

statement of corporate intent

2008/2009

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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Treasurer

and

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1. 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 also holds an electricity retailing licence in Queensland.

Mica Creek Power Station in Mount Isa 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. Corporate objectives

CS Energy is pursuing a strategy to become a large-scale¹ merchant generator delivering sustainable commercial returns, with a reputation as a safe, reliable and efficient manager of generation plant.

This strategy requires CS Energy to:

- Build, own and operate a diverse portfolio of multi-fuel, low emission, cost competitive, reliable plant;
- Manage the risks resulting from the introduction of an Emission Trading Scheme and Renewable Energy Targets;
- Manage the risks of competitor driven activities such as vertical integration; and
- Secure competitively priced fuel sources that are not linked to export coal and gas price levels.

Consistent with the strategy, CS Energy's corporate objectives for 2008/09 focus on four main areas:

- **People:**
CS Energy's staff will have the capability to safely deliver the required business outcomes.
- **Portfolio Performance:**
The portfolio of generation plant will provide an optimised level of return within an emerging framework of a carbon constrained business environment. CS Energy focuses on safe, reliable, efficient and environmentally appropriate solutions to Australia's future energy requirements.
- **Growth:**
The development of a low emissions plant technology pathway for coal fired power stations.
- **Profile:**
The Company will maintain and enhance its reputation as a responsible, innovative and forward looking organisation that is focused on delivering sustainable power generation solutions to the communities it serves.

Objectives for 2008/09 are:

1. Implement organisation improvement initiatives:
 - Implement a leadership development review; and
 - Establish a Learning and Development Centre.

¹ CS Energy defines large scale "to be of sufficient size to engage with fully vertically integrated energy companies such as AGL and Origin", which does not necessarily relate directly to a market share or volume target.

2. Implement stage one of carbon strategy:
 - Increase carbon management capability within CS Energy through the recruitment of carbon focused executives, to execute the Company's carbon strategies; and
 - Develop and implement a carbon trading capability in line to meet the introduction of proposed carbon trading initiatives that are in development by the federal Government.
3. Swanbank F Notice to Proceed:
 - Progress securing proven and secured gas supply arrangements;
 - Finalise and issue the plant technical specification for commercial bids; and
 - Evaluate commercial bids for the new plant and reassess the feasibility of the development proposal and prepare a business case for Board and shareholding Ministers' consideration.
4. Mica Creek Redevelopment:
 - Secure offtake agreements with Xstrata and Ergon;
 - Issue a technical specification to equipment suppliers; and
 - Finalise the project's feasibility study and prepare a business case for Board and shareholding Ministers' consideration.
5. Callide Oxyfuel Project:
 - Recommission Callide A firing on air; and
 - Oversight the manufacture of key Oxyfuel equipment.

1.3. Operational objectives and initiatives

CS Energy's key operational objectives for 2008/09 are as follows:

1. Improved safety performance:
 - LTIFR of zero;
 - 20% reduction in Category 3 incident frequency rate from previous year; and
 - Implement a Safety Focus strategy, the drug and alcohol management program, and fatigue and stress management programme.
2. Environmental Performance:
 - REIFR of zero;
 - ISO14001 standard maintained through external assessment; and
 - Progressively reduce environmental impact of CS Energy's operations through the implementation of its water and carbon strategies, including the management of the Callide A Oxyfuel project.
3. Reliability:
 - Meet individual unit and station reliability targets that are higher than the current year's actual performance; and
 - Enhance the overall effectiveness of all asset plant maintenance strategies through the involvement of the portfolio services group.
4. Improve Operating Performance:
 - Implement consistent systems and processes across all operating sites;
 - Benchmark operational performance and target improvement across the total asset portfolio;
 - Assess and enhance the effectiveness of maintenance routines; and
 - Fully embed portfolio approach to service delivery.

1.4. Corporate Strategies

Consistent with its 2008/09 to 2012/13 Corporate Plan, CS Energy's key strategies for achieving its 2008/09 objectives are to:

- Progressively reduce the carbon footprint of CS Energy's generation portfolio, which will be achieved by:
 - Fuel switching and using gas as a transitional fuel; and
 - Development and deployment of clean coal technologies.

A large scale, high efficiency combined cycle gas turbine is planned for Swanbank F. The plant will have a carbon intensity of around 400kgCO₂/MWh. The Notice to Proceed for this project is planned to be obtained in the 2008/09 year.

The Callide Oxyfuel clean coal demonstration project is now in the construction phase. Callide Unit A4 will be recommissioned on air firing in 2008, prior to being converted to oxygen firing in 2009. Carbon dioxide from the waste flue gases will be liquefied and then geosequestered in suitable local geological formations.

Once the oxyfuel and geosequestration technologies have been proven in the Callide A Oxyfuel clean coal demonstration project, the processes will be available for commercial deployment on a large scale.

The development of the coal fired Kogan Creek B is also progressing through its planning stage. The specification for Kogan Creek B is for an ultra supercritical coal plant, built ready for retrofitting of oxyfuel clean coal technology. Prior to the retrofit of oxyfuel technology and carbon geosequestration, the carbon intensity will be around 800kgCO₂/MWh. Post retrofitting this carbon intensity would fall to below 200kgCO₂/MWh on current projections.

The Company is also pursuing other carbon based strategies including the value of tree sinks, particularly around the Company's current power plants and the potential emerging opportunities in the renewables sector.

- Improve effectiveness of existing operations through an enhanced focus on safety, reliability and operating efficiency, including:
 - The introduction of a range of safety based initiatives through 2008/09, including a Safety Focus strategy, the drug and alcohol management program, and fatigue and stress management programme; and
 - A specific project will be undertaken in 2008/2009 to optimise the level of expenditure made to achieve the required level of plant reliability.

In addition, the provision of centralised specialist corporate services to operating sites and the standardisation of processes, systems and practices across sites will continue.

- Optimise revenue from operating sites, including the development of a range of channels to market to ensure attractive revenue streams.
- Secure competitively priced fuel sources, by continuing to pursue the control of fuel supply and pricing, in particular, through proactive involvement with gas developers and optimising the benefits of ownership of Kogan Creek coal resources.

1.5. Performance Drivers

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

- The development of the Emissions Trading Scheme and related targets, together with Renewable Energy Targets, which are now emerging at great pace given the Federal Government's commitment to significant initiatives in this area.
- The vertical integration of the Queensland market following the sale of the Queensland Government's retailers to Origin and AGL Energy, both of which have the capability to monetise their gas resources to manage electricity prices in Queensland through the development of large gas fired power stations. This development will make it harder for CS Energy to contract forward contracts at realistically attractive prices.
- The structural changes to the New South Wales electricity industry, which may see some the New South Wales Government electricity assets being "packaged" as fully formed vertically integrated businesses, which will logically expand their business operations into Queensland. This development would bring increased challenges to CS Energy.

