



**Statement of
Corporate Intent**
2010/2011

FOR PARLIAMENTARY TABLING

Amended Statement of Corporate Intent 2010/2011

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

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Treasurer
and Minister for Employment and Economic Development

and

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Minister for Natural Resources, Mines and Energy
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1 Scope/policy position

1.1 Strategic issues

CS Energy Ltd (CS Energy) operates as a merchant generator predominantly in the National Electricity Market (NEM). The NEM has seen the emergence of vertically integrated participants, both upstream to the fuel source and downstream to the retail customers. The introduction of these vertically integrated retailers, with access to gas, has resulted in both a significant contraction of the electricity contract market and lower NEM pool prices in the 2009/2010 financial year, and the immediate outlook for pool prices for 2010/2011 is also poor.

Vertically integrated participants in the NEM are a key strategic challenge for CS Energy in both the short and long term. CS Energy, as a merchant generator, does not command sufficient generating capacity to counter the strong market presence of the two major vertically integrated retailers in the Queensland market segment.

In order to improve its current market position in the NEM, CS Energy is pursuing the following key strategies:

1. Revenue enhancement and security:

2. Low cost operation:

As a merchant generator operating in a competitive commodity market, CS Energy needs to be one of the lowest cost producers in the market. Over the past few years, the Company has pursued this strategy through the development of new plant, particularly the new 750MW Kogan Creek A Power Station, to ensure that it operates at the low end of the industry cost curve. The Company's recent operating performance has failed to capitalise on this investment strategy, such that plant reliability and operating costs are currently in excess of those required to place CS Energy at the bottom of the industry cost curve. Accordingly, considerable effort has been, and will continue to be, directed at improving the Company's operational and asset management.

On 25 November 2010, the outcomes of the *Shareholder Review of the Queensland Government Owned Corporation Generators* (Genco Review) were announced, including a recommendation to restructure the Queensland Government's generating companies (or Gencos) from three Gencos into two entities being the restructured 'CS Energy' portfolio and the restructured 'Stanwell-Tarong' portfolio.

The following table outlines the Queensland Government's reallocation of power stations under the two Genco system.

CS Energy	MW	Stanwell – Tarong	MW
Kogan Creek A	750	Stanwell	1400
Gladstone*	800	Tarong	1400
Callide B	700	Tarong North	443
Callide C	420	Collinsville PPA*	195
Wivenhoe	500	Swanbank B	250
		Swanbank E	385
		Mica Creek	345
		Hydro/Peaking Plant	183
TOTAL	3,170	TOTAL	4,601

* Collinsville PPA and Gladstone Power Station are 'trading rights only'.

The restructure will see CS Energy transferring the Mica Creek and Swanbank power stations out of its portfolio. CS Energy will have Wivenhoe Power Station and trading rights for Gladstone Power Station transferred into its portfolio. The Glen Wilga coal resource ownership will form part of the CS Energy portfolio.

The Queensland Government is targeting a commencement date of 1 July 2011 for the Queensland Government-owned Generator Restructure.

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

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

1.2 Core Business

CS Energy's core business is to generate and sell electricity, including participation in electricity trading arrangements in the NEM under the *Electricity Act 1994*. Pursuant to this Act, the Queensland Government has granted CS Energy authority to connect Callide, Swanbank and Kogan Creek A generating plants to the Queensland electricity transmission grid. CS Energy also 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 retail 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.

The main operating companies within the CS Energy Group are:

- CS Energy Mica Creek Pty Ltd;
- CS North West Pty Ltd;
- Callide Energy Pty Ltd;
- Aberdare Collieries Pty Ltd;
- CS Energy Kogan Creek Pty Ltd;
- Kogan Creek Power Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- Swanbank Energy Pty Ltd;
- SE CSE Pty Ltd;
- CS Energy Oxyfuel Pty Ltd; and
- Manzillo Insurance (PCC) Ltd – Cell EnMach, which is CS Energy’s insurance captive.

1.3 Corporate Goals

Consistent with the medium to long term corporate objectives as detailed in the 2010/2011-2014/2015 Corporate Plan, CS Energy’s goals are:

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

1.4 Corporate strategies

CS Energy's key corporate strategies for achieving its corporate objectives for 2010/2011 are:

People

CS Energy needs its people to have the commitment and skills to deliver business outcomes, which involve:

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

Portfolio

CS Energy aims to be acknowledged as a safe and efficient operator of reliable electricity generation plant, based on a diverse mix of competitive fuel and water resources, and reduce the carbon footprint of its portfolio, which involves:

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

Future

CS Energy aims to position itself in the post carbon electricity market by commercialising low emission plant, which involves the pursuit of the following key projects:

- Progressing the 30MW Callide Oxyfuel Project demonstration, to provide the platform for the subsequent successful commercialisation of the technology;
- Progressing the Kogan Creek Solar Boost Project;
- Developing a business proposition for combined cycle gas plant at the existing Mica Creek Power Station;
- Developing long term gas supply arrangements to support existing gas generation; and
- Developing a business proposition to monetise the Kogan Creek coal resource that may be surplus to generation needs, pending rail solution in Surat Basin.

Social Licence

CS Energy is also developing the skills and processes to ensure its readiness for an emission trading scheme, to optimise revenue and deliver outstanding environmental performance. The CS Energy's Carbon Management Plan co-ordinates the Company's approach to the:

- Development of a revised trading strategy to improve market returns and manage operational risks in a carbon trading regime;
- Development of abatement and offset measures to offset a percentage of the portfolio carbon emissions;
- Development of plant efficiency improvement measures;
- Participation in industry forums on key issues, such as low emission coal research and development; and
- Pursuit of continual improvements in sustainability management and performance through:
 - Improving emissions output, resource management, water conservation and waste management at its sites; and
 - Addressing sustainable development, efficient resources usage and social responsibility in procurement activities.

1.5 Key corporate performance outcomes

The following table details CS Energy's key corporate objectives and attendant KPI measures and targets to be applied in the 2010/2011 financial year:

STRATEGIC OBJECTIVE 1 – PEOPLE: COMMITMENT AND SKILLS TO DELIVER BUSINESS OUTCOMES		
Key Objective	KPI Measure	Target
Employee engagement and effectiveness	Employee availability	> 97%
	Employee retention rate	> 88%
STRATEGIC OBJECTIVE 2 – PORTFOLIO: SAFE AND EFFICIENT OPERATOR OF COMMERCIAL SCALE, RELIABLE GENERATION PLAN WITH A SECURE DIVERSE MIX OF FUEL AND WATER RESOURCES		
Key Objective	KPI Measure	Target
Safety performance	LTIFR	< 4
Cost competitiveness	Operations, Maintenance and Service costs	
Top quartile availability and reliability	Unplanned outage factor	< 6.2%
STRATEGIC OBJECTIVE 3 – FUTURE: LEADER IN COMMERCIALISING LOW EMISSION TECHNOLOGY PLANT		
Key Objective	KPI Measure	Target
Diversified portfolio with low emission technology	Pre-feasibility or investments approved by Board	3 low emission projects
Commercialisation of Oxyfuel technology	Oxyfuel project development	Commence oxyfiring mode commissioning
STRATEGIC OBJECTIVE 4 – SOCIAL LICENCE: FINANCIALLY VIABLE AND SOCIALLY RESPONSIBLE		
Key Objective	KPI Measure	Target
Return to shareholders	EBITDA excluding accounting adjustments	> \$218 m
Responsible environmental performance	Significant reportable incidents	< 2

1.6 Operational focus in 2010/2011

The following operational focus will contribute to the achievement of these key corporate objectives in 2010/2011:

People

- Skilled, motivated and supportive workforce;
- Constructive and consultative approach to industrial relations;
- High staff availability and retention rates;
- Continuation of staff development programs such as Teamworks and industry wide learning and development programs to strengthen skills; and
- Positive workplace relations.

Portfolio

- Zero lost time injuries in a zero harm culture;
- Top quartile availability and reliability for each generating unit;
- A carbon emission intensity below the National Electricity Market average; and
- Competitive production costs by effective management of controllable costs.

Future

- Financial close for the Kogan Creek Solar Boost Project and progress construction;
- Long term economic gas supply arrangements for Mica Creek and Swanbank E power stations;
- New offtake agreements with Xstrata, to underwrite the Mica Creek Power Station redevelopment project;
- Approval for the redevelopment of Mica Creek Power Station;
- Participation in low emission coal technology development;
- Reduction in water costs for Swanbank Power Station;
- New water supply arrangement for Callide B Power Station;
- A business proposition to monetise the Kogan Creek coal resource that may be surplus to generation needs, pending rail solution for Surat Basin; and

Social licence

- A company-wide carbon management plan; and
- ISO 14001 maintained all sites.

1.7 Performance drivers

External factors affecting CS Energy's business are:

- **Vertical integration:** The key challenge in the external environment is the significant impact that the vertically integrated retailers are having on the NEM, both the pool and the pool contract market in Queensland, such that new vertically integrated retailers are creating market conditions in which the long term viability of merchant generators is under severe pressure.
- **Greenhouse policies:** Assumptions regarding the Federal Government's greenhouse policies are still uncertain. CS Energy is developing the skills and processes to manage the impacts from greenhouse policies and ensure the Company complies with these policies. As a separate issue, uncertainty in the market surrounding the impact of

greenhouse policies has resulted in a hedging risk for CS Energy, with low contract volumes hedged post 2011.

- **Mandatory Renewable Energy Target:** By 2020, it will be mandatory for 45,000 GWh of Australia's electricity supply to come from renewable energy sources. For Australia to achieve this target, it is estimated that over 60 per cent of Australia's new generation investments will need to be from renewable energy.
- **Gas/LNG:** The rapidly developing coal seam methane to liquid natural gas industry will place significant upward pressure on gas prices, post the ramp up period.

The risks are being mitigated through the following strategies:

- Through due diligence on all development projects;
- Engagement of expert consultants, to provide technical and market analysis

2 Mandatory matters

2.1 Quarterly Reports

In accordance with Section 119(3) of the *Government Owned Corporations Act 1993* (GOC Act), the Board of CS Energy undertakes that the financial and non-financial targets in Section 2 and the financial statements in Section 3 will form the basis for assessment of quarterly outcomes reported to Shareholding Ministers.

Definitions for the financial and non-financial SCI targets are provided in Attachment 1 and are consistent with the key performance indicator definitions included in the quarterly reporting templates submitted by CS Energy.

2.2 Financial targets

In accordance with the Company's corporate objectives, the Board of CS Energy undertakes to achieve at least the following performance targets in 2010/2011:

Financial Targets	2010/2011 Budget	2008/2009 Actual	2009/2010 Budget	2009/2010 Est Actual
EBITDA (\$M) ¹	201.9	347.9	342.6	187.8
EBIT (\$M) ¹	50.1	203.7	184.1	37.1
NPAT (\$M) ¹	5.6	93.8	82.0	(15.0)
Economic profit	(132.6)	(5.5)	(14.5)	(121.6)
Return on operating assets (%)	2.1	8.0	7.4	1.5
Return on total assets (%)	2.0	7.5	7.1	1.6
Return on equity (%)	0.5	11.3	9.0	(1.5)
Debt/debt + equity (%)	30.9	44.7	47.6	46.3
Interest cover (times)	1.2	2.7	2.7	0.6
O&M cost excl fuel (\$/MWh)				
Fuel cost (\$/MWhso)				

1. Primarily reflects deterioration in pool price, contracting and GEC outcomes reflecting market conditions, along with lower generation mainly due to the Kogan Creek Power Station transformer event and progressive mothballing of Swanbank B Power Station Units (refer to Section 2.4 assumptions).

2.3 Non-financial performance targets

In accordance with these corporate objectives, the Board of CS Energy undertakes to achieve the following non-financial performance targets in 2010/2011.

