

Statement of Corporate Intent 2011/2012

For Parliamentary tabling

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

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and

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1 Scope/policy position

1.1 Main undertakings

CS Energy Limited's (CS Energy's) business includes the generation and sale of electricity, including participation in electricity trading arrangements in the National Electricity Market (NEM) under the *Electricity Act 1994*. Pursuant to this Act, the Queensland Government has granted CS Energy authority to connect Callide, Kogan Creek and Wivenhoe power stations to the Queensland electricity transmission grid and CS Energy holds a Queensland electricity retail licence. 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 main operating companies within CS Energy are:

- CS Energy Ltd
- Callide Energy Pty Ltd;
- Aberdare Collieries Pty Ltd;
- CS Energy Kogan Creek Pty Ltd;
- CS Kogan (Australia) Pty Ltd;
- Kogan Creek Power Station Pty Ltd
- CS Energy Oxyfuel Pty Ltd; and
- Manzillo Insurance (PCC) Ltd – Cell EnMach, which is CS Energy's insurance captive.

The Queensland Government *Shareholder Review of Queensland Government Owned Corporation Generators* (Genco Review) commenced in early 2009 and was undertaken to address challenges facing the three Government owned generators, CS Energy, Stanwell Corporation Limited and Tarong Energy Limited, in the electricity market and the likely financial impact of the Commonwealth Government policy to introduce a price on carbon.

On 25 November 2010, the Queensland Government announced the recommendations of the Genco Review, including a recommendation to restructure the Queensland Government's generating companies from three entities into two entities, being a restructured CS Energy and a restructured Stanwell Corporation Limited.

Under the restructure, the Mica Creek and Swanbank power stations and the trading rights for Collinsville Power Station were transferred from CS Energy to Stanwell Corporation Limited; and Wivenhoe Power Station and the trading rights for Gladstone Power Station were transferred to the portfolio of CS Energy. The Glen Wilga and Haystack Road undeveloped coal resources were transferred from Tarong Energy Corporation to Aberdare Collieries Pty Ltd, and together with the existing Kogan Mine, now form part of the CS Energy portfolio.

Shareholding Ministers wrote to CS Energy on 5 January 2011 requesting that CS Energy prepare the 2011/2012 Statement of Corporate Intent based on the pre-restructure portfolio in accordance with the requirements under the *Government Owned Corporations Act 1993*. Following the restructure on 1 July 2011, shareholding Ministers requested that an amended 2011/2012 Statement of Corporate Intent be submitted to reflect CS Energy's portfolio from 1 July 2011.

Accordingly, CS Energy has amended the 2011/2012 Statement of Corporate Intent and the figures contained in this document for the 2011/2012 Budget reflect CS Energy's assets from 1 July 2011. The figures contained in this document for 2009/2010 and 2010/2011 are based on CS Energy's portfolio prior to 1 July 2011. As CS Energy did not have responsibility for the Wivenhoe Power Station and the Gladstone Interconnection and Power Pooling Agreement prior to 1 July 2011, the relevant figures for 2009/2010 and 2010/2011 are not reported in this Statement of Corporate Intent.

1.2 Corporate and operational objectives

Consistent with the medium to long term corporate objectives detailed in the 2011/2012-2015/2016 Corporate Plan, CS Energy's goals are to:

- Operate safely, reliably and with a commercial focus;
- Forge strong ties with shareholders, customers and business partners, and support the communities in which it operates;
- Provide customers with effective energy solutions;
- Be a nimble, performance driven and future focused business; and
- Deliver a sustainable and commercially viable future for the Company, for the benefit of shareholders, employees and the people of Queensland.

In response to the shareholding Ministers' Strategic Directions letter (dated 24 September 2011), CS Energy's focus for 2011/2012 will be to:

- Return to profitability and improve its balance sheet metrics;
- Provide safe, reliable and secure power generation to support economic activity within the State of Queensland;
- Take stock of the new portfolio of assets;
- Build upon existing strategies to improve the efficiency and reliability of the assets and future trading strategies;
- Respond to the challenges created by the introduction of a carbon price;
- Increase efficiencies including optimisation of asset maintenance schedules and capital programs;
- Consider the asset strategy and asset life plans of its portfolio and review the maintenance schedules and capital programs; and
- Ensure summer preparation well in advance of the tropical storm season, including risk management strategies for fuel supply and water management.

1.3 Corporate and operational strategies

CS Energy's key corporate strategies for achieving its corporate and operational objectives for 2011/2012 are outlined below.

People

- A zero harm approach to health and safety;
- Ensure CS Energy employees have the commitment and capability to deliver business outcomes;
- Create a performance-based culture supported by people systems, policies and procedures that align with CS Energy's business model and strategic direction; and
- Maintain a constructive and consultative approach to industrial relations, enabling the Company to successfully reach new Enterprise Bargaining Agreements.

Performance

- Improve the reliability, efficiency and profitability of the portfolio;
- Optimise revenue on a portfolio basis;
- Enhance responsiveness to market conditions by implementing trading strategies which make the best use of the Company's assets;
- Increase cost competitiveness, balancing risk management and commercial prudence;
- Reassess the life expectancy of existing assets and ongoing capital investment programs to optimise returns in a carbon constrained future; and
- Secure fuel supplies.

Innovation

- Develop and deploy new commercial products;
- Continue to investigate and deploy new economically viable green or low emissions technologies to reduce the portfolio's carbon intensity of the portfolio; and
- Improve systems and processes that support CS Energy's operations.

Responsibility

- Ensure CS Energy maintains its 'licence to operate' through good governance, prudent financial and environmental management, and social investment;
- Make positive contributions to the communities in which CS Energy operates; and
- Manage CS Energy's impact on the environment.

1.4 Corporate and operational performance outcomes

In accordance with the corporate and operational objectives outlined above, CS Energy undertakes to achieve the following corporate and operational performance outcomes in 2011/2012.

Corporate performance outcomes

The key objectives, measures and targets outlined in the table below reflect the Company's scorecard approved by the CS Energy Board.

PEOPLE		
Key Objective	KPI Measure	Target
Safety performance	LTIFR	< 2
Employee engagement and effectiveness	Employee availability	> 97%
PERFORMANCE		
Key Objective	KPI Measure	Target
Optimise revenue on a portfolio basis	Gross Margin	
Be cost competitive	Operations and Maintenance (including water) and Services costs	
Improve availability and reliability	Portfolio availability (excluding Gladstone Power Station)	>86%
INNOVATION		
Key Objective	KPI Measure	Target
Low emission technology evaluation and selection	Callide Oxyfuel Project implementation	Successful base load operation of oxy-fired boiler
Diversified revenue sources	Revenue improvement initiatives	Two business proposals developed for Board approval

RESPONSIBILITY		
Key Objective	KPI Measure	Target
Return to shareholders	EBITDA (excluding fair value and financial year-end adjustments)	> \$84M
Responsible environmental performance	Significant reportable environmental incidents	< 2
Positive relationships with shareholders and stakeholders	Stakeholder engagement plans	Stakeholder engagement plans in place for each site and coal resources

1.5 Performance drivers

The key drivers for CS Energy, and how they impact on the Company's objectives and strategies, are outlined below.

- **Vertical integration**

Vertically integrated retailers continue to have a significant impact on both the pool and the contract market in Queensland. As a result, NEM conditions are such that the long term viability of merchant generators is under severe pressure. The structure of the market and associated costs mean that vertically integrated companies may limit available market share in the wholesale, pool and contract market.

- **Carbon price**

The proposed carbon price will have a significant impact on CS Energy given the new portfolio predominantly consists of coal-fired generation. The introduction of the carbon price is predicted to represent the single largest cost to the Company from 1 July 2012. The proposed carbon price is already impacting the forward contracts market and has significantly impacted the value of the Company's asset base. CS Energy is developing a Carbon Management Plan which adopts a whole-of-business approach to managing the impact of the introduction of a carbon price, including contractual arrangements, risk mitigation and opportunities to reduce the carbon intensity of the portfolio.

- **Mandatory Renewable Energy Target**

By 2020, it will be mandatory for 45,000 gigawatt hours 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 renewable energy-based. CS Energy, as a base load coal-fired generator, will continue to look for innovative ways to reduce the emissions intensity of its existing portfolio.

- **Gas/Liquefied Natural Gas (LNG)**

The rapidly developing coal seam methane to LNG industry will place significant upward pressure on gas prices. It is difficult to predict the market price impact associated with the development of the LNG market and the timeframe for any benefits associated with a potential rise in gas prices to flow through to coal-fired generators.

1.5 Efficiency savings

The *Shareholder Review of Queensland Government Owned Corporations Generators Savings Framework* sets a total savings target for CS Energy of \$16.3 million for the period 2011/2012 to 2014/2015 as outlined in the table below.

Forecast	2012/2013 \$M	2013/2014 \$M	2014/2015 \$M	2015/2016 \$M	TOTAL
CS Energy	0	1.62	5.43	9.25	16.30

Due to the nature of the restructured CS Energy business, direct efficiency savings resulting from the rationalisation of the majority of the items in the framework do not apply to CS Energy.

CS Energy is committed to identifying the savings to meet its target of \$16.3 million based on the outcomes of a detailed review of the Company's strategy. CS Energy has commenced a review of its overall costs, operational profile and trading model to identify the potential efficiency improvements, savings and/or costs which could be avoided. This review will be completed in the 2011/2012 financial year and reported to shareholders' representatives and included in the 2012/2013 Statement of Corporate Intent.

1.6 Shareholding Ministers' strategic expectations letter

The table below contains extracts from the shareholding Ministers' strategic expectations letter and the sections of the Statement of Corporate Intent in which these items are addressed.

