may affect CS Energy's business include:

- Energy demand growth in NSW and Queensland, requiring major generating plant additions during the next decade; and
- Expected substantial growth in peak demand growth in NSW, Victoria and Queensland over the same period.

1.7 Corporate performance outcomes

In accordance with the Company's corporate objectives, CS Energy undertakes to achieve the following corporate performance outcomes in 2007/2008:

OUR AIMS AND HOW WE PLAN TO SUCCEED	KEY MEASURES	TARGETS 2007/2008
<i>PEOPLE meeting the challenges</i>		
Safe, responsible and Effective Organisation <ul style="list-style-type: none"> ➤ Responsible safety performance ➤ Responsible environmental performance ➤ Effective organisation 	LTIFR REIFR Organisation Assessment (Survey) Time to fill vacancies Effective support services	0 0 Maintain positives and improve key issues 100% within 3 months Service Level Agreements met
<i>PORTFOLIO PERFORMANCE</i>		
Optimise returns and preserve long term value <ul style="list-style-type: none"> ➤ Market driven plant performance ➤ Cost competitiveness ➤ Bidding and contracting above market ➤ Commercially driven plant strategies 	ROPA EBIT On-grid fuel Non-fuel O&M and services Operating revenue On-grid performance Effective Scorecard utilisation	 In place at all sites by June 2008
<i>POSITIONING for the future</i>		
Growth and Regional Diversification	Portfolio Generation QLD developments: On grid – EPC tender, approval and funding Off grid – MCPS plant replacement	1 project by June 2008 NTP A1/A2 by June 2008
Secure Long-term Competitive Resources	Economic gas Economic coal Water - Swanbank	 Callide coal review complete Qld Water Commission contracts approved
Long term environmental strategies	Callide A Oxyfuel Project	Under construction by June 2008

See page 35 for definitions

Part Two: Mandatory matters

2.1 Financial targets

Quarter 2007/2008				Performance targets	2005/06	2006/07	2006/07	2007/08
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
36.0	40.3	72.7	20.6	EBIT (\$M)	101.9	101.3	101.4	169.7
24.3	18.0	40.4	4.5	NPAT (\$M)	56.5	63.4	71.8	87.2
6.0	6.5	11.8	3.3	Return on total assets (%)	5.3	4.3	4.6	6.9
6.0	6.5	11.8	3.3	Return on operating assets (%)	5.3	4.4	4.5	7.0
9.8	7.1	15.4	1.7	Return on equity (%)	6.5	8.1	7.3	8.7

Quarter 2007/2008				Performance indicators	2005/06	2006/07	2006/07	2007/08
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
47.7	48.2	46.2	47.6	Debt/debt + equity (%)	39.3	60.0	47.1	47.6
0.5	0.6	0.8	0.6	Current ratio (times)	0.7	0.6	0.5	0.6
16.8	2.7	4.8	1.5	Interest cover (times)	4.9	9.7	- ¹	3.7

1. Impact of June 2006 \$250M equity injection

2.2 Non-financial performance targets

Quarter 2007/2008					2005/06	2006/07	2006/07	2007/08
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
%	%	%	%	Production	%	%	%	%
				Equivalent availability factor				
68.9	68.9	68.9	68.7	Swanbank B	86.9	94.2	85.7	69.0 ¹
96.4	96.0	99.1	92.8	Swanbank E	84.5	98.7	90.3	96.0
95.1	84.4	95.7	96.2	Callide B	94.9	98.5	93.5	93.0
95.0	95.0	94.3	81.8	Callide C	70.6	92	93.8	92.0
94.0	85.9	83.2	80.9	Kogan Creek	-	-	-	86.0
88.0	93.0	94.0	91.0	Mica Creek	93.0	94.0	91.0	92.0
90.1	85.3	87.7	84.4	CS Energy (excl Mica)	82.4	95.8	99.0	88.0
				Reliability factor				
93.6	93.6	93.6	93.5	Swanbank B	96.1	94.0	96.2	94.0
98.6	98.3	99.1	98.3	Swanbank E	94.4	98.0	96.4	98.5
96.8	97.4	95.7	96.2	Callide B	96.8	98.5	95.1	97.0
95.0	95.0	94.3	96.6	Callide C	79.0	94.0	94.7	95.0
94.0	85.9	83.2	80.9	Kogan Creek	-	-	-	86.0
98.0	98.0	98.0	98.0	Mica Creek	99.0	98.0	99.0	98.0
95.5	93.4	92.1	91.9	CS Energy average (excl Mica)	90.1	96.1	95.4	94.0
				Planned outage factor				
24.7	24.7	24.7	24.7	Swanbank B	9.8	5.7	8.7	25.0 ¹
2.2	2.2	0.0	5.5	Swanbank E	9.4	1.3	1.8	2.0
1.6	13.0	0.0	0.0	Callide B	1.4	0.0	0.0	4.0
0.0	0.0	0.0	14.8	Callide C	7.4	0.0	0.0	4.0
0.0	0.0	0.0	0.0	Kogan Creek	-	-	-	0.0
10.0	5.0	4.0	7.0	Mica Creek	6.0	4.0	8.0	6.0
5.4	8.0	4.4	7.5	CS Energy average (excl Mica)	6.1	1.75	1.5	6.0
				Forced outage factor				
6.4	6.4	6.4	6.5	Swanbank B	3.9	6.0	3.8	6.0
1.4	1.7	0.9	1.7	Swanbank E	3.6	2.0	3.6	1.5
3.2	2.6	4.3	3.8	Callide B	3.2	1.5	4.9	3.0
5.0	5.0	5.7	3.4	Callide C	21.0	6.0	5.4	5.0
6.0	14.1	16.8	19.1	Kogan Creek	-	-	-	14.0
2.0	2.0	2.0	2.0	Mica Creek	1.0	2.0	1.0	2.0
4.5	6.6	7.9	8.1	CS Energy average (excl Mica)	9.9	3.9	4.6	6.0

1. Figure reflects drought related generation constraints

Quarter 2007/2008					2005/06	2006/07	2006/07	2007/08
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
				Environment				
100	100	100	100	Compliance with Environmental Protection Act (%)	100	100	100	100
>4	>4	>4	>4	Compliance with ESAA Code of Environmental Practice (rating) ¹	4.4	>4	4	>4
ALL SITES CERTIFIED	ALL SITES CERTIFIED	ALL SITES CERTIFIED	ALL SITES CERTIFIED	Certification to ISO 14001 (scope)	ALL SITES CERTIFIED	ALL SITES CERTIFIED	ALL SITES CERTIFIED	ALL SITES CERTIFIED
840	840	840	840	Carbon emissions (kg/MWh)	855	855	850	840
7	7	7	6	Renewable energy production (GWh)	33.1	36.3	30	25
				Safety				
2.08	1.0	0.55	0	Lost time injury frequency rate ²	3.94	0	4.06	0
2.20	3.0	4.0	0	Lost time injury duration rate (days)	17.6	0	7.70	0
32	30	28	26	Total case recordable frequency rate ³	44.8	32	48.15	26

1. Rating out of a maximum of 5

2. LTIFR is a rolling, twelve-month figure. Quarterly figures may contain injuries sustained in the previous year.

3. TCRFR is the number of lost time injuries and medical treatment injuries, expressed as a ratio of total hours worked

2.3 Assumptions

This document is based on the following key assumptions.

	05/06 Actual	06/07 Budget	06/07 Est Actual	07/08 Budget
Economic indices				
CPI (average 10 years)	2.5	2.5	2.5	3.0
Wages growth (%)	4.5	4.5	4.5	4.5
Long term interest rate (%)	6.5	6.8	6.5	6.6
Dividend payout ratio (%)	71	78	80	80

Assets:

- Kogan Creek A commercial load October 2007;
- Swanbank B remains economic to operate through to June 2011 (under ongoing review);
- Swanbank E runs 7 days per week;
- Major overhauls at Callide B station and Mica Creek during 2007/2008;
- Three Callide A station units remain mothballed, with conversion of the fourth to Oxyfiring commencing during 2007/2008; and
- Swanbank A station site rehabilitation completed.

2.4 Community service obligations

No Community Service Obligations have been identified for CS Energy for 2006/2007.

2.5 Employment and industrial relations plan

An Employment and Industrial Relations Plan meeting the requirements of Section 171 of the GOC Act has been provided to the shareholding Ministers and is included as Attachment 1 to this Statement of Corporate Intent.