Non-Financial Targets	2010/2011 Budget	2008/2009 Actual	2009/2010 Budget	2009/2010 Est Actual
Production				
Equivalent availability factor:				
Swanbank B	87.2 ¹	76.9	84.8	88.3
Swanbank E	94.3	84.6	89.0	90.0
Callide B	85.5	72.3	93.0	95.8
Callide C	88.8 ²	85.6	88.0	88.4
Kogan Creek	94.0	81.6	92.0	73.7
Mica Creek	89.2	89.5	87.8	87.8
CS Energy average (excl Mica)	81.0	80.3	89.3	87.2
Reliability factor:				
Swanbank B	95.5	90.9	95.8	95.5
Swanbank E	98.0	97.8	97.0	98
Callide B	97.0	90.3	95.0	97.8
Callide C	94.0	88.8	94.0	95.7
Kogan Creek	96.0	90.0	94.0	95.8
Mica Creek	98.0	96.2	96.8	98.0
CS Energy average (excl Mica)	96.2	90.8	95.1	96.6
Planned outage factor:				
Swanbank B	6.3	4.5	3.0	3.9
Swanbank E	2.7	4.2	8.0	8.0
Callide B	9.5	17.5	0.0	1.2
Callide C	2.2 ³	0.9	4.0	7.0 ⁴
Kogan Creek	0.0	4.7	0.0	0.0
Mica Creek	4.2	2.6	6.0	6.6
CS Energy average (excl Mica)	4.1	6.3	3.0	4.0
Forced outage factor:				
Swanbank B:	4.5	9.2	4.3	3.8
Swanbank E	2.0	2.2	3.0	2.0
Callide B	3.0	9.7	5.0	2.9
Callide C	6.0 ⁵	11.2	6.0	4.3
Kogan Creek	4.0	10.0	6.0	4.2
Mica Creek	2.0	3.8	3.2	2.0
CS Energy average (excl Mica)	3.8	9.2	4.9	3.4

Non-Financial Targets	2010/2011 Budget	2008/2009 Actual	2009/2010 Budget	2009/2010 Est Actual
Maintenance outage factor ⁶ :				
Swanbank B	2.0	9.4	8.0	4.0
Swanbank E	1.0	1.8	0.0	0.0
Callide B	2.0	0.6	2.0	0.1
Callide C	3.0	2.3	2.0	0.3
Kogan Creek	2.0	2.5	2.0	22.1
Mica Creek	4.6	4.1	3.0	4.2
CS Energy average (excl Mica)	2.0	3.0	2.9	5.3
Energy sent out:				
Callide B (GWhSO)	4,447	3,507	5,105	4,810
Callide C (GWhSO)	2,949	2,796	2,962	2,837
Swanbank B (GWhSO)	1,064	1,735	2,012	1,717
Swanbank E (GWhSO)	2,337	2,159	2,358	2,094
Kogan Creek A (GWhSO)	5,562	4,808	5,273	4,381
Mica Creek (GWhSO)	1,703	1,657	1,798	1,532
Collinsville (GWhSO)	556	491	354	393
Total sent out (GWhSO)	18,618	17,153	19,863	17,764
Capacity factor:				
Callide B (%)	79	63	90	85
Callide C (%)	88	75	90	84
Swanbank B (%)	27	46	52	49
Swanbank E (%)	74	65	72	65
Kogan Creek (%)	93	80	88	83
Mica Creek (%)	62	63	65	57
Collinsville (%)	37	33	24	25.3
People				
Staff turnover (annualised)	12% ⁷	7.02%	10%	9.54%
Net FTE staff numbers ⁸	703	673	663	663
Environment				
EP Act Enforcement Action ⁹	0	1	0	0
Certification to ISO 14001 (scope)	All sites	All sites except Kogan	Kogan Creek certified	Kogan Creek certified
Greenhouse gas intensity (kgCO ₂ e/MWh generated) ^{9, 10}	801	779	767	810
Callide B	898	927	875	936
Callide C	846	886	843	912
Swanbank B	900	916	897	930
Swanbank E	360	373	373	381
Kogan Creek A	773	810	805	852
Mica Creek	525	531	543	530
Greenhouse emissions (ktCO ₂ e) ¹⁰	14,462.6	13,986.9	16,025.7	14,451.9
Renewable energy production (GWh)	31	28.92	33	30
Safety				
Lost time injury frequency rate (LTIFR) ¹¹	<4	5.0	0	3.7
Lost time injury duration rate (LTIDR) ^{11, 12}	0	7.2	0	4.8

- Swanbank B Power Station availability data reflects the availability of the units remaining in service following the decision to progressively place units into long term storage, i.e. two units in May and June 2010, one unit in June 2011 and one unit in June 2012.
- Reflects the higher forced maintenance and planned outage factors required for this unit configuration.
- The Callide C units are overhauled on a 2 year mini and 4 year major overhaul schedule. The lower planned outage factor reflects a mini overhaul on C4 as the only planned activity on the units. Altering the cycle by increasing the planned outage factor next year may result in replacement cycles getting out of kilter.
- Estimated actual compared to budget reflects the additional work which emerged once the unit was offline.
- The high number here is based on historical data and the previous years outage factor was taken into account.
- Maintenance outage factor is as defined in the *NEMMCO Guidebook for Forced Outage Data Recording: Definitions and Assumptions Version 1.0*.
- Excludes voluntary redundancies.
- Does not include contractors or externally employed apprentices and trainees.
- The number of enforcement actions taken against the Corporation or its officers under the *Environmental Protection Act 1994* including penalty infringement notices, environmental protection orders, restraint orders or convictions of offences.
- Calculations based on the National Greenhouse Energy Reporting System (NGERS). No abatement allowed under present NGERS rules for combustion of landfill gas at Swanbank B.
- Calculated on CS Energy component only i.e. 50% share in Callide C.
- LTIFR and LTIDR are rolling, twelve-month figures.
- Does not include contractors.

2.4 Assumptions

CS Energy's undertaking, to achieve its performance outcomes, is predicated upon the following key assumptions:

Assumptions	2010/2011 Budget	2008/2009 Actual	2009/2010 Budget	2009/2010 Est Actual
Economic indices				
CPI (average 10 years)	2.5	2.0	3.0	2.5
Wages growth (%) ¹	EBA / 3.5	4.5	4.5	4.5
Long term interest rate (%)	8.4	6.9	7.9	7.9
Dividend payout ratio (%)	80	80	85	80
Revenue				
Average on grid revenue (\$/MWhSO)				
Average total revenue (\$/MWhSO)				
Net on-grid contract revenue (\$M)				
Total revenue (\$M)				
Volume of contracts (MW)				
Peak				
Off peak				
Average strike price for contracts (\$/MWh)				
Peak				
Off peak				
Other revenue				
REC price (\$/certificate)				
REC volume sold				
GEC price (\$/certificate)				
GEC volume sold (,000s certificates)				
National Electricity Market				
Time-weighted average pool price (\$/MWh)				
Volume-weighted average pool price (\$/MWh)				
Energy				
Total energy produced (GWh)				
Total energy sent out (GWh)				
Contract volume sold (GWh)				
Capital expenditure				
Continuing investment in existing business (\$M)				
Other business development (\$M)				
Total capital expenditure	240.3	205.4	257.9	146.9

1. Reflects assumptions for all new agreements
2. Price for forward sold GECs

Other relevant assumptions

Market and revenue

- Forecast demand is based on the median growth scenario from the 2009 AEMO Statement of Opportunities (ESOO).
- Assumptions regarding the CPRS are in the Corporate Plan 2010/2011 – 2014/2015
- Full pass through of carbon impost to off-grid customers, and a zero pass through obligation on CS Energy for Collinsville.
- Swanbank B Power Station is mothballed, with two units closing from May 2010, one unit from April 2011 and the final unit April 2012.

Assets

- Swanbank B Power Station will be progressively mothballed with two units in 2010, one Unit in 2011 and the final Unit in 2012.
- The Mica Creek Power Station plant replacement (mobile plant) proceeds, based on arrangements with offtake counter-parties that deliver a suitable return on investment.
- Major overhauls will occur at Callide C, Kogan Creek and Mica Creek power stations during 2010/2011, along with continuation of Callide B Power Station mid-life refit.
- The Oxyfuel technology development project continues.
- Renewable generation opportunities under development continue.
- Coal and gas is available at viable market prices.
- No asset impairment adjustments have been reflected.

2.5 Community Service Obligations (CSOs)

No Community Service Obligations have been identified for CS Energy in 2010/2011.

2.6 Employment and Industrial Relations (E&IR) Plan

An E&IR Plan, meeting the requirements of Section 149 of the GOC Act and the *Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations* (E&IR Plan Guidelines), is provided to Shareholding Ministers as Attachment 2 to this SCI.

The remuneration arrangements for the Directors, the Chief Executive and all senior executives of CS Energy, in line with the E&IR Plan Guidelines, are also detailed in the E&IR Plan provided as Attachment 2 to the SCI.

3 Additional matters

3.1 Financials

3.1.1 Group

Income Statement Group (Consolidated)

Quarter 2010/11					2010/11	2008/09	2009/10	2009/10
Sep	Dec	Mar	Jun		Budget	Actual	Budget	Est Actual
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
165,432	175,186	206,440	161,564	Operating Revenue				
397	1,595	2,058	2,022	Sales of Electricity ¹	708,621	781,349	883,955	719,878
165,828	176,781	208,498	163,587	Other ²	6,072	67,137	7,987	5,866
				Total Operating Revenue	714,693	848,486	891,942	725,744
				Operating Expenses				
				Fuel ³				
				Depreciation & Amortisation				
				Business Development				
				Operations & Maintenance				
				Other ⁴				
171,842	164,995	165,870	153,910	Total Operating Expenses	656,618	664,345	700,254	657,948
(6,014)	11,786	42,627	9,676	Operating Profit/(Loss)	58,075	184,141	191,688	67,796
				Non-Operating Revenue and Expenses⁵				
				Non-Operating Revenue				
				Non-operating Expenses				
0	0	0	(8,000)	Non-Operating Profit/(Loss)	(8,000)	19,509	(7,578)	(30,685)
(6,014)	11,786	42,627	1,676	Earnings Before Interest and Tax	50,075	203,650	184,110	37,111
11,718	10,610	10,146	9,600	Interest Expense (Net)	42,074	76,648	67,572	58,484
(5,320)	353	9,744	(2,377)	Income Tax Expense	2,400	33,186	34,542	(6,412)
(12,413)	823	22,737	(5,547)	Profit/(Loss) After Tax	5,601	93,816	81,996	(14,961)
(53,484)	(65,896)	(65,073)	(42,336)	Opening Retained Profits	(53,484)	(46,345)	(14,495)	(38,523)
0	0	0	0	Adjustments to Retained Profits	0	(10,941)	0	0
(65,896)	(65,073)	(42,336)	(47,883)	Total Available for Appropriation	(47,883)	36,530	67,502	(53,484)
0	0	0	4,480	Dividends Provided for ⁶	4,480	75,053	69,841	0
(65,896)	(65,073)	(42,336)	(52,364)	Closing Retained Profits	(52,364)	(38,523)	(2,339)	(53,484)

1. Primarily reflects deterioration in pool price, contracting and GEC outcomes reflecting market conditions, along with lower generation mainly due to the Kogan Creek transformer event and progressive mothballing of Swanbank B Units (refer to Section 2.4 assumptions).

2. Primarily mark to market gains, by-product sales, O&M services contribution, captive insurance revenue.

3. Reflects change in generation levels (4.8% increase in budgeted generation compared to 2009/2010 forecast)/

4. Services (excluding business development), site rehabilitation provision, network charges & market fees, Collinsville capacity charges, research & development.

5. Impairment write-down, exploration and evaluation, expenditure write-off, revaluation of onerous contracts, insurance recovery, redundancy provision, inventory write-off. No asset impairment has been included in budget or forecast.