1.6. Corporate performance outcomes

In accordance with the Company's corporate objectives, CS Energy undertakes to achieve the following corporate performance outcomes in 2008/2009:

Our Aims and how we plan to succeed	Key Measures	Targets for 2008/09
People [capability to deliver business outcomes]		
Safety performance	LTIFR Category 3 incident frequency rate	Zero 20% reduction from previous year
Effective organisation	Organisation effectiveness survey	Major initiatives approved by Chief Executive September 2008, and implemented by June 2009
Portfolio Performance [optimise returns within carbon constrained business environment]		
Market driven portfolio performance and cost competitiveness	EBITDA Total Operating Costs	
Commercial plant strategies	Unit reliability	Station targets achieved
Environmental performance	REIFR	Zero
Carbon management	Carbon strategy implementation	Stage 1 implementation plan completed by June 2009
Growth [low emission plant development pathway]		
Funding model matched to growth strategy	Gearing	
Low emission plant & reduction in carbon intensity	Mica Creek redevelopment	Board approval to proceed by December 2008
	Oxyfuel development	Callide A4 recommissioned on air by February 2009
Low emission technology	Oxyfuel development	Callide A4 recommissioned on air by February 2009
Reputation [social licence to operate]		
Responsible corporate citizen	Employee perceptions	Benchmark study to establish baseline and approved initiatives implemented by June 2009
Attractive to employees (existing and new)	Compliance with Government policies & guidelines	100% compliance
Aligned to Shareholder expectations		

Stakeholder

See page 52 for definitions

2. Mandatory matters

2.1. Financial targets

Quarter 2008/2009				Performance targets	2006/07	2007/08	2007/08	2008/09
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
40.2	44.2	76.6	21.5	EBIT (\$M)	65.8	169.7	247.2	182.5
18.4	21.1	42.4	3.8	NPAT (\$M)	43.3	81.4	152.0	85.6
6.3	6.8	11.6	3.2	Return on total assets (%)	2.5	6.9	9.1	7.0
6.6	6.8	11.7	3.2	Return on operating assets (%)	2.5	7.0	8.5	6.9
16.7	9.2	17.9	1.6	Return on equity (%)	5.8	15.2	22.1	9.5

Quarter 2008/2009				Performance indicators	2006/07	2007/08	2007/08	2008/09
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
48.5	51.3	51.2	53.7	Debt/debt + equity (%)	69.3	56.7	49.2	53.7
0.6	1.2	1.3	0.8	Current ratio (times)	0.6	0.4	0.5	0.7
2.8	3.1	4.7	1.3	Interest cover (times)	13.5	3.1	8.0	3.0

2.2. Non-financial performance targets

Quarter 2008/2009					2006/07	2007/08	2007/08	2008/09
Sept	Dec	Mar	June		Actual	Budget	Est Act	Budget
%	%	%	%	Production	%	%	%	%
				Equivalent availability factor				
91.6	91.7	84.3	91.6	Swanbank B	89.1	68.9	85.8	89.8
96.3	95.2	64.0	96.5	Swanbank E	92.6	96.0	83.8	88.2
95.8	96.0	93.6	31.2	Callide B	90.8	92.8	85.0	79.2
93.0	87.6	90.7	93.6	Callide C	93.9	91.5	81.0	91.2
92.0	74.8	94.3	93.1	Kogan Creek		85.6	86.6	88.5
88.4	98.0	93.6	98.0	Mica Creek	90.9	90	91.9	92.1
				CS Energy average (excl Mica)				
92.8	88.0	87.7	78.3	Reliability factor	91.4	86.9	84.5	86.7
				Planned outage factor				
91.6	91.7	92.4	91.6	Swanbank B	94.6	93.6	89.5	91.8
96.3	96.3	97.9	96.5	Swanbank E	94.8	98.5	92.3	96.7
95.8	96.0	93.6	97.7	Callide B	90.8	96.5	92.7	95.8
93.0	93.0	90.7	93.6	Callide C	93.9	95.2	86.9	92.6
92.0	92.2	94.3	93.1	Kogan Creek		85.6	86.6	92.9
98	98	98	98	Mica Creek	99.49	98.0	98.5	98.0
				CS Energy average (excl Mica)				
93.4	93.4	93.3	94.1		93.1	93.2	89.9	93.6
				Forced outage factor				
0.0	0.0	8.1	0.0	Swanbank B	5.5	24.7	3.7	2.0
0.0	1.1	33.9	0.0	Swanbank E	2.2	2.5	8.5	8.5
0.0	0.0	0.0	33.9	Callide B	0.0	3.7	7.7	16.6
0.0	5.4	0.0	0.0	Callide C	0.0	3.7	5.9	1.4
0.0	17.5	0.0	0.0	Kogan Creek		0.0	0.0	4.4
9.6	0.0	4.4	0.0	Mica Creek	8.6	8.0	7.5	5.2
				CS Energy average (excl Mica)				
0.6	5.4	5.5	15.8		1.7	6.3	5.4	6.8
				Forced outage factor				
8.4	8.3	7.6	8.4	Swanbank B	5.4	6.4	10.5	8.2
3.7	3.7	2.1	3.5	Swanbank E	5.2	1.5	7.7	3.3
4.2	4.0	6.4	2.3	Callide B	9.2	3.5	7.3	4.2
7.0	7.0	9.3	6.4	Callide C	6.1	4.8	13.1	7.4
8.0	7.8	5.7	6.9	Kogan Creek		14.4	13.4	7.1
2.0	2.0	2.0	2.0	Mica Creek	0.5	2.0	1.65	2.0
				CS Energy average (excl Mica)				
6.6	6.6	6.7	5.9		6.9	6.8	10.1	6.4

Quarter 2008/2009					2006/07	2007/08	2007/08	2008/09
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
850	850	870	810	Carbon emissions (kg/MWh)	855	855	850	845
7.0	7.0	6.5	6.5	Renewable energy production (GWh)	33.1	36.3	30.0	27.0
				Safety				
3.0	3.0	1.0	0	Lost time injury frequency rate ²	3.6	0	.03	0
9.3	6.0	5.0	0	Lost time injury duration rate (days)	4.8	0	7.2	0
35	30	26	24	Total case recordable frequency rate ³	47	26	42	20

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.

	06/07 Actual	07/08 Budget	07/08 Est Actual	08/09 Budget
Economic indices				
CPI (average 10 years)	2.9	3.0	3.0	3.0
Wages growth (%)	4.5	4.5	4.5	4.5
Long term interest rate (%)	6.4	6.6	6.6	6.9
Dividend payout ratio (%)	80	80	80	80

Assets

- Swanbank B remains in operation;
- Swanbank E runs 7 days per week;
- Major overhauls at Callide B station, Swanbank B and E stations and Mica Creek during 2008/2009; and
- Three Callide A station units remain mothballed, with conversion of the fourth to Oxyfiring commencing during 2008/2009.

