LIVING OUR VALUES

ENERGEX ANNUAL REPORT 2009/10

energex

positive energy

OUR VALUES

We aim to live our corporate values every day. They underpin everything we do as a company and articulate what we see as most important.

Our values express who we are and all that we aspire to be. They are the foundation for our reputation and success.

PUT SAFETY FIRST

We are committed to achieving an injury free workplace

DELIVER BALANCED RESULTS

We are passionate and disciplined about achieving our targets to deliver sustainable performance

IMPRESS OUR CUSTOMERS

Servicing our customers to ensure a positive experience

RESPECT & SUPPORT EACH OTHER

We value each other's views to achieve success together

BE A TEAM PLAYER

We operate as a team and leverage and learn from each other

SET A GREAT EXAMPLE

We create an environment that encourages people to grow, achieve goals and lead the way

OUR PURPOSE

Powering Lifestyles Forever – articulates our vision, reinforces our strategic direction and provides a reference to guide both strategic planning and day-to-day business operations. The purpose supports our transition to becoming a customer-centric and sustainable business that delivers sustainable energy solutions and balanced commercial outcomes.

Our purpose represents the three core areas upon which we must focus to deliver our vision. A focus on 'powering' describes the core network that we own and operate, and the need for the corporation to use our people and technical capabilities to deliver network performance that achieves legislated Minimum Service Standards (MSS), Guaranteed Service Levels (GSLs), and associated network standards.

Linked with this goal is a focus on 'lifestyles' which reflects our growing need to understand the changing lifestyle, business and economic preferences of our customers and the implications this has for the way in which we deliver power. From a forward or 'forever' perspective, we must produce results that ensure the future sustainability of our network and corporation.

OUR VISION

By 2015 we will transform ENERGEX into a customer-centric organisation providing sustainable energy solutions. Our skilled and capable people will see us as an employer of choice as we create new customer solutions and opportunities.

We will support our customers' 21st century lifestyle aspirations and partner with the community to build sustainable economic growth in South East Queensland. In alignment with our shareholders we will be a safe, efficient, environmentally sustainable and commercial organisation.

LIVING OUR VALUES

ENERGEX **ANNUAL REPORT** 2009/10

energex

positive energy

ABOUT this report

At ENERGEX, effective stakeholder communications and reporting are key components to our corporate social responsibility position. We aim for continual improvement through accountability, transparency and relevance of information. The ENERGEX Annual Report (this report) provides a review of our operational and financial performance during the 2009/10 financial year against our strategies, objectives and targets as detailed in our Statement of Corporate Intent (SCI) (pages 10-13). It demonstrates that we are building and maintaining a robust and sustainable business to service the energy needs of South East Queensland, and how we plan to continue this into the future.

The aim of this report is to provide accurate and relevant information to meet the needs of our stakeholders, who include but are not limited to:

- shareholding Ministers and Government
- customers and community
- employees and employee unions
- electricity retailers
- electricity transmission companies
- electricity generators
- regulators
- suppliers.

For further information on our stakeholder engagement processes please refer to page 71.

The theme of this report is 'Living Our Values'. It reflects how we use our values in everyday activities to achieve our strategic objectives and vision. A particular example used throughout this report, and photographed on the outside cover, is our new headquarters in Newstead, Brisbane. Relocations will take place in late 2010 (page 95). To assist in communicating how we live our values, the operational review is categorised according to these values, with each section including a case study.

Sustainability is an important issue which we believe warrants extensive coverage across the key aspects of our business. We have developed the ENERGEX Sustainability Report which can be accessed on our website www.energex.com.au. To avoid duplication, detailed information regarding sustainability across the key areas is included in our Sustainability Report. This report has been designed to complement the Sustainability Report which follows the Global Reporting Initiative (GRI).

To assist in reading this report, we have included a glossary of terms and index (pages 107-109). This report also includes our corporate governance framework (pages 29-31) – the systems by which the organisation is directed and managed – as well as our risk management processes (pages 26-27).

We welcome your comments as they will assist us in improving future communication with our stakeholders. Feedback can be provided via corpcomms@energex.com.au. This report and previous reports can also be accessed at **www.energex.com.au** or via the Corporate Communications team on 13 12 53.

ENERGEX Limited Corporate Office
150 Charlotte Street
GPO Box 1461
BRISBANE QLD AUSTRALIA 4001

Telephone: +61 7 3407 4000
Facsimile: +61 7 3407 4609

ENERGEX Limited
ABN 40 078 849 055

ENQUIRIES
Telephone: 13 12 53
Hours: 8.00am – 6.30pm Monday to Friday
Email: custserve@energex.com.au

For more information on any of the initiatives, projects, products and services mentioned in this report and more, visit the ENERGEX website at **www.energex.com.au**

THANK YOU
Thank you to all the staff and colleagues who contributed to this report.

contents

Cover photos –
Pictured: Trees from our Safetree campaign encourages safe planting around powerlines; a workforce committed to teamwork allows us to complete projects safely and efficiently; our new corporate office aims to significantly reduce our carbon footprint.


energex
energex

our profile

Who we are

ENERGEX provides network services and infrastructure to distribute electricity into the homes and businesses of 2.9 million people in South East Queensland.

We are a Queensland Government Owned Corporation (GOC) with two shareholding Ministers, The Honourable Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development; and The Honourable Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade. For further information on our corporate governance and business structure refer to pages 29-31.

At the core of the business are high performing distribution assets worth more than $8.8 billion, the expertise of more than 3,800 employees and a drive to provide customers with energy solutions that are economically, socially and environmentally acceptable and sustainable. This is underpinned by technological innovation and advanced management systems which drive efficiency, quality and safety. Many of these are nationally or internationally certified or benchmarked to international standards. We also place sustainability and corporate responsibility high on our corporate agenda through progressive environmental and social practices.

Our distribution area of 25,000 square kilometres stretches to Gympie in the north, Gatton in the west and Coolangatta on the New South Wales border. It includes more than 53,000 kilometres of overhead powerlines and underground cables, enough that if lined up end-to-end would stretch more than three times the distance from Brisbane to London.

Our underground network has continued to rise to meet the needs of South East Queenslanders with an average of seven kilometres of new underground cables being installed into the network for every kilometre of overhead powerline. Underground cables now total more than 16,500 kilometres. Our network also includes more than 600,000 power poles, some 43,000 transformers and almost 300,000 street lights.

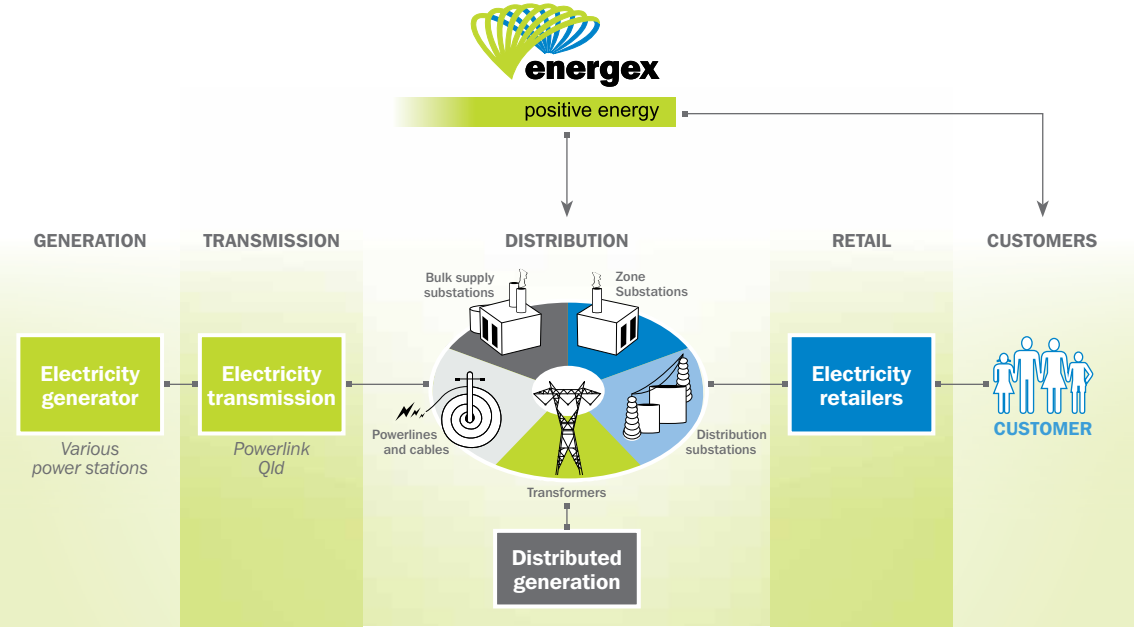
Diagram 1: The ENERGEX network

Pictured: Put simply, our employees are ENERGEX.

Our network

The electricity supply industry in which ENERGEX operates is organised like links in a chain which connect the separate elements of generation, transmission, distribution and retail.

Diagram 2: Electricity Industry Supply Network



GENERATION – Generators produce electricity and compete to sell it in the National Electricity Market. As electricity cannot be stored or branded to distinguish its generator, all electricity is centrally pooled and scheduled to meet demand. This pool is managed by the Australian Energy Market Operator (AEMO).

TRANSMISSION – Electricity is supplied to ENERGEX through a high-voltage transmission network that is owned and operated by the Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland), another GOC.

DISTRIBUTION – We own and operate the electricity distribution network in South East Queensland. We convert electricity from the transmission network into high and low voltages and deliver it to businesses and homes.

RETAIL – Electricity retailers sell and manage customer accounts and billing. This part of the ENERGEX business was sold by the Queensland Government in 2007 to Origin and AGL. Full retail competition was later introduced in Queensland allowing all customers to choose their retailer. We aim to maintain ongoing effective relationships with the retailers to assist with the delivery of electricity to the customer.

CUSTOMERS – As the electricity distributor, we are primarily responsible for building and maintaining the electricity network and delivering a safe and reliable electricity supply to the South East Queensland community. We are also responsible for meter readings and connecting homes and businesses to the electricity network when requested by retailers on behalf of their customers.

Our people

Simply put, our staff are ENERGEX. They are highly skilled and committed, with each and every member truly valued as an integral part of the ENERGEX team. We employ more than 3,800 employees across a diverse skill base of specialised roles, extending from qualified tradespeople, electrical engineers, technicians and designers, apprentices and cadets, administrators, professionals and managers. Our workforce strives to ensure South East Queensland's electricity supply is safe, robust and reliable. Safety of our staff and the community is our number one value. We treat our team fairly and with dignity while providing excellent working conditions conducive to helping staff realise their own career goals as well as business objectives.

Our customers and communities

Our aim is to deliver the service expectations of our customers through high levels of network performance and customer service. Whether it's answering a simple enquiry or connecting a large commercial organisation to the electricity network, we are committed to ensuring the lifestyle needs of our customers are met or exceeded. Our long-term focus is to further transform into a customer-centric organisation. We will achieve this by providing customers with greater choice in how they manage their energy needs and by also being a good corporate citizen, playing an active role in our community. Our $1.4 million annual sponsorship program is an indication of our commitment to the wider community.

Our environment

It is our responsibility to be aware of the impact, both current and future, our business may have on the environment. Our team of environmental specialists work to ensure our operations have minimal impact on the environment and best practice systems are adhered to and continually improved. We channel significant operational, capital works and sponsorship funds into managing a comprehensive program involving recycling, revegetation and offsetting carbon emissions. We have also recently revisited and enhanced our Environmental Strategy, Sustainability Report and Carbon Management Plan.

Our business ethics

We maintain a longstanding commitment to the community to conduct and report on the affairs of the business transparently and honestly while maintaining processes that ensure our staff, at all levels, understand these responsibilities. Our ethics are at the forefront of our business decisions to ensure they take into account social, economical and environmental sensitivities, as set out in our Code of Conduct.

Our business operations are also overseen by the ENERGEX Board. The Board works to ensure our commitment to stakeholders and the community is carried out within strict governance frameworks.

Our direction

In the past 10 years, the population of South East Queensland has dramatically increased, with a 30 per cent growth in the number of ENERGEX customers and a consequent rise in overall energy demand. Adding to this rise, the average South East Queensland household is now using between 50 to 70 per cent more electricity than just 10 years ago, largely due to the increase in energy intensive appliances such as air conditioners.
As a result the electricity network's capacity has more than doubled in this time. This population surge and increase in electricity use are predicted to continue.

To meet current and forecast growth, our five-year funding proposal, approved by the Australian Energy Regulator (AER) this year, will ensure we continue to provide and address the needs of our customers and community. For the first time we will be regulated by the Australian Energy Regulator (AER), delivering a truly national approach to electricity generation.

Challenges facing the industry, which we will continue to address, include the pressure of energy costs, the impact of future technologies, changing customer and community expectations, and the responsibility to act in a sustainable manner. A key initiative we are undertaking to balance the pricing impacts with the community's increasing expectation for a world-class electricity supply to meet modern-day needs, is our multi-streamed energy conservation and demand management program (page 52).

highlights and challenges

Highlights

- Reduced our Lost Time Injuries to seven (2008/09: 16) and Lost Time Injury Frequency Rate (LTIFR) to 1.00 (2008/09: 2.34). Page 40
- Targeted investment of $1.24 billion in building, operating and maintaining our network ensures a safe and reliable electricity supply to the growing South East Queensland community (2008/09: $1.1 billion). Page 48
- Achieved better than minimum service standards for network reliability and security. Page 51
- Approval of our five-year funding proposal by the Australian Energy Regulator (AER), including $5.78 billion ($2009/10) for capital investment and $1.63 ($2009/10) billion to maintain and operate the network. Page 57
- Achieved a solid after tax profit of $185.2 million (2008/09: $128.5 million). Page 8
- Our Contact Group continued to deliver award winning service. Page 64
- Established Queensland's first Energy Conservation Community. Page 76
- Achieved a Corporate Responsibility Index score of 75.32 per cent for 2008/09 (2007/08: 58.5 per cent). Page 72

- Continued to support South East Queensland communities through a $1.4 million sponsorship program. Page 73
- Maintained a high employee motivation score of 65.87 (2008/09: 65.7). Page 85
- Nationally recognised for our energy conservation and demand management initiatives including the trials of a public lighting monitoring device and a Pool Filtration Demand Management device (PFDM) – winning awards on two separate occasions. Page 93 and 102
- Continued to offset our carbon emissions. Page 92
- Implemented an Indigenous Apprentice Program in conjunction with the Department of Employment, Economic Development and Innovation, and the Electrical Trades Union. Page 86

Challenges

- Operating under a new national economic regulatory framework. Our Business Performance Strategy will address this challenge by improving the efficiency of our existing operations so we can deliver an increasing program of work.
- Increasing demand for electricity will place further pressure on rising energy costs. Our Transformation Strategy will help our customers understand their energy consumption and provide ways to influence their electricity usage in times of peak demand.