6. Nil dividend in 2009/2010 due to forecast loss.

Transactions with owners as owners

	2010/2011 Budget	2008/2009 Actual	2009/2010 Budget	2009/2010 Est Actual
Equity injections (\$M)	350	0	0	0
Equity withdrawals (\$M)	0	0	0	0
Dividends provided (\$M)	4.5	75.1	69.8	0
Current TEPs expense (\$M)	2.4	33.2	34.5	(6.4)

**Balance Sheet
Group (Consolidated)**

Quarter 2010/11					2010/11	2008/09	2009/10	2009/10
Sep	Dec	Mar	Jun		Budget	Actual	Budget	Est Actual
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
				Current Assets				
7,986	7,986	7,986	7,986	Cash	7,986	9,711	7,577	8,929
77,360	78,173	87,789	75,091	Receivables	75,091	109,181	79,756	77,715
0	0	0	0	Investments	0	0	0	0
40,783	40,799	40,799	18,196	Derivative Financial Instruments	18,196	48,991	0	40,783
90,644	93,579	96,285	102,391	Inventories	102,391	112,098	65,434	86,473
31,835	31,990	31,454	29,560	Other ¹	29,560	14,586	12,034	12,371
248,607	252,526	264,312	233,224	Total Current Assets	233,224	294,567	164,802	226,271
				Non-Current Assets				
964	1,941	2,931	3,934	Investments	3,934	1	1,507	1
0	0	0	0	Receivables	0	0	0	0
18,045	18,052	18,052	8,051	Derivative Financial Instruments	8,051	20,482	0	18,045
76,763	77,279	80,384	117,874	Gas Exploration & Evaluation Costs	117,874	19,945	29,517	20,246
2,026,950	1,998,306	1,976,456	1,987,642	Property, Plant & Equipment				
14,079	20,656	31,841	44,790	- Assets in Service	1,987,642	1,927,533	2,147,231	2,041,891
70,101	71,699	71,699	58,976	- Work in Progress	44,790	130,874	42,223	2,950
15,070	15,251	14,622	13,695	Deferred Tax Asset	58,976	45,091	115,061	64,773
				Other ²	13,695	18,368	26,765	15,698
2,221,972	2,203,184	2,195,986	2,234,962	Total Non-Current Assets	2,234,962	2,162,294	2,362,304	2,163,604
2,470,579	2,455,710	2,460,298	2,468,186	Total Assets	2,468,186	2,456,861	2,527,106	2,389,875
				Current Liabilities				
14,778	14,778	15,295	15,295	Accrued Employee Benefits	15,295	14,278	12,808	14,778
64,550	55,991	60,652	66,693	Creditors	66,693	102,987	59,429	54,438
0	0	0	0	Derivative Financial Instruments	0	33,169	38,400	0
0	0	0	0	Borrowings	0	0	0	0
24,964	24,964	24,964	21,429	Provisions	21,429	21,024	21,782	24,964
0	1,903	11,553	0	Current Tax Liability	0	7,552	10,641	0
0	0	0	4,480	Dividends	4,480	75,053	69,841	0
0	0	0	0	Other ³	0	9,063	0	0
104,292	97,636	112,465	107,897	Total Current Liabilities	107,897	263,126	212,900	94,180

**Balance Sheet
Group (Consolidated) cont**

Quarter 2010/11					2010/11	2008/09	2009/10	2009/10
Sep	Dec	Mar	Jun		Budget	Actual	Budget	Est Actual
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
13,943	13,943	14,384	14,384	Non-Current Liabilities				
0	0	0	0	Accrued Employee Benefits	14,384	13,516	13,613	13,943
512,497	511,191	481,864	560,031	Derivative Financial Instruments	0	21,044	27,241	0
178,801	171,024	166,837	166,186	Borrowings	560,031	747,592	864,683	775,316
320,856	320,903	320,997	317,451	Provisions	166,186	169,711	161,909	182,986
0	0	0	0	Deferred Tax Liability	317,451	307,577	318,853	320,847
				Other	0	0	0	0
1,026,096	1,017,060	984,083	1,058,051	Total Non-Current Liabilities	1,058,051	1,259,440	1,386,299	1,293,092
1,130,388	1,114,696	1,096,547	1,165,948	Total Liabilities	1,165,948	1,522,566	1,599,199	1,387,272
1,340,191	1,341,014	1,363,751	1,302,237	Net Assets	1,302,237	934,295	927,908	1,002,603
				Shareholders Equity				
1,303,115	1,303,115	1,303,115	1,303,115	Share Capital	1,303,115	953,115	953,115	953,115
102,972	102,972	102,972	51,486	Hedging Reserve	51,486	19,703	(22,868)	102,972
(65,896)	(65,073)	(42,336)	(52,364)	Retained Earnings	(52,364)	(38,523)	(2,339)	(53,484)
1,340,191	1,341,014	1,363,751	1,302,237	Total Shareholders Equity	1,302,237	934,295	927,908	1,002,603

1. Prepayments
2. Prepayments and retirement benefit obligations
3. Futures margin receipts

Cash Flow Statement Group (Consolidated)

Quarter 2010/11					2010/11	2008/09	2009/10	2009/10
Sep	Dec	Mar	Jun		Budget	Actual	Budget	Est Actual
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
207,092	219,399	234,580	216,012	Cash Flows from Operating Activities				
(189,160)	(186,649)	(162,394)	(162,791)	Receipts from Customers	877,082	815,617	1,055,366	922,324
17	13	13	13	Payments to Suppliers and Employees	(700,994)	(523,513)	(733,889)	(631,635)
(11,764)	(10,781)	(10,474)	(10,192)	Interest Received	57	10,776	100	560
0	0	(0)	0	Borrowing Costs Paid	(43,211)	(58,207)	(69,021)	(59,044)
				Tax Equivalent Payments	(0)	0	(19,818)	(7,552)
6,185	21,982	61,725	43,042	Net Cash Provided by Operating Activities	132,935	244,673	232,739	224,653
(35,486)	(16,341)	(26,961)	(61,876)	Cash Flows from Investing Activities				
0	0	0	0	Payments for Property, Plant & Equipment	(140,664)	(188,773)	(256,541)	(138,615)
(58,822)	(4,335)	(5,438)	(59,333)	Proceeds from Sale of Non-Current Assets	0	0	0	0
				Other	(127,929)	58,517	(19,422)	37,706
(94,309)	(20,676)	(32,399)	(121,209)	Net Cash Provided by/(Used in) Investing Activities	(268,592)	(130,256)	(275,963)	(100,909)
66,876	847	987	84,222	Cash Flows from Financing Activities				
(329,695)	(2,153)	(30,314)	(6,055)	Proceeds from Borrowings	152,932	0	210,815	131,423
350,000	0	0	0	Repayment of Borrowings	(368,217)	(79,354)	(101,294)	(180,896)
0	0	0	0	Equity Contributions	350,000	0	0	0
0	0	0	0	Dividends Paid	0	(47,206)	(66,296)	(75,053)
0	0	0	0	Other	0	0	0	0
87,181	(1,306)	(29,327)	78,167	Net Cash Provided by/(Used in) Financing Activities	134,715	(126,560)	43,225	(124,526)
(943)	0	0	0	Net Increase/(Decrease) in Cash Held	(943)	(12,143)	0	(782)
8,929	7,986	7,986	7,986	Cash at the Beginning of the Financial Year	8,929	21,854	7,577	9,711
7,986	7,986	7,986	7,986	Cash at the End of the Financial Year	7,986	9,711	7,577	8,929

3.2 Financials: Selected Subsidiaries or Major Business Divisions

3.2.1 Financial Contributions: Subsidiaries

CS Energy has established or acquired a number of subsidiary companies, as follows:

- 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 operational 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 operations 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 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 any future sell-down of that interest, 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.
- CS Energy's participation in the Callide Oxyfuel Project (a joint venture demonstration project to confirm the commercial scale viability of an oxyfuel and carbon capture and storage process) is managed through a special purpose company, CS Energy Oxyfuel Pty Ltd.

The contributions of the first tier subsidiaries are outlined in the following table. There are a number of second and third tier subsidiaries that support these companies but do not currently contribute to group profit.

Contribution to group profit – budget

Subsidiary	Ownership (%)	Nature of Business	Contribution to Group 2009/2010	Contribution to Group 2010/2011
CS Energy Mica Creek Pty Ltd & CS North West Pty Ltd				
Callide Energy Pty Ltd				
TOTAL				

3.3 Main undertakings and businesses

Apart from the staged closure of the Swanbank B Power Station, there are no other planned main undertakings to be acquired or disposed of by CS Energy in 2010/2011.

3.4 Capital Expenditure Program

3.4.1 Repairs, Maintenance and Renewals (\$M)

Description	Budgeted Total Cost	Budgeted Cost 2010/2011	Purpose and Objective	Project Status	Expected Completion Date
Callide	21.3	21.3	Overhauls		June 2011
Swanbank	0.7	0.7	Overhauls		June 2011
Mica Creek	13.1	13.1	Overhauls		June 2011

Kogan Creek	4.0	4.0	Overhauls		June 2011
TOTAL	39.1	39.1			

3.4.2 Business Development (\$M) (Material expenses on projects being considered)

Description	Budgeted Total Cost	Budgeted Cost 2010/2011	Project Status	Expected Completion Date
Kogan Solar Boost (net of external funding)			<i>Feasibility</i>	<i>2012</i>
Kogan Hybrid Cooling			<i>Evaluation</i>	<i>2012</i>
Mica Creek development			<i>Proposed</i>	<i>2014</i>
Renewable generation			<i>Proposed</i>	<i>2015</i>
Gas-fired generation			<i>Proposed</i>	<i>2017</i>
New gasfield investment			<i>Evaluation</i>	<i>2013</i>
Other business development			<i>Evaluation</i>	<i>2015</i>
TOTAL including capitalised interest				

The new gasfield investment provision is based on a specific project that CS Energy is evaluating in the Northern Walloons Fairway (Surat Basin) that would provide rights to approximately 90PJ of 2P reserves, e.g. 4.45PJ per year (12.4TJ per day) over 20 years, assuming an even production profile and the ongoing liability to fund the CS Energy pro rata to equity share of the cost of exploration, drilling, extraction and environmental management (water and revegetation etc). A buy in price has been calculated based on the field estimated resource expressed as 2P equivalent and a risk adjusted price of \$0.73 per GJ. The provision recognises a requirement for gas to support CS Energy's existing operations and although the evaluation is based on the current Northern Walloons Fairway project, this specific investment decision may not be realised and could subsequently be replaced by another project. It is based on market knowledge from current evaluations.

3.4.3 Major Assets Under Construction (\$M)

Asset	Budgeted Total Cost	Total Estimated Expenditure to 2009/2010	Budget 2010/2011	Project Status	Expected Completion Date
<i>There are no major assets under construction</i>					
TOTAL	0	0	0	n/a	n/a

3.4.4 Proposed Capital Expenditure expected to be approved in 2010/2011 (\$M)

Asset	Project Status	Budgeted Total Cost	Budget 2010/2011	Expected Date of Completion
Callide	(1)	28.9	28.9	June 2011
Swanbank	(1)	1.8	1.8	June 2011
Mica Creek	(1)	6.0	6.0	June 2011
Kogan Creek	(1)	16.6	16.6	June 2011
Corporate	(1)	7.5	7.5	June 2011
Existing Gasfield Investment ⁽²⁾	(1)	8.9	8.9	June 2011
TOTAL excluding overhauls		69.7	69.7	

(1) to be approved by management

(2) Waggamba (Mosaic Oil) and Kogan North (Arrow Energy)

3.5 Major initiatives being undertaken by CS Energy

Due to the change in the market performance, the Company has reviewed and updated its long term growth objectives published in the 2009/2010 Statement of Corporate Intent and 2009/2010 – 2013/2014 Corporate Plan. By 2020, the Company is no longer aiming to achieve a generation capacity in excess of 4,000MW. Additionally, the Company's renewable energy growth target has been reduced from 500MW to 300MW by 2020.