2.4. Community service obligations

No Community Service Obligations have been identified for CS Energy for 2008/2009.

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.

3. Additional matters

3.1. Financial results

3.1.1. Group results

Income Statement

Quarter 2008/2009					2006/07	2007/08	2007/08	2008/09
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Operating revenue				
200,271	213,574	232,332	167,476	Sales of electricity	616,349	710,995	826,277	813,653
2,326	2,687	2,910	2,851	Other	12,097	2,818	4,566	10,775
202,597	216,261	235,242	170,328	Total operating revenue	628,446	713,813	830,843	824,427
				Operating expenses				
162,446	172,097	158,591	148,782	Total operating expenses	562,648	544,160	583,674	641,917
40,151	44,164	76,650	21,545	Operating profit/(loss)	65,798	169,653	247,169	182,511
				Non-operating revenue and expenses				
0	0	0	0	Non-operating profit/(loss)	0	0	0	0
40,151	44,164	76,650	21,545	Earnings before interest and tax	65,798	169,653	247,169	182,511
14,181	14,270	16,387	16,462	Interest expense	3,897	54,444	31,034	61,300
7,600	8,774	17,882	1,325	Income tax expense	18,601	33,853	64,188	35,581
18,370	21,120	42,381	3,758	Profit/(loss) after tax	43,300	81,356	151,948	85,629
(33,285)	(14,915)	6,205	48,586	Opening retained profits	(67,584)	(58,218)	(46,258)	(33,285)
0	0	0	0	Adjustments to retained profits ¹	12,666	0	(17,417)	0
(14,915)	6,205	48,586	52,344	Total available for appropriation	(11,618)	23,138	88,273	52,344
0	0	0	68,504	Dividends provided for	34,640	65,085	121,558	68,504
(14,915)	6,205	48,586	(16,160)	Closing retained profits	(46,258)	(41,947)	(33,285)	(16,160)

1. Adjustment for actuarial gain/(loss) on defined benefit plan.

Balance sheet

Quarter 2008/2009					2006/07	2007/08	2007/08	2008/09
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Current assets				
4,116	4,116	4,172	4,257	Cash	3,286	2,130	4,116	4,257
80,634	87,878	93,554	72,679	Receivables	350,330	58,802	78,880	72,679
53,233	53,120	53,008	51,730	Inventories	34,564	55,773	44,476	51,730
10,665	10,926	11,288	11,550	Other ¹	176,652	10,948	9,700	11,550
148,647	156,041	162,022	140,216	Total current assets	564,832	127,653	137,172	140,216
				Non-current assets				
2,815	3,463	4,119	4,785	Investments	1	4,102	2,178	4,785
30,091	31,276	32,462	33,647	Prepayments	16,794	14,464	25,719	33,647
43,612	44,794	45,982	47,175	Gas exploration, evaluation costs	23,558	32,084	42,435	47,175
				Property, plant and equipment:				
2,156,779	2,180,900	2,228,243	2,225,378	- Commissioned assets	1,092,222	2,204,196	2,151,308	2,225,378
12,913	5,355	22,044	77,453	- Non-commissioned assets ²	1,049,964	41,020	4,728	77,453
189,456	189,456	189,456	181,822	Other ³	514,657	59,527	189,456	181,822
2,435,666	2,455,243	2,522,304	2,570,260	Total non-current assets	2,697,196	2,355,392	2,415,824	2,570,260
2,584,314	2,611,284	2,684,326	2,710,476	Total assets	3,262,028	2,483,045	2,552,996	2,710,476
				Current liabilities				
60,556	68,456	58,588	52,711	Creditors	97,611	41,476	43,976	52,711
0	0	0	0	Borrowings	55,838	100,000	0	0
216,364	97,865	101,296	142,590	Other ⁴	749,698	192,441	208,864	142,590
276,921	166,321	159,884	195,301	Total current liabilities	903,147	333,917	252,840	195,301
				Non-current liabilities				
851,931	976,433	1,017,120	1,062,620	Borrowings	1,048,722	867,850	858,996	1,062,620
550,529	542,477	538,888	537,232	Other ⁵	821,855	543,577	554,598	537,232
1,402,460	1,518,910	1,556,008	1,599,851	Total non-current liabilities	1,870,577	1,411,427	1,413,594	1,599,851
1,679,381	1,685,231	1,715,893	1,795,152	Total liabilities	2,773,724	1,745,344	1,666,434	1,795,152
904,933	926,052	968,433	915,324	Net assets	488,304	737,701	886,562	915,324
				Shareholders equity				
943,119	943,119	943,119	943,119	Share capital	1,072,504	1,072,504	943,119	943,119
(23,271)	(23,271)	(23,271)	(11,635)	Hedging reserve	(537,942)	(292,856)	(23,271)	(11,635)
(14,915)	6,204	48,585	(16,160)	Retained earnings	(46,258)	(41,947)	(33,286)	(16,160)
904,933	926,052	968,433	915,324	Total shareholders equity	488,304	737,701	886,562	915,324

Notes

- Prepayments and derivative financial instruments.
- Kogan Creek Power Project and business development works in progress. Balance at 30 June 2009 primarily relates to Mica Creek redevelopment (\$29M) and Swanbank F project (\$44M)
- Deferred tax assets, derivative financial instruments and retirement benefit obligations.
- Employee entitlement provisions, onerous contract provision, current tax provision, dividend provision and derivative financial instruments.
- Employee entitlement provisions, site rehabilitation provisions, onerous contract provision, deferred tax liability and derivative financial instruments.

Cash flow statement

Quarter 2008/2009					2006/07	2007/08	2007/08	2008/09
Sept \$000	Dec \$000	Mar \$000	June \$000		Actual \$000	Budget \$000	Est Act \$000	Budget \$000
				Cash flows from operating activities				
229,610	232,066	262,169	216,460	Cash receipts in the course of operations	668,364	796,304	969,696	940,305
(155,373)	(167,646)	(170,421)	(154,825)	Cash payments in the course of operations	(367,697)	(398,545)	(645,838)	(648,265)
25	25	25	25	Interest received	962	100	2,667	100
(14,538)	(14,634)	(16,840)	(17,559)	Borrowing costs paid	(48,019)	(69,351)	(61,884)	(63,571)
0	0	(14,698)	0	Tax equivalent payments	0	(0)	0	(14,698)
59,724	49,811	60,236	44,101	Net cash provided by operating activities	253,610	328,508	264,641	213,871
				Cash flows from investing activities				
(52,659)	(52,754)	(100,868)	(89,515)	Payments for property, plant & equipment	(407,777)	(218,567)	(136,152)	(295,796)
0	0	0	0	Proceeds from sale of non-current assets	0	0	0	0
0	0	0	0	Other	(260,563)	0	0	0
(52,659)	(52,754)	(100,868)	(89,515)	Net cash used in investing activities	(668,340)	(218,567)	(136,152)	(295,796)
				Cash flows from financing activities				
12,663	124,501	43,772	45,499	Proceeds from borrowings	1,845,959	65,521	107,038	226,435
(19,728)	0	(3,084)	0	Repayment of borrowings	(1,393,621)	(137,870)	(210,057)	(22,811)
0	0	0	0	Equity contributions	0	0	10,000	0
0	(121,558)	0	0	Dividends paid	(40,170)	(37,462)	(34,640)	(121,558)
0	0	0	0	Other	0	0	0	0
(7,065)	2,943	40,688	45,499	Net cash used in financing activities	412,168	(109,811)	(127,659)	82,066
0	0	56	85	Net increase/(decrease) in cash held	(2,562)	130	830	141
4,116	4,116	4,116	4,172	Opening cash balance	5,848	2,000	3,286	4,116
4,116	4,116	4,172	4,257	Closing cash balance	3,286	2,130	4,116	4,257