Expectation	Where addressed
The 2011-12 year to be largely one in which the corporation takes stock of the new portfolio of assets being managed by CS Energy and we encourage the Board to build upon existing strategies to improve the efficiency and reliability of the assets and to reconsider future trading strategies.	Section 1.2 Section 1.3
CS Energy will make a genuine attempt to begin looking for efficiencies in the revised 2011-12 Statement of Corporate Intent, including potential optimisation of asset maintenance schedules and capital programs.	Section 1.2 Section 1.3 Section 1.4 Section 1.5
CS Energy's 2011-12 Statement of Corporate Intent and 2011-12 to 2015-16 Corporate Plan will detail strategies to return to profitability and improve balance sheet metrics other than through further equity injections. We anticipate key aspects of this strategy would potentially include an optimal trading strategy, limiting carbon exposures and revising the capital expenditure program for 2011-12. Strategies to minimise future capital expenditure are to be balanced against the need to ensure reliable generation. With respect to the new aspects of CS Energy's portfolio (Wivenhoe Power Station and trading the output of Gladstone Power Station in excess of Boyne Aluminium Smelter requirements), we expect there will be some detail on how these will be effectively incorporated into the existing portfolio to maximise returns to the company.	Section 1.2 Section 1.3 Section 1.4
Fundamentally we look to CS Energy to provide safe, reliable and secure power generation to support economic activity within the State of Queensland.	Section 1.3 Section 1.4
Seeking co-operation from all government owned corporations to ensure summer preparation well in advance of the tropical storm season, particularly with regard to coal supply to the Gladstone Power Station.	Section 1.2

Expectation	Where addressed
We note that a number of CS Energy's enterprise agreements will be subject to negotiation with its employees during the year. It is our expectation that these negotiations will be conducted expeditiously and in accordance with the 'Government's Industrial Relations Guidelines' and the 'Wages Policy for Government Owned Corporations'.	Section 2.5 Attachment 2

2 Mandatory matters

2.1 Financial key performance indicators

In accordance with the above corporate and operational objectives, the Board of CS Energy undertakes to achieve the following performance targets (at least) in 2011/2012:

Quarter 2011/2012				Financial Targets	2009/2010 Actual ¹	2010/2011 Budget ¹	2010/2011 Actual ¹	2011/2012 Budget
Sept	Dec	Mar	Jun					
2.0	24.2	40.6	47.9	EBITDA (\$M)	174.2	201.9	(650.3)	114.7
(16.8)	2.6	18.5	25.5	EBIT (\$M)	12.4	50.1	(799.1)	29.8
(23.20)	(9.5)	6.2	11.2	NPAT (\$M)	(47.6)	5.6	(614.6)	(15.3)
(33.4)	(20.8)	(10.1)	(8.1)	Economic profit	(144.3)	(132.6)	(654.2)	(72.4)
(4.3)	0.7	4.8	6.5	Return on operating assets (%)	0.5	2.1	(38.1)	1.8
(4.5)	0.7	4.7	6.4	Return on total assets (%)	0.5	2.0	(36.8)	1.8
(23.7)	(9.8)	4.5	7.9	Return on equity (%)	(5.0)	0.5	(100.5)	(3.7)
79.0	46.9	47.2	47.2	Debt/debt + equity (%)	45.1	30.9	75.8	47.2
(1.0)	0.2	1.9	2.6	Interest cover (times)	0.2	1.2	(9.3)	0.6
				O&M cost excl fuel (\$/MWh)				
				Fuel cost (\$/MWhso)				

1. The figures reflect CS Energy's portfolio pre-1 July 2011.

2.2 Non-financial performance targets

In accordance with the above corporate and operational corporate objectives, the Board of CS Energy undertakes to achieve the following non-financial performance targets in 2011/2012.

Quarter 2011/2012				Non-Financial Targets	2009/10	2010/11	2010/11	2011/12
Sept	Dec	Mar	Jun		Actual ¹³	Budget ¹³	Actual ¹³	Budget
				Production				
				Equivalent availability factor (%):				
83.2	93.8	93.8	93.8	Callide B ¹	93.5	85.5	79.5	91.1
88.0	72.7	88.0	88.0	Callide C ²	83.3	88.8	83.8	84.1
50.0	90.5	90.5	90.5	Kogan Creek	72.8	94.0	88.0	80.4
100.0	100.0	100.0	67.2	Wivenhoe ¹⁴	n/a	n/a	n/a	91.2
77.1	90.5	93.1	81.17	CS Energy average	82.8	81.0	84.4	86.5
				Reliability factor (%):				
95.8	95.8	95.8	95.8	Callide B ¹	96.8	97.0	93.4	95.8
90.0	90.0	90.0	90.0	Callide C ³	93.1	94.0	90.8	90.0
92.0	92.0	92.0	92.0	Kogan Creek	95.9	96.0	90.0	92.0
100.0	100.0	100.0	100.0	Wivenhoe ¹⁴	n/a	n/a	n/a	100.0
94.5	94.5	94.5	94.5	CS Energy average	94.5	96.2	92.4	92.9
				Planned outage factor (%):				
10.6	0	0	0	Callide B ¹	3.2	9.5	12.4	2.7
0	15.3	0	0	Callide C	7.1	2.2	3.7	4.0
40.5	0	0	0	Kogan Creek ³	0.0	0.0	1.0	10.1
0	0	0	32.8	Wivenhoe ¹⁴	n/a	n/a	n/a	8.2
16.0	2.6	0.00	11.9	CS Energy average	4.9	4.1	5.0	4.2
				Forced outage factor (%) ⁴ :				
4.2	4.2	4.2	4.2	Callide B	3.2	3.0	6.6	4.2
10.0	10.0	10.0	10.0	Callide C	6.9	6.0	9.2	10.0
8.0	8.0	8.0	8.0	Kogan Creek	4.1	4.0	10.0	8.0
0	0	0	0	Wivenhoe ¹⁴	n/a	n/a	n/a	0.3
5.5	5.5	5.5	5.5	CS Energy average	5.5	3.8	8.6	7.1
				Maintenance outage factor ⁵ (%):				
2.0	2.0	2.0	2.0	Callide B	0.2	2.0	1.1	2.0
2.0	2.0	2.0	2.0	Callide C	1.5	3.0	3.4	2.0
1.5	1.5	1.5	1.5	Kogan Creek	23.2	2.0	1.0	1.5
0	0	0	0	Wivenhoe ¹⁴	n/a	n/a	n/a	0.3
1.4	1.4	1.4	1.4	CS Energy average	6.5	2.0	1.9	2.5
				Energy sent out (GWhSO):				
				Callide B				
				Callide C				
				Gladstone ¹⁴				
				Kogan Creek				
				Wivenhoe ¹⁴				
4,370	4,769	4963	4,530	Total sent out	17,046	18,618	15,636	18,442
				Capacity factor (%):				
78.0	82.0	82.0	81.0	Callide B	78.5	79.0	58.1	80.6
86.0	75.0	85.0	85.0	Callide C	81.5	88.0	76.7	82.0
49.0	47.0	51.0	42.0	Gladstone ¹⁴	n/a	n/a	n/a	47.1
53.0	89.0	89.0	89.0	Kogan Creek ³	72.5	93.0	86.1	78.4
0	0	0	0	Wivenhoe ¹⁴	n/a	n/a	n/a	0.2
				People				
14%	14%	14%	14%	Staff turnover (annualised)	8.8%	12% ⁶	8.4%	14%
563	563	563	563	Net FTE staff numbers ⁷	644	703	645	563
				Environment				
0	0	0	0	EP Act Enforcement Action ⁸	0	0	0	0
All sites	All sites	All sites	All sites	Certification to ISO 14001 (scope)	All sites	All sites	All sites	All sites
842	830	830	830	Greenhouse gas intensity (kgCO ₂ e/MWh generated) ^{9,10}	791	801	748	833
892	892	892	892	Callide B	920	898	913	892
850	850	850	850	Callide C	898	846	868	850
768	768	768	768	Kogan Creek	821	773	781	768
0	0	0	0	Wivenhoe	n/a	n/a	n/a	0
2,404	2,808	2,873	2,845	Greenhouse emissions (ktCO ₂ e) ^{9,10}	14,222	14,463	12,700	10,931
0	0	0	0	Renewable energy production (GWh)	27	31	31	0

Quarter				Non-Financial Targets	2009/10	2010/11	2010/11	2011/12
Sept	Dec	Mar	Jun		Actual ¹³	Budget ¹³	Actual ¹³	Budget
				Safety				
<2	<2	<2	<2	Lost time injury frequency rate (LTIFR) ¹¹	6.6	<4	2.1	<2
10	10	10	10	Lost time injury severity rate (LTISR) ^{11,12}	11.6	15	13	10
6	6	6	6	Lost time injury duration rate (LTIDR) ^{11,12}	11.6	<8	5.0	6

1. The improved availability, reliability and planned outage factors for Callide B reflect the proposed deferral of the outage required for the Callide Unit B2 overhaul from 2011/2012 to 2012/2013.
2. Reflects the higher maintenance and planned outage factors required for the Callide C Power Station units.
3. The difference between the 2010/2011 and 2011/2012 capacity factor levels for Kogan Creek Power Station accounts for the period of the planned outage for the Kogan Creek Power Station overhaul in 2011/2012.
4. The forced outage factor has been re-baselined to take into account current performance and impacts on unit performance.
5. Maintenance outage factor is as defined in the *AEMO Guidebook for Forced Outage Data Recording: Definitions and Assumptions Version 1.0*.
6. Excludes voluntary redundancies at Swanbank Power Station.
7. Does not include contractors or externally employed apprentices and trainees.
8. 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.
9. Calculations based on the National Greenhouse Energy Reporting System (NGERS). For 2010/2011, no abatement allowed under present NGERS rules for combustion of landfill gas at Swanbank B Power Station (for historical data).
10. Calculated on CS Energy component only, that is 50 per cent share in Callide C Power Station.
11. LTIFR and LTIDR are rolling, 12 month figures.
12. Does not include contractors.
13. Reflects CS Energy's pre-1 July 2011 portfolio.
14. Figures not applicable as Wivenhoe Power Station and the trading rights for Gladstone Power Station were not part of CS Energy's operating portfolio prior to 1 July 2011.

2.3 Assumptions

CS Energy's undertaking to achieve its performance outcomes is predicated upon the following assumptions. The performance outcomes are highly sensitive to a range of factors including:

- Forecast demand;
- Market perception of the proposed implementation of a carbon price; and
- Plant reliability.

CS Energy is currently reviewing the asset life plans of the plant in its portfolio. The outcomes of this review may impact the future operational profile and capital expenditure, resulting in changes to the inputs used to determine the assumptions below.