FINANCIAL highlights

Net Profit after Tax

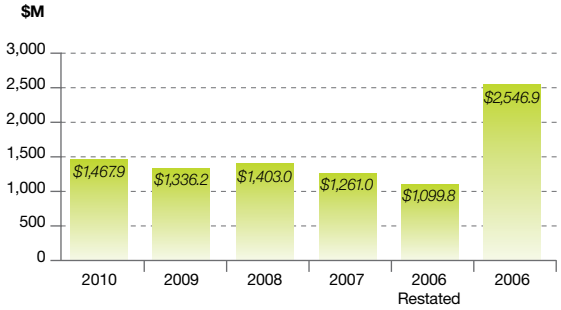
In 2009/10, ENERGEX exceeded its profit target, agreed with our shareholders in our Statement of Corporate Intent, delivering a Net Profit after Tax (NPAT) of $185.2 million and Earnings before Interest and Tax (EBIT) of $485.2 million. This result has enabled a proposed dividend of $148.2 million to be declared to our shareholders. There were a number of one-off items which were outside of the 'business-as-usual' results, however the underlying financial result remained favourable to target.

Capital Expenditure

Throughout the year, we continued to invest significant capital expenditure (CAPEX) to improve the performance and capacity of the network, ensuring that customer demands continue to be met in the delivery of a safe and reliable electricity supply. The total investment of $1,026.4 million in CAPEX included $910.8 million directed specifically at the electricity supply network.

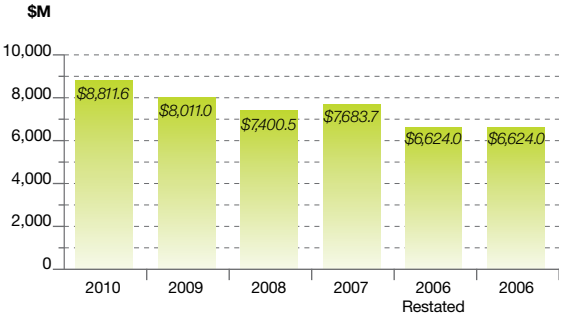
The total level of CAPEX fell slightly short of our target due to a decline in customer-requested work, with an offsetting increase in the level of infrastructure work to support developments across South East Queensland.

Total Revenue



Total revenue in 2009/10 increased by 9.8 per cent compared to the previous year, with the majority of the revenue being regulated by the Queensland Competition Authority (QCA) under a revenue cap form of regulation. The increase in revenue for the year reflects the revenue profile as determined under the QCA Determination, applicable for the five year period ending 30 June 2010.

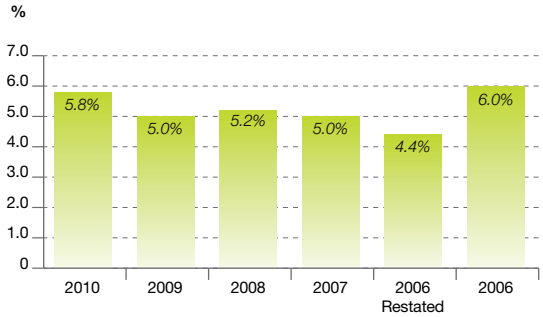
Total Assets



The value of total assets increased by 10.0 per cent across the year, predominantly due to the growth in property, plant and equipment resulting from continued significant CAPEX relating to development and expansion of the electricity network to support the increasing electricity demand of customers.

During the year, ENERGEX continued to position itself in readiness for the implementation of the new national regulatory framework under the jurisdiction of the Australian Energy Regulator (AER) for the next five years commencing 1 July 2010. This involved divestment of some non-core assets as the organisation lays the platform for the future, with the AER approving ongoing capex allowances.

Return on Average Total Assets

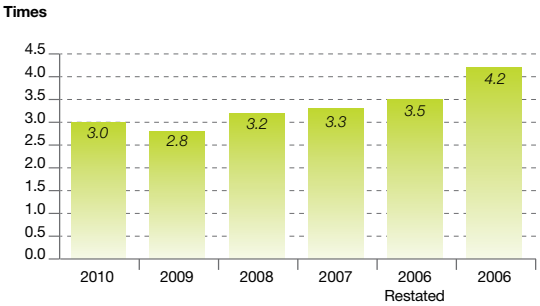


While the value of average total assets increased by 9.2 per cent across the year, there was a larger increase in the level of EBIT (increase of 25.0 per cent). The combined effect of these movements has led the Return on Average Total Assets to increase to 5.8 per cent for 2009/10.

Debt / Debt + Equity

The growth in the level of debt (increase of 6.5 per cent), predominantly a result of funding requirements for the ongoing significant investment in the electricity network, has been partially offset by a dividend reinvestment from the shareholders. The 2008/09 dividend of $102.8 million has been reinvested as part of equity support from our shareholders.

Earnings before Interest, Tax, Depreciation and Amortisation Interest Cover



The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Interest Cover ratio improved in 2009/10. This is due to as a result the increase in operating performance reflected in EBITDA, offset slightly by increased borrowing costs required to fund the ongoing CAPEX program.

Notes

2005/06 results have been restated to exclude discontinued operations to provide a comparison.
Please refer to page 104 for our financial five-year summary.

STATEMENT OF corporate intent highlights

KEY RESULT AREA	OBJECTIVE	KEY PERFORMANCE MEASURES	ACTUAL PERFORMANCE[2]
		2009/10	2009/10
SAFETY	ENERGEX will achieve an injury-free workplace and will develop a workplace culture where employees take personal responsibility for their safety. Safety risk will be reduced through a targeted and structured approach to safety that delivers legislative compliance and best practice business operations.	LTIFR	1.00
		CCFRS	2.99
FINANCIAL PERFORMANCE	ENERGEX will deliver its regulated financial targets in a sustainable manner, through improved productivity and the cost effective delivery of electricity to retailers, and services to customers. ENERGEX will pursue a series of reforms and initiatives to meet the financial expectations of its shareholders, in addition to working proactively with industry regulators to facilitate network funding outcomes that support core business operations.	OPAT ($M)	185.2
		Statutory ROA (%)	5.8
NETWORK PERFORMANCE	ENERGEX will continue to improve network performance and emergency response to meet customer expectations for reliability and deliver on MSS.[1] ENERGEX's long-term aspiration is to operate an intelligent connective network and provide best practice energy solutions to customers.	MSS	
		SAIDI – CBD	1.19
		SAIDI – Urban	88.48
		SAIDI – Rural	215.73
		SAIFI – CBD	0.08
		SAIFI – Urban	1.20
		SAIFI – Rural	2.41

Notes

1 Minimum Service Standards (MSS).

2 More details of our outcomes and targets are provided in each operational section.

At ENERGEX we document our corporate objectives, strategies, targets and actions for each financial year in our Statement of Corporate Intent (SCI). As a GOC, this document forms part of our performance agreement with our shareholding Ministers.

TARGET MEASURE	PERFORMANCE REVIEW	FUTURE CHALLENGES AND TARGETS
2009/10	**2009/10**	**2010/11 Key Result Areas**
< 1.80 < 4.40	✓ We experienced 7 Lost Time injuries (LTIs) giving an LTIFR outcome of 1.00, which is in the industry best practice range of 1.0-1.5. This result demonstrates progress this year, as there were 16 LTIs in 2008/09 and 25 LTIs in 2007/08. ✓ There were 69 lost days due to LTIs for 2009/10, compared to more than 320 days in each of the previous three years.	We will focus on safety as our first value and recognise that everyone has a personal responsibility for safety, as we progress towards an injury-free workplace.
>174.9 >5.5	✓ We delivered a strong financial result with Operating Profit after Tax (OPAT) being above target. There were a number of one-off items which were outside of the "business as usual" results, however the underlying financial result remained favourable to target.	We will deliver our regulated financial targets in a sustainable manner, through improved productivity and the cost effective delivery of electricity to retailers and services to customers. We will pursue a series of reforms and initiatives to meet the financial expectations of its shareholders, while working within the regulatory allowances provided under the AER Determination. Non-regulated businesses that integrate with and leverage the core business will be pursued where profitable opportunities exist.
Favourable to target < 20 mins < 110 mins < 220 mins < 0.33 < 1.32 < 2.50	✓ We delivered reliability outcomes with all measures being better than MSS. Further significant investment in the maintenance and development of the network resulted in the improved outcome.	We will deliver network performance and emergency response that achieves customer expectations for reliability and service obligations. Our developing intelligent connective network will provide best practice energy solutions to customers.

Key to symbols:

	Page
Put safety first	38
Deliver balanced results	46
Impress our customers	62
Respect and support each other	78
Be a team player	78
Set a great example	90

Legend:

✓	Achieved
»	On track
+	Action required

KEY RESULT AREA	OBJECTIVE	KEY PERFORMANCE MEASURES	ACTUAL PERFORMANCE[2]
		2009/10	2009/10
OPERATIONAL EXCELLENCE	ENERGEX will develop best practice skills, processes and systems to support delivery of its strategic vision and associated plans and initiatives. ENERGEX will deliver commitments outlined in its Network Management Plan (NMP) and Summer Preparedness Plan (SPP) to ensure the continued operation and growth of ENERGEX's distribution network and the satisfaction of stakeholders. ENERGEX will deliver on its legal, compliance and corporate governance obligations.	CAPEX Plan (NMP)	Key physicals delivered to plan
		OPEX Plan (NMP)	Key physicals delivered to plan
		Key projects	Delivered to milestones
CUSTOMERS	ENERGEX will maintain its focus on achieving network performance outcomes and customer service improvements to meet or exceed customer expectations. ENERGEX's long-term aspiration is to transform into a customer-centric organisation that provides customers with greater choice in how they manage their energy needs. ENERGEX will support customers' increased choice options through operation of an intelligent connective network and constructive relationships with key retailers.	Service Performance Index	85%
		Energy Supply Performance Index	70%
COMMUNITY	ENERGEX aims to be recognised by the community as a good corporate citizen and a leader in sustainability. ENERGEX will engage the community in the planning and delivery of its network.	Community Regard Index	64%
PEOPLE	ENERGEX is committed to being an employer of choice and an organisation that its employees want to be a part of. ENERGEX will ensure that its workforce possesses the skills and capability to deliver ENERGEX's business requirements. ENERGEX's high performing and customer focused culture will be driven by corporate values and will promote innovation and learning.	EMPI tally score	65.9%
ENVIRONMENT	ENERGEX will deliver commitments within its Carbon Management Plan and achieve a sustainable environmental position through implementing compliance activities and business practices that minimise harm to the environment.	Carbon reduction per Carbon Management Plan	Tracking to plan

TARGET MEASURE		PERFORMANCE REVIEW	FUTURE CHALLENGES AND TARGETS
2009/10		2009/10	2010/11 Key Result Areas
Key physicals delivered favourable to plan Key physicals delivered favourable to plan Delivered to milestones	✓	We again delivered a record CAPEX program, including investment of $910.8 million to improve the performance and capacity of the network. The investment delivered an increase in network capability comprising an additional 275 MV.A of zone substation capacity, 21 additional 33kV feeders and 151 additional 11kV feeders.	We will develop best practice skills, processes and systems to produce an efficient business operation, and allow us to manage our distribution network, optimise joint partnerships and deliver on our legal, compliance and corporate governance obligations.
>70% >70%	✓	In 2009/10, our efforts were directed at refining our customer strategies, with an emphasis on understanding the changing nature of customer electricity consumption. We also directed our attention at customer interactions, with a notable improvement in the number of electrical work requests being successfully completed within required timeframes.	We will achieve network performance outcomes and customer service improvements to support our customers' demand for greater choice, through an intelligent connective network and positive relationships with key retailers.
>63%	✓	We continued to provide targeted sponsorship of community events, allowing ENERGEX to maintain broad community support.	We will engage the community in the planning and delivery of our network and strive to be a 'good neighbour' in relation to the use of our assets. We aim to be recognised by the community as a good corporate citizen and a leader in sustainability.
66.5%	+	The staff survey resulted in an ENERGEX EMPI tally score of 65.9 per cent (2008/09: 65.7 per cent) against a target of 66.5 per cent. While the target was not achieved, the maintenance of the overall staff motivation score in a year of considerable change is encouraging.	We will continue to build a high performing workforce with the skills, productivity and flexibility to deliver strong business results. The development of individual, team and leader effectiveness will support a workplace that engages staff and encourages their contribution to business success.
Tracking to plan	»	We continue to make strong progress on our environmental initiatives. Our Carbon Management Plan remains on track with reduced carbon emissions in our fleet, electricity consumption and air travel. We completed our 2008/09 Carbon Footprint and submitted the report to the Federal Government as required.	We will deliver commitments within our Carbon Management Plan and achieve a sustainable environmental position by ensuring environmental compliance and implementing business practices that minimise harm to the environment.