Part Three: Additional matters

3.1 Financial results

3.1.1 Group results

Income Statement

Quarter 2007/2008					2005/06	2006/07	2006/07	2007/08
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
\$000	\$000	\$000	\$000		\$000	\$000	\$000	\$000
				Operating revenue				
155,760	182,140	213,752	159,343	Sales of electricity	505,131	553,930	554,762	710,995
2,336	160	161	161	Other ¹	30,807	29	2,652	2,818
158,096	182,300	213,913	159,504	Total operating revenue	535,938	553,959	557,413	713,813
				Operating expenses				
122,125	141,964	141,207	138,865	Total operating expenses	434,011	452,624	455,976	544,160
35,971	40,337	72,706	20,639	Operating profit/(loss)	101,927	101,335	101,437	169,653
35,971	40,337	72,706	20,639	Earnings before interest and tax	101,927	101,335	101,437	169,653
2,143	14,711	15,038	14,186	Interest expense	20,974	10,415	(421)	46,078 ²
9,479	7,674	17,287	1,923	Income tax expense	24,485	27,482	30,036	36,363
24,349	17,951	40,381	4,531	Profit/(loss) after tax	56,468	63,438	71,821	87,212
(53,986)	(29,637)	(11,686)	28,695	Opening retained profits	(70,512)	(42,317)	(67,584)	(53,986)
0	0	0	0	Adjustments to retained profits ¹	(13,370)	0	0	0
(29,637)	(11,686)	28,695	33,226	Total available for appropriation	(24,414)	21,121	4,237	33,226
0	0	0	69,770	Dividends provided for	40,170	49,773	58,223	69,770
(29,637)	(11,686)	28,695	(36,544)	Closing retained profits	(67,584)	(28,652)	(53,986)	(36,544)

¹ Adjustments on adoption of AASB 132 & AASB 139 and for actuarial gain on defined benefit plan

Balance sheet

Quarter 2007/2008					2005/06	2006/07	2006/07	2007/08
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Current assets				
2,000	2,000	2,032	2,130	Cash	5,848	2,000	2,000	2,130
64,695	60,891	78,462	58,802	Receivables	83,046	57,048	57,806	58,802
40,727	41,372	45,055	55,773	Inventories	33,615	32,899	35,814	55,773
11,271	11,271	11,478	10,948	Other ¹	10,081	7,685	11,271	10,948
118,693	115,533	137,028	127,653	Total current assets	132,590	99,631	106,890	127,653
				Non-current assets				
3,968	4,012	4,057	4,102	Investments	0	1,671	1,736	4,102
17,598	17,598	17,598	14,464	Prepayments	20,702	15,423	17,598	14,464
24,394	24,278	24,159	32,084	Gas exploration, evaluation costs	14,344	6,019	18,770	32,084
				Property, plant & equipment:				
2,164,190	2,216,244	2,208,325	2,198,510	- Commissioned assets	1,151,179	1,160,144	1,110,880	2,198,510
53,564	15,322	22,229	41,020	- Non-commissioned assets ³	718,901	1,095,491	1,044,722	41,020
62,897	62,897	62,897	43,965	Other ⁴	83,176	96,946	62,897	43,965
2,326,611	2,340,351	2,339,265	2,334,144	Total non-current assets	1,988,302	2,375,693	2,256,602	2,334,144
2,445,303	2,455,884	2,476,292	2,461,797	Total assets	2,120,892	2,475,324	2,363,492	2,461,797
				Current liabilities				
41,550	46,327	48,064	41,476	Creditors	55,763	37,861	39,091	41,476
100,000	100,000	100,000	100,000	Borrowings	48,771	60,381	100,000	100,000
96,931	46,325	63,896	89,961	Other ⁵	76,186	77,661	91,100	89,961
238,480	192,652	211,959	231,436	Total current liabilities	180,720	175,903	230,192	231,436
				Non-current liabilities				
819,852	856,064	814,071	828,984	Borrowings	596,451	1,123,884	776,509	828,984
379,238	381,486	384,198	380,489	Other ⁶	347,066	384,771	373,408	380,489
1,199,091	1,237,550	1,198,269	1,209,474	Total non-current liabilities	943,517	1,508,655	1,149,917	1,209,474
1,437,571	1,430,201	1,410,229	1,440,910	Total liabilities	1,124,237	1,684,558	1,380,109	1,440,910
1,007,732	1,025,683	1,066,064	1,020,887	Net assets	996,655	790,767	983,383	1,020,887
				Shareholders equity				
1,072,504	1,072,504	1,072,504	1,072,504	Share capital	1,072,504	822,504	1,072,504	1,072,504
(35,135)	(35,135)	(35,135)	(15,073)	Hedging reserve	(8,265)	(3,085)	(35,135)	(15,073)
(29,637)	(11,686)	28,695	(36,544)	Retained earnings	(67,584)	(28,652)	(53,986)	(36,544)
1,007,732	1,025,683	1,066,064	1,020,887	Total shareholders equity	996,655	790,767	983,383	1,020,887

Notes

- 1) Prepayments and derivative financial instruments.
- 2) Kogan Creek Power Station commissioning in 2007/2008
- 3) Kogan Creek Power Project and business development works in progress
- 4) Deferred tax assets, derivative financial instruments and retirement benefit obligations.
- 5) Employee entitlement provisions, current tax provision, dividend provision and derivative financial instruments.
- 6) Deferred revenue, employee entitlement provisions, site rehabilitation provisions, deferred tax liability and derivative financial instruments.

Cash flow statement

Quarter 2007/08					2005/06	2006/07	2006/07	2007/08
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Cash flows from operating activities				
167,333	204,488	217,381	203,978	Cash receipts in the course of operations	641,201	632,611	661,348	793,180
(109,734)	(119,771)	(127,850)	(152,235)	Cash payments in the course of operations	(389,352)	(443,149)	(466,767)	(509,591)
25	25	25	25	Interest received	1,039	99	326	100
(14,330)	(14,926)	(15,288)	(14,699)	Borrowing costs paid	(44,618)	(70,815)	(49,114)	(59,243)
0	0	0	0	Tax equivalent payments	0	0	0	0
43,294	69,816	74,267	37,070	Net cash provided by operating activities	208,270	118,746	145,794	224,446
				Cash flows from investing activities				
(86,637)	(47,804)	(32,241)	(51,885)	Payments for property, plant & equipment	(543,845)	(367,580)	(340,759)	(218,567)
0	0	0	0	Proceeds from sale of non-current assets	376	0	0	0
0	0	0	0	Other	0	0	0	0
(86,637)	(47,804)	(32,241)	(51,885)	Net cash used in investing activities	(543,469)	(367,580)	(340,759)	(218,567)
				Cash flows from financing activities				
45,320	36,432	0	19,170	Proceeds from borrowings	1,057,402	336,617	274,662	100,922
(1,977)	(220)	(41,993)	(4,257)	Repayment of borrowings	(939,476)	(43,851)	(43,375)	(48,447)
0	0	0	0	Equity contributions	0	0	0	0
0	(58,223)	0	0	Dividends paid	(29,151)	(43,619)	(40,170)	(58,223)
(0)	0	0	0	Other	250,000	0	0	0
43,343	(22,012)	(41,993)	14,913	Net cash used in financing activities	338,775	249,146	191,117	(5,748)
0	0	32	98	Net increase/(decrease) in cash held	3,576	312	(3,848)	130
2,000	2,000	2,000	2,032	Opening cash balance	2,272	1,688	5,848	2,000
2,000	2,000	2,032	2,130	Closing cash balance	5,848	2,000	2,000	2,130

3.1.2 Financial contributions: subsidiaries

Through undertaking joint investments, CS Energy has established or acquired seven first tier subsidiary companies:

- CS Energy's 100% interest in Mica Creek Power Station is owned and operated by two wholly owned subsidiaries, CS Energy Mica Creek Pty Ltd and CS North West Pty Ltd. The function of CS Energy Mica Creek Pty Ltd is to own and develop Mica Creek Power Station to supply power to the North West Minerals Province in North West Queensland. The function of CS North West Pty Ltd is to provide operation and maintenance services for Mica Creek Power Station and any other remote power generation opportunities entered into by CS Energy, pursuant to its business development strategy and in accordance with the terms of an operation and maintenance contract with the power station owner. Project financing is provided through Queensland Treasury Corporation. For the purposes of the budget, the activities of CS North West Pty Ltd have been consolidated with those of CS Energy Mica Creek Pty Ltd.
- A wholly owned subsidiary of CS Energy, Callide Energy Pty Ltd, holds a 50% interest in the Callide Power Project. Callide Energy Pty Ltd is also the joint owner (50%) with IG Power (Callide) Ltd (a company that is jointly owned by InterGen and the Huaneng Power Group of China) of two special purpose companies, being Callide Power Management Pty Ltd (the Project Manager) and Callide Power Trading Pty Ltd (the energy market trader).
- Two wholly-owned subsidiary companies, Swanbank Energy Pty Ltd and SE CSE Pty Ltd, have been established for the purpose of managing CS Energy's interest in the Swanbank E project and to facilitate the future planned sell-down of that interest to 50% ownership.
- CS Energy's 100% interest in Kogan Creek Power Project is managed through the wholly-owned subsidiaries, CS Kogan (Australia) Pty Ltd and CS Energy Kogan Creek Pty Ltd.