CS Energy has taken immediate measures to improve the performance in its core areas of its business in safety, cost management, overhaul management and asset management. Projects in these key areas are underway and will continue throughout the 2010-2011 financial year. The projects are anticipated to deliver sustainable improvements in CS Energy's cost base, and ultimately, the availability and reliability of the Company's assets.

In response to Government's request for efficiency savings and the Office of Government Owned Corporation's letter of 17 December 2009, CS Energy will provide regular updates, in its Quarterly Reports, on progress towards achieving its forecast operational efficiency savings.

Safety

CS Energy has developed a safety culture taskforce that will implement the following objectives:

- Develop a company-wide health and safety (H&S) strategy that provides clear direction and accountabilities between 'centre' and sites.
- Define and develop more effective H&S performance standards and a more robust governance framework.
- Develop and rollout a H&S manual that provides a clear road map for policies, procedures and standards for effective H&S management.
- Better understand the underlying drivers behind 'at risk safety behaviour' across the business and implement error tolerant management strategies based on a just and fair culture framework.

Cost Management Project

This project is making significant progress in the areas of improved cost reporting, revised chart of accounts, more detailed budgeting processes and tighter contractor management procedures. The project is initially focusing on identifying opportunities for cost saving initiatives designed to reduce operating and capital costs for 2009/2010. However, the project's broader focus is identifying and achieving long term sustainable improvements in CS Energy's cost base.

Initiatives underway to reduce operations, maintenance and services (OM&S) costs include:

- Improved reporting and monitoring of costs;
- Enhanced cost driver and financial analysis;

- Improved procurement and contracting practices and management;
- Focused waste elimination projects;
- Additional business analysis resources working with operational managers to identify cost improvement opportunities; and
- Enhancements in the maintenance planning and scheduling activities, in conjunction with the Asset Management Project.

Overhaul Management Project

This project will implement the IFOT-A1 process (In Full On-Time to A1 specifications), which was developed in the petrochemical industry to improve overhaul scoping, costs, duration and reduce safety and environmental incidents. Overhauls currently account for around \$45 million per annum in amortised costs.

The IFOT-A1 process generally requires planning and resources to be allocated to overhauls 24 months out from execution. To ensure the value of the process can be derived from all of CS Energy's currently planned overhauls, an accelerated version of the IFOT-A1 process is being applied to overhauls planned within the next two year window.

Asset Management Project

The Asset Management Project is planned for implementation over the next three years and aims to improve the availability and reliability of the Company's assets and reduce the cost of maintenance. Outcomes from the project will include comprehensive Whole of Life Asset Plans, optimised preventative maintenance routines, specific plant area and equipment strategies, leading practice engineering and maintenance standards and up-skilled plant maintenance management skills.

3.6 Sponsorship, advertising, corporate entertainment, donations and other arrangements

Consistent with the *Corporate Entertainment and Hospitality Guidelines* and CS Energy's Corporate Entertainment and Hospitality Policy, CS Energy has budgeted the following total amounts for Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements for 2010/2011. Full details of the budgeted expenditure are provided in Attachment 3 to the SCI.

Total for ALL Expenditure Items (over and under \$5,000)¹

Activity	2009/2010 Budget	2009/2010 Est Actuals	2010/2011 Budget
Sponsorship	\$72,000	\$72,500	\$102,000 ²
Advertising ³	\$1,200	\$10,000 ⁴	\$10,000 ⁴
Corporate Entertainment	\$218,617.50 ⁵	\$73,586	\$85,460
Donations	\$148,000	\$155,000	\$119,000
Other Related Activities	\$23,000	\$19,000	\$11,000
Total	\$462,367.50	\$330,086	\$327,460

1. All expenditure is GST exclusive.
2. The increase is due to a reallocation of funding from other budget sources.
3. Does not include recruitment advertising.
4. Community relations advertising were not budgeted for in 2009/2010. The estimate actual includes advertising for community grants programs, events and sponsorship related activities. The 2010/2011 budget includes these activities.
5. The business development item in the 2009/2010 SCI was incorrectly based on a broader cost code budget than reporting required. Accordingly, the total 2009/2010 budget includes items other than corporate entertainment.

CS Energy will provide details of any significant changes to the listed 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.

3.7 Other issues

3.7.1 Prudential Financial Information

The Board will ensure CS Energy takes proper responsibility to ensure that prudent financial practices will be applied both within the Company and within its subsidiaries (whether fully controlled or otherwise). Without limiting the obligations imposed on the Board and the Chief Executive by the GOC Act and, where applicable, the *Corporations Act 2001*, this commitment will encompass:

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

3.7.2 Capital Structure

Following OGOC's introduction of an annual capital structure review process for GOCs, QTC has undertaken the 2010 review of CS Energy's capital structure. The draft report, issued in February 2010, acknowledged the Queensland Government's stated intention of providing the necessary equity support, to maintain an investment grade credit rating for GOCs. The Board will also continue to prudently manage the financing of CS Energy's existing business and new business developments, based on the capital structure supported by Shareholding Ministers.

3.7.3 Weighted Average Cost of Capital (WACC)

The Board will ensure that 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 those parts of CS Energy's operations that face differing business risk profiles.

Other than the annual review process, in the event CS Energy encounters a significant change to the risk profile of its business, the WACC will be recalculated in consultation with shareholder representatives.

Details of CS Energy's WACC calculations are provided in Attachment 4 to the SCI.

3.7.4 Dividend Policy and Payment

While the dividend process is governed by the GOC Act, the Board will also ensure that 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 CS Energy's applicable profit for 2010/2011, on the basis of its shareholders maintaining a stand alone investment grade credit rating and agreeing to provide the necessary funding for projects which have received Board and Shareholding Ministers' approval.

The dividend payment recommendation provided by the Board will be in the form of a percentage of consolidated profit after provision has been made for income tax (net profit after tax, NPAT), adjusted for the net impact of unrealised gains and losses, within the limits of the *Corporations Act*. The recommendation will be accompanied by an estimate of NPAT and will include detailed information on any proposed or likely adjustments to NPAT, including a statement of the amount and reasons for any adjustments.

When determining the final dividend to be provided for at the end of the period, the Board will ensure shareholder departments are consulted with and that written agreement is received from shareholder departments for any material changes to the adjustments identified or any subsequent adjustments in the dividend recommendation agreed to by Shareholding Ministers.

The Guidelines for the Preparation of Corporate Plans and SCIs will also be updated accordingly.

3.7.5 Corporate Governance Guidelines for Government Owned Corporations

The Board of CS Energy undertakes to continually monitor and review its corporate governance arrangements, to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines). CS Energy has adopted all the recommendations in the Corporate Governance Guidelines.

3.7.6 Risk Management

The Board of CS Energy has ultimate responsibility for monitoring the effectiveness and adequacy of the management of all key current and potential internal and external risks for the Company. This is undertaken by the Board Risk Committee, which formally meets each quarter. This Board Committee comprises all Board members.

The Company's risk management framework is designed to ensure that all current and potential strategic, and key market, financial, operational, project, people and other risks are identified in a timely way, assessed, monitored and reported to the Board Risk Committee, along with appropriate risk mitigation and management plans. In particular, current potential security and strategic risks have been considered and identified within a delivery framework established to respond and mitigate these risks. Risk management is integrated into the Company's major business processes.

Risk management plans have been incorporated in CS Energy's budgetary and strategic planning processes.

3.7.7 Compliance with Government policies

The Board of CS Energy and its subsidiaries will ensure that these entities will comply with all relevant Government policies and guidelines as set out in Attachment 6. In particular, CS Energy and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

4 Performance Agreement

DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This SCI and all attachments, for 2010/2011, are presented in accordance with Chapter 3, Part 8 of the GOC Act.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the Board of CS Energy and its Shareholding Ministers, the Treasurer and Minister for Natural Resources, Mines and Energy and Minister for Trade, with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgment of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2010/2011.

This SCI is consistent with CS Energy's 2010/2011 – 2014/2015 Corporate Plan submitted to, and agreed to by, Shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document, the Board of CS Energy undertakes to ensure that the document, and all reports to Shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document, CS Energy's Board undertakes to achieve the targets proposed in the SCI for 2010/2011.

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

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

.....
Chair
Date

.....
(Shareholding Minister)
Date

.....
(Shareholding Minister)
Date

5 ATTACHMENTS

ATTACHMENT 1

List of financial and non-financial target definitions

ATTACHMENT 2

Employment and Industrial Relations Plan

ATTACHMENT 3

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

ATTACHMENT 4

WACC Calculations

ATTACHMENT 5

Corporate Governance Guidelines for Government Owned Corporations

ATTACHMENT 6

Compliance with Government Policies

ATTACHMENT 1

List of financial and non-financial target definitions

Debt/debt + equity	<u>Debt</u> 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.

ATTACHMENT 2

Employment and Industrial Relations Plan

1. Employment and Industrial Relations Philosophy and Direction

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 to develop and maintain good working relationships with stakeholders, including with staff and unions.

CS Energy 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, the interests of stakeholders, 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.

Approach

CS Energy's ongoing viability and success is critically dependant on the engagement of its staff and the utilisation of their skills. Consequently, CS Energy encourages a culture, which values consultation and involvement and seeks to ensure that employee skill levels are maintained or increased to meet the needs of the business.

CS Energy has taken a proactive approach to attracting, retaining and developing staff through a new learning and development "centre of excellence", the introduction of remote area policy initiatives, and an improved workforce and succession planning regime.

A flexible work environment and positive workplace relations are also strategic goals of CS Energy. Strategies include the implementation of revised leadership development programs and initiatives in response to feedback from the Generating Insight employee survey and fostering a culture built on consultation and involvement that builds positive work relationships. There has been a substantial commitment to addressing organisation and staff issues identified through the employee survey and follow up workshops focus on leadership and teamwork.

The Company has implemented a fatigue and drug and alcohol management policy, originally developed cooperatively with staff, unions and other generators.

Major reviews currently underway in relation to safety, high voltage switching, asset management, overhaul strategies and cost management are designed to improve performance in key areas of operations and are being conducted with appropriate consultation and involvement of staff.

Relationships have been maintained through a cooperative review of site industrial relations with unions and the successful negotiation of site enterprise bargaining agreements.

A Joint Industrial Relationships Working Party (IRWP) Report in 2008 assessed how CS Energy undertakes all facets of industrial relations, including interactions with employees and their industrial representatives and industrial relations processes at each site. Improvement strategies were developed and communicated to each of the Company's site's Consultative Committees.

CS Energy complies with the Minimum Employment, Industrial Relations and Job Security Principles for GOC Employees and the *Fair Work Act 2009*.

CS Energy has reviewed the impacts of new federal industrial relations legislation and modern awards on its employment arrangements. Given CS Energy sites are covered by preserved State collective agreements (now agreement-based transitional instruments) modern awards will have little or no affect. However, all staff will be impacted by the requirements of the new National Employment Standards applicable from 1 January 2010 and CS Energy policies have been reviewed accordingly.

32% of the CS Energy workforce is aged 50 and over while 31% are aged between 40 and 49. To ensure the retention of key skills within the business and the transfer of knowledge CS Energy has developed and implemented a succession planning program.

The succession planning program provides a framework for leaders within CS Energy to identify the positions/functions and associated skills and capabilities that are critical to the Company. The program also identifies the current breadth and depth of internal capability for progression to critical positions.

To plan and manage the mature sector of the workforce who may be considering retirement, CS Energy has developed a draft "Flexible Working Arrangements" procedure. This procedure is aimed at encouraging those employees contemplating full time retirement from the workforce to consider a period of transition to retirement prior to leaving the organisation.

Known as phased retirement, the arrangement is aimed at allowing employees to reduce their hours per day or number of working days per week and/or level of responsibility as they move toward retirement. Benefits to CS Energy include the retention of knowledge and skills ensuring that information is transferred to other employees as part of succession planning. At the same time, employees can achieve a balance between work and personal responsibilities.