Key to symbols:

	Page
Put safety first	38
Deliver balanced results	46
Impress our customers	62
Respect and support each other	78
Be a team player	78
Set a great example	90

Legend:

✓	Achieved
»	On track
+	Action required

CHAIRMAN'S report

"The past is behind,
learn from it;
The future is ahead,
prepare for it;
The present is here,
live it."

American Bishop
Thomas S Monson

2009/10 marks a decade since I joined the ENERGEX Board as a director and this milestone presents an opportunity to reflect on the past, scan the current state of the organisation and to look forward into the decade ahead.

Recently I took the opportunity to revisit the 1999/00 Annual Report which outlined the state of play this organisation was in at the turn of the 21st Century.

The ENERGEX of 1999/00 is both very different, yet in many ways, much the same as today's organisation as it heads into the second decade of the millennium.

In 1999/00, ENERGEX was a distributor and retailer of natural gas, LPG and electricity and had expanding business interests both interstate and overseas. The overriding goal was to leverage the broad portfolio to be "a leading Australian energy company, delivering a world-class range of expertise, products and services throughout Australia and overseas".

On the electricity front, during 1999/00 the company invested $135 million on network capital projects (CAPEX) and a further $123 million on maintenance and operation (OPEX) of local power grid. Urban SAIDI was 142 minutes and urban SAIFI was an average of 1.80 interruptions.

Safety of the community and staff was a key feature in 1999/00, with the certification of ENERGEX's safety management systems under the Australian Standard a highlight. The Lost Time Injury Frequency Rate (LTIFR) was 8.4 and the injury severity (LTISR) 56.

During 1999/00, the ENERGEX Customer Contact Group was recognised as one of the three best in Queensland. The company also joined the worldwide web when the www.energex.com.au Internet site went live, which soon became regarded as among the best utility websites in the world.

Today's ENERGEX

ENERGEX has changed in many ways in the past 10 years. We have divested our retail electricity and gas businesses, as well as the natural gas network and a range of operations in New Zealand and interstate.

The ENERGEX of today is focused on our customers and distribution system here in South East Queensland where our total asset base has risen from $3.2 billion in June 2000 to $8.8 billion in June 2010.

Our network reliability continues to improve with urban SAIDI at 88, an improvement of 62 per cent in 10 years, and urban SAIFI at 1.2 improving by 67 per cent in the same period. Our CAPEX is almost in a different league with more than $910 million invested in 2009/10– almost six times the amount invested 10 years ago – while maintenance and operating funding has more than doubled.

Our Customer Contact Group remains one of the best in the country – regularly winning State and national awards; the website remains one of the best in the industry with close to a million visits received each year.

The achievement of the transformation outlined above can be credited in no small way to the staff of the organisation. This applies not only to those who have stayed with us for the last decade, but also the many who have joined us during that period. In June 2000 there were some 2,950 staff working in the various divisions of ENERGEX, and incredibly, half (1,472) of those people are still with the organisation today. I record my thanks to the ongoing support from all of those staff members, and when we consider that ENERGEX today has more than 3,800 staff, that means that some 2,300 people have joined the organisation in that time.

Safety of our staff and the community remains at the forefront of all our considerations. Despite the growing workforce, the company's LTIFR has improved from 8.4 in 10 years to just 1.0 in the 2009/10 period, and the LTISR improved from 56 to 9.8. An outstanding achievement and a credit to all involved. Again, the support from staff in achieving these goals is commendable.

While ENERGEX has changed in the past decade, the community around us – and we are all part of that – has changed the way it expects this company to service its energy needs.

In the past 10 years around 290,000 additional homes and businesses have been connected to ENERGEX's South East Queensland (SEQ) electricity network which has grown from 42,000 kilometres of overhead powerlines and underground cables to more than 54,000 kilometres.

Network peak electricity demand has transformed from winter records to summer maximums. The summer peak record in January 2000 of 2,713 megawatts (MW) has increased by almost 75 per cent with the peak demand record of 4,768MW on 15 February 2010.

While peak demands are a stark challenge for all, the community's requirements for power has also continued to rise well above national averages with total energy use rising from 15,770 gigawatt hours (GWh) in 1999/00 to 22,005 GWh in 2009/10 – up almost 40 per cent. Much of this is driven by a surge in domestic air conditioning installations and other household appliances. Air conditioning levels alone make a stark reading – in 1999/00 around one quarter of SEQ homes had one air conditioner. That figure is now closer to 75 per cent, while the average family now has two systems and some 80,000 homes in the region have four or more.

Looking ahead

Given the changes in the past 10 years, it would be folly to think anyone could realistically see all the changes and challenges ahead, but I am sure that ENERGEX is well-placed to face those.

There are predictions of a near 50 per cent increase in population in the South East Queensland region in the next 20 years which in itself brings its own issues. It is clear the community is expecting us to continue to improve electricity reliability and provide power in different, more sustainable ways. Gone are the days where we can simply deliver major projects without community input.

The expectation of an increase in underground power is a prime example and it is interesting to note that already some 31 per cent of our local network is via underground cables and the forecasts are that we will be close to 50 per cent in 20 years time.

The five-year determination handed down by the Australian Energy Regulator (AER) in May this year gives the organisation the financial surety to meet the community's expectations for service delivery.

Key features of that decision are that we are aiming for a 40 per cent increase in network capacity – including 60 new substations – improved network reliability, and a continued strong focus on safety and service delivery.

However the AER decision is purely a blueprint that outlines and sets the targets we are expected to meet – and some of them are not going to be easily reached. In many ways it is just words on a page and it will be up to our staff, in their many and varied roles and with their broad range of professional experience and expertise, to deliver this with the support of our shareholders, the Directors and management.

Without doubt, ENERGEX staff are our biggest asset and through them I am sure we will achieve the lofty goals we have set ourselves.

John Dempsey
ENERGEX Chairman

BOARD OF DIRECTORS' profiles

John Dempsey

CHAIRMAN

ENERGEX LIMITED BOARD

ACIS, PNA, Grad Dip Acctg and Fin Mangt, Grad Dip Ag Econ, GAICD

In June 2008, John Dempsey was appointed Chairman after acting in the position since 1 January 2007.

John Dempsey was first appointed as a non-executive Director of the ENERGEX Limited Board in July 1999. He is a member of the Board's Audit and Compliance Committee and a member of the Corporate Development Committee.

John is also Chairman of Allconnex Water, a Director of Ceramic Fuel Cells Limited and Chairman of its Audit Committee. Formerly Deputy Mayor of the City of Cairns, he contributed to the development of the Management of the Wet Tropics World Heritage Area listing as Chairman of the Community Consultative Group.

He has had extensive experience in the Queensland rural industry and was an inaugural member of the Sugar Industry Tribunal in 1991, where he served for six years. Until recently John conducted a public accountancy practice in Brisbane, and has more than 30 years' experience in the field. He is an Associate of the Institute of Chartered Secretaries and also holds postgraduate diplomas in Accounting and Financial Management and in Agricultural Economics, and is a Graduate of the Australian Institute of Company Directors.

Maj. Gen. (Retired) Peter Arnison AC, CVO

DIRECTOR

BEcon, D Laws UQ, D Univ QUT, D Univ Griffith, D Letters USQ, D Univ SCU, FAICD

Peter Arnison was appointed a non-executive Director of the ENERGEX Limited Board in December 2004. He chairs the Network and Technical Committee and is a member of the Audit and Compliance Committee.

Peter served for 37 years in the Australian Army in a variety of Infantry command appointments, retiring as Land Commander, Australia, in June 1996. Following a year as Executive Director, Allied Rubber Products, he was appointed Queensland's 23rd Governor, serving from July 1997 to July 2003.

He is Chancellor of Queensland University of Technology; Chairman of The Centre for Military and Veterans' Health; and a Director of the Australian Multicultural Foundation.

Mary Boydell

DIRECTOR

BCom, FCA, MAICD

Mary Boydell was appointed a non-executive Director of the ENERGEX Limited Board in July 2005. Mary chairs the Remuneration Committee and is a member of the Network and Technical Committee.

She is a Chartered Accountant with extensive board experience in the private and public sectors, combined with senior management roles in commerce and the accounting and legal professions.

Mary is currently Commissioner of the Queensland Water Commission, Chairperson of the Gladstone Area Water Board and a Board Member of the CSIRO. Mary has previously served as the Chairperson of the Rural Industries Research & Development Corporation, as a Director of the Australian Trade Commission (Austrade), Burnett Water Pty Ltd and BSES Limited, Board Member of the Queensland Bulk Water Supply Authority and as an external adviser to Board Audit Committees in the public and private sectors. She is a former Chairman and Member of the Queensland Regional Council of the Institute of Chartered Accountants in Australia.

Emeritus Professor Mat Darveniza AO, FTSE

DIRECTOR

BEng, PhD, DEng, Hon DSc, FIEAust, FIEEE, LIVA

Mat Darveniza was appointed a non-executive Director of the ENERGEX Limited Board in December 2004. He is a member of the Network and Technical Committee and the Remuneration Committee. Mat's career in electrical engineering commenced with the Southern Electricity Authority of Queensland. He was appointed to the University of Queensland as an academic in 1959. He progressed to Professor in Electrical Engineering in 1980, and in 1998, was appointed Professorial Research Fellow (fractional) until 2008 and Emeritus Professor.

He has been active in professional committees on power systems, lightning protection and engineering education, including the Electricity Supply Association of Australia, Standards Australia, International Electrotechnical Commission, International Council of Large Electrical Systems (CIGRE), the Institute of Electrical and Electronic Engineers (IEEE), and Engineers Australia.

Mat has served on a number of Boards, including UniQuest Pty Ltd (1988–1993), National Association of Testing Authorities Australia (NATA) (1989–1995), Australian Academy of Technological Sciences and Engineering (ATSE) (1992–1995), UniSyd Pty Ltd (1992–1993) and Rotary Club of Brisbane Inc (2001–2003). He is the former Chairman of Lightning and Transient Protection Pty Ltd.

John Geldard

DIRECTOR

BCom, BEng, CPA FAICD

John Geldard was appointed a non-executive Director of the ENERGEX Limited Board in July 2005. He is Chairman of the Audit and Compliance Committee and a member of the Corporate Development Committee.

John has extensive experience within the private and public sectors in the manufacturing, mining and energy industries and has been involved with electricity industry reform in Queensland and Western Australia.

Previously, John has held executive positions at ENERGEX, including Chief Executive Officer between March and December 2000, and Chief Financial Officer from July 1997 to April 2001. Prior to this, John served as the Chief Financial Officer for the Queensland Transmission and Supply Corporation.

John is a Director of Electricity Supply Industry Superannuation (Qld), and is a previous Deputy Member of the Queensland Treasury Corporation Board.

Ron Monaghan

DIRECTOR

BA

Ron Monaghan was appointed a non-executive Director of the ENERGEX Limited Board in May 2008. Ron is Chairman of the Corporate Development Committee and a member of the Remuneration Committee.

Ron has extensive experience in industrial relations and is the General Secretary of the Queensland Council of Unions. Ron has previously been a Director of Intrust Super and is currently a Director of both Sunsuper and WorkCover Boards and a member of the ACTU Executive.

Kerryn Newton

DIRECTOR

LLM, MBA, MA, Grad Dip (Applied Finance and Investment), FAICD, AFAIM

Kerryn Newton was appointed as a non-executive Director of the ENERGEX Limited Board in October 2008. She is a member of the Audit and Compliance Committee and the Network and Technical Committee.

Kerryn was admitted as a solicitor of the Supreme Court of Queensland in 1991 and has worked in various legal and management roles in the private and public sectors. Her roles have included extensive experience as a lawyer and advisor for the Queensland Parliament and its parliamentary committees.

Currently Kerryn is Managing Director of a governance consulting firm and advises organisations on a wide range of governance and management issues. In addition, Kerryn is a Commissioner of the Queensland Gaming Commission and chairs the board of a large community housing company.

Terry Effeney

CHIEF EXECUTIVE OFFICER

BEng (Hons), BEcon, MEng, GAICD, RPEQ

Terry Effeney was appointed Chief Executive Officer of ENERGEX on 8 January 2007. Prior to joining ENERGEX, Terry held the role of Chief Operating Officer of Ergon Energy for three years and was an Executive Manager of Ergon Energy and its predecessor organisations for more than 10 years.

Throughout his career, Terry has gained extensive experience in senior line management at both operational and strategic levels, including roles in network and field operations management and business development. Since commencing his career with the Capricornia Electricity Board, Terry has held numerous engineering and strategic development roles throughout Queensland.

Terry is Deputy Chair of Energy Networks Association (ENA) and Chair of ENA's Smart Networks Committee.

Michael Russell

EXECUTIVE GENERAL MANAGER, CORPORATE GOVERNANCE AND GROUP COMPANY SECRETARY

BEng, MBA, Grad Dip AppCorpGov, GAICD, ACIS, MIEAust, CPEng

Michael Russell has been a company secretary for the ENERGEX Group Companies since March 2004, firstly in the position of Corporate Affairs Manager (Assistant Company Secretary) and from October 2004 as Acting Group Company Secretary.

In October 2007 he was appointed as General Manager Corporate Governance.

Michael joined the organisation when it was operating as SEQEB in 1984, and has held various engineering and management positions. In the past 10 years, his expertise in corporate governance has been developed through responsibilities that included the management of significant ENERGEX investments in a listed telecommunications company and in Ceramic Fuel Cells Limited.