There are a number of second and third tier subsidiaries that support these companies but do not currently contribute to group profit.

The contributions of the first tier subsidiaries (excluding those related to the Kogan Creek Power Project) are outlined in the following table:

3.2 Assets

CS Energy owns and operates the following assets as at 30 June 2006:

Power Station	Owner-ship	Type	Fuel	Unit Size (MW)	No of Units	Total Capacity (MW)	CS Energy owned capacity (MW)
Southern Qld							
Swanbank B	100%	Steam turbine	Coal-fired	120	4	480	480
Swanbank E	100%	Gas turbine	Gas-fired	385	1	385	385
Central Qld							
Callide A ¹	100%	Steam turbine	Coal-fired	30	4	120	120
Callide B	100%	Steam turbine	Coal-fired	350	2	700	700
Callide C	50%	Steam turbine	Coal-fired	450	2	900	450
North-west Qld							
Mica Creek A (Units 1,2,3,4)	100%	Steam turbine	Gas-fired	33	4	132	132
Mica Creek A (Units 5,6,7)	100%	Combined-cycle block	Gas-fired	35 33	2 1	103	103
Mica Creek B	100%	Gas turbine	Gas-fired	35	1	35	35
Mica Creek C	100%	Combined-cycle block	Gas-fired	55	1	55	55
Total capacity						2,947	2,497
Under construction							
Kogan Creek A ²	100%	Steam turbine	Coal-fired	750	1	750	750
Total future capacity						3,697	3,247

¹ Callide A was started in December 2001.

² Kogan Creek Power Project is due to reach commercial load in October 2007.

3.3 Capital expenditure program

3.3.1 Assets under construction

Description	Project status	Budgeted total cost (\$M)	Estimated expenditure to 30 June 2007 (\$M)	Budgeted cost 2007/08 (\$M)	Expected completion date
Kogan Creek A	Ongoing	1,142.9	1,035.4	104.7	October 2007
Total (including capitalised interest)		1,142.9	1,035.4	104.7	

3.4 Other undertakings

3.4.1 Prudent financial management

The Board and Chief Executive of CS Energy take full responsibility to ensure that prudent financial practices will be applied both within the Corporation and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and Chief Executive by the *GOC Act* and, where applicable, by the Corporation's Law, this commitment includes:

- Abiding by the *Code of Practice for Government Owned Corporations' Financial Arrangements* as issued by the Queensland Government; and
- Establishing, maintaining and implementing appropriate financial risk management practices and policies as required and specified in the *Code of Practice*.

3.4.2 Capital structure

CS Energy will prudently manage the financing of its existing business and new business developments. As an integral part of the financing of the Corporation, the overall debt will be managed to ensure that CS Energy maintains an investment grade credit rating, on a stand-alone basis, or other rating as directed by shareholding Ministers.

In the event that circumstances change, leading to the conclusion that a stand-alone credit rating below investment grade may be applicable, it will be necessary to call upon the undertaking of shareholders to provide equity support to restore an investment grade credit rating.

The Board of CS Energy will continue to monitor the stand alone credit rating of the Company and will seek Shareholder support for a further equity injection, including consideration of a funding partnership model, as detailed in the five year plan. In giving the undertakings set out in this SCI, the Board has assumed that the shareholding Ministers are agreeable to provide such support to maintain the investment grade credit rating.

3.4.3 Weighted average cost of capital (WACC)

CS Energy reviews its WACC on an annual basis. As part of the SCI negotiation process, CS Energy's beta and optimal capital structure have been determined in consultation with shareholder representatives. Separate WACCs have been calculated for CS Energy's on grid and off-grid operations. Other than the annual review process, in the event that CS Energy encounters a significant change to the risk profiles of its business, its WACC will be recalculated in consultation with shareholder representatives.

3.4.4 Dividend policy

CS Energy's dividend policy takes into account the return the shareholders expect from their investments. The Board of CS Energy will recommend a dividend amount equivalent to 80 percent of the Corporation's adjusted net profit for the 2007/2008 financial year. Adjusted net profit refers to net profit adjusted for unrealised mark-to-market adjustments on financial instruments and other material IFRS related adjustments, but not exceeding total net profit after tax, as agreed with shareholding Ministers' representatives.

3.4.5 Borrowings

CS Energy's borrowing policy is in accordance with the Code of Practice for GOCs' Financial Arrangements 2002.

3.4.6 State borrowing programme

CS Energy will seek an allocation under the 2007/2008 State Borrowing Programme.

This funding is for the final stages of Kogan Creek A Power Station currently under construction, the continued development of the Metgasco UJV, and commencement of both the mid-life refit at Callide B Power Station and work on the repowering of Mica Creek Power Station.

3.4.7 Overdraft & Credit facilities

A bank overdraft facility and credit card facility will be maintained. Both of these facilities are for short term working capital purposes only.

3.4.8 Corporate governance

CS Energy will continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations*.

CS Energy considers that it complies with the intent and form of matters discussed in the Guidelines. CS Energy Ltd has a Corporate Governance Charter and a Corporate Governance Policy, which takes account of each of the ten ASX enunciated principles, and has systems that underpin these stated principles.

An independent review of CS Energy's corporate governance processes with respect to industrial relations performance was undertaken during the 2006/2007 financial year. The recommendations arising from this review are being progressively implemented over the period of this plan.

3.4.9 Risk management

The Board of Directors of CS Energy are responsible for management of all actual and potential internal and external risks to the Corporation. The Board's Risk Committee monitors the Corporation's risk identification and management process. The Board Risk Committee is a subcommittee of the Board, consisting of all directors.

The Chief Executive, through the executive management team, is responsible for identifying and monitoring elements of risk in each functional area of responsibility. In this regard, executive management has established a Risk Coordination Committee (RCC) that meets quarterly to coordinate responses to market and operational risk issues as they arise. The RCC is also responsible for reviewing all formal control processes that manage risk. In the electricity market trading area, a Market Risk Management Committee has been established, comprising members of the executive management team, to review and monitor market risk on a monthly basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Board Risk Committee, along with appropriate risk mitigation and management plans.

The Company considers that the risk management system is capable of identifying, assessing and managing potential financial, operational and other risks. Risk management plans have been incorporated in

the 2007/2008 budget process and milestone dates agreed for the implementation of actions.

The recent sale of both Energex Retail ("Energex") and the contestable customer portion of Ergon Retail ("Ergon") gave rise to an increased credit risk for CS Energy, as the credit worthiness of the acquirers is significantly less than current credit worthiness of both Energex and Ergon as Government owned retailers.

CS Energy continues to balance this additional risk against the risk of uncertain and potentially low revenue streams that would be likely to arise if hedging levels with the major new retailers were reduced. The adoption of a revised credit policy with higher credit limits, sufficient to continue to trade in the new retail environment, is considered to be in the best overall interests of the ongoing financial position of the corporation.

3.4.10 Compliance with Government policies

CS Energy and its subsidiaries comply with the relevant Government policies and guidelines to the extent set out in Attachment 4. In particular, CS Energy and its subsidiaries comply with the approval, notification, reporting and other requirements of those policies and guidelines as noted in Attachment 4.

3.4.11 Sponsorship, advertising and hospitality

CS Energy's sponsorship activity is focused in Ipswich, Biloela, Chinchilla and Mount Isa, the regions in which the Company operates. This activity is organised in conjunction with local community groups and forms a key element of our local community relations program.

As an electricity generator, CS Energy sees only limited value in advertising and does not undertake any corporate campaigns targeting the general public. Some regional activity takes place to support local initiatives, but recruitment makes up the bulk of the Corporation's advertising spend.

Hospitality and entertainment are undertaken prudently, often taking advantage of benefits offered through partnerships with arts organisations, pursuant to the Queensland Government Policy . (Refer Attachment 5)

CS Energy will provide details of any significant changes to the commitments in quarterly reports to shareholding Ministers, and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract. A post audit/review will be conducted to verify outcomes against specific corporate objectives for significant sponsorship and advertising programs, with a report provided to shareholding Ministers in the June report.

3.5 Remuneration arrangements

3.5.1 Emoluments of Directors

The base directors' fees are set by the shareholding Ministers while the committee and subsidiary fees are paid based on appointments made from time to time by the full board. Fees are paid in accordance with a schedule provided by the shareholding Ministers.