Assumptions	2009/10 Actual	2010/11 Budget	2010/11 Actual	2011/12 Budget
Economic indices				
CPI (average 10 years) ¹	3.2	2.5	3.8	2.5
Wages growth (%) ²	EBA / 3.5	EBA / 3.5	EBA / 3.5	EBA / 4.0
Long term interest rate (%) ³	7.4	8.4	8.3	8.3
Dividend payout ratio (%)	80	80	80	80
Revenue				
Average on grid revenue (\$/MWhso)				
Average total operating revenue (\$/MWhso)				
Net on-grid contract revenue (\$M)				
Total operating 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				

Assumptions	2009/10 Actual	2010/11 Budget	2010/11 Actual	2011/12 Budget
Time-weighted average pool price (\$/MWh)				
Volume-weighted average pool price (\$/MWh)				
Energy				
Total energy produced (GWh)				
Total energy sent out (GWh)	15,493	18,618	15,636	18,442
Contract volume sold (GWh)				
Capital expenditure				
Continuing investment in existing business (\$M)				
Strategic projects (\$M)				
Total capital expenditure (\$M)	116.7	240.3	151.4	189.7

1. Reflects mid-point of Commonwealth Government target band.
2. Reflects assumptions for all new Enterprise Bargaining Agreements.
3. Reflects advice from Queensland Treasury Corporation.
4. Includes overhauls (\$58 million 2011/2012).

Other relevant assumptions

Market and revenue

- Forecast energy demand is based on the median growth scenario from the 2010 Australian Energy Market Operator (AEMO) Statement of Opportunities and the 2011 Powerlink Annual Planning Report (APR).
- Market modelling assumes the introduction of a carbon price from 1 July 2012. Carbon prices were developed using the Commonwealth Government Treasury modelling report *Strong Growth, Low Pollution Modelling a Carbon Price, 2011*, and the Commonwealth Government's announcement of the carbon price in July 2011
- It is assumed that the Gas Electricity Certificate (GEC) and New South Wales Greenhouse Gas Abatement Certificate (NGAC) schemes will cease with the introduction of the carbon price in July 2012.

Assets

- Major overhauls will occur at Kogan Creek and Callide power stations during 2011/2012.
- The Callide Oxyfuel Project continues to progress through the commissioning stage.
- Renewable generation opportunities under development progress through the continued investment in the Kogan Creek Solar Boost Project.

2.4 Community Service Obligations (CSOs)

No Community Service Obligations have been identified for CS Energy in 2011/2012.

2.5 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 included as Attachment 2 to this Statement of Corporate Intent. The remuneration arrangements for the Directors, the Chief Executive and all senior executives of CS Energy are detailed in the E&IR Plan.

3 Additional matters

3.1 Financials

3.1.1 Group

Statement of Income Group (Consolidated)

Sep \$'000	Quarter 2011/12 Dec \$'000	Mar \$'000	Jun \$'000		2009/10 Actual \$'000	2010/11 Budget \$'000	2010/11 Actual \$'000	2011/12 Budget \$'000
				Operating Revenue				
				Sales of Electricity				
				Other				
92,934	118,743	137,179	139,167	Total Operating Revenue	741,668	714,693	622,086	488,024
				Operating Expenses				
				Fuel				
				Depreciation & Amortisation				
				Business Development				
				Operations & Maintenance				
				Other				
109,738	116,152	118,711	113,633	Total Operating Expenses	681,935	656,618	639,686	458,234
(16,803)	2,590	18,468	25,535	Operating Profit/(Loss)	59,733	58,075	(17,600)	29,789
				Non-Operating Revenue and Expenses				
				Non-Operating Revenue				
				Non-operating Expenses				
0	0	0	0	Non-Operating Profit/(Loss)	(47,322)	(8,000)	(781,518)	0
(16,803)	2,590	18,468	25,535	Earnings Before Interest and Tax	12,411	50,075	(799,118)	29,789
16,433	16,206	9,639	9,648	Interest Expense (Net)	76,340	42,074	85,875	51,926
(10,019)	(4,133)	2,600	4,717	Income Tax Expense	(16,293)	2,400	(270,427)	(6,834)
(23,218)	(9,483)	6,229	11,169	Profit/(Loss) After Tax	(47,636)	5,601	(614,566)	(15,302)
(699,206)	(620,337)	(629,820)	(623,591)	Opening Retained Profits	(38,523)	(53,484)	(85,299)	(699,206)
102,087	0	0	0	Adjustments to Retained Profits	860	0	659	102,087
(620,337)	(629,820)	(623,591)	(612,421)	Total Available for Appropriation	(85,299)	(47,883)	(699,206)	(612,421)
0	0	0	0	Dividends Provided for	0	4,480	0	0
(620,337)	(629,820)	(623,591)	(612,421)	Closing Retained Profits	(85,299)	(52,364)	(699,206)	(612,421)

Transactions with owners as owners

	2009/2010 Actual	2010/2011 Budget	2010/20101 Actual	2011/2012 Budget
Equity injections (\$M)	0	350	0	500*
Equity withdrawals (\$M)	0	0	0	0
Dividends provided (\$M)	0	4.5	0	0
Current TEPs expense (\$M)	(16.3)	2.4	(270.4)	(6.8)

*\$150 million received on 8 September 2011, additional \$350 million anticipated on completion of the QTC Capital Structure review.

**Statement of Financial Position
Group (Consolidated)**

Sep \$'000	Quarter 2011/12				2009/10	2010/11	2010/11	2011/12
	Dec \$'000	Mar \$'000	Jun \$'000		Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000
				Current Assets				
31,760	31,926	32,093	32,262	Cash	28,236	7,986	31,891	32,262
108,712	137,875	126,109	120,138	Receivables	128,397	75,091	137,426	120,138
0	0	0	0	Investments	0	0	0	0
0	0	0	0	Derivative Financial Instruments	96,765	18,196	73,423	0
60,146	60,185	60,223	60,298	Inventories	75,171	102,391	63,244	60,298
0	0	0	0	Other	0	29,560	0	0
0	0	0	0	Assets Held For Distribution	0	0	273,956	0
200,619	229,986	218,425	212,698	Total Current Assets	328,569	233,224	579,940	212,698
				Non-Current Assets				
1	1	1	1	Investments	1	3,934	1	1
0	0	0	0	Receivables	0	0	0	0
0	0	0	0	Derivative Financial Instruments	51,064	8,051	28,913	0
0	0	0	0	Gas Exploration & Evaluation Costs	16,803	117,874	0	0
1,178,579	1,188,301	1,184,507	1,178,984	- Assets in Service	1,987,253	1,987,642	971,239	1,178,984
42,698	57,166	71,106	78,562	- Work in Progress	25,147	44,790	89,175	78,562
103,469	107,614	107,614	122,241	Deferred Tax Asset	58,671	58,976	93,450	122,241
8,041	8,041	8,041	7,639	Other	18,830	13,695	8,041	7,639
1,332,788	1,361,124	1,371,269	1,387,427	Total Non-Current Assets	2,157,769	2,234,962	1,190,819	1,387,427
1,533,406	1,591,109	1,589,695	1,600,125	Total Assets	2,486,338	2,468,186	1,770,759	1,600,125
				Current Liabilities				
8,722	8,722	8,994	8,994	Accrued Employee Benefits	13,808	15,295	8,722	8,994
44,447	62,744	48,372	45,466	Creditors and Deferred Revenue	97,475	66,693	76,311	45,466
5,324	5,324	5,324	7,168	Derivative Financial Instruments	21,524	0	78,747	7,168
0	0	0	0	Borrowings	0	0		0
40,345	40,345	40,345	37,706	Provisions	31,198	21,429	0	37,706
0	0	2,552	0	Current Tax Liability	4,444	0	0	0
0	0	0	0	Dividends	0	4,480	0	0
0	0	0	0	Other	17,851	0	0	0
0	0	0	0	Liabilities Held For Distribution	0	0	278,828	0
98,838	117,135	105,587	99,334	Total Current Liabilities	186,300	107,897	442,608	99,334

**Statement of Financial Position
Group (Consolidated) cont**

Sep \$'000	Quarter 2011/12				2009/10	2010/11	2010/11	2011/12
	Dec \$'000	Mar \$'000	Jun \$'000		Actual \$'000	Budget \$'000	Actual \$'000	Budget \$'000
				Non-Current Liabilities				
49,835	51,487	53,139	56,361	Creditors and Deferred Revenue	25,007	0	42,380	56,361
10,250	10,250	10,583	10,583	Accrued Employee Benefits	14,785	14,384	10,250	10,583
18,569	18,569	18,569	2,389	Derivative Financial Instruments	15,095	0	47,482	2,389
777,243	483,674	494,751	503,793	Borrowings	741,085	560,031	825,876	503,793
274,102	264,896	255,690	249,123	Provisions	210,396	166,186	49,707	249,123
88,714	88,727	88,775	110,670	Deferred Tax Liability	334,399	317,451	88,714	110,670
0	0	0	0	Other	0	0	0	0
1,218,714	917,603	921,507	932,920	Total Non-Current Liabilities	1,340,767	1,058,051	1,064,409	932,919
1,317,552	1,034,737	1,027,094	1,032,254	Total Liabilities	1,527,067	1,165,948	1,507,017	1,032,254
215,855	556,372	562,601	567,871	Net Assets	959,271	1,302,237	263,742	567,871
				Shareholders Equity				
826,359	1,176,359	1,176,359	1,176,359	Share Capital	953,115	1,303,115	953,115	1,176,359
9,833	9,833	9,833	3,933	Hedging Reserve	91,455	51,486	9,833	3,933
(620,337)	(629,820)	(623,591)	(612,421)	Retained Earnings	(85,299)	(52,364)	(699,206)	(612,421)
215,855	556,372	562,601	567,871	Total Shareholders Equity	959,271	1,302,237	263,742	567,871