Marnie White

SECRETARIAT AND GOVERNANCE MANAGER, COMPANY SECRETARY

BA, LLB, Grad Dip LP, Grad Dip AppCorpGov, ACIS

Marnie White was admitted as a solicitor of the Supreme Court of Queensland in July 2000 and practiced in a national law firm before joining ENERGEX as Legal Counsel Network in May 2005. She was appointed as Secretariat and Governance Manager (Assistant Company Secretary) in December 2007.

In 2009, she completed the Graduate Diploma in Applied Corporate Governance through Chartered Secretaries Australia.


ISUZU
energex
FVZ
429·KAH

CORPORATE governance

As a Government Owned Corporation (GOC), ENERGEX reports against the Corporate Governance Guidelines for Government Owned Corporations (the Guidelines), issued by the Queensland Government. The Guidelines reference the ASX Corporate Governance Principles and Recommendations, and provide the framework for all GOCs, including ENERGEX, to develop, implement, review and report on their corporate governance arrangements.

The Board and senior management continue to support the refinement of our evolving corporate governance framework, in accordance with these standards, through the adoption of a continuous improvement approach to governance.

During the year, we implemented improvements to our governance framework in response to the changing legislative environment in Queensland, with the introduction of the Right to Information and Information Privacy legislation (which commenced on 1 July 2009, repealing the *Freedom of Information Act 1992*). ENERGEX, now a government agency defined under the legislation, is required to provide access to information unless, on balance, it is contrary to the public interest to do so.

From 1 January 2010, the Crime and Misconduct Commission (CMC) now has jurisdiction over GOCs, including ENERGEX, in investigations it is conducting. The ENERGEX Chief Executive Officer (CEO) has an obligation to notify the CMC of suspected Official Misconduct as defined in the *Crime and Misconduct Act 2001*.

ENERGEX has responded to these legislative changes through amendments to its governance framework, including the introduction of compliant processes, policy amendments and training programs for staff.

HIGHLIGHTS

During 2009/10, we enhanced our governance framework through:

- reissuing the Corporate Governance Manual as the Directors' and Officers' Handbook to support Directors and Officers in their governance responsibilities
- expanding and updating the ENERGEX Corporate Governance website to comprehensively document ENERGEX's governance framework
- amending our Conflict of Interest Policy for compliance with the Code of Conduct and Conflicts of Interest Best Practice Guide
- responding to legislative change through updating our frameworks to implement the new Right to Information, Information Privacy and Integrity legislation as applicable to ENERGEX
- further enhancing the governance framework to support business management and decision making.

Our corporate governance framework applies to all our staff whether field or office worker.
Pictured: Crews worked safely and efficiently in Rosewood's town centre to complete an extensive replacement of power poles.

Principle 1 – Foundations of management and oversight

HIGHLIGHTS

- The Corporate Governance Manual was reissued as the "Directors' and Officers' Handbook" to focus on the duties and responsibilities conferred on these roles.

BOARD CHARTER

Our Board Charter, available on our website, provides a clear delineation between the roles and responsibilities of the Board and individual Directors, and the matters which are delegated to management. Our Board holds monthly meetings which focus on matters of strategic guidance for the company and effective oversight of management. Management's responsibilities are well defined through job profiles, performance agreements and the Board-approved Delegation of Authority framework.

BOARD COMMITTEES

The register of Board Committees, including a summary of their roles and memberships, is set out on pages 30-31. Management has also established a number of committees to support the governance of ENERGEX and each committee's role is defined in a Charter.

BOARD HANDBOOK

Our Directors' and Officers' Handbook is distributed to new Directors and is used as an integral part of the induction process. The Handbook defines the Board governance systems and supports Directors and senior managers in their governance responsibilities. It also facilitates Board operations and self-evaluation processes. Formerly the Corporate Governance Manual, the Handbook was revised and reissued during 2009/10 as the Directors' and Officers' Handbook to focus on the key duties and responsibilities of these roles.

DIRECTORS' INDUCTION

New Directors attend an induction session to provide them with an overview of our operations and information on the Board and Committee functions. The induction assists the Directors to understand their roles and responsibilities as an ENERGEX Director and our business and corporate expectations. During 2009/10, the induction process was extended to new senior executives to allow them, at the earliest opportunity, to participate fully and actively in management decision making.

ASSESSING SENIOR MANAGEMENT PERFORMANCE

A comprehensive and formal management performance evaluation regime for the CEO and senior management was conducted during 2009/10. The regime included individual executive performance agreements based on the achievement of well-defined Key Result Areas (KRAs) and Key Performance Indicators (KPIs), involving corporate, commercial and personal goals. From 1 July 2010, a new performance management program, Power to Perform, will be introduced across the business (for further information, see Principle 8).

Principle 2 – Structure the Board to add value

OUR DIRECTORS

Our Board of Directors, including the Chairman, are all independent, non-executive Directors. Our Directors are appointed by the Governor-in-Council in accordance with the *Government Owned Corporations Act 1993* (GOC Act). As such, the Board does not play a formal role in selecting directors or the size of the Board.

Our Board continually assesses the ongoing independence of each Director, with reference to the materiality thresholds (relationships affecting independence status) in the *ASX Corporate Governance Principles and Recommendations* (2nd edition).

Where a Director has an interest or a material personal interest in a matter being considered by the Board, the Director will declare that interest in accordance with Directors' obligations under the *Corporations Act 2001* and ENERGEX Limited Constitution. The Constitution provides that a Director must absent themselves from a meeting, including all deliberations and voting on a matter, where they have declared a material personal interest in the matter (the exclusions in section 195(2) of the *Corporations Act 2001* do not apply). In addition, an annual review of Directors' personal interests is also undertaken (this process was enhanced during 2009/10).

Details of Directors' skills, experience and expertise relevant to their position are set out on pages 16-19. The terms of office held by each Director at the date of this report, including the date each Director's appointment expires are set out in the Financial Report. Their attendances at Board and Committee meetings are also set out in the Financial Report.

DIRECTORS' ACCESS TO ADVICE AND TRAINING

The Board Charter provides that Directors may seek independent professional advice, at the company's expense, to assist them to carry out their duties as a Director. The Board also has access to continuing education and training, to maintain, update and enhance their skills, knowledge and experience.

ASSESSING BOARD PERFORMANCE

Our biennial Board performance evaluation was completed in June 2010 by an independent consultant. The evaluation, based on a high performance Board model, showed that the Board is highly committed, cohesive and appropriately skilled to carry out its duties in an effective manner. The review identified some minor improvement opportunities in areas such as the induction process for new Directors, stakeholder engagement and clarifying the role of one of the Board committees.

A written report will be provided to the shareholding Ministers outlining the results of the evaluation.

Principle 3 – Promote ethical and responsible decision making

HIGHLIGHTS

- We achieved a Corporate Responsibility Index score of 75.32 per cent for 2008/09 (page 72).
- Our Conflict of Interest Policy was updated to comply with the Code of Conduct and Conflicts of Interest Best Practice Guide for GOCs.

KEY GOVERNANCE POLICIES

We are committed to ethical and responsible decision making and have in place a suite of governance policies to establish this framework. These include the Code of Conduct, Compliance Policy, Fraud Control Policy, Delegation of Authority Policy, Conflict of Interest Policy, Reportable Gifts Policy and Purchasing Policy, and the ENERGEX Purchasing Manual. These policies apply to our Board and all personnel and are advocated through a top down approach by our Board and senior management. Additional obligations of Directors are set out in the ENERGEX Board Charter and the Directors' and Officers' Handbook.

CODE OF CONDUCT

Our Code of Conduct sets the standard for how we operate in accordance with business ethics, social objectives, corporate values and associated policies. Our Code of Conduct and Conflict of Interest policy align with *Managing Conflicts of Interest in the Public Sector – Guidelines and Toolkit,* jointly issued by the Crime and Misconduct Commission (Queensland) and Independent Commission Against Corruption (New South Wales). Our Code includes examples and scenarios to assist in ethical decision making. Our Code of Conduct is presently being reviewed to further align with the Code of Conduct and Conflicts of Interest Best Practice Guide. A copy of the Code of Conduct is provided to all existing and new employees and is readily available on the staff intranet. New employees receive induction training on ethical business practices, including the Code of Conduct.

The Board Charter includes a Directors' Code of Conduct to assist the Board in its decision making process. ENERGEX's advisers, consultants and contractors are expected to comply with high ethical standards aligned with the Code of Conduct. During 2009/10, our contracts with suppliers were updated to refer to the expectations of the Code of Conduct. A summary of the main provisions of the Code of Conduct is available on our website at www.energex.com.au/about_energex/code_conduct.html

REPORTING BREACHES OF GOVERNANCE POLICY

We have established processes for the reporting of breaches of governance policy and investigating reports of unethical practices. Employees have the option to report breaches anonymously via the 24 hour Disclosure Line, which is facilitated by an external provider. ENERGEX also has in place a reporting process for CEO notifications to the CMC of any suspected Official Misconduct, as defined in the *Crime and Misconduct Act 2001*. ENERGEX has a dedicated CMC Liaison Officer to manage this process.

TRADING POLICY

As our company is government owned, no Director or employee holds or trades securities in any ENERGEX Group Company. Our Conflict of Interest Policy includes a Restricted Trading Register, which supplements the legal duties which apply to Directors, officers and employees relating to the misuse of information or position and insider trading laws. A summary of this policy is available on our website at www.energex.com.au/about_energex/corporate_governance.html

Principle 4 – Safeguard integrity in financial reporting

AUDIT AND COMPLIANCE COMMITTEE

Our Board has in place the Independent Audit and Compliance Committee which oversees matters of financial integrity. Its duties and responsibilities are set out in its Charter which is available on our website at www.energex.com.au/about_energex/corporate_governance.html

The role of Chairman of the Committee is not held by the Chairman of the Board. Membership of the Committee is disclosed on page 30. Details of members' qualifications are included in profiles on pages 16-19. Attendance at meetings is disclosed in the Financial Report.

INTERNAL AUDIT

Our Internal Audit Group provides independent, objective assurance and advisory support, which is designed to add value and improve our operations. Internal Audit assists the CEO and members of the Board to accomplish their objectives by bringing a systematic, disciplined approach to evaluation of the effectiveness of risk management, control and governance processes, and supports management's improvement of these processes. Our Group Manager Internal Audit attends the Audit and Compliance Committee meetings to report on the status of the Internal Audit Plan.

During 2009/10, the Internal Audit Group was supported with contracted services for carrying out the ENERGEX Internal Audit Plan. During the year, a range of reviews were carried out in conjunction with the Internal Audit Group, with the reports ultimately submitted to the Audit and Compliance Committee. In accordance with the provisions of the GOC Act, the Queensland Auditor-General is the external auditor for ENERGEX Limited and its subsidiaries. The Audit and Compliance Committee reviews the performance of the external auditors on an annual basis.

FINANCIAL STATEMENTS

Our CEO and Chief Financial Officer (CFO) annually certify to the Board that the financial statements represent a true and fair view and are in compliance with accounting standards.

Principle 5 – Make timely and balanced disclosure

We adopt a broad approach to disclosure. We take into consideration the obligations set out in the GOC Act, relevant policies and other legislation in order to ensure accountability to the shareholding Ministers, who are in turn accountable to Parliament. Our shareholding Ministers have access to material information concerning our company, including our operations, financial performance, financial position and governance of our company and its subsidiaries. This requirement is similar to the continuous disclosure obligations which apply to listed companies under the ASX Listing Rules. In addition to submissions on specific matters, including regular briefing notes, we provide a quarterly report to shareholding Ministers.

A summary of our disclosure policy is available on our website at www.energex.com.au/about_energex/corporate_governance.html

Principle 6 – Respect the rights of Shareholders

REPORTING TO OUR SHAREHOLDERS

We report in a timely manner on all issues likely to have a significant financial, operating, social or environmental impact, in accordance with our obligations under legislation and government guidelines. We work cooperatively with the shareholding Ministers on these issues. Our Chairman is the principal liaison officer with the shareholding Ministers, both on a formal and informal basis, and meets regularly with the Portfolio Minister.

Our CEO and certain managers and employees liaise with representatives of shareholder departments on a regular basis. Management seeks the approval of our shareholding Ministers for projects in accordance with the GOC Act and GOC policy guidelines.

A summary of our disclosure policy is available on our website at www.energex.com.au/about_energex/corporate_governance.html

OUR DIVIDEND POLICY

Between 1 and 16 May each financial year, our Board makes a dividend recommendation to our shareholding Ministers in accordance with section 131 of the GOC Act. The 2009/10 dividend recommendation was 80 per cent of Operating Profit After Tax (OPAT) and is payable by 31 December 2010.

Principle 7 – Recognise and manage risk

ENERGEX's risk management practices recognise and manage all risks in delivering balanced commercial outcomes.

HIGHLIGHTS

- ENERGEX's Corporate Risk and Compliance Group developed and piloted a tertiary-accredited training course in Fundamentals in Risk and Compliance initially targeted at our senior managers.
- The Corporate Compliance Plan successfully delivered key foundation initiatives for providing robust and credible compliance management consistently across ENERGEX.
- Risk management activities were fully integrated with business planning to ensure that the context of risk management is retained throughout the course of all business decisions.
- Corporate Risk and Compliance Group's Business Impact Analysis tool incorporated into business planning process.
- ENERGEX's strategic response to a pandemic scenario was tested through a desktop exercise. The Corporate Emergency Management Team demonstrated competence in managing a significant event for ENERGEX within a State and National pandemic context.
- A joint emergency exercise was successfully conducted as part of the ENERGEX Summer Preparedness Plan 2009/10 involving ENERGEX, Ergon Energy, SPARQ Solutions, the Department of Employment, Economic Development and Innovation.
- The Financial Risk Management Committee was established to provide further oversight of financial risk management across the business.
- New legislation was implemented effectively, in particular, the cartel laws under the *Trade Practices Act 1974*, the *Crime and Misconduct Act 2001* (newly applicable to GOCs), the *Right to Information Act 2009* and the *Information Privacy Act 2009*.
- Extensive in-house legal training program was delivered covering topics such as the *Crime and Misconduct Act 2001*, *Right to Information Act 2009*, *Sustainable Planning Act 2009*, *Trade Practices Act 1974* and contract law.