The following fees (estimated to 30 June 2007) will be paid to CS Energy directors for the 2006/2007 year:

Director	Director's Fees \$	Committee and Subsidiary fees (\$)	Superannuation (\$)	Other (\$)	Total (\$)
S Lonie	\$60,200	\$12,341	\$0		\$72,541
R Henricks	\$24,682	\$3,702	\$2,555		\$30,939
J Leaver	\$24,682	\$4,937	\$2,666		\$32,285
S Israel	\$24,682	\$3,702	\$2,555		\$30,939
T Crommelin	\$24,682	\$0	\$0		\$24,682
M Bucknall	\$24,682	\$3,702	\$2,555		\$30,939
T White	\$24,682	\$8,639	\$0		\$33,321

3.5.2 Emoluments of executive officers

The CS Energy Board Staff and Remuneration Committee advises the full Board on CS Energy's remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for the Chief Executive and senior executives. It comprises three non-executive directors appointed by the full board of CS Energy, including the Chairman.

Remuneration details for the Chief Executive and senior executives for the 2006/2007 financial year, as well as actual performance payments for the 2005/2006 year which can range between 0% and 15% depending on the individuals performance, which is assessed by the Board and approved by the Shareholding Ministers, are provided in the following table.

These remuneration arrangements are reviewed annually in accordance with the Company's remuneration policy. A review will be carried out in July 2007, to determine the annual increment and the performance payment for the 2006/2007 year. Based on current contract arrangements, the performance payment for 2006/2007 is capped at 15% maximum.

CEO/ Senior Executives	Total Fixed Remuneration ¹	Motor Vehicle ²	Superannuation ³	Other Benefits ⁴	Total Remuneration	Performance Payment 2005/06
Chief Executive M Chatfield	\$290,118	\$36,000	\$32,612	^	\$358,730	-
General Manager Operations R Roduner	\$204,210	\$33,000	\$23,721	\$5,000	\$265,931	-
General Manager Corporate Services C Turnbull	\$177,885	\$33,000	\$21,089	\$5,664	\$237,638	-
Chief Finance Officer R Boys	\$199,017	\$33,000	\$23,202	\$5,000	\$260,219	-
General Manager Major Projects T Andersen	\$203,282	\$33,000	\$23,628	\$5,000	\$264,910	-
General Manager Organisational Development W Andrew	\$171,545	\$33,000	\$20,455	\$5,000	\$230,000	-
General Manager New Business P Hyslop	\$239,679		\$21,571	\$5,000	\$266,250	-

1. Cash salary;

2. Motor Vehicle allowance - or implied value of allowance where payment based on Total Employment cost.

3. Employer contributions to superannuation (other than by salary sacrifice).

4. Includes but is not limited to general/expense allowances, car parking, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc.

^ Chief Executive receives a car park in addition to remuneration arrangements outlined in the table.

The previous General Manager Organisational Development resigned 3 August 2006. The occupant commenced 4 December 2006 on a consultancy contract until his appointment was approved on 11 April 2007.

- Performance payment not yet paid awaiting approval of Shareholding Ministers.

3.6 Human resource management direction and philosophy

CS Energy recognises the value of its staff and their integral role in ensuring business success. CS Energy's ongoing viability is dependant on our value to Government, our competitiveness and our ability to be recognised as an employer of choice.

CS Energy's defining characteristics as an employer include our objective to be a leader in workplace health and safety by targeting that no one is injured at work. The Company will continue to focus on improving its business and culture through implementation of leadership development programs for all staff. There will be

an emphasis on efficient workflows and job design to enable staff to undertake multiskilled work (subject to licensing and regulatory requirements). A review of the recruitment and selection processes is being carried out to identify job requirements, attract high quality applicants and select the best candidates.

There are a number of challenges facing the industry, including the impact of water availability and industry reform. These challenges and uncertainties may have impacts that will require close management by competent, skilled people.

The Company also faces a competitive market for talent in some technical skills areas and executive management. Retaining and motivating key personnel remains an ongoing challenge

3.6.2 Significant and emerging issues

CS Energy operates in an increasingly competitive Electricity Market, including full retail contestability. The 2007/2008 Corporate Plan incorporates strategies to pursue performance targets and actively lower our cost structure.

There will be a major focus on critical aspects of the Company's business and the need for ongoing/continuous improvement in staff productivity. A project team is currently reviewing electrical safety training, competencies and work processes.

A functional review of the delivery of finance, procurement and HR at Corporate and operating sites will be implemented. The commencement of Kogan Creek Power Station will present a major opportunity to demonstrate a productive and cost effective approach.

the Company's Leadership Principles development program will be further reinforced to improve the skills of all staff and promote our competitive advantage.

The attraction and retention of skilled staff is a major significant issue, particularly with new regional mining and infrastructure developments in Queensland. A range of responses including reviewing wages and housing assistance has been developed. These initiatives will be considered further as site Enterprise Bargaining Agreements are reviewed in the lead up to their expiry from August 2008.

Swanbank B is nearing the end of its life and, during 2007/2008, decisions may be taken to effect full or partial closure. The impact of the use of recycled water at Swanbank B may also impact on the economic life assessment of Swanbank B and employment of staff. CS Energy will ensure staff and unions are appropriately consulted if such changes are under advanced consideration.

The Company will ensure that conditions and rates of pay existing prior to Work Choices are maintained as far as possible and issues are resolved cooperatively with unions and staff. Subject to Government approval, this process will occur through the Minimum Standard Provisions Schedule attached to the E&IR Plan.

During 2007-2008, the implementation of CS Energy's Fit for Duty - Fatigue Management and Drug & Alcohol procedures is scheduled, which will include appropriate consultation with staff and unions. An extensive information and education program will underpin these initiatives.

Part Four: Performance agreement

Directors' statement and agreement of shareholding Ministers

This Statement of Corporate Intent (SCI) for the financial year 2007/2008 is presented in accordance with Section 9 and Part 8 of the *Government Owned Corporations Act 1993* (the GOC Act).

The SCI represents a formal performance agreement between the Board of Directors of CS Energy and its shareholding Ministers, the Deputy Premier, Treasurer and Minister for Infrastructure, and the Minister for Mines and Energy, with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgement and agreement on major activities, the objectives, undertakings, policies, investments and borrowings of CS Energy for the financial year.

The SCI is consistent with CS Energy's Corporate Plan, submitted to the shareholding Ministers in accordance with Part 7 of the GOC Act.

In signing this document, the CS Energy Board has taken all reasonable steps to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to CS Energy's attention during the year, will be brought to the attention of the shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This document is signed by the Chairman on behalf of all the Directors, in accordance with a unanimous decision of the Board of CS Energy.

.....

Mr Stephen Lonie
Chairman – CS Energy Ltd

Date:

.....

The Hon. Anna Bligh
Deputy Premier and Treasurer and Minister for
Infrastructure

Date:

.....

The Hon. Geoff Wilson, MP
Minister for Mines and Energy

Date:

Part Five: Attachments

Attachment 1: Employment and Industrial Relations Plan

Purpose

The purpose of CS Energy's Employee Relations Plan is to document the Company's approach to the comprehensive management of its relationships with its employees.

Statement of intent

CS Energy recognises the value of its staff and their integral role in ensuring ongoing business success. CS Energy acknowledges the role of all stakeholders, including unions and the need to develop and maintain effective working relationships with all stakeholders with an interest in the welfare of its employees. CS Energy will maintain a flexible, consultative and progressive working environment, where employees are rewarded for their knowledge, competence and personal attributes, in line with the Company's business objectives and policies.

Employment conditions

General conditions of employment are contained in the *Government Owned Corporations Act 1993* and Regulations, the *Electricity Act 1994* and Regulations, the relevant *Industrial Relations Act*, various industrial and employment agreements and CS Energy human resources policies.

Any construction work, requires compliance with the national Construction Code and Guidelines .In addition to the conditions contained in these Agreements, the attached schedule contains other minimum employment standards and industrial relations practices, which ensure that conditions and rates of pay existing prior to Work Choices are maintained as far as possible. Any issues related to these conditions will be resolved cooperatively with unions and staff.

Where there are differences between those conditions contained in the Minimum Standard Provisions Schedule and those conditions contained in CS Energy's industrial instruments as at March 2006, then the CS Energy industrial instruments will prevail.

CS Energy has adopted an employment policy of using collective agreements and alternative individual agreements, underpinned by those collective agreements, as the basis for engaging employees.