CS Energy desires a culture, which makes employee safety paramount and values consultation and involvement. Productivity initiatives are aimed at optimising staff and asset performance and include reviews of safety behaviour, high voltage switching, asset management, overhaul strategies and cost management. These initiatives are underpinned by consultation within the organisation with relevant management and staff affected.

CS Energy also seeks to ensure that employee skill levels are maintained or increased to meet the needs of the business. In this regard, employee performance management processes aim to identify development needs and ensure gaps are addressed so that skill levels continue to meet organisational needs.

2. Significant and emerging issues

In 2010/11, there will be an increased emphasis on improving productivity and efficiency.

Attraction and retention of skilled employees has been challenging over the past few years given the highly competitive labour market. In more recent times, with the broader financial and economic downturn, there has been some relief, with both the number and quality of skilled applicants increasing. However, securing engineering, technical and trades staff and filling vacancies in regional areas remains challenging.

A detailed workforce planning regime is being implemented in 2009/2010, in conjunction with the budgeting process. This process will formalise planning for staffing and succession. Specific training and development initiatives to be pursued include skills development for critical operations roles, operations career pathing, enhancement of operations plant knowledge, attainment of relevant qualifications for technicians, graduate scholarships and cadetships.

Staff engagement and development initiatives encompassing a renewed emphasis on teamwork will be pursued through the implementation of the internal staff survey results and by improved leadership development programs.

The promotion of staff mobility across sites will be pursued under the portfolio approach to servicing site needs. CS Energy has both relocation and secondment procedures in place, which are currently being reviewed.

Any necessary flexibility under site enterprise agreements will be investigated with staff and unions. Consideration will also be given to further remote area policy initiatives as required. The obligations and opportunities available under revised Federal Industrial Relations laws will also be investigated, including award rationalisation.

CS Energy has seen, over a recent period, an increase in asbestos related claims from persons who have performed work associated with the construction and operation of the power stations. Future increases in asbestos related claims are expected due to the lag time between the construction of the stations and the onset of the illness.

All asbestos claims are covered by CS Energy's insurance policies with WorkCover Queensland. All claims are handled by CS Energy's legal unit and external lawyers.

In recent times, a higher incidence of health related issues in an aging workforce has become a reality for CS Energy. In response to this trend, annual medicals for staff over 50 years of age have been adopted.

CS Energy has also implemented pre-employment medicals, medicals for 'at risk' workers and annual vaccinations.

On the 26 March 2010 following consultation with the Shareholding Ministers CS Energy announced that Swanbank B Power Station will be progressively closed. The progressive closure will commence in May and June 2010 with units B4 and B2 to be placed in storage followed by B1 in April 2011 and B3 in April 2012. The closure of Swanbank B will not impact Queensland's electricity supply.

There will be no forced redundancies and CS Energy will continue to work with staff and unions and with each person to accommodate their individual needs. There is an ongoing requirement for manning Swanbank E Station, and for manning B station during the next 2 years. There are the opportunities across the Company and redeployment and retraining will be offered where suitable with any redundancy only on a voluntary basis.

In October 2010, the Kogan Creek Power Station Agreement expires. The current Agreement is a Greenfield Site Agreement and it is expected that the following issues will arise in negotiating the new Agreement:

- The unions may be seeking to have a single CS Energy Agreement for all four Power Stations and Corporate Office;
- The unions may also be seeking to have a more traditional Agreement where employees are paid on an "as worked basis" rather than under the flexibility that exists in the AIA arrangements within the existing Agreement; and
- Moving from the Greenfield Agreement (after three years of operation) to the new Agreement may require consideration of the current structure and entitlements.

Following the expiry of the Kogan Creek Power Station Agreement in October 2010 is the expiry of the Callide Power Station Agreement on 12 June 2011 and the Mica Creek Power Station Agreement on 31 August 2011. The framework for the Callide Agreement will need to be approved in the second half of 2010 as the Agreement prescribes that negotiations will commence with staff and unions no later than 6 months prior to the expiry date of the Agreement. The framework for the Mica Creek Power Station Agreement will need to be approved in the first half of 2011.

A number of changes are likely to arise in 2010 from reviews in relation to safety, high voltage switching, asset management, overhaul strategies and cost management.

These are major projects designed to improve performance in key areas of operations and are likely to be finalised in 2010 and implemented over a period of 2-3 years.

The *Integrity Act 2009* was given Royal Assent on 3 December 2009 and operates from 1 January 2010. It requires complaints of official misconduct to be referred to the Crime and Misconduct Commission. There are a range of practical issues raised by the new legislation, which will require resolution with Government and/or the Crime and Misconduct Commission for the new legislation to be effectively implemented by GOCs.

A relocation of CS Energy's Corporate Office to the North Tower, 540 Wickham Street, Fortitude Valley will occur from the end of June 2010. It is not expected that there will be significant employee impacts as the relocation is within the greater city area and does not enliven any Enterprise Agreement or CS Energy Policy requirements in relation to relocation. However, it is realised that for some employees travel time will be longer and different transport options or routes may be required. Staff focus groups have been formed to provide views on various aspects of the office design, workstations and support facilities. The relevant unions were invited to nominate delegates to provide input to a joint employee/management steering group in relation to the final office design.

3. Remuneration arrangements

Non-Executive Directors

Directors' fees for Board and Committee activities are set by the Shareholding Ministers. Fees are paid in accordance with a schedule provided by the Shareholding Ministers, determined by Government based on:

1. An amount for being a Board member;
2. An amount for being on a Committee; and
3. An amount for being a Chair of a Committee.

The following fees (estimated to 30 June 2010 calculated as at 15 January 2010 will be paid to CS Energy directors for the 2009/2010 year:

Non-Executive Directors	Director's Fees (\$)	Committee fees (\$)	Superannuation (\$)	Total (\$)
S Lonie (Chairman)	\$65,840	\$13,497	\$7,140	\$86,477
R Henricks Director	\$26,994	\$8,098	\$3,158	\$38,250
J Leaver* Director	\$6,584	\$1,317	\$711	\$8,612
S Israel Director	\$26,994	\$5,399	\$2,915	\$35,308
M Bucknall Director	\$26,994	\$5,399	\$2,915	\$35,308
M Pop** Director	\$20,245	\$3,037	\$2,095	\$25,377
T Dare ^ Director	\$26,994	\$4,949	\$2,874	\$34,817
R Kempnich Director	\$26,994	\$4,049	\$2,793	\$33,836

*Term expired on 30 September 2009

^ Chairman of Committee since November. Previously Committee member from July to October.

** Commenced 1 October 2009

The Company has the following Committees and Committee Chairs:

Committee	Chair
Audit Committee	T Dare
Major Capital & Technical	S Lonie
Remuneration	M Bucknall
Board Risk	S Israel

Chief 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 2009/2010 financial year, as well as actual performance payments for the 2008/2009 year are provided in the following table. These payments, which are approved by the Board, range between 0% and 15% depending on the individual's performance.

These remuneration arrangements are reviewed annually in accordance with the Company's remuneration policy. Based on current contract arrangements, the performance payment for 2008/2009 is capped at 15% maximum for each executive.

CEO / Senior Executives	Base Salary ¹	Employer Superannuation Contributions ²	Motor Vehicle ³	Car park ⁴	Total Fixed Remuneration ⁵	Other non-personal benefits ⁶	Performance Payment made ⁷
Chief Executive D Brown	\$472,587	\$46,360	Nil	Nil	\$518,947	Nil	
General Manager Operations G Campbell	\$267,644	\$26,087	Nil	Nil	\$293,731	Nil	
General Manager Business Development C Turnbull	\$263,006	\$34,489	Nil	Nil	\$297,495	Nil	
Chief Finance Officer R Boys	\$262,002	\$33,730	Nil	Nil	\$295,732	Nil	
General Manager Organisational Development M Turner*	\$222,254	\$20,003	Nil	Nil	\$242,257	Nil	
General Manager Portfolio Services J James	\$235,744	\$29,656	Nil	Nil	\$265,400	Nil	
General Manager Corporate Services T Killen	\$227,720	\$24,270	Nil	Nil	\$251,990	Nil	

*Commenced 13 July 2009

Notes

- 1 Includes salary sacrifice items
- 2 Employer Contributions to superannuation (other than by salary sacrifice).
- 3 A motor vehicle is provided in accordance with the Government SES Policy.
- 4 A car park is provided and a nominal allowance is paid and then deducted as a salary sacrifice amount.
- 5 Total Fixed Remuneration sum of base salary and employer superannuation contributions.
- 6 Other non-personal benefits
- 7 Performance Payments for 2008/2009 were paid in the 2009/2010 year.

4. Employment Conditions

General conditions of employment are provided in various industrial and employment agreements (including both Federal collective agreements and preserved State collective agreements) as well as CS Energy human resources policies. Rates of pay, including productivity payments are included in enterprise agreements and all purpose allowances, where applicable, e.g. power house allowance, ability allowances, etc. are incorporated in all-up rates within those agreements.

CS Energy and its employees are also governed by the *Government Owned Corporations Act 1993* and *Regulations*, the *Electricity Act 1994* and *Regulation of 2006* and the *Fair Work Act 2009*. CS Energy adheres to the principles in the *Minimum Employment, Industrial Relations and Job Security Principles for GOC Employees*.

The Electricity Generation, Transmission and Supply Award – State Award was subject to the process of award modernisation from early 2009 with the final modern award developed and operative from 1 January 2010. CS Energy joined with other electrical power industry GOCs to undertake work associated with the award modernisation process. However, it should be noted the resulting modern award will have little application to CS Energy, given the continuation of existing enterprise agreements as “agreement-based transitional instruments” that nullify the modern award, through operation of the Fair Work (Transitional Provisions and Consequential Amendments) Act 2009.

CS Energy also complies with the Government Policy Guidelines for conduct of industrial relations and the development and negotiation of agreements as set out in the document *Guidance for Chief Executive Officers – Agreement Making and Industrial Relations in Government Owned Corporations*. The Company’s existing employment policy remains one 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 reflects CS Energy’s recognition of industry unions and the employees they represent as key stakeholders in CS Energy’s businesses.

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

These AIAs will remain voluntary and available for those engaged at Level 11 (\$84,041 pa plus superannuation) and above unless otherwise agreed with relevant unions and permitted within relevant enterprise agreements. 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 the relevant enterprise agreement.

CS Energy’s rationale for the use of AIAs including the ability to widen eligibility, is to provide the Company and the employee in roles, where warranted, with remuneration in a total fixed package. This fairly and adequately compensates for the hours necessary to undertake the role. AIAs also include access to the relevant performance based variable pay component. AIAs are individual arrangements under CS Energy’s enterprise agreements and are not individual common law contracts. They can be offered at Level 11.0 and above and with the agreement of relevant unions, below Level 11.0, in accordance with those instruments.

The predominant hours of work arrangement in CS Energy agreements is ordinary hours of 36.25 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	Coverage
CS Energy Ltd Corporate Office Enterprise Agreement 2009	Employees of CS Energy Ltd at Corporate Office	AG2009/12056	30 June 2012	185 employees
CS Energy Ltd Callide Power Station Certified Agreement	Employees of CS Energy Ltd at Callide Power Station	AG2008/1420	12 June 2011	208 employees
CS North West Enterprise Collective Agreement	Award Employees of CS North West Operations	085500560	31 August 2011	87 employees
CS Energy Ltd Swanbank Power Station (Enterprise Bargaining) Certified Agreement	Employees of CS Energy at Swanbank Power Station	AIRC stamped 27/04/2009	11 March 2012	150 employees
Kogan Creek Power Station Greenfield Collective Agreement 2006	Employees employed in the classifications within the Agreement	No: 06650819	1 October 2010	37 employees

5. Enterprise Bargaining and Productivity Initiatives

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.

A replacement agreement was negotiated for Swanbank Power Station in April 2009. A summary of the key outcomes of the Swanbank agreement is as follows:

- Three year agreement with a 4.5% per annum pay increase;
- Application of CPI indexation to the maximum yearly performance pay amount; and
- Increase in paid maternity and adoption leave to 14 weeks.