3.1.2. Transactions with owners as owners

	2006/07 Actual	2007/08 Budget	2007/08 Est Act	2008/09 Budget
Equity injections / withdrawals (\$M)	0	0	10.0	0
Dividends provided for (\$M)	34.6	65.1	121.6	68.5
Dividends paid (\$M)	40.2	37.5	34.6	121.6
Dividend payout ratio %	80	80	80	80
Adjustment to NPAT pre-dividend calculation (\$M)	0	0	0	0

3.1.3. *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, if required.
- 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 2008:

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	2	103	103
				33	1		
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
Western Qld							
Kogan Creek A	100%	Steam turbine	Coal-fired	750	1	750	750
Total capacity						3,697	3,247

¹ Callide A was stored in December 2001.

3.3. Capital expenditure program

3.3.1. Continuing investment in existing business

Description	Total cost (\$M)	Budgeted cost 2008/2009 (\$M)	Purpose	Status
Swanbank	57.7	57.7	Maintain reliability	Continuing
Kogan Creek A	51.4	51.4	Maintain reliability	Continuing
Callide	96.5	96.5	Maintain reliability	Continuing
Mica Creek	39.7	39.7	Maintain reliability	Continuing
Gasfield assets/Other	14.2	14.2	Maintain supply	Continuing
Total (includes overhauls)	259.5	259.5		

3.3.2. Assets under construction

Description	Project status	Budgeted total cost (\$M)	Estimated expenditure to 30 June 2009 (\$M)	Budgeted cost 2008/09 (\$M)	Expected completion date
Total (including capitalised interest)	NIL	NIL	NIL	NIL	NIL

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 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.

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.

Details of CS Energy's WACC calculations are provided in Attachment 2 to this SCI.

3.4.4. Dividend policy

CS Energy's dividend policy takes into account the return its shareholders expect on their investments. The Board of CS Energy will recommend a dividend amount equivalent to 80% of the Corporation's applicable profit for the 2008/2009 financial year. The Board will adopt such a recommendation on the basis of its shareholders agreeing to provide the necessary funding for projects, which have received Board and shareholding Ministers' approval or for the maintenance of CS Energy approved capital structure or for ensuring the operational viability of CS Energy.

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 2008/2009 State Borrowing Programme to fund the following:

- Additional capital works at Kogan Creek A Power Station to meet operational requirements;
- Commencement of work on both the mid-life refit at Callide B Power Station and repowering of Mica Creek Power Station; and
- Routine overhaul programs at each of CS Energy's four operational sites.

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 during 2008/2009.

3.4.9. Risk management

The Board of Directors of CS Energy is 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 2008/2009 budget process and milestone dates agreed for the implementation of actions.

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 expenditure.

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. Non-Executive Directors

The base Directors' fees are set by the shareholding Ministers while the committee fees are paid based on appointments made from time to time by the full Board, but also set by the shareholding Ministers. Fees are paid in accordance with a schedule provided by the shareholding Ministers.

The following fees (estimated to 30 June 2008) will be paid to CS Energy directors for the 2007/2008 year:

Director	Director's Fees (\$)	Committee fees (\$)	Superannuation (\$)	Other (\$)	Total (\$)
S Lonie	\$61,645	\$12,637	\$0		\$74,282
R Henricks	\$25,274	\$3,791	\$2,616		\$31,681
J Leaver	\$25,274	\$5,055	\$2,730		\$33,059
S Israel	\$25,274	\$3,791	\$2,616		\$31,681
T Crommelin	\$25,274	\$0	\$0		\$25,274
M Bucknall	\$25,274	\$3,791	\$2,616		\$31,681
T White	\$25,274	\$8,846	\$2,303		\$36,423

3.5.2. CEO and Senior Executives

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 2007/2008 financial year, as well as actual performance payments for the 2006/2007 year, which 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. Based on current contract arrangements, the performance payment for 2006/2007 is capped at 15% maximum for each executive.

CEO / Senior Executives ¹	Total Fixed Remuneration ²	Motor Vehicle	Superannuation ³	Other Benefits ⁴	Total Remuneration	Performance Payment 2006/07 ⁵
Chief Executive D Brown	\$327,204		\$29,448		\$356,652	
General Manager Operations G Campbell	\$208,221		\$18,740		\$226,961	
General Manager Corporate Services C Turnbull	\$246,841		\$19,857		\$266,698	
Chief Finance Officer R Boys	\$242,474		\$19,798		\$262,272	
General Manager Major Projects T Andersen	\$291,419		\$20,154		\$311,573	
General Manager Organisational Development W Andrew	\$213,750		\$20,662		\$234,412	
General Manager New Business P Hyslop ⁶	\$215,399		\$19,386		\$234,785	
General Manager Portfolio Services J James	\$212,135		\$16,088		\$228,223	

Notes

- 1 There were several executive vacancies during the reporting period, which were filled in an acting capacity for various periods.
- 2 Total Fixed Remuneration includes a value for a Motor Vehicle Allowance.
- 3 Employer Contributions to superannuation (other than by salary sacrifice).
- 4 NIL paid
- 5 Performance Payments for 2006/2007 not yet approved by Shareholding Ministers.
- 6 Paul Hyslop resigned effective 10 May 2008

3.6. Human resource management direction and philosophy

CS Energy's ongoing viability is dependant on its competitiveness and its ability to be recognised as an employer of choice.

The Company recognises the link between cooperative workplace relations and productive outcomes and is actively adopting a more proactive strategy when it comes to stakeholder relationships. CS Energy values its staff and acknowledges their value and integral role in ensuring the Company's success.

As a progressive employer, CS Energy bases its IR/HR practices on the following parameters:

- Mutual trust;
- Mutual Respect;
- Open communications;
- A sense of equity;
- Fair pay and conditions;
- Opportunities for participation (to be heard and contribute);
- Safe environment;
- Enjoyable environment, with work-life balance;
- Pride in work, accomplishment at work; and
- Opportunities to grow.

CS Energy will pursue its IR/HR goals whilst ensuring alignment with broad Queensland Government IR policy and objectives.