The employment policy is based on the following principles:

- Collective bargaining will be the primary vehicle for industrial negotiations within CS Energy.
- CS Energy will encourage union membership within its workforce.
- Alternative individual agreements, as provided for under collective / enterprise agreements, will be offered where roles require special skills or employment flexibility, to ensure that CS Energy can retain and attract employees of the calibre necessary to ensure it can continue to compete effectively in the electricity market. Such arrangements are included in Enterprise Agreements and are implemented by mutual agreement between the employee and CS Energy, in accordance with the certified agreement's respective provisions and are not compulsory.

The primary focus for the use of alternative individual agreements within CS Energy is to increase the flexibility of work place arrangements between CS Energy and its employees, which has included a move away from the nine day fortnight and thirty-six and a quarter hour working week, to a focus on a total fixed remuneration package, to cover the hours necessary to carry out the role. This process has been supplemented by a performance management system, which provides for an additional variable pay component, based on an assessment of individual, divisional and company performance indicators, as approved by the Board of CS Energy Ltd.

Enterprise bargaining

CS Energy maintains enterprise agreements at its operating sites at Swanbank, Callide, Kogan Creek and Mica Creek Power Stations and its Corporate Office in Brisbane. Each enterprise agreement is designed to take advantage of differing levels of technology, characteristics of the workforce and already implemented work place efficiencies.

Provisions under current enterprise bargaining agreements have been implemented through each site's consultative processes.

The current agreements are specified in the following table:

Location	Scope	Reference	Expiry
CS Energy Ltd Corporate Office Certified Agreement	Employees of CS Energy Ltd at Corporate Office	TBA	Collective workplace agreement being negotiated with expiry date 30 th June 2009
CS Energy Ltd Callide Power Station Certified Agreement	Employees of CS Energy Ltd at Callide Power Station	CA328/2005	11 August 2008*
CS North West Enterprise certified Agreement	Award Employees of CS North West Operations	CA642/2005	31 August 2008**
CS Energy Ltd Swanbank Power Station Certified Agreement*	Employees of CS Energy at Swanbank Power Station	CA341/2004	10 March 2009
Kogan Creek Power Station Greenfield Collective Agreement 2006	Employees covered under the classifications within the agreement	06650819	1 October 2010

* Negotiations will commence with Staff and Unions no later than 3 months prior to the expiry date of the agreement.

** Negotiations will commence with Staff and Unions no later than 6 months prior to the expiry date of the agreement

Employee flexibility

A combination of site specific Enterprise Agreements and Alternative Individual Agreements under those Enterprise Agreements remains the vehicle for increasing employee flexibility.

Other arrangements such as fixed term, and specific task arrangements are either included in the current agreements or are proposed to be included in future agreements. Furthermore, where it can be utilised, the inclusion of flexible working hours arrangements will be considered in future workplace agreements.

Type of employment

Workforce Numbers 2007-08

The Company's expected Workforce numbers, which have been developed from the Company's 2007-2008 workforce plan, are summarised in the following table:

Type	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Employment Category:	FTE	FTE	FTE	FTE
Permanent Full Time	554.78	544.79	530.67	510.67
Permanent Part-time (FTE)	5.36	5.36	5.36	5.36
Other Contract	1	0	0	0
Senior Executive Contract	6	7	7	7
Apprentices (In House)	4	4	4	4
Trainees (In House)	2	2	2	2
Casual Employees (FTE)	2.2	2.2	2.2	2.2
Total Directly Employed Workforce:	575.34	565.35	551.23	531.23
Apprentices (Group)	33.5	33	30.5	30.5
Trainees (Group)	7	7	7	6
Contractor Employees (Trade/Technical)	63.06	61.06	57.06	57.06
Contractor Employees (Professional/Administrative/Clerical)	8.85	8.75	8.25	8.25
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire (Professional/Administrative/Clerical - FTE)	-	-	-	-
s457 Temporary Visa	2	2	0	0
Number of employees engaged on AWAs with contractors	Not disclosed	Not disclosed	Not disclosed	Not disclosed
Total Workforce:	689.75	677.16	654.04	633.04

Use of apprentices and trainees

At CS Energy, employees are rewarded for acquiring further skills in line with business needs.

CS Energy fully supports the training of apprentices and trainees in areas such as trade, operations and administration.

There are a total of 28 group apprentices, 4 CS Energy apprentices, 3 CS Energy trainees and 5 group trainees currently in CS Energy.

Workplace health & safety

CS Energy has a target to ensure no one is injured at work. This goal is in action at its power station sites and Major Project construction and demolition sites.

CS Energy has developed specific health and safety promotional plans for the Kogan Creek Power Project, in conjunction with partners Siemens and Hitachi Limited.

A Safety Awareness Campaign titled "Safe Move" has been introduced to focus efforts towards identifying hazards and implementing control measures. This campaign involves posters, safety alerts, promotional information and reward schemes for innovations and work area initiatives. The major theme is for workers to decide, "Is my next move a Safe Move?"

Measures and improvements have been introduced through safety surveys at six monthly intervals, to track the performance of CS Energy's leaders in their commitment to safety. Workers have the opportunity to identify improvements in their leaders' safety performance and leaders must action items brought to their attention. This process supports CS Energy's consultative approach to health and safety, to ensure site based improvements raised by site committee members can be achieved.

CS Energy submitted two applications for the State Government's Workplace Health and Safety Awards and the National Safety Council of Australia - Excellence in Safety Awards. CS Energy's submission identifying solutions for safe access into storage containers was judged as "Highly Commended" in the category "Best Management of an OHS Specific Workplace Risk".

The statistical indicators for the year are measured against reducing annual targets that include: -

- A zero lost time injury frequency rate and duration rate;
- A 20% reduction in the medical treatment frequency rate;
- A 20% reduction in the near miss incident rate; and
- A 20% reduction in first aid injuries.

A number of initiatives will be implemented during the 2007/2008 year including:

- Ensuring that safety action plans for all sites achieve, as a minimum standard, Australian Standard 4801- Health & Safety Management Systems.
- Rolling out high visibility protective clothing for workers on power station sites.
- Rolling out high visibility flame retardant personal protective clothing for electrical workers, to protect against arc thermal flash energies.
- Introducing a Chairman's Reward Program for safety milestones and innovations.
- Reviewing and improving electrical safety training, competencies and work processes.
- Implementing a Pandemic Response Plan, in line with CS Energy's business continuity systems.
- Continuing of the roll out of a behaviour based safety management system – SafeMap across all CS Energy sites.
- Improving in the site based emergency response capabilities and equipment.
- Improving site and corporate security systems and site security procedures.
- Conducting Crisis Management Exercises at each of our sites, to test and improve site and corporate emergency procedures.

CS Energy's focus will also include health initiatives, to improve CS Energy's workers health and to address ageing workforce issues. The health promotion program includes:

- Medicals for senior executive and managers.
- Annual medicals for workers exposed to hazards on sites.
- Annual lifestyle and wellbeing medicals.
- Voluntary flu vaccinations for all workers.
- Procurement and preparation for pandemic influenza virus.

- Implementation of CS Energy's Fit for Duty - Fatigue Management and Drug & Alcohol procedures.

The following health and safety audits conducted during the last year have generated specific responses that are being actioned as follows:

- Accredited external auditors from NCS International conducted a gap analysis audit on CS Energy's Corporate and site Health and Safety Management System. The gap analysis audit was measured against Australian Standard AS 4801 – Health and Safety Management Systems. Specific action plans have been put in place to address the issues raised by the auditors – legal compliance monitoring, training matrix for competencies, analysis of minor incidents, scheduling internal audits and management review meetings, storage of gas bottles, management of unmarked containers with chemical contents and markings on lifting equipment.
- Representatives from the Environmental Protection Agency, Workplace Health and Safety, Emergency Services, Chemical Services and Local Government conducted a Large Dangerous Goods Location audit on Callide Power station. A number of minor safety directives were issued to the site relating to bunding, emergency signage, risk assessments and fire equipment-testing requirements. The recommendations made by the auditors are being actioned across all CS Energy power station sites. Audits on the Swanbank and Mica Creek Power Station sites have been scheduled to occur during 2007.
- CS Energy will continue to engage and consult the Company's workers, leaders and external stakeholders, including unions, in the formulation of its health and safety systems and procedures that may significantly impact on the Company's business. These procedures and systems will be based on prudent industry standards, risk management principles and will be adopted to minimise any health and safety risks.

Equal employment opportunity and anti-discrimination

CS Energy ensures that the principles of merit and equity are upheld in its policies and processes associated with recruitment, selection and promotion of staff.

In accordance with guidelines and obligations under the Equal Opportunity in Public Employment Act, CS Energy submits EEO Management Plans and annual reports to Government.