The agreement negotiated at Corporate Office in August 2009 was a federal agreement under the *Fair Work Act 2009* with the following features:

- Three year agreement with a 4.5% per annum pay increase;
- Application of CPI indexation to the maximum performance pay amount.

The current enterprise agreement covering employees at Kogan Creek Power Station expires on 1 October 2010. A Framework for Negotiation of a replacement agreement has been provided to Government in accordance with the Government Owned Corporations - Wages Policy (2010).

Negotiations are expected to commence in mid April 2010, subject to Government approval. A formal log of claims has not been received from unions, but claims are expected to include –

- A single CS Energy Enterprise Agreement (Unions have confirmed this claim in feedback on this Plan) ;
- Wage increase, classification structure and progression;
- Hours of work and number of days of work;
- Overtime (particularly the 3% component of the Kogan all-up rate) and TOIL; and
- Use of contractors.

Negotiations are expected to be challenging, as CS Energy wishes to retain current conditions and the non-prescriptive nature of the current Greenfields agreement. The unions' current campaign against Government asset sales has the potential to impact negotiations, but facilitation of negotiations is expected to minimise the chance of this occurring. An extensive log of claims, expected from industry unions, will create challenges for negotiators in adhering to the Government Wages Policy for GOCs 2010.

Formalisation and continuation of a trial of a permanent seven day continuous roster for Production Control Officers at Kogan will be a key aim for CS Energy in negotiations.

Whilst industrial action in support of claims has not been threatened by industry unions, there is the potential for positions to be polarised on issues such as the claim for a single more traditional CS Energy Agreement and on the quantum of increases and productivity savings attributable to particular initiatives. CS Energy will be prepared to refer any threats or actual industrial action to Fair Work Australia with a view to seeking resolution of issues and/or orders to prevent damaging industrial action from occurring.

Attraction and retention at remote sites continues to be a significant focus for CS Energy. Through the development and utilisation of a specific working party to look at this area, CS Energy is continuing to explore further initiatives aimed at attracting and retaining employees. 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.

Productivity Initiatives

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
Out of hours trading	Swanbank Enterprise Agreement	Implement in year 1	Implemented in year 1		
Career Paths	Swanbank Enterprise Agreement	To be implemented in year 2	Majority of work already done to date and progressing		
Officer in Charge Confined Space	Swanbank Enterprise Agreement	Implement in year 1	Training complete		
Own Isolations	Swanbank Enterprise Agreement	Implement in year 1	To be implemented with Career Path	Career path module to be developed	

Taking of 1 Day Minimum Long Service Leave (LSL)	Corporate Office Agreement	Implement in Year 1	Policy developed to allow access		
Travel to Sites	Corporate Office Agreement	Implement in year 1	EBA includes travel exemption		
Out of Hours Work	Corporate Office Agreement	Implement in year 1	Initiative in EBA recognises out of hours work		
Implementation of TRIM (TRIM is an acronym for Total Record and Information Management). It is an EDMS (or Electronic Document Management System)	Corporate Office Agreement	Implement in year 1	Implementation completed 2 October 2009		
Additional Duties AIA	Corporate Office Agreement	Implement in year 1	Initiative in EBA recognises additional duties		

6. Employee Flexibility

CS Energy continues to use site-specific Union Collective Agreements incorporating provision to use AIAs to achieve flexibilities that are both relevant and workable. The current Corporate Office Agreement provides for employees to have the choice of being employed under AIA conditions that may better suit individual needs. Employees are free not to accept an offer of an AIA arrangement, or to subsequently opt out of an AIA arrangement by giving one month's notice. CS Energy will continue to pursue AIA flexibility in site agreements as required and in consultation with unions.

Part-time arrangements	Policy exists. Provided where it suits both CS Energy and the employee. Employment between 15 and 32.2 hours per week.
Flexible work hours	Practice exists. Employees on individual arrangements particularly have flexibility with start and finish times
Reduced working year	Purchased leave policy exists. Employees have the ability to access up to an additional 4 weeks per annum. Arrangements for taking a minimum of one day's long service leave has been implemented for the whole of CS Energy from early 2010. Employees can take this leave at half pay and therefore 'double' the period of absence.
Paid maternity/paternity/adoption leave	Paid maternity and adoption leave of 14 weeks has been implemented for the whole of CS Energy from early 2010. Consistent with Government's expectation that employee conditions are consistent with Government Policy one weeks' paid paternity leave shall be granted to CS Energy staff.
Telecommuting (work from home)	A flexible working arrangement procedure is being developed for the whole of CS Energy and it is targeted for implementation in early 2010. Such arrangements will be by agreement subject to continuity of work considerations.

Responses to an Ageing Workforce	<p>32% of the CS Energy workforce is aged 50 and over while 31% are aged between 40 and 49.</p> <p>In response, CS Energy has implemented succession planning across CS Energy and phased retirement arrangements (at Swanbank) with benefits to CS Energy including the retention of knowledge and skills and to employees of a balance between work and personal responsibilities.</p>
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7. Type of Employment and Workforce Planning

Types of employment

Format for provision of Workforce Numbers in E&IR Plans 2010-2013

	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Employment Category:				
Permanent Full Time [^]	642.95	681.95	654.95	601.95
Permanent Part-time (FTE)	5.32	5.32	5.32	5.32
Other Contract	0	0	0	0
Senior Executive Contract	7	7	7	7
Apprentices (In House)	2	3	3	3
Trainees (In House)	0	0	0	0
Casual Employees (FTE)	5.73	5.73	5.73	5.73
Total Directly Employed Workforce:	663	703	676	623
Apprentices (Group)	28	30	27	25
Trainees (Group)	9	7	7	7
Contractor Employees (Trade/Technical)	47	25	18	16
Contractor Employees (Professional/Administrative/Clerical)	8	5	5	3
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire (Professional/Administrative/Clerical - FTE)	-	-	-	-
s457 Temporary Visa	6*	4*	3*	3*
Number of employees engaged on AWAs with contractors	-	-	-	-
Total Workforce:	755	770	733	674

[^]Includes temporary employees and S457 visas

*Included in Permanent Full Time figure.

CS Energy notes Government's 2009 election commitment to maintain 5,000 public sector apprenticeship and trainee positions over four years to April 2013 across the Queensland public sector agencies, Government Owned Corporations, government departments and statutory authorities.

CS Energy's workforce planning and employment policies are underpinned by a clear recognition of the need for a skilled and viable workforce which takes into account the need for on-going renewal and appropriate training to ensure there is sufficient capacity with the organisation to replace retiring or departing employees.

Apprentices and trainees are an important part of this forward planning and CS Energy therefore supports the Government's commitment. CS Energy will continue to make available apprenticeship and trainee opportunities consistent with its workforce planning, training programs and business needs.

Unions in their feedback on this Plan have sought that 10% of the total workforce should be apprentices – a claim for 41 additional apprentices this year. However, CS Energy already meets the requirements of its policy of employing a minimum of one apprentice for each four tradespersons and under the Callide Power Station Certified Agreement one apprentice for each three tradespersons on that site. CS Energy's policy position on apprentice ratios reflects considerations of effective supervision, training and safety, especially in relation to apprentices in their early years of training.

Workforce Planning

CS Energy has a number of initiatives in place to enhance type of employment and workforce planning, namely:

- A graduate Professional Development Program for engineering, health and safety, chemistry and environment disciplines;
- Sponsor of the Australian Power Institute for students currently studying power engineering, coordinated by QUT;
- A program for apprentices and trainees, employed by CS Energy and via group training schemes;
- Providing vacation employment and work experience to students;
- Post graduate studies for employees in conjunction with QUT for the post graduate Power Engineering studies program;
- Supervisor and emerging supervisor development programs for staff who are in supervisory roles or who regularly relieve in such roles; and
- A number of other employee development opportunities, dependant on the individual employee's career plan.

Each of these initiatives assists with attracting quality candidates to CS Energy, as they market CS Energy as a preferred employer with commitment to developing staff and building their technical and people management skills, and providing career opportunities for students, graduates, apprentices and trainees.

The CS Energy Learning and Development Centre provides expertise in training initiatives, by identifying required training needs to improve employees' general skill levels, quality of training and overall performance. This is achieved through the provision of structured role development plans and the use of online learning to assist with knowledge management within CS Energy.

A review of the workforce planning process has also been undertaken. All supervisors received refresher training on the process, as well as a new Manager-one-Removed (MoR) process, which included the roll out of critical role succession planning.

The MoR system gives staff annual sessions with their manager's supervisor to discuss their career paths. The MoR system gives employees access to personalised, long term career development and is a catalyst for the development and maintenance of trusting relationships in line with our Leadership Principles.

The purpose of the MoR System is to provide a framework for managers and employees to identify an employee's capability for growth and assist in the realisation of career aspirations.

It achieves this by providing an opportunity for:

- Employees-one-Removed (EoRs) to develop broader perspectives regarding the business and their aspirations within the business;
- EoRs to pursue any development objectives identified; and

- the MoR to identify capability for, and interest in, an employee's growth through a structured discussion process and to gain insights into the team dynamics for EoRs working within their business unit.

This is expected to assist with retention of staff.

8. Workplace Health & Safety

Workplace Health & Safety Policy summary

CS Energy is committed to a workplace free of occupational injury and illness. To achieve this, we are encouraging a culture of personal responsibility for safety, in managers, employees, and contractors. Our occupational health and safety system provides a uniform approach and comprises policies, procedures, Permit to Work systems, audits, training, monitoring, reporting and investigation. Our goals include:

- Prevention of occupational injury and illness;
- A proactive approach that includes an understanding and acceptance of our obligation to ensure the health and safety of every employee within our workplaces;
- That every employee has a fundamental right to a healthy and safe workplace and to expect that they can leave work at the end of each day/shift safe and well;
- A requirement that all employees are fit for duty and perform their duties without imposing unacceptable risks to the health and safety of others;
- Encouraging staff to make a genuine and valued contribution within their capacity at work; and
- Promotion of initiatives, cultural change, safety leadership principles and management responsibility.

Health and Safety Risk management strategies

The major strategy objectives achieved during 2009 include the following:

- Implementation of CS Energy's fatigue management and alcohol and other drugs procedures;
- Development and roll out of the corporate incident management database in SAP;
- Electrical arc flash engineering assessments completed on all sites;
- Emergency Response teams were established at Mica Creek and Kogan Creek power stations;
- Focusing on lead indicators and incident investigation and analysis in addition to the typical retrospective performance indicators;
- Minimising the potential for serious injuries during the major dual unit overhaul at Callide B Power Station;
- A revised/themed health and safety communication strategy;
- Responding to the personal and business threats from the pandemic H1N1-09 swine flu virus; and
- High consequence incidents and investigation outcomes are presented directly to the Chief Executive and members of the Executive Management Team.

Risk management strategies also included a risk assessment and review of the Mica Creek Power Station gas pipeline. Risk assessments were also completed on the Callide A Power Station Oxyfuel Project, Kogan Creek Power Station boiler chemical clean and the Callide B station dual overhaul. Major risk assessments were also conducted as part of the fatigue management and alcohol and other drugs processes at each site. A review of the Swanbank Power Station job safety and environmental analysis was completed by the site team and the Corporate Risk and Assurance Representatives.

A corporate monitoring process was established to ensure incident investigations were adequately completed and suitable action plans, milestones and resources allocated.

Corporate and site health and safety action plans have been established and progress is reviewed at each monthly reporting period by the Operations Management Team and Executive Management Team. A health and safety update presentation is provided at each Board meeting by the General Manager - Organisation Development and the Principal Adviser - Health and Safety. Union Officials and stakeholders are provided with a health and safety update at the quarterly Peak Consultative Committee meetings.