RISK MANAGEMENT SYSTEMS

Towards the end of 2009, we adopted the international risk management standard (AS/NZS ISO 31000:2009 'Risk management – Principles and guidelines), which superseded AS/NZS ISO 4360:2004 Risk management. We utilise this Standard (together with Australian Standard AS 3806 – Compliance Programs) to manage a diverse and complex range of significant risks and enterprise-based risk management and compliance management frameworks. This standard has been implemented throughout the organisation to ensure material risks and compliance obligations are identified and appropriately managed.

The multitude of risks we manage includes network, financial, operational, people, strategic and commercial risks. Details of those risks and the type of controls in place are set out in Risk Registers managed by each division.

Accountabilities within the Enterprise Risk Management (ERM) Framework are explained below:

(a) Our Board maintains oversight of the ERM Framework's effectiveness through its Audit and Compliance Committee, which provides assurance that the corporation is properly meeting its obligations in relation to:

- financial integrity
- legal compliance
- business risk management
- ethics and integrity.

(b) Our Executive Management Team and its Risk Management and Compliance Committee have active risk management responsibilities. Material business risks and compliance incidents, and the effectiveness of their management, are continuously monitored and reported to the Board monthly through these channels.

(c) Our Corporate Risk and Compliance Group, within the Corporate Governance Division, supports the Audit and Compliance Committee in the discharge of its governance responsibilities through the maintenance of the Enterprise Risk Management Framework and implementation of a Corporate Compliance Framework.

INTERNAL CONTROL FRAMEWORK

Our Board is responsible for the overall internal control framework within ENERGEX, which is designed to provide reasonable assurance regarding the achievement of the organisation's objectives in the following categories:

- effectiveness and efficiency of operations
- risk management systems
- governance processes.

The internal control framework is comprised of:

- our Internal Audit Group, which provides an independent, systematic and disciplined approach to support improved risk management, financial control and governance procedures. Our internal auditors work with the Queensland Audit Office to ensure that procedures are effectively implemented and to guarantee the quality of information we disclose.
- policies and procedures including compliance training and auditing processes to ensure the affairs of the organisation are being conducted in accordance with relevant legislation, regulations and codes of practice. These procedures also ensure that Executive Management and the Board are made aware, in a timely manner, of any material matters affecting our operations and the effectiveness of management of those risks.

FRAUD CONTROL

We are committed to the prevention of fraud (including corruption). To provide an effective fraud control framework that is closely integrated with the broader ERM Framework, an integrated suite of strategies and initiatives has been established comprising:

- Code of Conduct and supporting governance policies which establish obligations in relation to ethical behaviour.
- Fraud Control Policy and Fraud Control Standard which establish obligations for fraud identification and prevention as well as setting out the processes for ongoing monitoring and coordination of fraud control activities, including the processes for reporting, recording and investigating allegations of fraud.
- Fraud (including corruption and suspected Official Misconduct) investigation capabilities, standards and protocols.
- The independently operated 24 hour Disclosure Line. The Disclosure Line is a means by which employees can report any concerns regarding unethical conduct, breaches of the Code of Conduct (and its supporting corporate policies) or breaches of the law (such as suspected fraud) or suspected Official Misconduct (for notification to the CMC).
- Reporting processes, including a dedicated CMC Liaison Officer who manages the obligations under the *Crime and Misconduct Act 2001* to enable the CEO to carry out his obligation to notify the CMC of suspected Official Misconduct.

Principle 8 – Remunerate fairly and responsibly

HIGHLIGHTS

- Our new performance management program, Power to Perform, was implemented on 1 July 2010.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board oversees employee remuneration and performance policy. Membership of the Committee is set out on page 30. The Committee's Charter sets out the roles and responsibilities of committee members and is available on our website at www.energex.com.au/about_energex/corporate_governance.html.

REMUNERATION POLICY

Our remuneration strategy and practices are aimed at ensuring we attract, retain and motivate high calibre employees at all levels by providing an appropriate combination of competitive, fixed and variable remuneration components. We comply with the *Remuneration Guidelines for Chief and Senior Executives in Government Owned Corporations* to achieve a balance between public accountability and transparency and our need to attract and retain high calibre staff from competitive labour markets. Our senior executive remuneration arrangements are subject to approval or endorsement by the shareholding Ministers, complying with specific key criteria.

We also have a comprehensive suite of procedures and policies to govern remuneration practices in accordance with GOC guidelines. Senior executive remuneration is disclosed in the Financial Report (in accordance with accounting rules and government guidelines).

Directors' remuneration is established independently by the shareholding Ministers and is approved by the company in a general meeting in accordance with the company's Constitution. Directors' remuneration is disclosed in the Financial Report.

ASSESSING PERFORMANCE

To reinforce our performance-based culture, we offer a six monthly performance pay scheme which is linked to our KRAs and KPIs. During 2009/10, we measured progress towards the achievement of our Vision and Purpose through success against nine KRAs and KPIs.

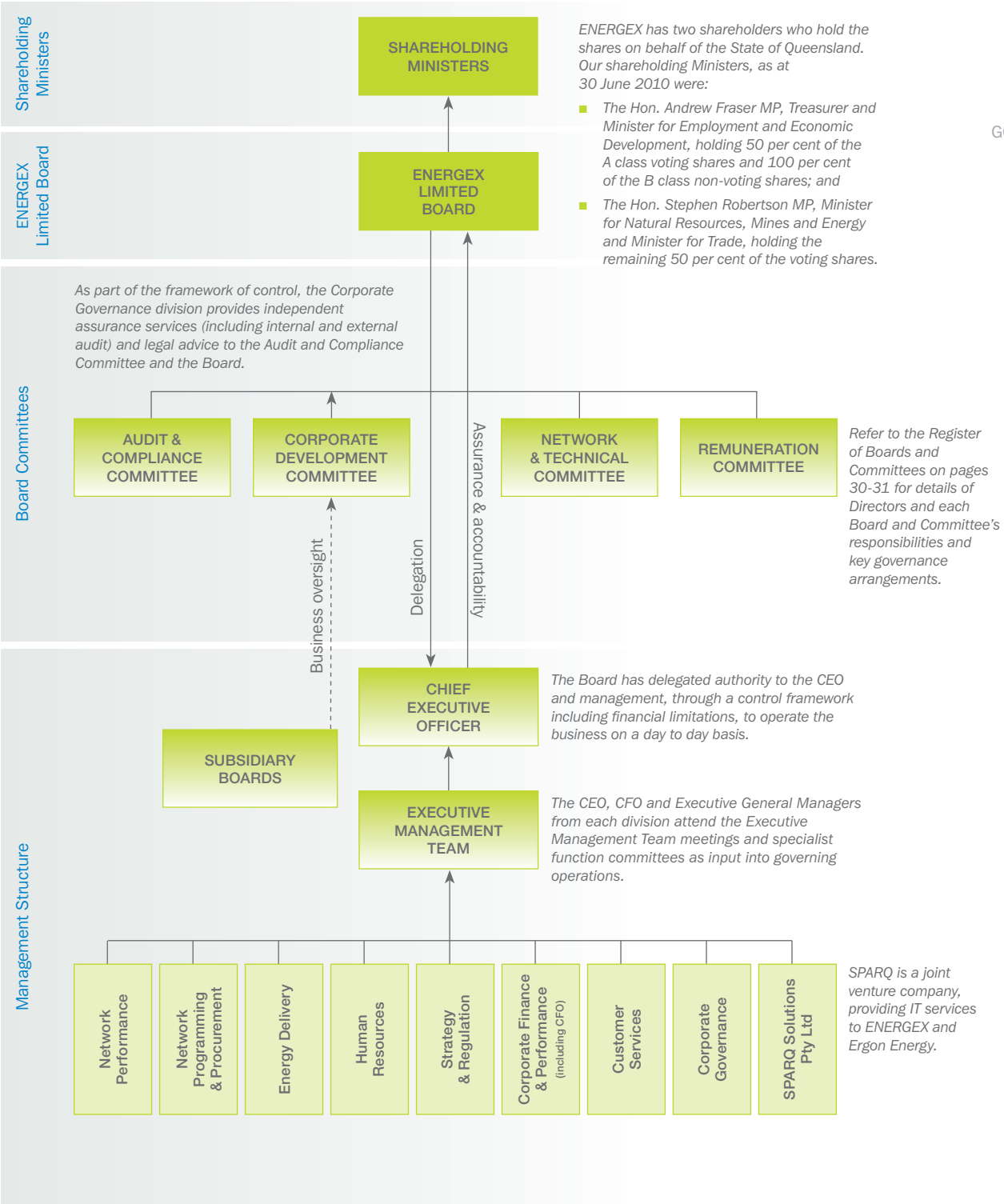
From 1 July 2010, a new performance management program, Power to Perform, will be introduced across the business. Power to Perform aims to improve performance management processes and practices across ENERGEX and strives towards a performance focused culture which is critical to our people and safety strategy. The new framework promotes continual performance and development conversations between the employee and the leader.

Legislative framework

We operate in accordance with various laws and regulations, the most significant of which are listed below:

- *A New Tax System (Goods and Services) Tax Act 1999 (Cth)*
- *Anti-Discrimination Act 1991 (Qld)*
- *Building and Construction Industry Payments Act 2004 (Qld)*
- *Corporations Act 2001 (Cth)*
- *Crime and Misconduct Act 2001 (Qld)*
- *Dangerous Goods Safety Management Act 2001 (Qld)*
- *Electrical Safety Act 2002 (Qld)* and *Electrical Safety Regulation 2002 (Qld)*
- *Electricity Act 1994 (Qld)* and *Electricity Regulation 2006 (Qld)*
- *Electricity Industry Code 4th Edition 2008 (Qld)*
- *Electricity – National Scheme (Queensland) Act 1997 (Qld)*
- *Environmental Protection Act 1994 (Qld)* and *Environmental Protection Regulation 2008 (Qld)*
- *Environmental Protection (Waste Management) Regulation 2000 (Qld)*
- *Fair Work Act 2009 (Cth)* and *Fair Work Regulations 2009 (Cth)*
- *Government Owned Corporations Act 1993 (Qld)* and *Government Owned Corporations Regulation 2004 (Qld)*
- *Income Tax Assessment Act 1936 (Cth)*
- *Income Tax Assessment Act 1997 (Cth)*
- *Information Privacy Act 2009 (Qld)*
- National Electricity (Queensland) Law as set out in the schedule to the *National Electricity (South Australia) Act 1996*
- *National Electricity (Queensland) Regulations* under the *National Electricity (South Australia) Act 1996*
- National Electricity Rules Version 35 2010
- *Nature Conservation Act 1992 (Cth)*
- *National Greenhouse and Energy Reporting Act 2007 (Cth)*
- *Privacy Act 1988 (Cth)*
- *Property Law Act 1974 (Qld)*
- *Queensland Building Services Authority Act 1991 (Qld)*
- *Queensland Competition Authority Act 1997 (Qld)* and *Queensland Competition Authority Regulation 2007 (Qld)*
- *Right to Information Act 2009 (Qld)*
- *Sustainable Planning Act 2009 (Qld)*
- *Trade Practices Act 1974 (Cth)*
- *Vegetation Management Act 1999 (Qld)*
- *Workplace Health and Safety Act 1995 (Qld)* and *Workplace Health and Safety Regulation 2008 (Qld)*

Our corporate governance framework and organisational structure



ENERGEX has two shareholders who hold the shares on behalf of the State of Queensland. Our shareholding Ministers, as at 30 June 2010 were:

- *The Hon. Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares; and*
- *The Hon. Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade, holding the remaining 50 per cent of the voting shares.*

As part of the framework of control, the Corporate Governance division provides independent assurance services (including internal and external audit) and legal advice to the Audit and Compliance Committee and the Board.

Refer to the Register of Boards and Committees on pages 30-31 for details of Directors and each Board and Committee's responsibilities and key governance arrangements.

The Board has delegated authority to the CEO and management, through a control framework including financial limitations, to operate the business on a day to day basis.

The CEO, CFO and Executive General Managers from each division attend the Executive Management Team meetings and specialist function committees as input into governing operations.

SPARQ is a joint venture company, providing IT services to ENERGEX and Ergon Energy.

The Executive Management Team implements the Board's strategies and policies through the delegation of authority framework. Each division has a business plan with defined Key Result Areas and KPIs which link to the corporate ENERGEX business plan. Individual staff roles are defined in Job Profiles and goals are set out in Individual Performance Agreements.