**Statement of Cash Flows
Group (Consolidated)**

Quarter 2011/12					2009/10	2010/11	2010/11	2011/12
Sep	Dec	Mar	Jun		Actual	Budget	Actual	Budget
\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
				Cash Flows from Operating Activities				
159,040	137,580	180,598	156,087	Receipts from Customers	801,082	877,082	674,960	633,305
(158,297)	(131,373)	(149,069)	(130,454)	Payments to Suppliers and Employees	(550,301)	(700,994)	(478,586)	(569,193)
249	249	249	249	Interest Received	448	57	637	997
(16,683)	(16,498)	(10,048)	(10,267)	Borrowing Costs Paid	(58,048)	(43,211)	(64,718)	(53,497)
0	0	0	0	Tax Equivalent Payments	(12,191)	(0)	0	0
(15,691)	(10,042)	21,731	15,615	Net Cash Provided by Operating Activities	180,990	132,935	132,293	11,613
				Cash Flows from Investing Activities				
(85,807)	(46,223)	(32,640)	(24,489)	Payments for Property, Plant & Equipment	(116,651)	(140,664)	(160,070)	(189,159)
0	0	0	0	Proceeds from Sale of Non-Current Assets	0	0	0	0
0	0	0	0	Other	37,048	(127,929)	(52,944)	0
(85,807)	(46,223)	(32,640)	(24,489)	Net Cash Provided by/(Used in) Investing Activities	(79,603)	(268,592)	(213,014)	(189,159)
				Cash Flows from Financing Activities				
54,954	37,851	12,755	9,042	Proceeds from Borrowings	0	152,932	0	114,602
(103,587)	(331,420)	(1,679)	0	Repayment of Borrowings	0	(368,217)	0	(436,685)
150,000	350,000	0	0	Equity Contributions	0	350,000	0	500,000
0	0	0	0	Dividends Paid	(75,053)	0	0	0
0	0	0	0	Other	0	0	0	0
101,367	56,431	11,077	9,042	Net Cash Provided by/(Used in) Financing Activities	(75,053)	134,715	0	177,917
(131)	166	167	169	Net Increase/(Decrease) in Cash Held	26,334	(943)	(80,721)	371
31,891	31,760	31,926	32,093	Cash at the Beginning of the Financial Year	86,908	8,929	113,242	31,891
0	0	0	0	Less: Cash balances held for distribution	0	0	(630)	0
31,760	31,926	32,093	32,262	Cash at the End of the Financial Year	113,242	7,986	31,891	32,262

3.1.2 Financials: Selected Subsidiaries or Major Business Divisions

3.1.3 Financial contributions: selected subsidiaries

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

- A wholly-owned subsidiary of CS Energy, Callide Energy Pty Ltd, holds a 50 per cent interest in the Callide Power Project (Callide C Power Project), comprising the power station assets and two special purpose companies, being Callide Power Management Pty Ltd (the Project Manager) and Callide Power Trading Pty Ltd (the energy market trader). IG Power (Callide) Ltd, a company that is jointly owned by InterGen and the Huaneng Power Group of China, owns the other 50 per cent in an incorporated joint venture with Callide energy Pty Ltd.
- CS Energy's 100 per cent interest in the subsidiary entity Kogan Creek Power Station Pty Ltd is held through 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.
- As a result of the Genco Review which came into effect on 1 July 2011, CS Energy reallocated two subsidiaries to Stanwell Corporation Ltd:
 - CS Energy Mica Creek 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;
 - CS North West Pty Ltd. The function of CS North West Pty Ltd is to provide operational and maintenance services for Mica Creek Power Station. For the purposes of this document, the activities of CS North West Pty Ltd have been consolidated with CS Energy Mica Creek 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 2010/2011	Contribution to Group 2011/2012
CS Energy Mica Creek Pty Ltd & CS North West Pty Ltd				
Callide Energy Pty Ltd				
TOTAL				

3.1.4 Financial contributions: major business divisions

This is not applicable to CS Energy.

3.2 Main undertakings and businesses

CS Energy's main undertakings and business during 2011/12 centres on the following:

- Operating its business safely and cost efficiently;
- Improving station operating performance;
- Maintaining access to economic and secure fuel supply;
- Cost-effective operations;
- Constructing of the Kogan Creek Solar Boost Project to schedule;
- Developing and progressive implementation of the Callide Waste Management Project.
- Assessing additional low emission energy sources.

3.3 Capital Expenditure program

3.3.1 Assets Under Construction (\$M)

Asset	Budgeted Total Cost	Total Estimated Expenditure to 31 Dec 2011	2010/11 Actual	2011/12 Forecast	Expected Completion Date
Shareholding Minister approved					
Kogan Creek Solar Boost Project (excluding Government grants)					May 2013
Board approved and not requiring shareholding Ministers' approval					
Callide B Power Station Midlife Refit					Dec 2011
Capital Expenditure that does not require Board or shareholding Ministers' approval					
Nil					
TOTAL	231.8	179.0	37.0	68.9	

3.3.2 Capital Expenditure planned to commence in 2011/2012 (\$)

Description	Budgeted Total Cost	Forecast Cost 2011/12	Purpose and Objective	Project Status	Expected Completion Date
Shareholding Minister approved					
Nil					
Board approved but yet to be approved by shareholding Ministers					
Nil					
Board approved and not requiring shareholding Ministers' approval					
Strategic Projects	20.8	3.0	Refer to footnote*	In progress	Ongoing
Callide	11.5	11.5	Plant reliability	In progress	Jun 2012
Kogan Creek	10.8	10.8	Plant reliability	In progress	Jun 2012
Wivenhoe	6.9	6.9	Plant reliability	In progress	Jun 2012
Corporate	4.9	4.9	Support systems	In progress	Jun 2012
TOTAL	54.9	37.1			
Capital Expenditure yet to be approved by the Board					
Callide B Waste Management Project	84.5	25.7	Waste management	Awaiting approval	Jun 2015
TOTAL	84.5	25.7			
Capital Expenditure that does not require Board or shareholding Ministers' approval					
Nil					
TOTAL	139.4	62.8			

* The capital expenditure relates to a number of small projects for the financial year relating to investigation of plant enhancement.

3.3.3 Business Development (\$M) (material expenditure on projects being considered)

Project	Budgeted Total Cost	Forecast cost 2011/12	Purpose and Objective	Project Status	Expected Completion Date
Nil					

3.3.4 Total Capital Expenditure (excluding overhauls) (\$M)

Description	Budgeted Total Cost	Total Expenditure to 31 Dec	2010/11 Actual	2011/12 Budget
Total shareholding Minister approved	107.7	54.9	19.8	55.8
Total Board approved but yet to be approved by shareholding Ministers	Nil	Nil	Nil	Nil
Total Board approved and not requiring shareholding Ministers' approval	179.0	146.0	17.2	50.2
Total Capital Expenditure yet to be approved by the Board	84.5	11.9	Nil	25.7
Total Capital Expenditure that does not require Board or shareholding Ministers' approval	Nil	Nil	Nil	Nil
TOTAL	371.2	212.8	37.0	131.7

3.4 Other Significant Expenses

Description	Forecast Total Cost	2011/2012 Budget	Purpose and objective	Expected completion date
Callide overhaul costs			Plant reliability	Jun 2012
Kogan Creek overhaul costs			Plant reliability	Jun 2012
TOTAL	58.0	58.0		

3.5 Major initiatives being undertaken by CS Energy

In 2009/2010, CS Energy initiated Company-wide strategic projects to improve the performance in its core business areas of safety, asset management, overhaul management and cost management. Projects in these key areas are underway and will continue during the 2011/2012. The projects are anticipated to deliver sustainable improvements in CS Energy's cost base, and ultimately, the availability and reliability of CS Energy's generation plant.

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, the following total amounts for Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements for 2011/2012 have been budgeted. Full details of the budgeted expenditure are provided in Attachment 3 to the Statement of Corporate Intent.

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

Activity	2010/2011 Budget ²	2010/2011 Actuals ²	2011/2012 Budget
Sponsorship	\$102,000	\$34,912	\$101,800
Advertising ³	\$10,000	\$7,578	\$10,000
Corporate Entertainment	\$85,460	\$70,239	\$86,300
Donations	\$119,000	\$123,045	\$119,500
Other Related Activities	\$11,000	\$0	\$0
Total	\$327,460	\$235,774	\$317,600

1. All expenditure is GST exclusive.

2. Reflects CS Energy's pre-1 July 2011 portfolio

3. Does not include recruitment advertising.

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

As part of its performance agreement with shareholding Ministers, the Board of CS Energy provides the following additional undertakings:

3.7.1 Prudential financial information

The CS Energy Board will ensure the Company takes full responsibility to ensure that prudent financial practices are 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 *Corporations Act 2001*, this includes a commitment to:

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

3.7.2 Capital structure

The CS Energy Board will prudently manage the financing of the CS Energy group. As an integral part of the financing of the Company, overall debt will be managed with Queensland Treasury Corporation (QTC) to ensure that CS Energy maintains the appropriate credit rating or other rating as directed by shareholding Ministers. CS Energy's Board will ensure CS Energy complies with this.

Consistent with correspondence received from the shareholding Ministers with the initial capital injection of \$150 million, a Capital Structure review will commence on completion of the Statement of Corporate Intent and Corporate Plan. It is anticipated QTC will complete this review prior to 31 December 2011.

3.7.3 Weighted Average Cost of Capital (WACC)

The CS Energy Board will ensure that CS Energy reviews its WACC on an annual basis. As part of the Statement of Corporate Intent 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, its WACC will be recalculated in consultation with shareholder representatives.

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

3.7.4 Dividend policy and payment

While the dividend process is governed by the *Government Owned Corporations Act 1993* and the *Corporations Act 2001* (Cth), the CS Energy Board will also ensure that CS Energy's dividend policy takes into account the return its shareholders expect on their investments. CS Energy's policy is to recommend and pay a dividend amount equivalent to 80 per cent (or the percentage approved by shareholding Ministers, if different) of CS Energy's adjusted consolidated profit for 2011/2012. The CS Energy Board adopts such a policy on the basis that its shareholders agree to provide the

necessary funding for projects which have received Board and shareholding Ministers' approval, for the maintenance of CS Energy's approved capital structure or for ensuring the operational viability of CS Energy. CS Energy's Board undertakes to adhere to the dividend policy.

The dividend letter provided by the Board to shareholding Ministers in May 2012, will provide an estimate of the dividend for the financial year ending 30 June 2012 noting the potential for adjustment and recommend a dividend as a percentage of adjusted consolidated profit for the financial year. Adjusted profit is defined as:

- (a) The total of income less expenses (including income tax equivalent expense), excluding the components of other comprehensive income¹; and
- (b) Adjusted for material non-cash items including any associated tax credit or expense.

CS Energy commits to providing information in its dividend letter to shareholding Ministers for 2011/2012 that includes, but is not limited to, the following:

- The current estimated amount of consolidated profit for the financial year (excluding components of other comprehensive income);
- The current estimated amount of 'adjusted consolidated profit' for the financial year;
- Details of adjustments made to determine the 'adjusted consolidated profit' from the estimated consolidated profit and a statement providing a breakdown of the value and reason for each adjustment;
- A statement that adjustment items or further adjustment items may be identified during the audited financial statement preparation;
- CS Energy's recommended dividend as a percentage of the estimated 'adjusted consolidated profit';
- The current estimated dollar amount of the proposed dividend for the financial year ending 30 June 2012;
- A statement that the dividend is to be declared out of profits;
- A statement that the dividend payment will be the dividend approved or directed as a percentage of adjusted audited consolidated profit;
- A statement that any material differences between the estimated dollar amount of the dividend and the actual dividend to be paid for 2011/2012 will be advised by CS Energy as soon as identified; and
- A statement that the Directors will consider the requirements under the accounting standards and the *Corporations Act 2001* on declaration of the dividend for payment.