Workplace health and safety performance

The statistical indicators for 12 months to 31 December 2009 were:

Statistical Indicator	Target	Result	Trend
Lost Time Injury frequency rate	0	5.3	nil reduction
Medical Treatment frequency rate	(26) 20% lower	30.0	2.7% < over previous period
Near Miss incident rate	(26) 20% lower	31.6	38% > over previous period
First Aid injuries frequency rate	(280) 20% lower	123.9	nil reduction
Lost time injury duration rate	0	3.5	nil reduction

Note: the “status” symbol > means an increase and the symbol < means a decrease.

In 2009, 13 lost time injuries were recorded. This is an increase of four injuries from the previous year, translating to a lost time injury frequency rate of 5.3.

As well as audits proposed for 2010/2011 of health and safety management systems, high voltage isolation and switching procedures and significant incidents and near misses, as outlined below, CS Energy is undertaking a major Safety Culture Program across all sites to encourage behaviours that will assist in ensuring improvement in trends in the above indicators.

Health and safety audits

CS Energy has scheduled an external audit against the Australian Standard AS4801 Health and Safety Management Systems. The audit is targeted during the second half of 2010. Audits have also been scheduled during 2010 for:

- high voltage isolation and switching procedures across all sites by an internal working group supported by an external consultant – Jantec Compliance; and
- SafetyWise Consultants have been engaged to review a selection of the last six months of significant health and safety incidents and near misses across all sites.

NCS International completed an AS/NZS 4801 – Health and Safety Management System gap analysis at all sites during April 2007. CS Energy is continuing to implement improvements from this external audit. External auditors from Interger conducted an audit of the Callide C Station operations and this included an audit of health and safety management systems by the Elm Consulting Group, as part of the Joint Venture contract conditions. An action plan is in place and all of the audit recommendations are being monitored and reported against during the site monthly management meetings. Corporate health and safety actions are in place for the issues raised during the external audit.

As part of CS Energy’s corporate business plan site specific audits were targeted during the period in response to ensuring compliance and actioning high priority safety issues:

- An internal risk and assurance audit and review was conducted on the Kogan Creek Power Station Permit to Work system and processes;

- Workplace Health and Safety Officer Annual Audit Assessments were conducted on all sites and reports provided to the Site Managers;
- An ash and dust monitoring analysis and audit report was prepared for Callide Power Station by external consultants – HIRAC;
- External consultants from Parsons Brinckerhoff conducted audits on Swanbank and Mica Creek Power Station asbestos registers. Plans are underway to audit the Callide Power Station asbestos register in February 2010; and
- CS Energy's Risk and Assurance Representatives conducted internal audits of the:
 - health and safety systems in place at Callide Power Station;
 - job safety and environment analysis processes at Swanbank Power Station; and
 - emergency response capabilities at Callide Power Station.

Audit reports were provided to the site management teams, site specialists and the contractors involved in the reviews and audits. All of the report recommendations were tabled at Site Management meetings and site action plans have been developed. Action plans are reviewed by the Corporate Health and Safety Team and Operations Management Team.

The CEPU has provided feedback on this Plan that high voltage isolation and switching procedures should only be completed by appropriately licensed electrical workers. As a result of major reviews by CS Energy of high voltage isolation and switching procedures and permit to work processes, a workshop will be held with union delegates and other relevant staff to elicit feedback on findings of these reviews, including on competency requirements for these tasks.

A new unit auxiliary transformer was installed at Kogan Creek Power Station in late December 2009 to early January 2010 after one of the station's two unit auxiliary transformers suffered an internal fault on 12 September 2009 during preparations to bring the station back online after a maintenance overhaul. Internal investigation reports and external consultant reports were provided to the Executive Management Team and members of the Major Capital and Technical Committee.

Training

CS Energy focused on training in fatigue management, alcohol and other drugs, hazard identification and risk assessment during the period. The training conducted included:

- Hazard identification, risk assessment and measurement, risk control and management;
- Incident Management reporting and recording across all sites;
- Safe Move inspection and observation training for workers and supervisors;
- Identifying and managing issues associated with fatigue and the adverse effects of alcohol and other drugs;
- Health and safety obligations training was provided for members of the Executive Management Team and will also be provided for the Site Management Teams in 2010; and
- Emergency response team training was conducted and covered areas such as rope access and rescue, use of breathing apparatus, rescue from live switchgear, advanced occupational first aid and trauma management, confined space monitoring and entry.

Employee Health and Wellbeing

CS Energy continued with its corporate approach to improving the health and wellbeing of employees. Protecting the mental wellbeing and physical health of our employees is vital to our long term success and employee retention.

Regular promotion of the Employee Assistance Program is undertaken to ensure staff are aware of this service. The Employee Assistance Service continues to be our primary resource for providing independent counselling and assistance for staff and their family members. CS Energy's staff survey, which is undertaken approximately every 18 months, is used to identify and address issues impacting leadership and teamwork.

CS Energy continued with the annual medical assessments for at risk workers, annual medicals for employees in excess of 50 years old and executive medicals. Influenza vaccinations and pandemic swine flu stocks were issued to employees during the year. The healthy cycling initiative was continued with 83 people now joining the program. This has been expanded to cover a 10,000 steps program with ongoing milestone rewards and team encouragement and sponsorship opportunities.

Callide Power Station Health and Safety Committee arranged for skin cancer screening checks to be completed on site and over 100 employees took the opportunity to be assessed – 31 participants were identified with potential medical issues and referred onto specialists.

CS Energy's drug and alcohol policy and program was implemented in March 2009 as part of our fit for duty initiatives following consultation and agreement with staff and unions. Random drug and alcohol tests were completed across all sites and a total of 893 tests were completed. Only one confirmed positive test result was returned for a site contractor employee during an overhaul and the issue was managed in accordance with the policy.

9. Equal Employment Opportunity (EEO) and Anti-Discrimination

CS Energy continues to support its EEO Management Plan 2008-2012 and also reports statistical data annually to the Office of the Public Sector Commissioner. The next report will be forwarded in July 2010. 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 aims, through education strategies, to provide a workplace that is free from unlawful discrimination, workplace harassment, bullying and vilification. All employees have access to the CS Energy EEO Policy, the Procedure for Achieving and Maintaining a Workplace free from Discrimination, Harassment, Bullying and Vilification, and the Fair Treatment and Grievance Resolution Procedure.

The Recruitment and Selection Procedure provides direction for all CS Energy recruitment and selection activities to be based on using fair, open and transparent processes to select the best people for the job within an efficient and effective process. All managers/supervisors and members of selection panels must apply equal opportunity and anti-discrimination principles during the recruitment and selection process. This applies to both external and internal recruitment (promotions). These documents are available on the intranet or in hard copy from the Human Resources team, and are included in the induction process.

During 2009, an extensive online EEO refresher training course was rolled out across the organisation to all employees. This course reinforced employees' knowledge on all EEO related matters, ensured they understand their responsibilities, and provided an update of who to contact for assistance. Workplace Contact Officers participated in a one-day refresher training course to ensure they are aware of their responsibilities as the first point of contact for employees.

CS Energy also submitted EEO statistical data to Office of Public Sector Commissioner in July 2009 as part of our requirement as a GOC.

10. Interstate Acquisitions/Operations

CS Energy has no interstate acquisitions or operations.

11. Joint Venture Projects

CS Energy remains in joint venture with IG Power (Callide) Pty Ltd at Callide C Power Station. Operations and maintenance services for Callide C are provided by CS Energy under a contract to the joint venture entity. CS Energy employees and some contractors are undertaking work for the joint venture. Relevant CS Energy staff are covered by the CS Energy Ltd Callide Power Station Certified Agreement 2008.

CS Energy has a joint venture arrangement with Arrow Energy at Kogan North, in relation to purchasing rights for gas resources and is also part of a joint venture with IHI Corporation, J Power Group, Mitsui & Co, Schlumberger, Xstrata Coal and ACA Low Emissions Technologies Ltd for the oxyfiring project at Callide A.

CS Energy employees will be seconded to work for the Joint Venture Project for the period of the Callide Oxyfuel Project. At this stage, there are no direct employees of the Project, although this is not precluded. There are no CS Energy agreement level employees engaged on the joint venture with Arrow Energy at Kogan North.

12. Management of the Relationship Between GOCs and Unions

Consultation is the cornerstone of the industrial relationship between CS Energy and Unions, which are the employees' industrial representatives. Consultative forums, comprising local management and employee representatives are in place in every CS Energy power station.

A Peak Consultative Committee comprising senior management from the Company and union officials meets quarterly, subject to availability of committee members.

An IRWP Report in 2008 resulted from a joint management/union working party and assessed how CS Energy undertakes all facets of industrial relations, including interactions with employees and their industrial representatives and industrial relations processes at site. Improvement strategies have been developed and communicated to each of the site's Consultative Committees.

The Company has also developed and maintains a contact list on the intranet of all CS Energy Union Delegates for the benefit of delegates and employees.

CS Energy recognises the importance of maintaining its relationship with unions. In order to best maintain relations with the unions during negotiations, CS Energy engages a facilitator as required and only by agreement with unions. CS Energy contends that the engagement of a facilitator has assisted in the maintenance of a good working relationship with Unions in the most recent Callide and Swanbank EBAs. Evidence indicates the potential for a similar result in the current Kogan negotiations.

CS Energy continues to practically demonstrate its commitment to the encouragement of union membership by providing unions with advice regarding new employees, as well as providing all new starters with the details of the recognised union delegates at their workplace.

13. Redundancy Provisions

CS Energy and its subsidiaries remain a party to redundancy arrangements formalised by industrial agreements, 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.

14. Job Security

CS Energy has agreed to "no forced redundancies" in enterprise agreements reflecting Government policy on job security.

15. Contracting Out

CS Energy remains committed to orderly and sustainable best practices in relation to the use of contractors, and different forms of temporary workforce. Unions have indicated in feedback on this Plan that they intend to pursue a formal Use of Contractors Agreement. However, a use of contractors agreement between CS Energy and industry unions could be industrially problematic,

impacting on contractor parties covered by modern awards and agreements other than those applicable to CS Energy and could also potentially be in breach of parts of the Trade Practices Act 1974 (Cth) as a result. CS Energy complies with the Minimum Employment, Industrial Relations and Job Security Principles for GOC Employees in relation to use of contractors.

CS Energy's attraction and retention initiatives (as detailed above) are valuable in retaining key staff, and attracting candidates for hard-to-fill vacancies, particularly in remote areas. However in some cases applicants on 457 visas were employed. There are currently six employees in this category at CS Energy engaged in accordance with relevant legislative and award requirements. They are engaged in 3 engineering roles, 1 maintenance planning role, 1 contract supervision role and 1 production control role. 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. A schedule of audits for 2009 is completed, and audits will occur during 2010, commencing with Kogan Creek Power Station in early 2010. 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.

Audit reports and recommendations are tabled at the site management team meetings for action where required, following review by corporate Human Resources. Major overhaul contractors regularly meet with Portfolio Services, which coordinates and controls station overhauls in conjunction with relevant site management, for Key Performance Indicator reviews.

16. Superannuation

The Defined Benefit Fund which closed to new employees in 2002 has an employee contribution rate of 5% and an employer contribution rate of 12% (rate reviewed every 2 years). Presently, 33.6% of the CS Energy workforce remains in this plan.

The remainder of the workforce are in the Defined Contribution Fund of which 31.2% of the workforce is in the 9% Superannuation Guarantee Contribution (SGC) Employer Fund and 35.2% 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 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. Generally, prudent fund surpluses are maintained in accordance with actuarial advice, to ensure the liabilities of the fund can be met. This can mean an increase or decrease in employer contribution from time to time also in accordance with actuarial advice, to ensure this position is maintained.

17. Consultation

Employees, unions, representatives of the Office of Government Owned Corporations (OGOC), the Department of Employment, Economic Development and Innovation, the Department of Justice and Attorney-General (DJAG) and the Department of the Premier and Cabinet were consulted in the preparation of this Plan. Feedback was considered and incorporated, where relevant and appropriate.