Specifically, in 2008, the Company will be focussing significantly on skills attraction, retention, development, and succession planning with a particular emphasis on career progression. The Company faces a competitive market for talent, particularly in technical skills areas and executive management.

An extensive review of recruitment and selection processes within CS Energy has been undertaken, in order to ensure that the Company maintains a viable and competent workforce.

CS Energy will have a learning and organisational development focus this year with a “centre of excellence” operating out of Swanbank Power Station. There are high expectations that this renewed learning and development direction will give CS Energy a distinct advantage as an organisation in the short and long term.

Leading the industry in the area of workplace health and safety with a ‘no work injuries’ target remains a strong objective for CS Energy. An equally strong commitment to Leadership Development has been identified as a major initiative for 2008 and a foundation for the Company’s key business areas (i.e. people systems) in the Company.

Another of the major initiatives already underway and set for completion in 2008 is the functional review of the delivery of finance, procurement and HR at Corporate and operating sites. An implementation package has been developed, including new structures, budgets, reporting lines and detailed definition of the services to be provided as CS Energy moves to full implementation this year.

3.6.1. Significant and emerging Issues

Attraction and retention of skilled staff remains the most significant issue for CS Energy and a pressing consideration for the Callide and Mica Creek Power Station operations.

Although significant work has already been undertaken aimed at addressing this issue, which has resulted in the development and implementation of pre-EBA initiatives delivered through Company policy, this issue is likely to be pursued by Unions for greater negotiation outcomes, that could potentially lead to claims for attraction and retention payments. The Company’s negotiating parameters are already set (i.e. approval of negotiating frameworks) for the two sites undertaking EB negotiations this year. Whilst CS Energy would seek to avoid having to make such a payment, where the evidence of recruitment failure and significantly abnormal turnover exists, due consideration would need to be given to many options, including an attraction and retention payment, with Government approval.

Measures taken to ensure that relevant skills will be developed and available locally in the longer term include:

- CS Energy apprentices and trainees program (including partnerships with Group Training Schemes as well as ‘in-house’).
- CS Energy graduates program called the CS Energy Professional Development Program (including the disciplines of mechanical engineering, electrical engineering, chemistry, environmental, finance, organisational development).
- Development of postgraduate studies in power generation in conjunction with QUT called the Post Graduate Power Engineering Studies Program.
- Bursaries and vacation practice programs for students excelling in the engineering discipline and vacation placements at CS Energy sites.
- Implementation of a range of training and development programs including an organisational wide leadership program, supervisory development, and specialist technical training.

In accordance with CS Energy’s commitment to support the Queensland Government’s industrial relations policies, CS Energy will ensure that staff are not disadvantaged overall in respect of their conditions and rates of pay due to the parties having to develop Agreements under Work Choices legislation. The Company will continue to seek to resolve issues cooperatively with Unions and staff and, subject to

Government approval, this process will occur through the Minimum Standard Provisions Schedule attached to the E & IR Plan.

CS Energy has reached the final stage of consultation with staff and Unions about the implementation of the Alcohol and Other Drugs and Fatigue Management policy. It is envisaged that a trial phase of the implementation of this policy will be achieved without further issues arising.

4. Performance agreement

Directors' statement and agreement of shareholding Ministers

This Statement of Corporate Intent (SCI) for the financial year 2008/2009 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. Andrew Fraser, MP

Treasurer

Date:

.....

The Hon. Geoff Wilson, MP

Minister for Mines and Energy

Date:

5. 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 continues to recognise the value of its staff and their integral role in ensuring ongoing business success. CS Energy acknowledges the role of Unions and the need for stakeholders to develop and maintain good working relationships, and will continue to work cooperatively with all stakeholders, including staff and Unions, to maintain these relationships.

The Company continually strives to meet the challenge faced by all Government Owned Corporations (GOCs) to balance, in terms of its industrial relations practices, the commerciality of its operations with community expectations, demands on Government for accountability and the implementation of best practice standards.

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 provided in various industrial and employment agreements (including both Federal collective agreements and preserved state agreements), the Electricity Generation, Transmission and Supply Award - State (continuing to apply until March 2009 as a Notional Agreement Preserving a State Award (NAPSA)) as well as CS Energy's human resources policies. CS Energy and its employees are also governed by the Government Owned Corporations Act 1993 and Regulations, the Electricity Act 1994 and Regulations, the Industrial Relations Act 1999 and the Workplace Relations Act 1996 (Cth).

Notwithstanding the requirement for any building work as defined in the Building & Construction Industry Improvement Act 2005 and Building Code, to be compliant with the National Code of Practice for the Construction Industry and Guidelines, CS Energy adheres to the principles as prescribed in the Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees document.

Where there are differences between those conditions contained in the Minimum Standard Provisions Schedule and those conditions contained in CS Energy's industrial instruments or policies, as at March 2006, the 26 March 2006 provisions from CS Energy's industrial instruments will prevail.

CS Energy also complies with the Government Policy Guidelines for conduct of industrial relations and the development and negotiation of agreements, being those principles contained in the document Agreement Making in Government Owned Corporations Guidance for Chief Executive Officers. The Company's existing employment policy remains, where the principle of collective bargaining with Unions is the preferred medium for establishing rates of pay and conditions of employment for employees.

The principle of encouraging Union membership within the CS Energy workforce has been further enhanced following consultation with Unions (see section on 'Management of the relationship between GOCs and Unions').

Alternative Individual Agreements (AIAs), provided for under collective/certified agreements, will continue to be offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain employees of the quality needed to ensure it can continue to compete effectively in the electricity market.

These AIAs are voluntary, available for those people engaged at level 11 (\$76,959 pa plus superannuation) and above and the general terms of these arrangements, such as annualising salaries for hours of work provisions and leave loading, were negotiated with the relevant Unions. The AIAs operate in conjunction with 'parent' agreements.

CS Energy has further negotiated with relevant Unions that where the Company considers that there is a benefit to the parties in offering an AIA for a position below level 11, this approach is possible but only where Union agreement is given to that instance.

CS Energy's rationale for the use of AIAs, including the ability to widen the eligibility, is to provide the Company and the employee in roles where it is warranted with an ability to provide remuneration in a total fixed remuneration package, to fairly and adequately compensate for the hours necessary to undertake the role, including the performance based variable pay component.

The predominant hours of work arrangement in CS Energy agreements is ordinary hours of work of 36.25 hours per week. Exceptions to this arrangement exist in the Kogan Creek Power Station Greenfields Collective Agreement and the Mica Creek CS North West Certified Agreement, where employees work a 40-hour week but receive a loading for the additional hours.

The current agreements are specified in the following table:

	Scope	Reference	Expiry
CS Energy Ltd Corporate Office Collective Workplace Agreement 2007	Employees of CS Energy Ltd at Corporate Office	072574650	30 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 employed in the classifications within the Agreement	No: 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

Enterprise Bargaining

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

The current enterprise agreements have been operating without incident. Provisions under these agreements have been implemented through each site's consultative processes. In the few instances where there has been a need to discuss and clarify any provision, this process has been undertaken successfully with the relevant Union/s.