When determining the actual dividend to be paid based on the audited financial results, the CS Energy Board will ensure shareholding Ministers are consulted through their departments, and that written agreement is received for any material changes to the adjustment items (as deemed by shareholding Ministers) previously identified in May 2012, and for any subsequent new adjustment items identified. This written agreement is to be obtained by CS Energy prior to payment of the final dividend.

3.7.5 Corporate Governance Guidelines for Government Owned Corporations

The CS Energy Board 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 of the recommendations in the Corporate Governance Guidelines.

¹ Other comprehensive income comprises items of income and expense that are not recognised in profit or loss as required or permitted by Australian Accounting Standards.

3.7.6 Risk management

The CS Energy Board has ultimate responsibility for ensuring the impacts of all potential internal and external risks for the Company are managed. The Company's risk identification and management process is monitored by the Risk Committee, which is a subcommittee of the Board and which reports to the Board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Risk Committee and the CS Energy Board, as appropriate, along with risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed. The CS Energy Board will continually monitor security risks and update the Company's response framework as necessary.

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 comply with the 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.

3.7.8 Transitional Services Agreement

A Transitional Services Agreement was established between CS Energy and Stanwell Corporation to facilitate service and support arrangements for the transition of assets and core aspects of their operation following the implementation of the Genco Review on 1 July 2011. The key components of the Transitional Services Agreement are outlined in Attachment 7.

4 Performance Agreement

Directors' statement and agreement of shareholding Ministers

This Statement of Corporate Intent and all attachments, for 2011/2012, are presented in accordance with Chapter 3, Part 8 of the *Government Owned Corporations Act 1993* (GOC Act).

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the Board of CS Energy and its shareholding Ministers, the Minister for Finance and The Arts and Minister for Energy and Water Utilities, with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent also represents an acknowledgment of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of CS Energy for 2011/2012.

This Statement of Corporate Intent is consistent with CS Energy's 2011/2012 – 2015/2016 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 Statement of Corporate Intent for 2011/2012.

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

This Statement of Corporate Intent 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 7

Transitional Service Agreement

Attachment 1 – Definitions

List of financial and non-financial target definitions

Debt/debt + equity	$\frac{\text{Debt}}{\text{Debt plus equity}}$
Equivalent availability factor (%)	$\frac{[\text{Installed plant capacity (MW)} \times 8760 - \text{MWh losses due to outages}] \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
Interest cover (times)	$\frac{\text{Earnings before interest and tax (but after abnormals)}}{\text{Interest expense}}$
Lost time injury duration rate	$\frac{\text{Lost injury time}}{\text{Number of Injuries}}$
LTIFR	Lost time injury frequency rate: $\frac{\text{Lost injury time}}{\text{Employee hours (million)}}$
Planned outage factor (%)	$\frac{\text{MWh out of service due to planned outage} \times 100\%}{\text{Installed plant capacity (MW)} \times 8760 \text{ hours}}$
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 operating 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

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 balance its industrial relations practices, the commerciality of its operations, 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, values and policies.

This Employment and Industrial Relations Plan has been prepared following the implementation of the recommendations of the *Shareholder Review of Government Owned Corporation Generators* (Generator Restructure). Additional consultation has not been carried out on this amended plan, which reflects the new portfolio, as there has been no material change to policies and other major items. Furthermore, Unions are directly involved in the negotiation and approval of any new Enterprise Bargaining Agreements which have been put into place since the initial plan was developed and submitted.

1. Employment and Industrial Relations Philosophy and Direction

Approach

CS Energy's ongoing viability and success is critically dependent 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 renewed focus on people's development as part of the performance review process, a learning and development "centre of excellence", the introduction of remote area policy initiatives, and an improved workforce and talent/succession planning regime.

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

The Company has a fit for duty policy incorporating fatigue, alcohol and other drugs management originally developed cooperatively with staff, unions and other generators.

Major initiatives in relation to safety, asset management, overhaul strategies and cost management have been substantially progressed in 2010/2011 and are designed to improve performance in key areas of operations. These initiatives have been conducted with appropriate consultation and involvement of staff.

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

effect. However, all staff have been impacted by the requirements of the new National Employment Standards applicable from 1 January 2010 and CS Energy policies have been reviewed accordingly.

Thirty-four (34) per cent of the CS Energy workforce is aged 50 and over, while 31 per cent are aged between 40 and 49. To ensure the retention of key skills within the business and the transfer of knowledge in such circumstances, 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 effectively 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 through 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 and have been canvassed with unions at the Peak Consultative Committee meetings.

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. This process includes linking performance management systems to corporate outcomes including the use of scorecards. These mechanisms ensure key people grow and develop their careers within CS Energy and are a significant component of CS Energy's performance review process aimed at retaining our key people.

2. Significant and emerging issues

In the *Review of Government Owned Generation Corporations* by shareholding Ministers, a two Generation Corporation structure was implemented from 1 July 2011.

CS Energy maintains enterprise agreements at Callide, Kogan Creek and Wivenhoe 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. CS Energy has advised Government of significant industrial relations and financial exposures of moving away from this regime to a single Enterprise Agreement for all CS Energy sites.

In 2011/2012, there will be an increased emphasis on improving productivity and efficiency without compromising safety.

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. This situation is expected to be exacerbated by the increase in

coal seam gas (CSG) exploration and mining in South West Queensland and the commencement of construction of multiple CSG/Liquefied Natural Gas (LNG) facilities in Gladstone. CS Energy has commissioned a report from Electricity Skills Queensland to identify areas of risk in relation to recruitment of key staff in these circumstances.

A detailed workforce planning regime was implemented in 2009/2010, in conjunction with the budgeting process. This process formalised planning for staffing and succession. Specific training and development initiatives being 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 continuing emphasis on teamwork will be pursued through the ongoing implementation of the internal staff survey and actions emanating from the survey results, by improved leadership development programs and succession planning for critical roles.

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 Commonwealth Industrial Relations laws will also be investigated.

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 certain 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 any associated illness.

All former employee 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 pre-employment medicals, medicals for 'at risk' workers and offers annual flu vaccinations.

A new Kogan Creek Power Station Enterprise Agreement was approved by Fair Work Australia on the 19 July 2011 and an Agreement in Principle for Callide Power Station was reached on 15 September 2011.

A number of changes have been implemented as a result of reviews in relation to safety, asset management, overhaul strategies and cost management conducted in 2010/2011, and other changes are to be progressed in 2011/2012.

These major projects were designed to improve performance in key areas of operations and were substantially progressed in 2010/2011 and will continue to be 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 compliance with the Crime and Misconduct Act 2001 and for complaints of official misconduct, to be referred to the Crime and Misconduct Commission. CS Energy has amended its policies and has implemented practices in response to the requirements of that legislation.

The relocation of CS Energy's Corporate Office to North Tower, 540 Wickham Street, Fortitude Valley occurred from the end of August 2010 without any significant industrial relations issues arising, also largely due to the effective consultation and/or involvement of staff and unions in the change process. For some employees, travel time is longer and different transport options or routes have been required, but employees have successfully made the necessary transitions.

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 2012 calculated as at October 2011) will be paid to CS Energy directors for the 2011/2012 year:

Non-Executive Directors Including Chairman

The fees shown below are those applicable for the year commencing 1 July 2011.

Non-Executive Directors	Director's Fees (\$)	Committee fees (\$)	Superannuation (\$)	Total (\$)
D Byrne Chairman	\$74,999	\$12,498	\$7,875	\$95,372
K Barker Director	\$29,166	\$8,332	\$3,375	\$40,873
T Dare Director	\$29,166	\$9,722	\$3,500	\$42,388
J Hubbard Director	\$29,166	\$8,332	\$3,375	\$40,873
S Israel Director	\$29,166	\$4,166	\$3,000	\$36,332
G Simcoe Director	\$29,166	\$8,332	\$3,375	\$40,873
K Smith-Pomeroy Director	\$29,166	\$9,722	\$3,500	\$42,388
M Williamson Director	\$29,166	\$9,722	\$3,500	\$42,388

The Company has the following Committees and Committee Chairs:

Committee	Chair
Audit Committee	T Dare
Major Capital & Technical*	D Byrne
People and Safety	M Williamson
Risk	K Smith-Pomeroy

*The Major Capital & Technical Committee has been kept in abeyance until such time as the Board delegates technical projects back to the sub-committee.

Chief and Senior Executives

The CS Energy Board People and Safety 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 six 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 2011/2012 financial year, as well as actual performance payments for the 2010/2011 year are provided in the following table. These payments, which are approved by the Board, range between 6.5 per cent and 11.5 per cent 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 2010/2011 is capped at 15 per cent maximum for each executive.

Chief and Senior Executives

The base salaries show below are those applicable for the year commencing 1 July 2011.

CEO / Senior Executives	Base Salary¹	Employer Superannuation Contributions²	Motor Vehicle³	Car park⁴	Total Fixed Remuneration⁵	Other non-personal benefits⁶	Performance Payment made⁷
Chief Executive D Brown	\$515,119	\$46,361	Nil	Nil	\$561,480	Nil	\$55,272
Chief Financial Officer G Button	\$298,546	\$26,869	Nil	Nil	\$325,415	Nil	\$37,136
Executive General Manager Production G Campbell	\$303,257	\$27,293	Nil	Nil	\$330,550	Nil	\$29,449
Executive General Manager Trading T Killen	\$265,564	\$26,556	Nil	Nil	\$292,120	Nil	\$25,835
Executive General Manager Asset Strategy A Krotewicz	\$300,101	\$33,345	Nil	Nil	\$333,446	Nil	\$39,872
Executive General Manager Corporate M Turner	\$268,000	\$24,120	Nil	Nil	\$292,120	Nil	\$25,085

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 2010/2011 were paid in the 2011/2012 year.

8 Commenced employment with CS Energy on 1 July 2011. The Performance Payments were recorded on the Genco Review transfer schedules and paid by CS Energy. There has been direct cost incurred by CS Energy.

4. Employment Conditions

General conditions of employment are provided in various Commonwealth Government enterprise agreements, other employment agreements and 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 maintains enterprise agreements at Callide, Kogan Creek and Wivenhoe 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. 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. CS Energy also maintains rates of pay and conditions of employment for staff transferred from the previous Stanwell Corporation Limited

and Tarong Energy Corporation Limited in line with the Government Guarantees and Transition Principles – Employee Selection and Transfer arising from the Generator Restructure.