18. Reporting

CS Energy has provided a report on performance against the plan to relevant agencies including DJAG and OGOC as required.

ATTACHMENT 3

**Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities
Details of Individual Expenditure Items¹**

Activity	Description / Benefit	2009/2010 Budget (\$)	2009/2010 Est. Actuals (\$)	2010/2011 Budget (\$)	Quarter 2010/2011 ^{2, 3} (\$)				2010/2011 Per Head Budget (\$)
					Sept	Dec	Mar	Jun	
SPONSORSHIP									
Opera Queensland – Moving Opera! in-school workshops	Youth development and profile-raising for CSE in power stations’ communities. Workshops to be completed in Chinchilla and Biloela	\$30,000	\$31,000	\$31,000	N/A	N/A	N/A	N/A	N/A
Rockfest	Community Music Festival	\$6,500	\$6,500	N/A	N/A	N/A	N/A	N/A	N/A
Mount Isa Business Awards	Mount Isa business event	\$10,000	\$10,000	\$10,000	\$10,000	N/A	N/A	N/A	N/A
Kogan Creek – discretionary ⁴	Small contributions and partnerships with Chinchilla community groups/ activities	N/A	N/A	\$31,000	\$6,000	\$9,000	\$10,000	\$6,000	N/A
Mica Creek – discretionary ⁴	Small contributions and partnerships with Mount Isa community groups/ activities	N/A	N/A	\$15,000	N/A	\$5,000	\$5,000	\$5,000	N/A
Swanbank – discretionary ⁴	Small contributions and partnerships with Ipswich community groups/ activities	N/A	N/A	\$5,000	\$2,000	\$1,000	\$1,000	\$1,000	N/A
Total over \$5,000	N/A	\$46,500	\$47,500	\$92,000	\$18,000	\$15,000	\$16,000	\$12,000	N/A
Other (total) below \$5,000	Small discretionary sponsorships from Brisbane and Callide sites to raise CSE’s profile	\$25,500	\$25,000	\$10,000	N/A	N/A	N/A	N/A	N/A
TOTAL (1)	N/A	\$72,000	\$72,500	\$102,000	\$18,000	\$15,000	\$16,000	\$12,000	N/A
ADVERTISING ⁵									
Total over \$5,000	N/A	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	N/A

Activity	Description / Benefit	2009/2010 Budget	2009/2010 Est.	2010/2011 Budget	Quarter 2010/2011 ^{2, 3} (\$)				2010/2011 Per Head
Other (total) below \$5,000	Site advertising for grants programs and community open forums	\$1,200	\$10,000 ⁶	\$10,000	N/A	N/A	N/A	N/A	N/A
TOTAL (2)	N/A	\$1,200	\$10,000	\$10,000					N/A
CORPORATE ENTERTAINMENT									
Callide new starters function	2 x site functions to welcome new employees and families to Biloela	N/A	N/A	\$7,000	N/A	N/A	N/A	N/A	\$50
Christmas function – Callide	Staff and family Christmas function	\$10,250	\$12,650	\$13,000	N/A	\$13,000	N/A	N/A	\$50
Christmas function – Swanbank	Staff and family Christmas function	\$7,500	\$7,000	\$7,000	N/A	\$7,000	N/A	N/A	\$50
Christmas function - Brisbane	Staff and family Christmas function	\$6,000	\$5,682	\$5,700	N/A	\$5,700	N/A	N/A	\$50
Brisbane Service Recognition function	To recognise and reward long service to CS Energy and its predecessors	\$8,500	\$7,254	\$8,500	N/A	N/A	\$8,500	N/A	\$130
Swanbank Service Recognition function	To recognise and reward long service to CS Energy and its predecessors	N/A	N/A	\$7,260	N/A	N/A	\$7,260	N/A	\$50
Total over \$5,000	N/A	\$32,250	\$32,586	\$48,460	N/A	\$25,700	\$15,760	N/A	N/A
Other (total) below \$5,000	Various site staff functions, including Kogan Christmas and service recognition functions, Callide service recognition function, overhaul functions	\$185,917.50 ⁷	\$41,000	\$37,000	\$9,000	\$9,000	\$10,000	\$9,000	N/A
TOTAL (3)	N/A	\$218,167.50	\$73,586	\$85,460	\$9,000	\$34,700	\$25,760	\$9,000	N/A
DONATIONS									
Generosity – corporate matching	CS Energy's Workplace Giving Program – staff donations matched dollar for dollar	\$50,000	\$50,000	\$50,000	\$12,500	\$12,500	\$12,500	\$12,500	N/A

Activity	Description / Benefit	2009/2010 Budget	2009/2010 Est.	2010/2011 Budget	Quarter 2010/2011 ^{2, 3} (\$)				2010/2011 Per Head
Chinchilla Community Benefits Trust	Trust established by original proponents of Kogan Creek Power Station and taken over by CS Energy on purchase. Contributes to community infrastructure projects	\$25,000	\$25,000	\$25,000	N/A	\$25,000	N/A	N/A	N/A
Biloela PCYC	Donation to support operating costs	\$10,000	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Laura Johnson Home	Furniture	\$15,000	\$15,000	N/A	N/A	N/A	N/A	N/A	N/A
Callide Power Station Community Grants Program	New community grants program to contribute to Biloela community groups and profile CS Energy	N/A	N/A	\$15,000	N/A	N/A	N/A	N/A	N/A
Swanbank Power Station Community Grants Program	New program to support Ipswich community groups; replaces Swanbank Community Reference Group Grants program	N/A	N/A	\$10,000	N/A	\$5,000	N/A	\$5,000	N/A
Mica Creek Power Station – discretionary donations	Contributions to Mount Isa community groups and profile CS Energy.	\$35,000	\$35,000	\$15,000	N/A	N/A	N/A	N/A	N/A
Total over \$5,000	N/A	\$135,000	\$135,000	\$115,000	\$12,500	\$42,500	\$12,500	\$17,500	N/A
Other (total) below \$5,000	Discretionary donations to community events and activities	\$13,000	\$20,000	\$4,000	N/A	N/A	N/A	N/A	N/A
TOTAL (4)	N/A	\$148,000	\$155,000	\$119,000	\$12,500	\$42,500	\$12,500	\$17,500	N/A
OTHER RELATED ACTIVITIES									
Swanbank Community Open Day		\$10,000	\$ –	N/A	N/A	N/A	N/A	N/A	N/A
Swanbank Community Reference Group		\$13,000	\$13,000	N/A	N/A	N/A	N/A	N/A	N/A
Energise Electrovale school program	Delivery of primary school energy project and competition to Biloela, Chinchilla and Mount Isa communities	N/A	\$5,000	\$10,000	\$3000	\$7000	N/A	N/A	N/A
Total over \$5,000	N/A	\$23,000	\$18,000	\$10,000	\$3,000	\$7,000			N/A

Activity	Description / Benefit	2009/2010 Budget	2009/2010 Est.	2010/2011 Budget	Quarter 2010/2011 ^{2, 3} (\$)			2010/2011 Per Head
Other (total) below \$5,000	Swanbank Power Station community forums	N/A	\$1,000	\$1,000	N/A	N/A	N/A	N/A
TOTAL (5)	N/A	\$23,000	\$19,000	\$11,000	\$3,000	\$7,000	N/A	N/A
TOTAL (1)+(2)+(3)+(4)+(5)	N/A	\$462,367.50	\$330,086	\$327,460	\$42,500	\$99,200	\$54,260	\$38,500

1. All expenditure is GST exclusive.
2. These figures are not cumulative.
3. If expenditure planned for during the year but quarter not finalised, N/A appears in the quarter columns.
4. This was previously accounted for in total under \$5,000. The programs have been moved into this section as it is possible for a single grant to be more than \$5,000.
5. Does not include recruitment advertising.
6. Community relations advertising were not budgeted for in 2009/2010. The estimate actual includes advertising for community grants programs, events and sponsorship related activities. The 2010/2011 budget includes these activities.
7. The business development item in the 2009/2010 SCI was incorrectly based on a broader cost code budget than reporting required. Accordingly, the total budget includes items other than corporate entertainment.

Table 2: Corporate Entertainment
Details of Total Budgeted Expenditure under \$5,000¹

Activity	2009/2010 Budget (\$)	2009/2010 Est Actuals (\$)	2010/2011 No. of Activities	2010/2011 Budget (\$)	Quarter 2010/2011 ² (\$)			
					Sept	Dec	Mar	Jun
Corporate Entertainment Total								
• Staff Functions	\$29,000	\$20,000	9	\$20,000			\$20,000	
• Business Development ³	\$154,917.50 ⁴	\$20,000	1	\$5,000		\$5,000		
• Stakeholder and Community Engagement	\$2,000	\$1,000	6	\$12,000	\$2,000	\$2,000	\$7,000	\$1,000
TOTAL UNDER \$5,000	\$185,917.50	\$41,000	16	\$37,000	\$2,000	\$7,000	\$27,000	\$1,000

1. All expenditure is GST exclusive.

2. These figures are not cumulative.

3. Functions hosted by CS Energy for suppliers and key business partners.

4. The business development item in the 2009/2010 SCI was incorrectly based on a broader cost code budget than reporting required. Accordingly, the total budget includes items other than corporate entertainment.

ATTACHMENT 4

WACC calculation

The 2010/2011 WACC methodology and calculation has been based on a detailed consultants report received in May 2005 which was updated in May 2009. The methodology 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 2010.

ATTACHMENT 5

Corporate Governance Guidelines for Government Owned Corporations:

CS Energy **has** adopted all recommendations in the Corporate Governance Guidelines for Government Owned Corporations.

ATTACHMENT 6

Government Policies and Guidelines

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009):
 - Where approval is provided by government for the report, CS Energy complies with the reporting guidelines and timeframes established by Government.
- Code of Practice for Government Owned Corporations' Financial Arrangements (2009)
 - The Board and Chief Executive 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 Chief Executive 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.
- Community Service Obligations – A Policy Framework (1999)
- Corporate Entertainment and Hospitality Guidelines (2008)
- Corporate Governance Guidelines for Government Owned Corporations (2009):
 - 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.
- 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.
- Government Owned Corporations Air Travel Policy (2009):
 - CS Energy's internal air travel policy reflects the principles of the GOC policy.
- Government Owned Corporations Bargaining Guidelines (2010)
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)
- Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans (2010):
 - CS Energy complies with the requirements of these guidelines.
- Government Owned Corporations Release of Information Arrangements (2009).
- Government Owned Corporation 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.
- Government Owned Corporations Wages Policy (2010)

- Guidance for Chief Executive Officers – Agreement Making in Government Owned Corporations (2010):
 - 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 the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009).
- Guidelines for Export of Services by Government Owned Corporations (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.
- Investment Guidelines for Government Owned Corporations (2009):
 - CS Energy complies with the requirements of the investment guidelines.
- Local Industry Policy: A Fair Go for Local Industry (2008):
 - CS Energy complies with the main principles of the policy and is endeavouring to comply with the policy's reporting requirements.
- Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009):
 - CS Energy complies with the minimum disclosure requirements as prescribed under the policy which includes the relevant sections of the Australian Accounting Standards Board (AASB) Accounting Standard AASB 124 Related Party Disclosures (AASB 124).
- Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009)
- Purchasing Carbon Offsets for Queensland Government Air Travel (2008):
 - CS Energy complies with this policy through its internal travel procurement process.
- QFleet ClimateSmart Policy (2008):
 - CS Energy complies with this policy for vehicles leased or procured through QFleet. CS Energy also endeavours to comply with this policy for all other vehicles purchased or leased by CS Energy outside of QFleet.
- Queensland Code of Practice for the Building and Construction Industry (2009):
 - CS Energy complies with this code.
- Sport and Recreation Sponsorship Policy (2009)
- State Procurement Policy (2008):
 - CS Energy's internal Purchasing Policies and Procedures are consistent with the requirements of the State Purchasing Policy.

Operations

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