Callide and Mica Creek power station agreements expire in August 2008. At this stage, CS Energy has not received any claims from Unions relating to these upcoming negotiations. CS Energy has considered likely claims based on Union claims received by other electricity GOCs presently in EB negotiations. These possibilities have been discussed in the Callide and Mica Creek EB Negotiating Frameworks document that has been approved by CBRC.

The national skills shortage, currently being experienced in Australia, means that organisations must look harder at the appropriateness and effectiveness of their attraction and retention response strategies. CS Energy is no different in this respect.

CS Energy is cognisant of the requirement imposed by Government that, whilst remuneration levels it can offer are to reflect agreed and relevant market comparisons, GOCs are restricted from becoming market leaders in wages and conditions.

This constraint notwithstanding, CS Energy has explored and continues to explore strategies, where viable and appropriate, in order to address attraction and retention of staff that deliver benefits other than increased salaries.

A number of initiatives have already been delivered through Company policy in the areas of airfares and travel related expense reimbursement, study/development allowances and accommodation assistance.

Employee Flexibility

CS Energy continues to use site-specific Collective Agreements, therefore allowing greater ability for the parties to negotiate flexibilities, in specific agreements that are both relevant and workable. An important option for the Company, available within the parameters of an agreement, is the consideration of the use of AIAs.

The current Corporate Office agreement was negotiated with relevant Unions to potentially provide for a greater number of employees to have the choice of being employed under AIA conditions that may better suit them. Employees are free not to accept an offer of an AIA arrangement, or subsequently opt out of an AIA arrangement by giving one month's notice and hence would retain provisions such as that provided in the agreement for a '40 hour week' employee to vary their standard hours of attendance with mutual agreement i.e. work more hours (up to 10) or less hours (down to 6) in one attendance.

In recognition of the importance of ensuring ongoing income for employees on maternity leave, CS Energy will be proposing to provide an extra 4 weeks paid maternity leave (increasing to 12 weeks from 8 weeks), with the option to take the leave at half pay. This proposal provides a financial advantage to employees as it places them in a lower tax bracket, effectively increasing the proportion of take home pay to more than half the full time rate.

This provision is already in the Corporate Office Agreement, and it is proposed to introduce this provision in both the Callide and Mica Creek agreements to be renegotiated in 2008.

The opportunity for employees to take long service leave at half pay is being considered and is likely to become a feature of future collective agreements, with the provision that this agreement is operationally convenient to the employer.

The provision of fixed term employment for either a specific period of time or for a specific task has been included in the Corporate Office agreement and is proposed for inclusion in future agreements.

Type of Employment

Workforce Numbers 2008-09

The Company's expected Workforce numbers that have been developed from our 2008-2009 workforce plan are outlined in the following table:

ITEM	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Employment Category:				
Permanent Full Time	532	604	600	592
Permanent Part-time (FTE)	6	6	6	6
Other Contract	2	1	0	0
Senior Executive Contract	7	8	8	8
Apprentices (In House)	7	7	7	7
Trainees (In House)	3	3	3	3
Casual Employees (FTE)	3	3	3	3
Total Directly Employed Workforce:	591	632	627	619
Apprentices/Trainees (Group)	38	51	51	50
Contractor Employees (Trade/Technical)	62	57	48	47
Contractor Employees (Professional/Administrative/Clerical)	16	19	20	19
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire (Professional/Administrative/Clerical - FTE)	-	-	-	-
s457 Temporary Visa	5	5	2	2
Number of employees engaged on AWAs with contractors	-	-	-	-
Total Workforce:	707	789	746	735

N.B. The reduction in workforce numbers projected for 30 June 2011 is due to the fact that a Kogan Creek Transition Group is included up until 2011, to implement the Transition to Operation Readiness Plan. The reducing number of expected contractor numbers is for the same reason.

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 31 group apprentices, 7 CS Energy apprentices, 3 CS Energy trainees and 5 group trainees currently working at CS Energy.

Group apprentices and trainees will continue to be employed at CS Energy.

Workplace Health & Safety

CS Energy seeks to ensure there are no injuries at any of its sites. Continual improvement has also been driving beneficial changes to the health and safety of its employees across a number of sites. Between March 2007 and January 2008 a variety of high-risk tasks were conducted successfully, including:

- The construction and commissioning of Kogan Creek Power Project;
- The deconstruction of Swanbank A Power Station; and
- The completion of scheduled overhauls at each of the power stations.

CS Energy is looking to consolidate and improve on this performance throughout 2008/2009 by implementing a variety of health and safety promotional initiatives. The initiatives are being implemented with the support of the newly appointed Chief Executive. In accordance with the 2008/2009-business plan, the goal is to increase the profile of health and safety across CS Energy. CS Energy's culture should foster health and safety bringing it to the forefront of everybody's mind before the start of all work. Achieving this approach will go a long way to further reducing the All Incident Frequency Rate (AIFR) across CS Energy.

CS Energy's safety awareness campaign, "Safe Move", continues to feature in promotional information such as posters, safety alerts and risk assessment tools. The Safe Move campaign focuses on identifying hazards, implementing control measures and reassessing risks.

During the first quarter of financial 2008, CS Energy will introduce the Chairman's Health and Safety Awards, which is a quarterly recognition and rewards scheme aimed at rewarding outstanding innovation and/or safety performance. This program is congruent with the overall strategy of lifting the profile of health and safety within the organisation by officially acknowledging the work of people who champion health and safety.

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.

Health and Safety Improvements

From 8 January 2008 it is compulsory for all employees and contractors to wear hi-visibility personal protective clothing on all CS Energy sites. This milestone date marks the full implementation of the new site clothing requirements. Hi-visibility flame-retardant electrical safety clothing has also been distributed to relevant persons to be used around electrical installations.

A pilot security system was implemented at Kogan Creek Power Station that will potentially achieve improved security, with additional capability of monitoring worker fatigue and alcohol and other drug testing. The Cardax Card system will also improve consistency in regard to site access. The new security system will be reviewed in 2008/2009 and, pending the outcome of that review, will be implemented on all sites. Photo IDs are now on all Cardax cards and single card access across all sites has been implemented.

During 2007, members and representatives of site-based Emergency Response Teams attended intensive fire and emergency management training conducted by the Queensland Fire and Rescue Service. Live exercises were conducted at both Callide and Swanbank, to test response capability and identify system deficiencies. The live exercises have assisted in the formulation of action plans to improve emergency response capabilities and equipment.

Consultation continues with various representatives from the Queensland State Government Owned Generation Entities, State Union Officials and site Union delegates, to develop a consistent Alcohol & Other Drugs procedure and guidelines for Fatigue Management. Consultation is planned to be completed by June 2008 and the procedure and guidelines to be completed thereafter.