The *Electrical Power Industry Award 2010* is the modern award which applies to CS Energy. 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” under the Fair Work Act 2009 or new Agreements having been developed which contain the majority of provisions applicable to employees on particular sites (See Section 57(1) of the Fair Work Act 2009 - Enterprise Agreements exclude Modern Awards during the period such Agreements apply to employees).

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 enterprise agreements will continue to be offered where roles require special skills or employment flexibility, to ensure that CS Energy can attract and retain employees of the quality to compete effectively in the electricity market.

These AIAs will remain voluntary and available for those engaged at Level 11 (\$87,823 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 with flexibility in relation to the hours necessary to effectively undertake particular roles and, at the same time, to recognise this commitment and the individual’s performance through remuneration in an all-up total fixed remuneration package and access to a performance based variable pay component. AIAs are individual arrangements under CS Energy’s enterprise agreements and are not individual common law contracts.

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 Collective Agreement where employees work a 40-hour week but receive a loading for the additional hours above 36.25 hours per week. 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	169 employees*
CS Energy Ltd Callide Power Station Certified Agreement	Employees of CS Energy Ltd at Callide Power Station	AG2008/1420	12 June 2011	232 employees

	Scope	Reference	Expiry	Coverage
CS Energy Ltd Wivenhoe Power Station (Enterprise Bargaining) Certified Agreement	Employees of CS Energy at Wivenhoe Power Station		29 July 2012	13 employees*
Kogan Creek Power Station Greenfield Collective Agreement 2006	Employees employed in the classifications within the Agreement	No: 06650819	1 October 2010	58 employees

* New Agreements are currently being negotiated for Corporate Office and Wivenhoe Power Station.

5. Enterprise Bargaining and Productivity Initiatives

Enterprise Bargaining

CS Energy maintains enterprise agreements at Callide, Kogan Creek and Wivenhoe power stations and the Corporate Office in Brisbane

A new Kogan Creek Power Station Agreement was approved by Fair Work Australia on 19 July 2011 with an Agreement in Principle being reached on the 15 September 2011 for Callide Power Station. Following approval of the Agreement in Principle by Government on 19 October 2011, the parties are proceeding with the finalisation of an agreement for employee vote towards the end of November 2011 and submission to Fair Work Australia for approval in early to mid December 2011.

Negotiations are proceeding on a new Enterprise Bargaining Agreement for CS Energy Corporate Office and Wivenhoe Power Station following Government approval of the frameworks for negotiation on 29 September 2011. Renegotiation of these two agreements was brought forward as a result of the Generator Restructure.

Attraction and retention at remote sites continues to be a significant focus for CS Energy. CS Energy is continuing to explore further initiatives aimed at attracting and retaining employees, including succession planning particularly for critical roles. 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

Refer to the following table.

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
Taking of 1 day minimum LSL	Corporate Office Agreement	Implement in Year 1	Allowed to take minimum of 1 day LSL		
Travel to Sites	Corporate Office Agreement	Salaries to be made inclusive of travel to sites - Implement in year 1	Compensation for travel to sites excluded in EBA.		
Out of hours work	Corporate Office Agreement	Salaries to be made inclusive of compensation for out of hours work - Implement in year 1	Reference to compensation for out of hours work being included in salary shown in EBA		

Productivity program	Source of Productivity initiative	Target	Achievement to date	Action required if target/s not met	Other comments / explanation
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 TRIM document management system in corporate office - Implement in year 1	Implementation completed 2 October 2009		
Additional duties AIA	Corporate Office Agreement	AIA salaries to contemplate work on operational initiatives/projects from time to time - Implement in year 1	AIA provisions in the EBA recognise additional duties without further compensation.		

6. Employee Flexibility

CS Energy continues to use site-specific Union Enterprise 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	<p>Purchased leave policy exists. Employees have the ability to access up to an additional 4 weeks per annum.</p> <p>Arrangements for taking a minimum of 1 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.</p>
Paid maternity/paternity/adoption leave	<p>In addition to the Federal Paid Maternity Leave provisions, employees receive paid maternity and adoption leave of 14 weeks.</p> <p>Consistent with Government's expectation that employee conditions are consistent with Government Policy, 1 week's paid paternity leave shall be granted to CS Energy staff.</p>
Telecommuting (work from home)	Such flexible working arrangements occur and they are by agreement and subject to continuity of work considerations.
Responses to an Ageing Workforce	<p>34 per cent of the CS Energy workforce is aged 50 and over while 31 per cent are aged between 40 and 49.</p> <p>In response, CS Energy has implemented succession planning across CS Energy and phased retirement arrangements with benefits to CS Energy including the retention of knowledge and skills and to employees, of a balance between work and personal responsibilities.</p>

7. Type of Employment and Workforce Planning

CS Energy notes the Government's 2009 election commitment to maintain 5,000 public sector apprenticeships 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 of skills and the provision of 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.

CS Energy employs a minimum of 1 apprentice for each four tradespersons and, under the Callide Power Station Certified Agreement, 1 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.

Types of employment

Format for provision of Workforce Numbers in E&IR Plans 2011-2014.

Employment Category	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Permanent Full Time [^]	681.95	537.99	537.99	537.99
Permanent Part-time (FTE)	5.32	7.84	7.84	7.84
Other Contract	0	0	0	0
Senior Executive Contract	7	6	6	6
Apprentices (In House)*	3	4	4	4
Trainees (In House)	0	0	0	0
Casual Employees (FTE)	5.73	7.17	7.17	7.17
Total Directly Employed Workforce:	703	563.0	563.0	563.0
Apprentices (Group)	30	16	16	16
Trainees (Group)	7	4.2	4	4
Contractor Employees (Trade/Technical)	-	-	-	-
Contractor Employees (Professional/Administrative/ Clerical)	-	-	-	-
Labour Hire (Trade/Technical - FTE)	-	-	-	-
Labour Hire (Professional/Administrative/Clerical - FTE)	-	-	-	-
s457 Temporary Visa	3	2	2	2
Number of employees engaged on AWAs with contractors	0	0	0	0
Total Workforce:	740	583.2	583	583

[^]Includes temporary employees and S457 visas

*Included in Permanent Full Time figure.

Workforce Planning

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

- A graduate Professional Development Program for engineering, health and safety, chemistry and environment disciplines;
- Sponsor of the Power Engineering Alliance 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 and Team-works development programs for staff who are in supervisory roles or who regularly relieve in such roles; and
- A number of other employee development opportunities, dependent on the individual employee's career plan.

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

CS Energy's Learning and Development Centre provides expertise in training, through identifying required training needs to improve employees' general skill levels, ensuring the quality of training and improving overall performance. This outcome is achieved through the provision of structured role development plans and the use of online learning to assist with knowledge management within CS Energy, and through responses to the Generating Insight Employee Survey.

CS Energy continues to provide development and support to its employees through the Manager One Removed process, Critical Position Succession Planning and Performance Management Systems, mentoring in certain trade and post trade roles where required, a focus on personal development in succession and critical roles and developing a middle management development program.

CS Energy has also reviewed its performance management systems, including the application of performance pay, to better align processes to corporate requirements, which includes the introduction of scorecards as a means of assessing performance.

8. Workplace Health & Safety

Workplace Health & Safety Policy summary

CS Energy is committed to a workplace free of occupational injury and illness and has integrated the Zero Harm at Work Leadership program into its business planning and action plans for 2011/2012 and beyond. CS Energy's goals remain as:

- The prevention of occupational injury and illness;
- A proactive and consultative approach that includes involving site representatives and unions in the Health and Safety New Direction Taskforce which has been established to implement CS Energy's various improvement programs across the company;
- 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;
- Maintaining CS Energy's fit for duty program so that CS Energy employees, contractors and visitors to our sites can safely conduct their work;
- Encouraging staff to make a genuine and valued contribution via the various site H&S Committee and PTW Committee structures and regular site toolbox communications sessions with their supervisors; and

- Promotion of a fair and just culture, monitoring lead/positive performance indicators, promoting communications initiatives, cultural change, strong safety leadership principles and management responsibility.

CS Energy will continue to appoint a qualified person as workplace health and safety officer in its workplace(s) where 30 or more workers are normally employed at the workplace.

Health and Safety Risk management strategies

The major strategy objectives achieved during 2010/2011 include the following:

- Establishing a consultative Health and Safety “New Directions” Taskforce to review and update CS Energy’s management systems, procedures, training and culture development;
- Implementation of CS Energy’s Fair and Just Culture procedures and processes across the Company;
- Continuing CS Energy’s monitoring of fatigue management and alcohol and other drugs at all sites and development of our support systems – competent internal authorised testers, Cardax and Suresite;
- Utilising the corporate incident management database in SAP and Business Intelligence to monitor and track lead indicators such as corrective action close outs, incident notifications, and conduct trend analysis on injury sources, injury locations and time of injury;
- Electrical arc flash personal protective equipment issue and training across all sites;
- Coaching and mentoring for all CS Energy leaders in their own “Personal Safety Plan” and actions to map against the site H&S business plans, roles and responsibilities and feedback from the Generating Insight Surveys;
- Crisis management training for site crisis team members and their step-ups along with conducting actual event scenarios at sites in response to potential protest actions;
- Minimising lost time and serious injuries during the major overhauls at all power stations;
- 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 independent reviews by expert behaviour and human factor consultants from SafetyWise Solutions. The reviews focused on CS Energy’s investigations and findings from a number of near-miss Permit to Work incidents at Callide Power Station. The reviews provided sites with confirmation of the types of human factors contributing to the incidents – organisational, environmental factors, people and plant issues were identified and have been addressed.

An Executive Management leadership and accountability process was maintained, whereby the Chief Executive and the divisional General Manager during site quarterly visits, reviewed incident investigations and made recommendations to improve the reports, presentations and close out actions. The corporate H&S Business Plan has been updated to include recommendations made by the H&S taskforce members and progress on the business plan items is provided quarterly to the Union Officials and Stakeholders at the Peak Consultative Meetings and monthly to the:

- Taskforce members,
- Steering Committee,
- Executive and Operations Management Teams,
- The CS Energy Board, and
- CS Energy employees via a monthly toolbox meeting bulletin.