In 2002, the Government endorsed our 2003-2007 EEO Management Plan. During 2007/2008, the Plan will be reviewed and a further long term plan developed, focusing on the review of EEO related policies and procedures, the continuation of the Workplace Contact Officer network and encouraging target group participation in non-traditional areas of employment.

More specifically, the Plan will also outline the Company's aim to improve the process by which its EEO census data is collected and maintained, to enable CS Energy to provide more accurate MOHRII (Minimum Obligatory Human Resource Information) data to Government.

In addition, CS Energy will undertake a major review of its recruitment strategies, to ensure that the Company attracts the largest possible pool of suitable applicants, and do not exclude any potential employees.

The EEO contact officer network will continue to meet at least quarterly and, towards the end of calendar year 2007, EEO refresher training will be provided to all staff.

The Human Resources intranet is a key communication channel for EEO related information and is set up with links to relevant CS Energy policies and external sites.

Interstate acquisitions/operations

CS Energy has no interstate employees.

Joint venture projects

CS Energy and IG Power are joint venture partners at Callide C Power Station. Operations and maintenance services for Callide C are provided by CS Energy under contract to the joint venture.

CS Energy is the sole operator of the Power Station.

Management of the relationship between GOCs and unions

A consultative framework exists at sites comprising local management, employee representatives and union officials.

Further mechanisms are being reviewed to develop a peak consultation process for CS Energy representatives and union representatives, with a consultative committee at corporate level. This process will ensure that staff and unions are provided with appropriate forums to share information and discuss matters in advance of issues arising. The Peak Consultative Committee is a consultative/advisory forum and not a formal decision making body.

Redundancy provisions

CS Energy and its subsidiaries are party to redundancy arrangements formalised by industrial agreement, which provide for retraining and redeployment, including salary maintenance, as a first alternative to retrenchment. Severance payments contained in the arrangements are three weeks for every year of service, with a maximum of 75 weeks, plus an early separation payment of 13 weeks, pro-rata long service leave and a re-training and outplacement support costing between \$1,000 and \$2,000 per employee.

Job security

The Company has provided a commitment to “no forced redundancies” in its enterprise agreements, subject to employees accepting reasonable redeployment and retraining.

Ideally, any new Agreement will need to take into account the life expectancy and future operational requirements of each plant. However, this outcome will be the subject of negotiation with unions and assisted by consultation with Government on specific issues.

Contracting out

Subject to legislative requirements and directions of Shareholding Ministers, CS Energy is committed to orderly and sustainable best practices in relation to the use of contractors, the use of labour hire arrangements and the employment of skilled overseas staff, to cover labour shortages through employer sponsored Temporary Long Stay Subclass 457 Visas. Subclass 457 Visa employment will be utilised at a last resort and not as a substitute for local recruitment or training of local persons.

Measures are being taken to ensure that relevant skills will be developed and available locally in the longer term, including:

- A CS Energy apprentices and trainees program, including partnerships with Group Training Schemes.
- A CS Energy graduates program including the disciplines of mechanical engineering, electrical engineering, chemistry, environmental, finance and organisational development.
- The development of post graduate studies in power generation in conjunction with QUT.
- The offer of bursaries and vacation practice programs for engineering discipline.
- The implementation of a range of training and development programs, including an organisational wide leadership program, supervisory development, and specialist technical training.

Where a sound business case exists and /or specialist skills are required, contractors may be used as supplementary labour (refer to schedule containing minimum standards).

CS Energy tender documentation includes the requirement for contractors to meet all statutory and licensing requirements. Site engagement processes include verification that successful contractors meet these requirements.

Superannuation

From 1 July 2005, Superannuation Fund Choice legislation became effective and a significant number of new employees elected to exercise fund choice. Despite an extensive Company wide information program, there was little interest from existing employees in shifting to an alternative fund. The Defined Benefit Fund was closed to new employees in 2002. However, a number of enhancements, including extensive insurance options, have made the Accumulation Plan an attractive alternative.

CS Energy made a conscious decision to actively support employees who remained in the Defined Benefit Fund, where the employee contribution rate is 5% and the employer contribution is 8%, based on the Fund Actuary's advice and, to date, 48 per cent of the workforce remains in this plan.

The remainder of the workforce are in the Defined Contribution Fund, of which 21% of the workforce are in the 9% SGC employer fund and 31% in the Defined Contribution Fund, where the employee contribution is 5% for CS Energy employees and 4% for CS North West employees, with the employer contributing 10% and 11% respectively.

CS Energy maintains reserves, subject to actuarial advice, with ESI Superannuation, to ensure future liabilities can be met. This position is reviewed automatically every two years, with extraordinary events triggering more frequent reviews.

Consultation

Employees, unions, representatives of the Office of Government Owned Corporations, the Department of Mines and Energy, the Department of Employment and Industrial Relations and the Department of the Premier and Cabinet were consulted in the preparation of this Plan. OGOC will forward a copy of this Plan to the Office of Public Service Merit and Equity.

Reporting

CS Energy will provide a brief report on performance against the Plan to DEIR and OGOC by 30 November 2007, highlighting any significant divergences from the Plan and the background and context for these variances.

In addition, any matter of significance will be included in the Company's Quarterly Reports to Shareholding Ministers.

Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees

December 2006

Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees

Context

The Queensland Government through shareholding Ministers holds the principal financial interest in Government Owned Corporations (GOCs). Consequently Government is an important stakeholder in GOCs, which now operate in the national marketplace. Government also has a leadership role setting minimum employment standards and providing an example of a model employer.

Rationale

The introduction of Work Choices legislation has created some uncertainty regarding minimum employment standards, industrial relations practices and job security, especially in the government owned corporation sector, which is subject to the Work Choices legislation. This Government is opposed to the erosion of employment conditions by the Work Choices legislation.

Objective

The principles set out below, which have been endorsed by Government, are intended to confirm the Government's position on minimum employment conditions and industrial relations practices and ensure that pre-Work Choices conditions are not eroded.

As a general principle, GOCs should maintain arrangements and policies existing prior to Work Choices, including in any GOCs subsidiaries within Queensland and work cooperatively with unions to resolve issues using services available at the State level where possible.

Application

GOC shareholding Ministers request that GOCs put in place available safeguards to maintain standard employment conditions, industrial relations practices and job security through the use of GOC Employment and Industrial Relations Plans (E&IR Plans).

Legal advice from Crown law has supported this approach, except where the relevant GOC is subject to the National Code of Practice for the Construction Industry e.g. Qld Rail as a result of undertaking work on federally funded rail infrastructure projects.

Notification by shareholding Ministers under s123 of the *Government Owned Corporations Act 1993* (the GOC Act) advising GOCs to implement the minimum employment standards and maintain industrial relations practices based on the Government's policy initiative is being separately pursued. GOCs will also be advised to adopt the principles in E&IR Plans.

Principles

1. Union Encouragement

At the point of engagement, employees are to be provided with a document indicating that the corporation encourages employees to join and maintain financial membership of an organisation of employees that has the right to represent their industrial interests.

Union delegates and job representatives have a role to play within a workplace. The existence of accredited union delegates and/or job representatives is to be encouraged.

Accredited union delegates and/or job representatives shall not be unnecessarily hindered in the reasonable and responsible performance of their duties.

2. No Disadvantage

Rates of pay and conditions of employment included in a Notional Preserved State Award and/or a Preserved State Collective Agreement, when taken as a whole, are not to be reduced in the future except as required by relevant federal legislation or as agreed between the relevant industrial parties;

3. Enterprise Agreements

The following conditions of employment and practices shall continue –

- a) collective agreements with unions shall be the preferred means of industrial regulation of rates of pay and conditions of employment
- b) new individual common law contracts shall not be written within the relevant enterprise agreement envelope (individual contracts should only be executed where total fixed remuneration equates to or exceeds the equivalent of the Queensland Public Service AO-8 level (from 1/8/2006 \$87,907.85 per annum) plus 12.75% plus the equivalent of annual leave loading plus any overtime component) or the top rate in the respective GOC enterprise agreement plus the applicable superannuation and annual leave components, where the aggregate of these is lower –
- c) An amount lower than outlined in b) above may be negotiated within an enterprise agreement as agreed between the relevant parties; and
- d) Developing and utilising alternative employment arrangements under enterprise agreements, which provide hours and overtime flexibility linked to a rolled-up rate of pay, is preferred to the use of individual contracts within the relevant enterprise agreement envelope/s;

4. Payroll Deductions of Union Fees

Requests from employees for payroll deduction of union fees are to be accommodated where the service was made available immediately prior to 27 March, 2006. It is noted that Government agencies provide this facility without charge to relevant unions.

5. Use of Contractors

GOCs will be advised of Best Practice Guidelines for the Use of Contractors by GOCs and for the Use of Overseas Staff under Temporary Visa Arrangements Sponsored by the Employer, to Cover Skill Shortages.