Health and Safety Initiatives

Initiative	Status	Date of implementation
Ensure safety action plans for all sites achieve as a minimum standard, Australian Standard 4801- Health & Safety Management Systems.	Gap analysis audits were completed by NCSI on each site. Action plans are in place and were reviewed during the Health and Safety risk-planning workshop held in November 2007. High-risk items identified in the action plans have been entered into the Risk and Opportunity Management System for management and monitoring.	30 December 2008
Roll out high visibility flame retardant personal protective clothing for electrical workers to protect against arc thermal flash energies.	Implementation of flame retardant clothing complete. Implementation of arc flash clothing is ongoing	30 June 2008
Introduce a Chairman's Reward Program for safety milestones and innovations,	Planning for the program is complete. Implementation is scheduled to begin in June 2008.	30 June 2008
A Project Team will review and improve electrical safety training, competencies and work processes.	This project is in progress. Key organizational restructures have contributed to delays.	Undetermined
Implement a Pandemic Response Plan in line with CS Energy's business continuity systems.	Pandemic response plan for CS Energy completed. Procurement of pandemic equipment is complete and stores are located on each site. Site pandemic training is scheduled for 2 nd quarter 2008.	30 June 2008
Continuation of the roll out of a behaviour based safety management system – SafeMap across all CS Energy sites.	Training completed at Callide and Mica Creek. Training scheduled for Kogan Creek and Swanbank during the 1 st quarter 2008.	30 March 2008
Improvements in the site based emergency response capabilities and equipment.	Worley Parsons completed a review of emergency response requirements and capabilities. Action plans resulting from the recommendations to be developed and implemented across all sites.	30 December 2008
Annual medicals for workers exposed to hazards on sites.	This project is ongoing. Currently investigating the possible use of a monitoring system within SAP.	Undetermined
Implementation of CS Energy's Fit for Duty - Fatigue Management and Drug & Alcohol procedures.	Currently in consultation with Union representatives, groups and other GOC's. Involved in the development of a consistent process across all GOC's. Testing equipment has been purchased.	Implementation targeted for March 2008

Health and Safety Review

NCS International completed an AS/NZS 4801 – Health and Safety Management System gap analysis at all sites during April 2007. The recommendations for each site have been collated in to a corporate action plan and are being implemented. All actions will be complete by December 2008 and will be monitored as part of CS Energy's Risk and Opportunity Management System (ROMS).

A number of internal and contractor audits were completed between March 2007 and January 2008. The audits, improvement requests and actions are outlined below:

1. Permit to Dig Audit (internal) – Swanbank (April 2007). There was one breach identified in the audit and a number of improvement requests were raised:
 - The Permit to Dig form is to be linked to the PTW issuing process and a process for archiving the records is to be put in place;
 - OIC training on the Permit to Dig form is to be supplemented with toolbox talks when changes are made to the form and procedure;
 - Backup resources for the "Responsible Officers" required for signing off the sections-Operations, Maintenance, Electrical and IT on the permit are to be considered to allow permits to be completed if the nominated responsible officers are not on site; and
 - The works of the coal handlers using dozers to move coal and dirt near the weighbridge (in proximity to underground cables) should operate under the permit to dig system and be reviewed by the Corporate PTW Committee.
2. Mill work audit (CBH) – Swanbank (March 2007). The audit identified CBH had complied with site requirements and only 2 improvement requests, rated as moderate and low risk, were made:
 - The site Emergency Response Team to undertake a mock rescue and review the contractor's emergency plan and ensure the entry and exit point is identified on the plan; and
 - Extend handrails around the work platform where the workers are removing the drive assembly on the ball mills – this will avoid the need for workers to wear a safety harness.
3. Safety Management Plan audit (Siemens) – Swanbank (June 2007). The audit was conducted to determine compliance with CS Energy's site requirements and the contractor's health and safety management system. Only 2 improvement requests (moderate and low) were identified:
 - Siemens electrical workers whose certification was about to expire should attend a refresher course on resuscitation; and
 - Siemens workplace health and safety officer details are to be displayed on the noticeboard in their work area.
4. Safety Management Plan audit (CBH) – Swanbank (August 2007). Four improvement requests (one rated as a moderate risk and three as low risk) were identified for the contractor's health and safety system compliance audit:
 - The low risk issues related to updating the employee database that captures employees licence and certification details, workplace health and safety officer details to be displayed in the work area and to allow increased access to the computer based ChemaAlert system and update the database licence; and
 - The moderate improvement request related to when future audits of the contractor's health and safety management system the audit team include representatives of CBH's and CS Energy's management team and that CS Energy implement recommendations made in CBH's improvement notices between successive overhauls.
5. PTW System Audit (internal and contractors) – Callide (October 2007). These issues were raised in the B1Major Overhaul final report. Four breaches occurred during the overhaul involving electrical work and PTW system access to plant. The incidents were considered significant risks and related to the potential for electrical shock. All of these incidents were investigated on site and a CS Energy internal review was conducted on all electrical incidents over the last 12 months. The review report was presented to the Executive Management Team and risk plans, action items and milestones have been entered into the Risk and Opportunity Management system. An external independent review of the PTW system has been arranged for the second quarter of 2008/2009.

6. Arrow Energy OHS Systems review of the Kogan North gas field joint venture. A review was conducted on the contractor's health and safety management system at their Tipton West CGPF Operational site. There were no breaches and the compliance to the site procedures and requirements were satisfactory. A review of the Corporate OHSMS development phases will be scheduled for 2008/2009.

The focus for CS Energy's internal audits planned in 2008/2009 include:

- Full independent PTW System review – systems and processes for compliance, efficiency and effectiveness;
- Large Dangerous Goods (all sites); and
- Machinery guarding.

Equal Employment Opportunity and Anti-Discrimination

At CS Energy, recruitment and selection is based on using fair, open and transparent processes to select the best people for the job in an efficient and effective manner. CS Energy is an Equal Opportunity employer and all managers/supervisors and members of selection activities must understand and apply equal opportunity and anti-discrimination principles, and should refer to our procedures for recruitment and selection, and achieving and maintaining a workplace free from discrimination, harassment, bullying and vilification.

Following an extensive review, CS Energy has developed a long-term equity strategy and plan for the Corporation for the next five years. The Plan reflects CS Energy's commitment to the creation and maintenance of an environment where all staff are able to contribute and operate to their full capacity and be recognised accordingly.

CS Energy's EEO Management Plan (2008-2012) and EEO Compliance Report (2007) were approved by the Office of the Public Service Commissioner in 2007. CS Energy has procedures for "Achieving and maintaining a workplace free of discrimination, harassment, bullying and vilification" and "Fair treatment and grievance resolution system". These procedures are communicated to employees during induction and routine employee briefing sessions that are to be conducted at least every three years. The next training is scheduled for early 2008. Policies are readily available on the intranet and in hard copy form from Human Resources.