Our corporate governance framework and organisational structure

Register of Boards and committees

MEMBERSHIP	KEY ACCOUNTABILITIES
ENERGEX Limited	
▪ Mr John Dempsey (Chairman) ▪ Maj. Gen. Peter Arnison ▪ Ms Mary Boydell ▪ Emeritus Prof. Mat Darveniza ▪ Mr John Geldard ▪ Mr Ron Monaghan ▪ Ms Kerryn Newton All Directors, including the Chairman, are independent, non-executive directors.	▪ Responsibilities under section 88 of the GOC Act ▪ Provides the overall strategic direction of the corporation ▪ Provides approval of the Statement of Corporate Intent, Corporate Plan, Network Management Plan and Demand Management Plan ▪ Oversees effective governance, leadership and management oversight ▪ Monitors safety, environmental, and financial performance ▪ Informs shareholding Ministers of the operations, financial performance and financial position of the corporation and subsidiaries ▪ Provides formal delegations of authority to the CEO, management and other specified officers.
Subsidiary Boards	
The subsidiary Boards are comprised of Executive Directors from the Executive Management Team (in most cases, the CEO, CFO and one Executive General Manager).	▪ Subsidiary companies were established to manage a number of ENERGEX's unregulated business activities.
Audit and Compliance Committee	
▪ Mr John Geldard (Committee Chair) ▪ Mr John Dempsey ▪ Maj. Gen. Peter Arnison ▪ Ms Kerryn Newton The role of the Audit and Compliance Committee Chairman is not held by the Chairman of the ENERGEX Limited Board. The internal and external auditors attend Committee meetings by way of standing invitation.	▪ The Audit and Compliance Committee provides assurances to the Board that ENERGEX Limited is properly meeting its obligations in relation to: – financial integrity – legal compliance – business risk management – ethics and integrity.
Corporate Development Committee	
▪ Mr Ron Monaghan (Committee Chair) ▪ Mr John Dempsey ▪ Mr John Geldard	▪ Considers the appropriateness of, and makes recommendations in relation to, significant and complex corporate development proposals prior to their presentation to the Board ▪ Considers and advises on the prioritisation and cost control of corporate development initiatives ▪ Reviews unregulated business ventures of ENERGEX and its subsidiaries.
Network And Technical Committee	
▪ Maj. Gen. Peter Arnison (Committee Chair) ▪ Emeritus Prof. Mat Darveniza ▪ Ms Mary Boydell ▪ Ms Kerryn Newton	▪ Recommends strategy and approaches to the Board on network and technical issues ▪ Provides oversight of ENERGEX's approach to network standards and technological innovation ▪ Provides oversight of ENERGEX's fulfilment of its commitments under the Network Management Plan to provide a reliable, safe and cost effective electricity supply.
Remuneration Committee	
▪ Ms Mary Boydell (Committee Chair) ▪ Emeritus Prof. Mat Darveniza ▪ Mr Ron Monaghan	▪ The Remuneration Committee provides oversight and recommendations to the Board on: – Strategic remuneration and employment matters including Board approved policies and remuneration, and workplace agreement frameworks – The senior executive succession planning – ENERGEX's obligations in relation to remuneration, superannuation and employment matters under law and government policy. – Directors' skills, induction program and performance reviews.

SIGNIFICANT MATTERS DURING 2009/10	KEY GOVERNANCE ARRANGEMENTS
KEY BOARD DECISIONS	
■ Oversight of ENERGEX's safety and environmental performance ■ Oversight of the Program of Work, including the approval of network projects and procurement contracts exceeding the CEO's delegation of authority ■ Oversight of the company's financial performance, including the approval of the 2008/09 Financial Statements ■ Oversight of the regulatory proposal submission to the Australian Energy Regulator, including Board Certifications ■ Approval of the Statement of Corporate Intent, Corporate Plan, Network Management Plan, Demand Management Plan and Summer Preparedness Plan ■ Oversight of the process for the completion of, and relocation to, the Newstead office building.	The attendance of the Directors at meetings of the Board is presented in the Directors' Report section in the Financial Report. The ENERGEX Limited Board has a Constitution and Board Charter including a Directors' Code of Conduct.
■ Winding down of the Varnsdorf operations in Victoria ■ Divestment of non-core assets ■ Deregistration of Beak Industries Pty Ltd (pending as at 30 June 2010).	Subsidiary governance aligns with the ENERGEX Limited standards. The Corporate Development Committee maintains oversight of these businesses on behalf of the Board. If dormant and no longer required, subsidiaries are voluntarily wound up or deregistered.
COMMITTEE RECOMMENDATIONS AND OVERSIGHT (in addition to standing Committee responsibilities)	
■ Oversight of: – The financial performance of the company – The preparation of the ENERGEX Limited Financial Statements, including endorsement to the Board for approval – Internal and external audit activities – Assessing the effectiveness of ENERGEX's treasury, risk management, compliance and governance policies.	Committee Governance: ■ A Charter is in place (reviewed annually) for each Committee and is available on the ENERGEX website at http://www.energex.com.au/about_energex/corporate_governance.html ■ Charters set out the specific duties (to provide oversight on behalf of, and recommendations to, the Board, in relation to specific matters) and governance arrangements ■ The Chief Executive Officer and senior executives are invited to Committee meetings at the discretion of the Committee ■ Committees may seek assistance in carrying out their duties by engaging suitably qualified external advisers ■ The qualifications of each Committee member is presented in the Directors' profiles on pages 16-19, and their attendance at meetings is presented in the Director's Report in the Financial Report.
■ Oversight of: – Strategic review of remaining unregulated businesses, including divestments and transition processes as appropriate – Preparation of our regulatory proposal to the Australian Energy Regulator.	
■ Oversight of: – Development of the network vision and strategy and Joint Network Vision Outlook to 2030 (with Ergon Energy) – Preparation of the Network Management, Demand Management and Summer Preparedness Plans – Network operating and maintenance initiatives.	
■ Oversight of: – Review of employment policies and frameworks, aligned with legislative and GOC policy requirements. – Development of the revised performance management process, Power to Perform – Senior executive succession planning and recruitment.	

CHIEF EXECUTIVE OFFICER'S report

The past 12 months have been what could be referred to as a platform year for ENERGEX. We have seen a lot of preparation work laying the foundations for the future for which we have received a significant budgetary increase to assist us keep pace with South East Queensland's growing reliance on energy.

Being granted somewhat of a reprieve from extended periods of severe weather during the 2009/10 financial year has allowed us to focus on this platform through network growth and enhancement. It has also enabled us to continue our customer focus firmly on providing leading energy solutions to the community through cutting edge technology and education programs.

We have also seen a significant amount of preparatory work as the organisation readies itself to move to the new corporate headquarters at Newstead. This move will be the largest migratory move in terms of staff and technology the organisation has undertaken and see many arms from within the business come under the one roof for the first time. Not only do we save money by exiting our CBD premises, the new facility will assist us to work more efficiently and allow us to better service the needs of the South East Queensland community.

The past year has been an exciting period in the energy delivery industry and I sincerely thank each of our staff for their commitment to this vital service. However, this is just the beginning of what can only be described as the next era of delivering energy services to our customers in SEQ.

Safety

Safety is the first value for ENERGEX and this year has been one of which we can all be proud.

The Zero Incident Process program continued its roll out and was linked to the Personal Big 5 concept. This concept asked us to identify the five most important things in our lives and to consider them before undertaking tasks at work to give us further motivation to work safely.

It has been a sobering concept reminding us that remaining safe at work is not only important from a personal perspective, but also for those who we go home to at night and has been a primary driver in achieving such a successful safety record this year.

We have achieved our lowest ever number of Lost Time Injuries and Lost Time Injury Frequency Rates over the past 12 months and I commend all staff, especially our safety teams, for establishing and maintaining safe work practices and work places.

While our goal will always be zero workplace injuries, the following statistics are proof we are working positively toward this achievement. In 2007/08 ENERGEX recorded 961 days lost to injury and 398 the following year. This year 69 days were lost due to injury – a vast reduction and a significant improvement.

Service delivery and our customers

ENERGEX is committed to providing the best possible service delivery within budget while remaining aligned to community sentiment and expectations.

This year we have met customers' energy requirements by delivering an extensive program of works through the Program of Works Improvement Program (PoW IP).

The program delivered $1.24 billion in network building and maintenance which included 16 new and upgraded zone substations to increase capacity and 409 kilometres of new 33 and 11kV powerlines to improve reliability. It was pleasing to see the completion of large projects such as Myrtletown to Nudgee, the ENERGEX commitment within Airport Link Northern Busway and 20 other upgrades on the major tasks list.

The completion of these projects can only be realised with the cohesion of every department within ENERGEX and with the understanding of the community. This year our field crews and administration teams worked with the community to ensure any social impacts were minimised and environmental challenges responsibly managed.

This is a fine balance we continue to manage and one I believe has helped mould ENERGEX into one of the country's most trusted brands. This is not to say we will rest on yesterday's successes. ENERGEX is an organisation that will continue to lead the industry through innovation, achievement and commitment.

The future and our responsibilities

The Australian Energy Regulator (AER) has entrusted ENERGEX with a significant budget to deliver high quality electricity services to South East Queensland.

The AER's decision sets the framework for expenditure over the next five years and gives certainty to ENERGEX's operations.

We need to remain accountable in our program of works and as the custodian and administrator of this budget, it is incumbent on us to meet, deliver and where possible exceed the high quality community and network outcomes expected of us.

ENERGEX will continue to maintain and improve its core business of delivering safe and reliable electricity. As a member of the greater South East Queensland community and mindful of the challenges our industry faces, such as changing electricity pricing, we will continue to be a responsible corporate citizen in the way we conduct our business.

The network's future form is also factored into this budget in terms of research and development. ENERGEX has always been an industry leader and we will continue to transform the network allowing for emerging technological changes in the e-commerce sector, emerging electricity generation and storage capabilities, electric transportation and climate change.

Terry Effeney
ENERGEX Chief Executive Officer

EXECUTIVE team

In September 2009, a new division Strategy and Regulation was established, headed up by Executive General Manager Kevin Kehl. This division provides a single focal point for coordination of ENERGEX's business and regulatory strategies and ensures the future business challenges are identified and managed consistent with our vision and values.

Terry Effeney

ENERGEX CHIEF EXECUTIVE OFFICER

Darren Busine

CHIEF FINANCIAL OFFICER

BEcon, FCPA, FFin, GAICD

Areas of responsibility: *Commercial and Finance, Financial Control, Performance Management, Strategic Change and Program Management, Taxation and Treasury.*

The Corporate Finance and Performance (CF&P) Division provides leadership to ENERGEX in the delivery of balanced commercial outcomes. To support this objective, the division provides a combination of centralised financial management functions and commercial business partnering support through its operational groups.

In 2010/11, Darren and his division will continue to take a leadership role in the delivery of ENERGEX's Business Performance Strategy and attainment of balanced and sustainable outcomes for ENERGEX. This means that ENERGEX will deliver its outcomes in line with its Regulatory Determination. We will achieve this by continuing to drive improved efficiencies to meet our increasing Program of Work and associated business objectives, whilst managing costs.

Michael Russell

EXECUTIVE GENERAL MANAGER CORPORATE GOVERNANCE

BEng, MBA, Grad Dip AppCorpGov, GAICD, ACIS, MIEAust, CPEng

Areas of responsibility: *Legal, Internal Audit, Secretariat and Governance, and Corporate Risk and Compliance.*

At ENERGEX, we are committed to applying the highest standards of corporate governance to create and maintain a positive and ethical culture. Michael and his division are responsible for ensuring we conduct our business in accordance with the best practice standards of corporate governance, with a focus on legal compliance, ethics, accountability and corporate social responsibility. They manage the Board of Directors' activities, ensuring processes run smoothly and effectively. They coordinate the corporate governance practices to help improve the performance of the company for the benefit of all stakeholders, ensuring economic growth. To achieve this, they work within a corporate governance framework which includes management standards, reporting, external accountability, and risk management.

Executive team members, left to right: Terry Effeney, Darren Busine and Michael Russell.

Our Executive Team brings a complementary mix of skills and experience in the energy, resources, finance, legal and engineering sectors. Each division plays a vital role in working to meet our current and future challenges.

Chris Arnold

EXECUTIVE GENERAL MANAGER
NETWORK PERFORMANCE

BEng (Elec), Post Grad Dip Bus Management, MIE Aust, CPEng, RPEQ, GAICD

Areas of responsibility: *Corporate Occupational Health and Safety, Network Capital Planning, Network Asset Management, Systems Engineering, Environmental Management, Network Property Data and Coordination, and Demand and Risk Management.*

Chris and his division are responsible for the strategies and plans which enable us to build and maintain the ENERGEX network.

The division maintains a focus on the future, developing plans for several years down the track. They place a high priority on understanding how population growth and changing customer needs are driving infrastructure development. This allows us to keep pace with growth and be proactive when it comes to sustainability. While this is a challenging process, it ensures we develop our infrastructure in line with the needs of our customers in South East Queensland.

With the recent approval of ENERGEX's five-year Network Management Plan by the Australian Energy Regulator (AER), a key focus for the division will be to implement the AER strategies including capital and operating plans, Service Target Performance Incentive Scheme (STPIS), and a new connection process.

Susan Kehoe

EXECUTIVE GENERAL MANAGER
HUMAN RESOURCES

GAICD, BSocWk, BA, MBus

Areas of responsibility: *People Strategy, Workforce Planning, Organisational and Leadership Development, Remuneration and Benefits, Industrial Relations, Employee Health and Wellbeing, Human Resource Operations and Systems, Staff Communications, and Human Resources Consultancy Support.*

Susan and her team play an active role in supporting managers to make ENERGEX a great place to work as well as acting as advocates for our people. They are responsible for ensuring we have the right mix of people and the right mix of skills to achieve our business goals. This is done through planning, recruitment, training and development, a positive workforce culture, staff engagement and effective management of people's performance. A high priority is placed on gathering staff feedback and acting on it to improve ENERGEX both as a business and as a place to work. This process occurs on a regular basis to ensure a positive working environment where people can do their best everyday and where valuable contributions can be made to our company.

One of their biggest challenges is supporting managers and staff in dealing with people issues across all levels of ENERGEX. To do this they provide both strategic and operational support to managers to help bring out the best in their people and to create a constructive and collaborative working environment. Some of the key projects include the Power to Perform, Workforce Composition and the Wellness Program.

Executive team members, left to right: Chris Arnold and Susan Kehoe.