Workplace health and safety performance

The statistical indicators for 12 months to 30 June 2011 are:

Statistical Indicator	Target	Result	Trend
Lost Time Injury frequency rate	0	2.4	65 per cent reduction (12 months to 31 December 2009 was 5.3)
Medical Treatment frequency rate	(23.5) 10 per cent lower	14.2	42 per cent reduction over previous period
Near Miss incident rate	(23.5) 10 per cent lower	20.2	36 per cent reduction over previous period
First Aid injuries frequency rate	(252) 10 per cent lower	73.6	41 per cent reduction
Lost time injury duration rate	0	13.9	significant increase primarily due to one long duration psychological claim

In 2010/2011, five lost time injuries were recorded, which is a decrease of ten injuries from the previous year, translating to a lost time injury frequency rate of 2.4.

CS Energy sites during the year achieved milestones where lost time injuries did not occur:

- Callide Oxyfuel Project – two years without a lost time injury;
- Callide Power Station – one year without a lost time injury; and
- Kogan Creek Power Station – one year without a lost time injury.

The H&S Taskforce has implemented a Fair and Just Culture procedure in consultation with unions. An accompanying training program has also been implemented, which included training for all employees along with implementation training sessions for Site Supervisors, Superintendents, Site and Brisbane Managers as well as the General Managers. CS Energy is undertaking a major Safety Culture Program across all sites to monitor behaviour improvements and reporting of targeted leading indicators in relation to six Lifesaver Rules, health and safety Critical Minimum Standards, safety observations, toolbox talks, safety inspections, task risk analysis and hazard/near miss reporting.

Health and safety audits and reviews

CS Energy undertook an external audit against the Australian Standard AS4801 Health and Safety Management Systems and peer industries in July 2010. The audit was conducted by consultants from Safety Wise Solutions and targeted CS Energy's management systems with benchmarks to industry performance. Audits were also conducted on major contractors during overhauls and during the construction of the Callide Oxyfuel Project at Callide A Power Station. Action plans are in place to ensure the non-conformances were closed-out with adequate resources and milestone dates for rectification agreed.

Parsons Brinckerhoff Consultants conducted annual asbestos register reviews of each CS Energy power station and provided updated registers. Large dangerous Goods Safety Management System reviews were also completed by specialists from Parsons Brinckerhoff – each site has developed comprehensive action items and is monitoring the improvements via spreadsheets and monthly reporting of close outs.

Reviews were conducted on the following:

- Permit to Work incidents at Callide Power Station by consultants from Safety Wise Solutions.
- Concept Safety Solutions reviewed corporate and site fire and evacuation management systems and procedures. The review identified issues associated with fire safety equipment, quality of maintenance schedules and work performed by fire safety contractors and the location of site evacuation plans and diagrams. The training of workers, fire wardens,

evacuation wardens, record keeping and signage were considered compliant. Sites are working with the consultants to ensure system components are given a high priority and any plant system issues are rectified.

Audit reports and review findings were provided to the site management teams, site specialists and the contractors involved. All of the report recommendations were tabled at Site Management and Operations monthly meetings. Action plans are reviewed by the Brisbane Health and Safety Team and Risk and Assurance section and the CS Energy Board Risk Committee members. An external audit of the WH&S System is planned in the second and third quarter of 2011/2012.

Training

CS Energy focused on training in the Fair and Just Culture procedures during the period. The training conducted included:

- Human factors and error types involved in incident investigations; and
- Practical application of the fair and just decision making matrix to incidents.

Further training was provided on the following areas:

- Crisis management team training by Worley Parsons at each site;
- Internal emergency response team training at Callide Power Station;
- Arc flash personal protective equipment training for electrical workers and safety observers across all sites;
- Upgrading the Permit to Work and Officer in Charge training modules and logbook tracking of isolations and competencies;
- Task risk analysis training at Callide Power Station; and
- Safe work methods and segregation of workers and forklifts in warehouses at each site stores facility.

Employee Health and Wellbeing

CS Energy continues its successful relationship with Converge International counselling services. On site counselling of our employees has been effective in managing wellbeing issues such as:

- Parental issues,
- Conflict management,
- Staff morale,
- Workplace stressors,
- Emotional health, and
- Personal health issues.

CS Energy maintained its annual medicals, sunscreen checks, influenza vaccinations and Over 50s health check-ups. The healthy cycling, 10,000 steps program and triathlon sponsorship promoting team spirit and health were maintained during the year.

CS Energy's drug and alcohol policy and program continues and is providing an effective deterrent to workers and others – of 975 tests only 2 persons returned a positive result for either drugs or alcohol during the year.

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 Public Service Commission. The next report will be forwarded in July 2012. 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 approach 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. An online EEO training course is used by all new employees as part of their induction process. An online EEO refresher training course is available to all employees. This course reinforces employees knowledge on all EEO related matters and ensures they understand their responsibilities. A network of Workplace Contact Officers act as a first point of contact for employees. The Workplace Contact Officer network meets regularly and will participate in a one-day refresher training course in 2011/2012.

In accordance with Section 31 of the Public Service Act 2008, CS Energy has submitted EEO statistical data to the Public Service Commission in July 2011 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 Power Station 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 IHI Corporation, J Power Group, Mitsui & Co, Schlumberger, Xstrata Coal and ACA Low Emissions Technologies Ltd for the oxyfiring project at Callide A Power Station.

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 arrangement is not precluded.

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.

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 to assist with particular enterprise agreement negotiations. CS Energy contends that the engagement of a facilitator has assisted in the maintenance of a good working relationship with Unions.

CS Energy has, with the agreement of unions, engaged a facilitator to assist with the negotiation of a new Kogan Creek Power Station Enterprise Agreement and, more recently, to assist with the negotiation of a new Callide Power Station Enterprise Agreement.

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 through enterprise 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 \$1,000 per employee. A “no disadvantage” situation in relation to redundancy arrangements exists for employees transferring to CS Energy from 1 July 2011 (including employees at Wivenhoe Power Station) in relation to agreements applying to those staff immediately prior to 1 July 2011. This is consistent with the Government guarantees and the Transition Principles arising out of the Generator Restructure.

14. Job Security

CS Energy EBAs provide for “no forced redundancies” reflecting Government policy on job security in line with Minimum Employment, Industrial Relations and Job Security Principles for GOC employees – September 2010.

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 previous Plans 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 Competition and Consumer Act 2010 (formerly Trade Practices Act 1974 (Cth)). 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 three employees in this category at CS Energy engaged in accordance with relevant legislative and award requirements. They are engaged in 1 software engineering role, 1 maintenance engineer role, and 1 production control officer role. CS Energy aims to ensure such skills are sourced locally where available, including through relevant traineeship and cadetship arrangements.

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. The schedule of audits for 2010 was completed, and audits will continue to occur during 2011, commencing with Callide Power Station in early 2011. 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 Asset Strategy, which coordinates and controls station overhauls in conjunction with relevant site management, for Key Performance Indicator reviews.

16. Superannuation

In accordance with Choice of Funds legislation, CS Energy offers membership of and contributes to a number of approved superannuation funds, as requested by new employees. Under CS Energy Policy, the Energy Super Fund is the default Fund for new defined contribution fund members.

The Energy Super Defined Benefit Fund which closed to new employees in 2002, has an employee contribution rate of 5 per cent and an employer contribution rate of 12 per cent (This rate is reviewed every 2 years by the Fund Actuary). Presently, 30.2 per cent of the CS Energy workforce remains in this plan.

CS Energy maintains reserves in the Defined Benefit Fund, 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 approach 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.

The remainder of the workforce are in a number of defined contribution funds, 35 per cent of the workforce in the Superannuation Guarantee Contribution (SGC) employer fund (9 per cent ordinary time earnings) and 34.8 per cent are in contributory defined contribution fund where the employee contribution is 5 per cent with CS Energy contributing 10 per cent.

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.

Reporting

CS Energy will provide a separate report on performance against the plan to relevant agencies including DJAG and OGOC at the same time as the first draft of the Employment and Industrial Relations Plan for the upcoming year is submitted in January 2012. This will:

- Confirm the implementation of the current Employment and Industrial Relations Plan;
- Outline if there have been any events or matters that have occurred or are expected to occur that vary the Employment and Industrial Relations Plan for that cycle, and explain those variations; and
- Detail any contentious issues that have arisen or are expected to arise during the current Employment and Industrial Relations Plan cycle.

Attachment 3 – Hospitality

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

Activity	Description / Benefit	2010/2011 Budget (\$)	2010/2011 Actual (\$)	2011/ 2012 Budget (\$)	Quarter 2011/2012 ^{2, 3} (\$)				2011/12 Per Head Budget (\$)
SPONSORSHIP									
Opera Queensland – <i>Moving Opera!</i> school workshops	Youth development and profile-raising for CSE in power stations' communities. Workshops to be completed in Chinchilla and Biloela	\$31,000	\$0 ⁴	\$67,000	\$33,500	\$0	\$33,500	\$0	N/A
Mount Isa Business Awards ⁵	Mount Isa business event	\$10,000	\$10,000	N/A	N/A	N/A	N/A	N/A	N/A
Kogan Creek – discretionary	Small contributions and partnerships with Chinchilla community groups/ activities	\$31,000	\$13,091	\$0 ⁶	N/A	N/A	N/A	N/A	N/A
Mica Creek – discretionary	Small contributions and partnerships with Mount Isa community groups/ activities	\$15,000	\$8,327	N/A	N/A	N/A	N/A	N/A	N/A
Swanbank – discretionary ⁵	Small contributions and partnerships with Ipswich community groups/ activities	\$5,000	\$1,691	N/A	N/A	N/A	N/A	N/A	N/A
Total over \$5,000	N/A	\$92,000	\$33,109	\$67,000	\$33,500	\$0	\$33,500	\$0	N/A
Other (total) below \$5,000	Small discretionary sponsorships from Brisbane and Callide sites to raise CS Energy's profile	\$10,000	\$1,803	\$34,800 ⁶	\$9,000	\$9,800	\$8,000	\$8,000	N/A
TOTAL (1)	N/A	\$102,000	\$34,912	\$101,800	\$42,500	\$9,800	\$41,500	\$8,000	N/A
ADVERTISING ⁷									
Total over \$5,000	N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Other (total) below \$5,000	Site-based, non-campaign advertising for grants programs, projects and forums	\$10,000	\$7,578	\$10,000	\$2,500	\$2,500	\$2,500	\$2,500	N/A
TOTAL (2)	N/A	\$10,000	\$7,578	\$10,000	\$2,500	\$2,500	\$2,500	\$2,500	N/A
CORPORATE ENTERTAINMENT									
Callide new starters function	2 x site functions to welcome new employees and families to Biloela	\$7,000	\$994	\$0 ⁸	N/A	N/A	N/A	N/A	Max. \$50/head
Christmas function – Callide	Staff and family Christmas function	\$13,000	\$11,650	\$13,000	\$0	\$13,000	\$0	\$0	Max. \$50/head