The following general principles will also be included in the Best Practice Guidelines.

Contractors and/or labour on-hire arrangements are to be utilised in an orderly and responsible manner, such that there is not a detrimental effect on the State's or public interest e.g. causing disruption to services to the public or causing damage to the economy or standing of the State.

It is recognised that circumstances arise where the use of Contractors is either desirable or essential. These circumstances are seen to be within the following guidelines:—

- (a) The work volume, type of work or specialisation required is beyond the capacity of resources or staff;
- (b) It is in the public interest to undertake such work. Public Interest includes issues of cost effectiveness; or
- (c) The security and tenure of employment of additional staff required to meet work peaks cannot be guaranteed.

The use of contractors is not to be used to avoid training existing staff or employing new staff to cater for emerging areas of work. "Emerging areas of work" does not include one-off works or temporary work peaks.

In addition, contractors and/or their employees are not to be appointed to any position as permanent employees unless normal advertising and selection processes have been followed.

6. Unfair Dismissal

Responsible and defensible policies and procedures regarding the management of performance, conduct and capacity of staff should be in place and adhered to. That is, except where situations arise warranting summary dismissal under common law, —

- a) if an employee's conduct, capacity or performance is deficient —
 - (i) ensure the employee is formally warned about the conduct, capacity or performance and is given a chance to rectify any deficiency; and
 - (ii) ensure the employee is given an opportunity to respond formally to any allegation about their conduct, capacity or performance; and
 - (iii) ensure employees have a right to be represented through all parts of the process; and
- b) if dismissal is subsequently contemplated —
 - (i) provide the employee with a clear reason for dismissal detailing the process gone through to seek improvement as referred to above; and
 - (ii) ensure clarity as to whether the dismissal is related to the employee's conduct, capacity or performance.

7. Right of Entry of Union Officers to the Workplace

An officer of a union party to a GOC award or enterprise agreement shall be provided with access to relevant workplaces during business hours to inspect and request information and/or discuss with the employer and members or potential members, a suspected breach of applicable employment legislation, a relevant award or enterprise agreement or a workplace or industrial matter. The above is subject to seeking access from a responsible manager or other person in charge. Permission

shall not be unreasonably withheld, but access and the activities undertaken thereafter shall not interrupt the normal continuity of work.

It is noted that by law, entry to certain operations subject to national/State security initiatives can only occur under escort unless the necessary authorities are held. Union officials should make contact with GOCs beforehand to ensure necessary compliance before entering workplaces where this might be the case e.g. ports, airports and like essential infrastructure installations.

8. Industrial Relations Education Leave

Unless an award/enterprise agreement and/or custom and practice immediately prior to 27 March 2006 provides otherwise, paid time off not exceeding five days per union in any one year non-cumulative, is to be made available to a duly elected or appointed union representative or delegate, upon written application by the union at least 6 weeks in advance (or such lesser period as was provided for in an award/enterprise agreement or custom or practice immediately prior to 27 March 2006 or as is mutually agreed by the union and the GOC), to attend courses or seminars conducted by the union or specific training courses approved and accredited by the union. The GOC shall give consideration to the special requirements of any regionally based workplaces in applying the limits on paid time off referred to above, provided that the granting of such leave does not unreasonably interfere with the GOC's operations. The scope, content and level of such courses or seminars shall be such as to contribute to a better understanding of industrial relations within the GOC's operations.

9. Consultative Arrangements

GOCs shall endeavour to deal with industrial relations matters cooperatively through consultative arrangements with employees and union delegates at the workplace level and through employees and/or delegates and union representatives or officials at the organisation level. Paid involvement of delegates and relevant employees shall be considered in relation to such consultative arrangements, as well as in circumstances where their involvement facilitates the resolution of industrial relations issues or assists the employer in developing and implementing new initiatives, provided they are not involved in industrial action. Where paid union meetings have been available as a result of an award/enterprise agreement or custom and practice existing immediately prior to 27 March 2006, such arrangements shall be continued.

10. Job Security

In any situation of redundancy, options for redeployment and retraining of staff shall be exhausted before the offer of voluntary redundancy arrangements is considered. There shall be no forced redundancies without the explicit and written sanction of relevant shareholding Ministers in the case of redundancies at GOCs.

11. Assistance with the Resolution of Disputes

The introduction of Work Choices impacted directly on the role of the Queensland Industrial Relations Commission (QIRC) and restricted the options for GOCs and unions (the parties) to settle disputes about issues that are no longer able to be dealt with under the Federal legislation.

Some GOCs, have either Federal agreements or preserved state agreements or both. Consistent with developing arrangements to safeguard the employment conditions and industrial relations practices for GOC employees, GOCs are advised to develop a Dispute Settling Policy that provides a consistent and clear approach for the parties to deal with disputes early on and to deal with matters that may not be dealt with by processes available under the Work Choices legislation. Such matters may include the employment standards and industrial relations practices contained in this policy.

Minimum Employment, Industrial Relations and Job Security Principles for Government
Owned Corporation (GOC) Employees

The Disputes Settling Policy may list the nominated person(s) agreed with the union(s) to assist the parties in resolving disputes. Persons could include an Australian Industrial Relations Commission (AIRC) member based in Queensland who has the experience and skills to assist the parties on an informal basis (This would not involve making a formal application to the Commission).

This is not a process to deal with industrial action.

See attachments: Guidelines for Establishing a Disputes Settling Policy and Pro Forma letter to seek informal assistance from the Commission.

Establishing a Dispute Settling Policy

The GOC and union/s shall regard the following details in establishing a disputes settling policy.

Step 1 Resolution at the Workplace Level

Involves genuine attempt to resolve the issue using consultative arrangements with employees and union delegates and if necessary, with union officers..

If there is no resolution at the work place level, proceed to next level (Step 2):

Step 2 Alternative Dispute Process

Who *The disputes policy shall list the nominated person (s) agreed between the parties to assist in resolving disputes.*

Person/s may include an Australian Industrial Relations Commission (AIRC) member based in Queensland who has the experience and skills to assist the parties on an informal basis

The parties may decide to establish a panel of agreed persons (eg industry expert, AIRC/QIRC representative and union representative)

How *The parties may determine the appropriate approach to each dispute on a case-by-case basis. This may involve mediation, conciliation, arbitration or issuing a determination (informal/formal).*

With the agreement of the union/s, the GOC may forward a letter to the Deputy Industrial Registrar at the AIRC seeking the assistance of nominated Commissioner on an informal basis.

This would not involve making a formal application to the Commission).

The letter must stipulate the role of the Commissioner and the terms of the process and procedural matters must be clearly identified. [See pro forma attached]

What *The following suggested provisions should be covered in the policy and agreed between the parties in advance of handling a dispute.*

(x) Commitment from parties to follow agreed process.

(xi) Determine appropriate timeframes to deal the dispute.

(xii) The allocation of any costs associated with a dispute process will be as agreed between the parties on a case-by-case basis or if no agreement can be reached, each party shall meet its own costs.

(xiii) Work as directed unless the employee has a reasonable concern about an imminent risk to their health or safety.

(xiv) At any time industrial action is threatened or taken during the process, either party may directly proceed to AIRC for direct assistance.

Pro Forma letter to seek informal assistance from the Commission

DATE

Deputy Industrial Registrar
Australian Industrial Relations Commission
Level 14, Central Plaza Two
66 Eagle Street
Brisbane
PO Box 5713 Central Plaza
Brisbane QLD 4001
Fax: (07) 3000 0388

Deputy Industrial Registrar,

We request the informal assistance of [INSERT Commissioner] to resolve a dispute between [INSERT parties involved].

The dispute is in relation to [INSERT subject matter, brief background and timeframe the dispute has existed].