Kevin Kehl

EXECUTIVE GENERAL MANAGER
STRATEGY AND REGULATION

BEng (Hons), Grad Cert Elect Supp Eng

Areas of responsibility: *Strategy and Development, Revenue Strategy, Regulatory Affairs, Corporate Strategy and Strategic Initiatives.*

The Strategy and Regulation Division was established in recognition of the significant challenges ENERGEX will face in the coming years and the need for robust strategic analysis to be aligned with the national regulatory framework. Kevin and his division's key role is to provide organisational leadership and capability in the areas of strategy and regulation. The makeup of the division recognises the key operations of ENERGEX as a regulated corporation and the fundamental link between our strategic direction and our regulatory framework and approach. Securing our funding is fundamental to our capacity to grow, maintain the network and provide services to our customers. The division is also responsible for the identification and assessment of new business opportunities both within and external to our regulatory activities.

In November 2009 the ENERGEX Board approved "Strategic Direction – Moving Beyond 2015", a document that extended the organisation's focus to challenges that ENERGEX expects to face in the longer term.

Bill Lyon

EXECUTIVE GENERAL MANAGER
ENERGY DELIVERY

BBus, CertMgt, AssocDipEE

Areas of responsibility: *Design, Projects and Works Management, Field Services, Major Projects, Network Operations, Improvement and Delivery Support, and Contract Delivery.*

The Energy Delivery Division's key responsibility is to provide customers' energy needs by safely and efficiently designing, constructing, maintaining and operating ENERGEX's network. Specifically, the division delivers ENERGEX's Program of Work (PoW), according to program scope, cost, hours and time targets. While the PoW is developed by Network Performance and programmed by Network Programming and Procurement, it is scheduled and delivered by Energy Delivery.

Energy Delivery has a vast scope of work, including field operations, network customer services, transmission, and network operations. In 2010/11, Bill and his division will continue to support the implementation of the Program of Work Improvement Program (PoW IP), which began in 2008/09, aimed at improving the efficiency and effectiveness of our PoW process.

Executive team members, left to right: Kevin Kehl and Bill Lyon.

Peter Price

EXECUTIVE GENERAL MANAGER NETWORK PROGRAMMING AND PROCUREMENT

BEng (Hons), MEng Sc

Areas of responsibility: *Field Support, Metering Dynamics, Joint Workings, Network Program Management Office, Commercial and Compliance, Business Performance, and Procurement.*

Peter has a diverse range of activities within the Network Programming and Procurement (NPP) divisional portfolio. Peter's key accountabilities are the safe and efficient resourcing and programming of the Program of Work (PoW), and the delivery of financial results through leveraging core skills.

To deliver the PoW for ENERGEX requires an efficient end-to-end process focused on effective planning, programming and delivery activities. To achieve a successful outcome, NPP partners closely with the Network Performance Division for planning, and Energy Delivery Division for delivery, to provide energy safely to our customers. In this relationship, NPP has responsibility for: the provision of the PoW program and supporting resource planning; field support services, including the development and delivery of technical training, provision of fleet and safety tools and equipment; and the end-to-end procurement supply chain for materials and services across the business.

Peter also manages other key commercial activities on behalf of ENERGEX. These activities are focused on delivering improved commercial outcomes and include: the relationship with and contract management of large commercial customers; Joint Workings initiatives with Ergon Energy; and management of the non-regulated businesses which leverage ENERGEX's core skills to generate non-regulated revenue. These non-regulated businesses provide services including metering and information, provision of materials to subdivision developers, and embedded and mobile generation support for the network.

In 2010/11, major projects for NPP will include the deployment of the Program of Work Improvement Program (PoW IP), Joint Workings and Alternative Control Services.

Peter Weaver

EXECUTIVE GENERAL MANAGER CUSTOMER SERVICES

BCom, MBA, FAICD

Areas of responsibility: *Business Support Services, Customer Contact Group, Corporate Communications, Customer Advocacy, Energy Market Services, Government Relations, and Property Services.*

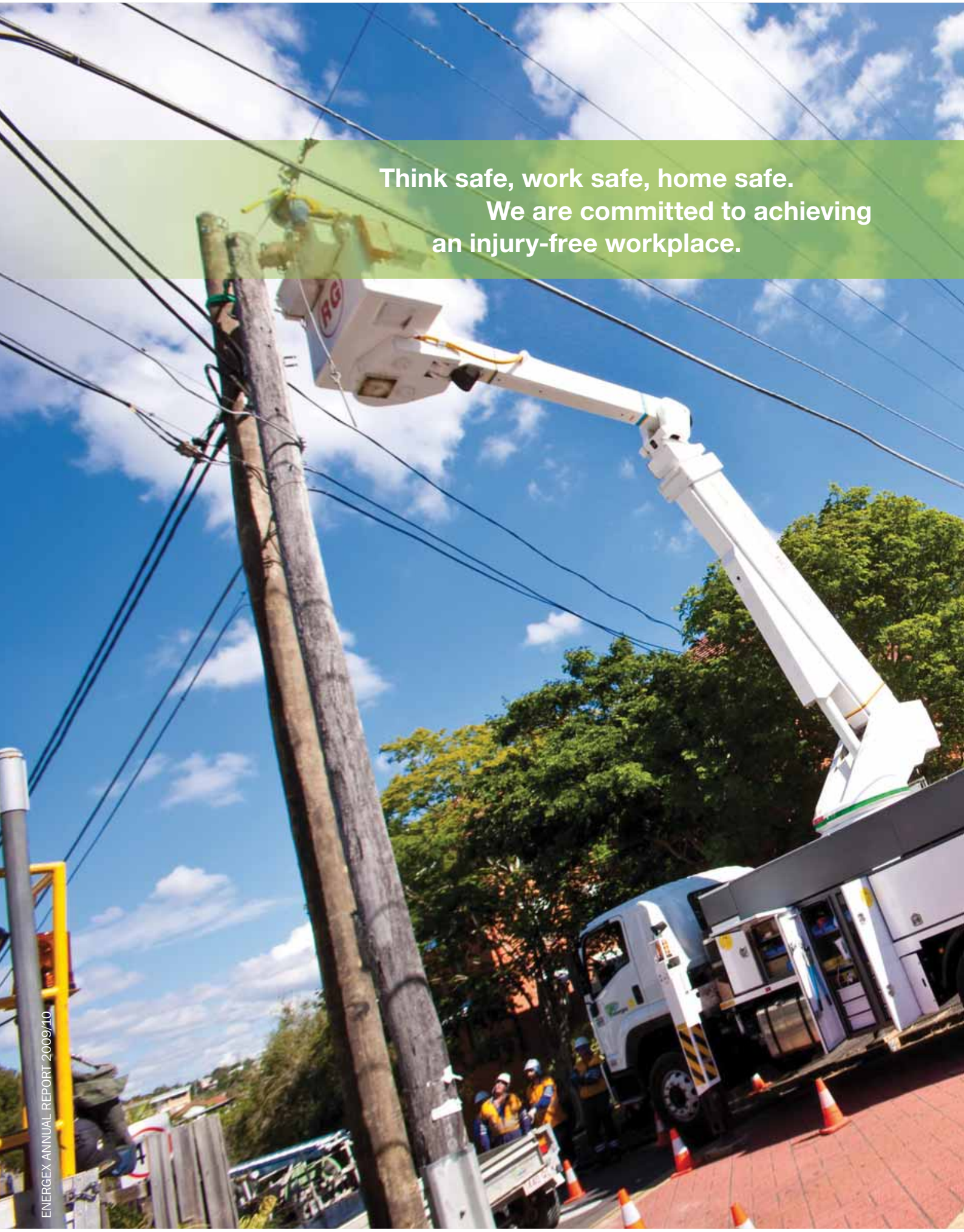
The Customer Services Division has three key responsibilities: the primary interface between ENERGEX and our customers and stakeholders; the provision of business and commercial property services; and the control of 'meter to cash' processes for Distribution Use of System (DUOS) revenue.

Through the consistent management of our incorporated groups, the division is responsible for managing the key relationships with our customers and stakeholders. The focus is ensuring our service standards meet statutory and community expectations and that we continue to improve our service performance.

The division provides support services for the network and administrative functions within the business, and is a key link between the designing and planning of work and the construction functions. They also play a significant role in the energy retail market by providing retailer requested connection services, metering infrastructure and meter consumption data. This role includes the management of the retailer/Australian Energy Market Operator (AEMO) interface and the energy market settlement.

In 2010/11, major projects will include the Meter to Cash Process Improvement, Customer Strategy, Program of Work Data Quality Project, Connections Process Improvement, Newstead office accommodation, ENERGEX Corporate Property Strategy and Joint Workings.

Executive team members, left to right: Peter Price and Peter Weaver.


Think safe, work safe, home safe.
We are committed to achieving
an injury-free workplace.

LIVING OUR VALUES

put safety first

WHAT WE DO

Put our safety and the safety of other people first at all times, and in all situations.

Identify and correct behaviours and situations that could lead to injuries.

Speak up about safety concerns and suggest improvements.

Follow ENERGEX's safety non-negotiables.

Encourage and support a whole-of-life approach to safety – think SAFE, work SAFE, home SAFE.

Pictured: As part of our commitment to safety and external accreditation of our safety standards, a safety observer is on-site for all work carried out.

PUT SAFETY FIRST – safety, health and wellbeing

KEY OUTCOMES 2009/10

- Delivered second year initiatives of our five-year Health and Safety Strategic Plan on time and within budget
- Lost Time Injury (LTI) total of seven (2008/09: 16) and Lost Time Injury Frequency Rate (LTIFR) of 1.00 (2008/09: 2.34)
- Launched the new Employee Wellness Program including the appointment of a specialist Health and Wellness Consultant
- Implemented the new internal safety communications strategy to ensure consistency across the business
- Continued to benchmark our safety strategies and systems against our peers.

At ENERGEX there is no greater value than the safety of our staff, contractors and the community. Our commitment to safety extends across every part of the company and is an underpinning driver to the business. Our goal is zero injuries within our workplace as well as the wider community. This year we continued to make significant progress towards this goal through the implementation of targeted initiatives aimed at eliminating, reducing or controlling the inherent risks that come with operating an electricity network.

Maintaining a safe work environment

We have long upheld a safety-first culture throughout ENERGEX. However this year, there has been a positive shift throughout the company, demonstrated by the results now being seen from our five-year Health and Safety Strategic Plan.

The plan provides a structured approach to reducing the risks associated with our operational activities under four key areas: high risk activities, moderate risk activities, systems and processes, and behavioural safety. The second year of the plan saw 17 projects implemented to continue the focus on reducing these risks.

Achieving key safety milestones

We achieved significant safety performance milestones this year including our lowest ever number of Lost Time Injuries (LTI), Lost Time Injury Frequency Rate (LTIFR) and Lost Time Injury Severity Rate (LTISR) on record. Our LTI has reduced by 56 per cent, LTIFR by 58 per cent and LTISR by 84 per cent.

These results, shown in Table 1, have reaffirmed the positive impact of our intervention strategies and programs. While we have not yet reached our ultimate goal of zero injuries, we are achieving progress.

An additional safety performance measure was introduced in 2009/10, the Compensable Claims Frequency Rate Severity (CCFRS), replacing the Compensable Claims Frequency Rate (CCFR). This new rate measures compensable claims greater than 14 days duration, to differentiate from those claims that are the result of early intervention.

The eSafe database used to record incident and audit data, also progressed with ENERGEX-specific customisations being implemented. The database is becoming a core tool for measuring performance and identifying safety trends.

Table 1: Workplace key safety indicators

KEY SAFETY PERFORMANCE INDICATORS	2007/08	2008/09	2009/10
Lost Time Injury Frequency Rate (LTIFR) – total number of lost time injuries per million hours worked during the year	3.62	2.34	1.00
Lost Time Injury Severity Rate (LTISR) – days lost per million hours worked in the year	139.12	58.20	9.81
Compensable Claims Frequency Rate Severity (CCFRS)	–	–	2.99
Lost Time Injuries (LTIs) – number of work-related injuries with: defined onset, a medical certificate of incapacity, one or more whole days lost and an accepted WorkCover claim	25.00	16.00	7.00
Days lost to LTIs	961.00	398.00	69.00

Maintaining external accreditation

Our safety management system retained its accreditation to AS/NZS 4801 Occupational Health and Safety Management Systems and the Electrical Safety Office requirements set out in the *Electrical Safety Act 2002.* Additionally, to ensure adherence to the requirements of the legislation and safety management system, a risk-based internal auditing process was conducted. This audit identified opportunities to improve our safety performance.

A contemporary risk management process, aligned with the requirements of AS/NZS ISO 31000: 2009 Risk Management, continued to be used throughout the business to accurately identify risks associated with operational activities. This process is at the forefront of contemporary risk management science and has attracted the interest of external safety and risk peers.

Empowering to change behaviour

This year we continued to roll out our cognitive behavioural safety program, the Zero Incident Process (ZIP®). ZIP focuses on providing employees with the information and skills needed to make safe choices at work. It is about empowering people to take control of their personal safety and has been considered a major contributor to the success of our safety performance this year.

Since implementation, more than 2,000 employees have attended the program with further sessions scheduled for the coming year.

One of the key components of the ZIP process this year involved the Personal Big 5® concept – the five most important things that motivate staff to return home safely at the end of the day. The aim is to help staff better understand their attitudes towards safety. Safety isn't just about protecting us *from* something – it's about protecting us *for* something, like our families.

Keeping our contractors safe

We see our contractors as an extension of our own workforce, and their safety is equally important as the safety of our staff and the community. During the year, we continued to implement the new safety management system for contractors which began in December 2008. The new system involves a thorough reporting framework, extending audit training to contractors, extending our ZIP safety behaviour knowledge to contractors, and providing regular, open and transparent safety information sessions to also facilitate relationship improvements. Following implementation of the new system, 2009/10 core contractor LTIs were reduced by 50 per cent from the previous year. By June 2010, 17 LTIs had been recorded for core contractors (2008/09: 34 LTIs).