Employee EEO briefings are scheduled to be held at all CS Energy sites during May/June 2008. The previous briefing sessions were held in April 2005.

Interstate Acquisitions/Operations

CS Energy has no interstate acquisitions or operations.

Joint Venture Projects

CS Energy remains in joint venture with IG Power at Callide C Power Station. Operations and maintenance services for Callide C are provided by CS Energy under a contract with the joint venture entity making CS Energy Callide Power Station the employer of staff.

All employees of CS Energy at Callide Power Station are covered by the CS Energy Ltd Callide Power Station Certified Agreement 2005.

CS Energy has joint venture arrangements with Arrow Energy at Kogan North, with Metgasco at Casino, and for the Callide Oxyfuel Project. These ventures involve CS Energy as an interest holder, not as the operator and therefore no employment relationship between CS Energy and staff exists in these ventures.

Management of the Relationship Between GOCs and Unions

CS Energy has actively sought to be more proactive in developing positive relationships with Unions. Some of these initiatives arose from recommendations made following a review by PricewaterhouseCoopers in late 2007 of CS Energy's internal governance arrangements with respect to IR matters.

With an objective of maintaining positive relationships with Unions, CS Energy will be seeking to use facilitative bargaining in the upcoming Callide Power Station collective agreement negotiations.

Further, a Corporate IR Advisor has been appointed with explicit accountability for managing relationships between the Company and Unions on IR matters. A consultative framework continues at sites comprising local management, employee representatives and Union officials.

A Peak Consultative Committee (PCC) comprising senior management from the Company and Union officials meets at least quarterly, with a referral forum with Union delegate representation sitting below this committee. It is proposed by CS Energy to use this forum to oversee a Working Party to be established to assess the status of the industrial relationship at site level and make recommendations for further improvement, if necessary.

CS Energy's commitment to the encouragement of Union membership is supported by providing Unions with advice regarding new employees, as well as providing all new starters with the details of the recognised Union workplace delegates at their workplace.

Redundancy Provisions

CS Energy and its subsidiaries remain a 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.

CS Energy does not intend seeking to reduce redundancy provisions in the upcoming Callide and Mica Creek agreements.

Job Security

CS Energy has provided a commitment to "no forced redundancies" unless formally approved by the Shareholding Ministers, 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 may be assisted by consultation with Government on the issue.

Contracting Out

Subject to legislative requirements and directions of Shareholding Ministers, CS Energy remains 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 continue to be utilised as a last resort, as is the case with the three 457 Visa employees presently employed due to the exceptionally competitive and tight labour market in regional and remote areas of Queensland. Such employment arrangements are not used as a substitute for local recruitment or training of local persons.

Measures taken to ensure that relevant skills will be developed and available locally in the longer term include:

- CS Energy apprentices and trainees program (including partnerships with Group Training Schemes as well as 'in-house').
- CS Energy graduates program called the CS Energy Professional Development Program (including the disciplines of mechanical engineering, electrical engineering, chemistry, environmental, finance, organisational development).
- Development of postgraduate studies in power generation in conjunction with QUT called the Post Graduate Power Engineering Studies Program.
- Bursaries and vacation practice programs for students excelling in the engineering discipline and vacation placements at CS Energy sites.
- Implementation of a range of training and development programs including an organisational wide leadership program, supervisory development, and specialist technical training.

CS Energy is committed to an increased focus on individual development and organisational capability requirements and has established the CS Energy Learning and Development (L&D) Centre. Staffed by an internal team of learning and development experts, it will support all sites in addressing site and corporate capability requirements. Some of the programs the L&D Centre will maintain are the Graduate Development Program, Supervisor Development Program and apprenticeships and traineeships. Other services will be the development of e-learning and training needs analyses.

CS Energy's HR area is implementing a 'critical role succession planning' system during 2008, as well as a career development focus via a 'manager-one-removed' system.

CS Energy continues to engage supplementary labour in accordance with the Minimum Standards Principles, where the need can be demonstrated through a sound business case and/or where specialist skills are required.

In accordance with Shareholding Ministers' requirements, CS Energy undertakes industrial audits of contractors, which perform work during major shutdowns, and plant overhauls. These audits ensure that contractors are correctly employing and remunerating workers they engage to undertake work on CS Energy sites.

To this end, during the recent Callide Power Station Unit 1 overhaul, a number of contractors were audited. The audit included a check of the payment of wages paid to the contractors' employees who worked on the overhaul.

A schedule for the completion of audits for 2008/2009 is currently being developed. 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

The Defined Benefit Fund, closed to new employees in 2002, has an employee contribution rate of 5 % and an employer contribution rate of 8% (rate reviewed every 2 years). Currently, 42.5% of the CS Energy workforce remain in this plan.

The remainder of the workforce is in the Defined Contribution Fund, of which 22.5% of the workforce is in the 9 % Superannuation Guarantee Contribution (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 CS Energy as 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 (OGOC), the Department of Mines and Energy, the Department of Employment and Industrial Relations (DEIR) 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 Commissioner.

Reporting

CS Energy will provide feedback on performance against the Plan to DEIR and OGOC by 30 November 2008, highlighting any significant divergences from the Plan and the background and context for these variances.

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 2008/2009 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 2008.

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 (2004)

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.

Government Owned Corporations Overseas Travel Policy (2006)

CS Energy complies with this policy.

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 (2006)

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 (2006)

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 2008/2009 financial year is detailed in the following table:

Description	Purpose/Benefits Accruing to the Corporation	Budgeted cost 2008/2009 (\$000)
Sponsorship of Keep Australia Beautiful Queensland	Delivering school tours for Swanbank Power Station	10.0
Sponsorship of Opera Queensland Moving Opera workshops	Reputation enhancement in communities hosting our sites	28.5
CS Energy customer, business partner and supplier Christmas party	Opportunity to deliver unfiltered messages to key stakeholders	10.0
Swanbank Staff Christmas Party	Christmas function Swanbank Power Station - site staff and partners (approx 140 people)	12.5
Callide Staff Christmas Party	Christmas function Callide Power Station – site staff and families (approx 330 people)	22.0
Kogan Creek Staff Christmas Party	Christmas function Kogan Creek Power Station – site staff and families (approx 80 people)	15.0
Brisbane office Christmas Party	Christmas function Brisbane office – staff (approx 120 people)	11.0

Table 2: Corporate Entertainment: Activities less than \$5,000 per event.

	Budget 2008-09
Staff Functions:	
Number of functions	
Expenditure (Total \$) (1)	9,000
Business Development:	
Number of functions	
Expenditure (Total \$) (2)	202,500
Stakeholder and Community Engagement	
Number of functions	
Expenditure (Total \$) (3)	2,000
Total Expenditure on corporate entertainment and hospitality below \$5,000 (1+2+3)	213,500

All CS Energy events are managed within guidelines agreed with the Office of Government Owned Corporations.

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.