Activity	Description / Benefit	2010/2011 Budget (\$)	2010/2011 Actual (\$)	2011/ 2012 Budget (\$)	Quarter 2011/2012 ^{2, 3} (\$)				2011/12 Per Head Budget (\$)
					Sept	Dec	Mar	Jun	
Christmas function – Swanbank ⁵	Staff and family Christmas function	\$7,000	\$7,000	N/A	N/A	N/A	N/A	N/A	N/A
Christmas function - Brisbane	Staff and family Christmas function	\$5,700	\$6,896 ⁹	\$7,500	\$0	\$7,500	\$0	\$0	Max. \$50/head
Brisbane Service Recognition function	To recognise and reward long service to CS Energy and its predecessors	\$8,500	\$4,933	\$8,500	\$0	\$0	\$8,500	\$0	Max. \$80/head
Swanbank Service Recognition function	To recognise and reward long service to CS Energy and its predecessors	\$7,260	\$5,247	N/A	N/A	N/A	N/A	N/A	N/A
Total over \$5,000	N/A	\$48,460	\$36,720	\$29,000	\$0	\$20,500	\$8,500	\$0	N/A
Other (total) below \$5,000	Various site staff functions, including Kogan Christmas and service recognition functions, Callide service recognition function, overhaul functions	\$37,000	\$33,519	\$57,300	\$9,500	\$16,800	\$17,500	\$13,500	N/A
TOTAL (3)	N/A	\$85,460	\$79,726	\$86,300	\$9,500	\$37,300	\$26,000	\$13,500	N/A
DONATIONS									
Generosity – corporate matching	CS Energy's Workplace Giving Program – staff donations matched dollar for dollar	\$50,000	\$69,949 ¹⁰	\$55,000	\$13,750	\$13,750	\$13,750	\$13,750	N/A
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	\$0	\$25,000	\$0	\$0	N/A
Callide Power Station Community Grants Program	New community grants program to contribute to Biloela community groups and profile CS Energy	\$15,000	\$9,896	\$0 ⁶	N/A	N/A	N/A	N/A	N/A
Swanbank Power Station Community Grants Program ⁵	New program to support Ipswich community groups; replaces Swanbank Community Reference Group Grants program	\$10,000	\$11,818	N/A	N/A	N/A	N/A	N/A	N/A

Activity	Description / Benefit	2010/2011 Budget (\$)	2010/2011 Actual (\$)	2011/ 2012 Budget (\$)	Quarter 2011/2012 ^{2, 3} (\$)				2011/12 Per Head Budget (\$)
					Sept	Dec	Mar	Jun	
Mica Creek Power Station – discretionary donations ⁵	Contributions to Mount Isa community groups and profile CS Energy.	\$15,000	\$2,000	N/A	N/A	N/A	N/A	N/A	N/A
Total over \$5,000	N/A	\$115,000	\$118,663	\$80,000	\$13,750	\$38,750	\$13,750	\$13,750	N/A
Other (total) below \$5,000	Discretionary donations to community events and activities	\$4,000	\$4,382 ¹¹	\$39,500 ⁶	\$1,000	\$13,000	\$1,000	\$13,000	N/A
TOTAL (4)	N/A	\$119,000	\$123,045	\$119,500	\$14,750	\$51,750	\$14,750	\$26,750	N/A
OTHER RELATED ACTIVITIES									
Energise Electrovale school program	Delivery of primary school energy project and competition to Biloela, Chinchilla and Mount Isa communities	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Total over \$5,000	N/A	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Other (total) below \$5,000	Swanbank Power Station community forums	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	N/A
TOTAL (5)	N/A	\$11,000	\$0	\$0	\$0	\$0	\$0	\$0	N/A
TOTAL (1)+(2)+(3)+(4)+(5)	N/A	\$327,460	\$235,774	\$317,600	\$69,250	\$101,350	\$84,750	\$50,750	N/A

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. CS Energy committed \$31,000 to Opera Queensland in 2010/2011, however the payment will be made in the 2011/2012 financial year.

5. Mica Creek and Swanbank power stations transferred to Stanwell Corporation Limited as part of the Genco Review on 1 July 2011.

6. This item has been moved to the section under \$5,000.

7. Does not include recruitment advertising.

8. This has been moved to under \$5,000 as the events are under \$5,000 each.

9. More people attended the Brisbane Office Christmas Party than was anticipated resulting in higher than budget spend.

10. The Premier's Disaster Relief Appeal was included as a one-off charity for Workplace Giving, where CS Energy matched staff donations to the charity, which was not budgeted for but funds have been reallocated from a discretionary fund. In total, CS Energy matched staff donations of \$25,147 to the Premier's Disaster Relief Appeal.

11. Funds have been reallocated from site discretionary funds for donations of flood equipment and supplies to the local communities.

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

Activity	2010/2011 Budget (\$)	2010/2011 Actual (\$)	2011/2012 No. of Activities	2011/2012 Budget (\$)	Quarter 2011/2012 ² (\$)			
					Sept	Dec	Mar	Jun
Corporate Entertainment Total								
• Staff Functions	\$24,500	\$28,604 ³	N/A	\$24,500	\$5,500	\$4,000	\$9,500	\$5,500
• Business Development ⁴	\$5,000	\$973	N/A	\$8,000	\$2,000	\$2,000	\$2,000	\$2,000
• Stakeholder and Community Engagement	\$12,000	\$3,942	N/A	\$24,800	\$2,000	\$10,800	\$6,000	\$6,000
TOTAL UNDER \$5,000	\$49,300	\$33,519	N/A	\$57,300	\$9,500	\$20,800	\$17,500	\$13,500

1. All expenditure is GST exclusive.

2. These figures are not cumulative.

3. The funds for staff functions have been redirected from business development and stakeholder and community engagement. The higher than budget costs for staff functions are largely due to unanticipated functions being held.

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

Attachment 4 – WACC calculation

The 2011/2012 WACC methodology and calculation is 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 2012.

$$WACC = k_e \times \frac{E}{V} + k_d(1-t_c) \times \frac{D}{V}$$

Where:

k_e cost of equity = $R_f + B_e (R_m - R_f)$

$\frac{E}{V}$ market value of equity divided by total value

k_d cost of debt

$(1-t_c)$ 1 minus effective tax rate

$\frac{D}{V}$ market value of debt divided by total value

R_f the risk free rate of return – based on government bond rates of an appropriate tenure;

$(R_m - R_f)$ the market risk premium – the return of the market as a whole less the risk free rate; and

B_e the relative systematic risk of the individual Company's equity.

WACC Component	2011/2012 Draft Assumptions
WACC basis	Post-tax, nominal,
Risk Free Rate of Return	
Market Premium – premium required to hold the market portfolio over the risk free rate of return	
Pre-Tax Cost of Debt	
Income Tax Imputation Impact	
Asset Beta - stock volatility relative to the market	
Equity Beta – the asset beta impacted for CSE gearing	
Value of debt used in balance sheet financing mix	
Value of equity used in balance sheet financing mix	
Corporate Tax Rate	30%
Group WACC applicable to main business	

Attachment 5 – Corporate Governance Guidelines for Government Owned Corporations

CS Energy **has** adopted all of the 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 Corporations 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).
- Guide to Performance Management Framework (2010).
- Guidance for Chief Executive Officers – Agreement Making in Government Owned Corporations (2010):
 - CS Energy endeavours to comply with State and Commonwealth Government 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 Remuneration 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.

Attachment 7 – Transitional Services Agreement

The following table outlines the key activities included in the Transitional Services Agreement schedule.

Transitional Services Agreement (Scheduled Items)	Service Direction	Scheduled Completion Date	Expected Completion Date	Estimated Total Charges 2011/2012*
Data exchange relating to GPS Meter Data revisions	Stanwell to CS Energy	28 Feb 2012	28 Feb 2012	
Corporate Real Estate Support Services	Stanwell to CS Energy	31 Dec 2011	31 Dec 2011	
Data Exchange relating to LGC Liability	Stanwell to CS Energy	29 Feb 2012	29 Feb 2012	
GPS Legacy Billing System	Stanwell to CS Energy	31 Jan 2012	31 Jan 2012	
Health Support Services	Stanwell to CS Energy	31 Dec 2011	31 Dec 2011	
Adhoc Technical Support Wivenhoe/Haystack Road	Stanwell to CS Energy	30 Jun 2012	30 Jun 2012	
Fire Monitoring Panel – Wivenhoe	Stanwell to CS Energy	30 Nov 2011	30 Nov 2011	
Year End Processing Access	Stanwell to CS Energy	30 Oct 2011	30 Oct 2011	
Data Exchange relating to AEMO Data Revisions	CS Energy to Stanwell	28 Feb 2012	28 Feb 2012	
Accounts Payable/Accounts Receivable	CS Energy to Stanwell	30 Sep 2011	To be determined by Stanwell	
Data Exchange relating to LGC Liability	CS Energy to Stanwell	28 Feb 2012	28 Feb 2012	
ERP Platform Service	CS Energy to Stanwell	1 Jan 2012	To be determined by Stanwell	
ICT Services	CS Energy to Stanwell	31 Dec 2011	To be determined by Stanwell	
Payroll Services	CS Energy to Stanwell	31 Dec 2011	31 Dec 2011	
Systems Account Services	CS Energy to Stanwell	29 Feb 2012	To be determined by Stanwell	
Technical Support Services - Various	CS Energy to Stanwell	30 Jun 2012	30 Jun 2012	
Training Services	CS Energy to Stanwell	31 Dec 2011	31 Dec 2011	
Operations and Maintenance Services – Part 1	CS Energy to Stanwell	31 Dec 2011	31 Dec 2011	
Operations and Maintenance Services – Part 2	CS Energy to Stanwell	31 Dec 2012	31 Dec 2012	
ICT Support for transfer of ICT Services at Swanbank and Mica Creek	CS Energy to Stanwell	31 Dec 2012	31 Dec 2012	
TOTAL				\$2,689,822

* Minimum fees to be charged. Additional fees may be incurred based on activities requested. These cannot currently be estimated but will be recorded in Quarterly Reports.