The [INSERT union or other party to the dispute] has been notified and agrees to the Commissioner's assistance to resolve this dispute. The parties request that the Commissioner be requested [INSERT terms of disputes process eg

- to mediate the matter
- to mediate the matter and if the dispute remains unresolved, conciliate the matter
- to conciliate the matter
- to conciliate the matter and if the dispute remains unresolved, arbitrate the matter
- to arbitrate the matter
- to issue a [INSERT informal or formal] determination

In its role as [INSERT mediator / conciliator / arbitrator] the Commissioner is requested [INSERT relevant terms:

- to observe the confidentiality of the matters in dispute
- to identify and define the matters in dispute
- to develop a procedure that aims to resolve the dispute quickly, fairly and cost-effectively
- to suggest resolution techniques for individual issues aimed at narrowing the matters in dispute
- to act as the facilitator of direct negotiations between the parties
- to make suggestions for resolution (Conciliation process)
- express opinions about a reasonable resolution (Conciliation process)
- that if the matter is unresolved it may within seven days of terminating the process, provide a written report to the parties expressing the opinion of what would be a reasonable resolution of the dispute (Conciliation).
- to determine the matter (s) in dispute by selecting one only of the final round of offers on the basis of which offer the Commissioner believes provides the most reasonable basis on which to resolve the matter in dispute (Arbitration)
- not to amend or otherwise qualify the offer it selects (Arbitration)

- to notify the parties in writing as to the offer it considers to provide the most reasonable basis of settlement as soon as practicable after receiving the final round of offers from the parties (Arbitration)
- to make a recommendation which the parties accept as a binding resolution of the dispute. The recommendation can be based on the information provided in mediation and additional information provided by the parties. The parties agree that the Commission may issue directions for the purposes of obtaining further information. (Informal Determination)
- to make a formal determination and that the parties agree to abide by the determination. The parties will have the opportunity to be heard formally on the matter(s) in dispute and the Commissioner will only regard material including witness evidence, submission and will disregard admissions, concession, offers or claims made in mediation. The Commissioner may also make and issue directions in relation to the process leading to its determination and the parties will abide by those directions. (Formal Determination)

The procedural matters include [INSERT details about:

- how the parties will present its position
- confidentiality arrangements
- representation
- timing, location and duration of the process
- if a telephone conference is required
- how the process will be recorded
- any other particulars about the Commissioner's role in relation to establishing procedures.

In the event that the requested Commissioner is not available, may we request [INSERT Commissioner] to assist the parties.

We appreciate your assistance in coordinating this process.

For further information or advice please contact [INSERT contact].

[INSERT GOC and authorised person]
cc Union

Attachment 2: WACC Calculations

The 2006/07 WACC methodology and calculation has been based on a detailed consultants report on in May 2005, and is consistent with Queensland Treasury Guidelines. Key variables have been reviewed and updated where appropriate, based on current Statement of Corporate Intent assumptions. The outcomes are subject to further revision based on material changes in assumptions prior to 30 June 2006.

Attachment 3: Corporate governance guidelines for government owned corporations

The CS Energy Corporate Governance Policies and Procedures are based on the ASX best practice guidelines and to that extent are consistent with the requirements of these guidelines.

Attachment 4: Government policies

Guidelines for the preparation of Statements of Corporate Intent and Corporate Plans (2006)

CS Energy complies with the requirements of these guidelines.

Corporate Governance Guidelines for Government Owned Corporations (2005)

The CS Energy Corporate Governance Policies and Procedures are based on the ASX best practice guidelines and to that extent are consistent with the requirements of the above guidelines.

Investment Guidelines for Government Owned Corporation (2003)

CS Energy complies with the requirements of the Investment guidelines.

Code of Practice for GOC Financial Arrangements (2002)

The Board and CEO take full responsibility to ensure that prudent financial practices will be applied both within the corporation and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the CEO by the GOC Act and, where applicable, the Corporation's Law, which includes a commitment to:

- Abide with the Code of Practice for Government Owned Corporations' Financial Arrangements (1999) as issued by the Queensland Government; and
- Establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.

Audit and Reporting Requirements for Government Owned Corporation Controlled Entities and Investments (2002)

CS Energy complies with the audit and reporting requirements.

Agreement Making in Government Owned Corporations - Guidance for Chief Executive Officers (2002)

CS Energy endeavours to comply with State and Commonwealth legislation and Government policy. The guidelines are followed to the extent that they are not inconsistent with current legislation.

Development of Employment and Industrial Relations Plans in Government Owned Corporations - Guidelines (2002)

CS Energy endeavours to comply with State and Commonwealth legislation and Government policy. The guidelines are followed to the extent that they are not inconsistent with current legislation.

Guidelines for Export of Services by GOCs (2001)

CS Energy is not engaged in the export of services and as such the policy is not relevant to the operations of CS Energy.

Overseas Travel Reporting Arrangements (2001)

CS Energy complies with the over seas traveling reporting requirements.

Code of Practice for the Building and Construction Industry (2001)

CS Energy complies with this code.

Policy - State Purchasing Policy (2001)

CS Energy's internal Purchasing Policies and Procedures are consistent with the requirements of the SPP.

GOC Subsidiaries - Key Shareholder Requirements for Constitutions (2001)

CS Energy executive management act as directors on CS Energy subsidiary boards. CS Energy has a number of subsidiaries associated with the Kogan Creek Power Station, the constitutions of which were established prior to acquisition. The guide will be taken into account in establishing new subsidiaries.

Remuneration Guidelines for Directors and Senior Executives in Government Owned Corporations (2000)

CS Energy's internal Senior Executive Remuneration Policies and Procedures are consistent with the Guidelines.

Queensland Port Government Owned Corporations - Local Government General Rates Equivalents

Regime: Guidelines for Assessment, Collection & Payment (2000)

Not Applicable to CS Energy.

Local Industry Policy: A Fair Go for Local Industry (1999)

CS Energy complies with this policy.

Guidelines: Overseas Travel for Official Purposes (1999)

CS Energy complies with this guideline.

Guidelines for Frequent Flyer Schemes (1999)

Requirements of guidelines taken into consideration in development of internal Travel Policy.

CSO Policy Framework (1999)

Not Applicable. At this stage, CS Energy has no CSOs. Should this position change in the future, applicability of the policy will be reviewed.

2% for Public Art Policy (1998)

Consistent with the intent of the policy, CS Energy contributes directly to local community arts programs in the communities within which it operates. CS Energy has previously been a major contributor to the Ipswich Global Arts Links, Opera Queensland and various artistic endeavors in Biloela, Ipswich and Mt Isa. The Company's involvement is assessed on a community needs basis.

Cost of Capital Principles - Government Owned Corporations

CS Energy's internal Financial Policies have been formulated, taking into consideration the requirements of the Government's cost of capital principles.

Attachment 5: Sponsorship, advertising, entertainment, donations other arrangements.

CS Energy's sponsorship activity is focused in Ipswich, Biloela, Chinchilla and Mount Isa, the regions in which the Company operates. This activity is organised in conjunction with local community groups and forms a key element of our local community relations program.

As an electricity generator, CS Energy sees only limited value in advertising and does not undertake any corporate campaigns targeting the general public. Some regional activity takes place to support local initiatives, but recruitment makes up the bulk of the Company's advertising spend.

Hospitality and entertainment are undertaken prudently, often taking advantage of benefits offered through partnerships with arts organisations.

Expenditure committed for the 2007/2008 financial year is detailed in the following table:

Description	Budgeted cost 2005/06 (\$000)
Sponsorship of Keep Australia Beautiful Queensland	10
Sponsorship of Opera Queensland Moving Opera workshops	17
CS Energy customer, business partner and supplier Christmas party	10
Total	37

Attachment 6: Calculations

Debt/debt + equity	$\frac{\text{Debt}}{\text{Debt plus equity}}$
Equivalent availability factor (%)	$\frac{[\text{Installed plant capacity (MW)} \times 8760 - \text{MWh losses due to outages}] \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Interest cover (times)	$\frac{\text{Earnings before interest and tax (but after abnormals)}}{\text{Interest expense}}$
Lost time injury duration rate	$\frac{\text{Lost injury time}}{\text{Number of Injuries}}$
LTIFR	Lost time injury frequency rate: $\frac{\text{Lost injury time}}{\text{Employee hours (million)}}$
Planned outage factor (%)	$\frac{\text{MWh out of service due to planned outage} \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
REIFR	Reportable environment incident frequency rate: $\frac{\text{Number of reportable environment incidents}}{\text{Employee hours (million)}}$
Reliability factor (%)	$100\% - \frac{\text{MWh out of service due to forced outage} \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Return on equity (%)	$\frac{\text{Operating profit and extraordinary items after tax}}{\text{Total average equity}}$
Return on productive assets (%)	$\frac{\text{Earnings before interest and tax} - \text{Investment income} \times 100\%}{\text{Average Total Assets} - \text{Average Financial Assets}}$
Return on total assets (%)	$\frac{\text{Earnings before interest and tax (but after abnormals)}}{\text{Total average assets}}$
Shareholder Value Added	Net Profit after interest and tax (as at end of the period) less an Equity Charge. The Equity Charge is CSE's equity return requirement multiplied by the average of CSE's equity for the last 13 months. Equity Charge based on Government advised methodology.
System capacity factor (%)	$\frac{\text{Total annual energy sent out (MWh)} \times 100 \%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
O&M cost (\$/MWh)	O&M cost includes cost of generation system operation, system maintenance, support services, network charges and fixed costs. Fixed costs refer to interest payments, depreciation & site rehabilitation and leasing charges.