Improving our health and wellbeing

We believe a healthy lifestyle and workforce not only reduces health risks and prevents injuries, but also boosts employee morale, supports our safety culture and provides customers with a continued high level of service. This year as part of our commitment to assisting employees with managing their health, ENERGEX launched a new Employee Wellness Program, including the appointment of a specialist Health & Wellness Consultant.

The program involves an initial two year trial period which includes individual health assessments available for all staff and a series of targeted interventions to assist staff in improving their health. The initial health assessments were completed this year with approximately 1,500 employees taking the opportunity to review their current health status and develop plans for improvement.

In addition, we have continued to promote a range of programs aimed at improving health, including exercise classes, entry into a range of sporting events for participants including the Bridge to Brisbane Fun Run and a flu vaccination program. We assist employees through our workplace rehabilitation program, which covers both work-related and non work-related injuries and illnesses.

Managing safety risks

We are continuing to develop a rigorous awareness and testing program to identify and manage impairment associated with alcohol and other drugs in the workplace. In line with our commitment to a safe working environment and the ENERGEX Union Collective Agreement (EUCA), an Alcohol and Other Drugs Standard will be formalised to supplement our policy already in place. The initiative will involve an education and awareness program for all staff, focused on the impact of alcohol and other drugs in the workplace. It will offer support and counselling and involve random workplace testing.

This program is supported by both ENERGEX management and the Unions as another way to enhance safety at our workplace.

Other methods used throughout the organisation to manage risks included divisional risk registers to catalogue potential hazards, a three tier auditing framework involving a risk-based system which places priority on auditing all high risk activities, both internal and external, in-field coaching aligned to the three tier auditing framework to ensure a solid transfer of experience and skills to staff, coaching support for supervisors via the Continuous Review and Support Framework, and an internal investigation process using the Incident Cause Analysis Method.

Think safe, work safe, home safe

In 2009/10, ENERGEX engaged an external research company to explore employee attitudes towards safety initiatives and to recommend approaches for future corporate safety communication and education campaigns.

Based on the results, ENERGEX has developed an internal communications strategy designed to educate ENERGEX staff and their families on improved safety behaviours. The strategy focuses on streamlining safety campaigns across the business to ensure all divisions are delivering a consistent safety theme, and that all education campaigns are relevant to various work functions across the business.

This year, we continued the safety program themed 'Think Safe, Work Safe, Home Safe' with quarterly corporate safety campaigns relevant to the work and home environments. Topics focused on the common causes of injuries across the business, including manual tasks, road safety, slips, trips and falls, and electrical safety. A range of educational materials was also developed to deliver these programs.

Pictured: To show our ongoing commitment to sun safety, $25,000 was donated to Cancer Council Queensland in December as part of a two-year partnership. Employees participated in SunSmart Day as a continual reminder and to raise awareness of skin cancer. Staying safe in the sun is a key aspect of our safety strategy, with our sun exposure policies widely regarded as best practice among various industries.

Celebrating safety

In October 2009, ENERGEX was involved in the national Safe Work Australia Week campaign with the theme 'Healthier and safer workplaces – healthier and safer worker'. We celebrated the week by focusing and highlighting the teams and individuals across the organisation who were doing their bit to make the workplace healthier and safer.

Outstanding examples included the Esk Depot who achieved 12 years LTI free, and the Maroochydore underground team who achieved 10 years LTI free. They believe team work and mateship are the keys to achieving this safety milestone. Further enthusiasm was seen from an employee who penned a safety song based on the ENERGEX values and performed it live with a work colleague at the July 2009 Leaders' Forum.

Educating about community safety

ENERGEX's approach to safety is built on a value of shared responsibility. We all have a role to play in building a culture of community safety among the many aspects of our lifestyles – at home, work, school, and in public areas. As a trusted member of the South East Queensland community, we have a responsibility to educate the community when it comes to electrical safety.

This year, we updated our Community Safety Plan which supports the analysis, monitoring and development of successful community education and awareness programs. Within the plan is our community safety framework which provides direction across key areas including community and business awareness, a workforce committed to safety, a safe and reliable electricity network, and collaboration and partnerships. Within each category, key messages and opportunities have been identified through the evaluation of research and data.

The primary outcome of the community safety framework is increased electrical awareness and education in the community and amongst businesses which, in turn, facilitates safer behaviours. Key activities this year included consultation and electrical safety education sessions with community groups, and direct communication including mail-outs to businesses to ensure they maintain a safe environment when near electrical assets.

Our community education programs address those electrical safety risks and opportunities which have been identified through an analysis of incidents and accidents, and may have the greatest impact. These include:

- severe weather
- look up and live
- dial before you dig
- home electrical safety
- safetree
- kids safety
- what's going on in your community
- sponsoring safety
- rural safety.

The public awareness results of our community safety campaigns demonstrated their effectiveness. The results in relation to the dangers of fallen powerlines remained strong, with 91 per cent of respondents indicating they are more likely to stay away from fallen powerlines as a result of our campaign (2008/09: 96.7 per cent, 2007/08: 66 per cent), and 97 per cent indicating they will tell others to stay away from fallen powerlines (2008/09: 94 per cent, 2007/08: 71 per cent).

Improving our safety standards

We monitor trends in safety performance as well as community-related electrical incidents, and work closely with the Electrical Safety Office, industry and community groups to ensure the risk to the community, related to electricity, is minimised.

On 1 May 2009, ENERGEX, Ergon Energy and Powerlink adopted the Queensland Electricity Entity Procedures for Safe Access to High Voltage (HV) Electrical Apparatus, commonly referred to as the SAHV. The significant benefits of this arrangement are the consistent procedures and policies now in place to access the HV electrical apparatus across the three organisations. The SAHV procedures will be reviewed annually by the standing reference group with the first review having already taken place and the updated SAHV adopted on 31 March 2010.

OUTLOOK 2010/11

- In the coming year, we will focus on continuing our journey of reducing our LTIs and LTIFR to zero. Executing the third year of our Health and Safety Strategic Plan, including the behavioural focused ZIP program, will assist us to continue this progress.
- We will roll out the 'What's my 50%?®' campaign to employees, as part of the ZIP safety program, to encourage employees to focus on the safety elements they can control while at work.
- We will continue the development and roll out of our Alcohol and Other Drugs Standard to ensure safe working environments for our employees. This project will involve an education and awareness pilot, support and counselling, and random testing.
- We will seek to retain our external accreditation to AS/NZS4801 and the Electrical Safety Office requirements. Our risk management and auditing process will continue to be refined and used to accurately identify potential risks and implement appropriate measures.
- Further development and assessment of our Employee Wellness Program will assist our employees reach a balanced, healthy lifestyle at work and home.
- We will review the on-site risk management process and the ENERGEX systems for managing contractor safety.
- We will continue to review and progress our Community Safety Strategy and program, to achieve ongoing improvement and reduction in the likeliness of the occurrence of a community safety incident involving electricity.

Bushfire safety – everyone's responsibility

We have all seen the devastating impact a blazing bushfire can have on the community, environment and people's lifestyles. We have also seen how important it is and what outcome is reached when our emergency organisations band together.

At ENERGEX, we see our responsibility to manage the bushfire risk associated with our assets and support the local fire brigades as a priority.

Everyone can be affected and it takes the efforts of our dedicated community volunteers and emergency response crews to help pull our communities through.

We have long supported the rural fire brigades and this year, to continue to show our appreciation, we provided a $75,000 sponsorship to the brigades in the Brisbane and South East regions to enhance their operational and support capacity.

This new sponsorship agreement has resulted in a range of equipment and resources to assist the brigades undertake mitigation and response activities within their communities, including first aid and defibrillator kits, chainsaws and portable dams.

In addition to the official partnership, we continued to provide trailers containing essential equipment to a further five brigades within South East Queensland.

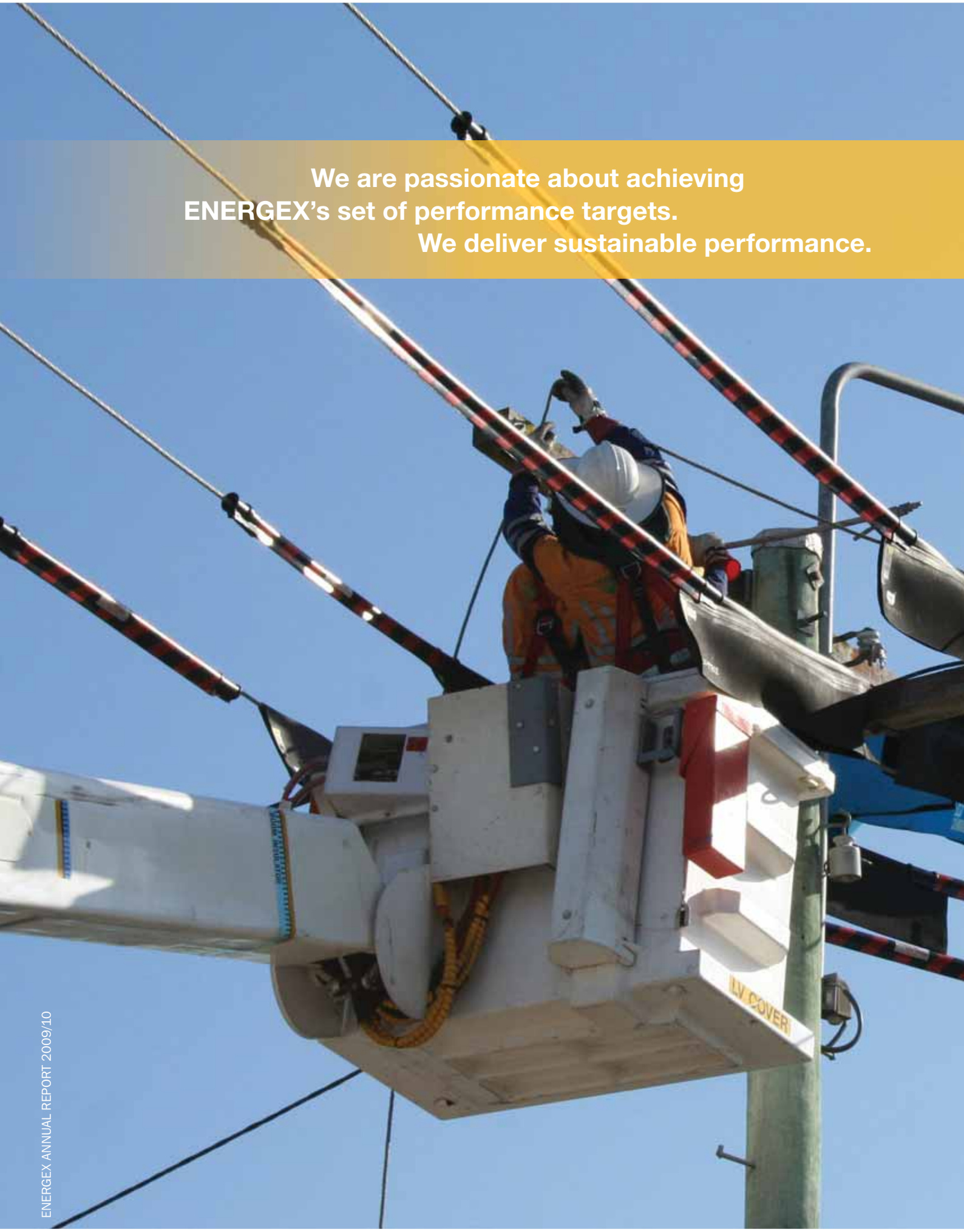
Within ENERGEX, we have implemented a bushfire mitigation plan, key strategies and programs to ensure we fulfil our responsibility to bushfire management. A Memorandum of Understanding with the Queensland Fire and Rescue Service (QFRS) has also been in place since August 2007 and demonstrates our commitment to bushfire management and the effective working relationships with key organisations.

In the interests of community safety, initiatives undertaken this year include:

- Worked closely with Queensland's emergency service organisations and local councils to develop bushfire risk management plans. ENERGEX is represented on a combined regional Interdepartmental Committee (IDC) subcommittee and IDC training subcommittee
- Developed plans to indicate bushfire prone areas and high risk network assets. These plans were continually monitored and updated
- Inspected poles, powerlines and other electricity assets on a regular basis to ensure they were rated as fire-safe
- Undertook vegetation management practices in accordance with our code of practice and good industry practice standards
- Assessed overhead powerlines in high bushfire risk areas and took necessary actions to prevent them from clashing, including the installation of insulated conductors, wider constructions or midspan spacers
- Educated our field staff to ensure their work practices and vehicles used do not initiate a bushfire
- Provided information to the community about fire hazards associated with overhead powerlines and vegetation
- Participated in an Energy Networks Australia (ENA) working group at the National Rural Networks workshop addressing bushfire risk.

Our bushfire management plan is supported by annual investments of $66.7 million for the vegetation management program involving the trimming of trees growing near powerlines, $1.2 million for our helicopter patrols of inspecting around 15,000 kilometres of rural and semi-rural overhead powerlines, and $2.2 million for the installation of low and high voltage spacers to avoid conductors clashing.

Pictured: We provide ongoing support to the QFRS. This year ENERGEX and QFRS crews came together for the launch of the ENERGEX Rural Fire Service equipment grant partnership.



We are passionate about achieving ENERGEX's set of performance targets. We deliver sustainable performance.

LIVING OUR VALUES

deliver balanced results

WHAT WE DO

Focus on achieving results that set new standards of excellence.

Take into account the broader context when making decisions.

Have the courage to challenge current thinking and practices with the aim of achieving improved outcomes.

Keep a relentless focus on agreed priorities.

Take responsibility – focus on solutions, not just problems.

Focus on outcomes, not just tasks.

This year we spent more than $3.4 million every day to build and maintain the electricity network in South East Queensland.

DELIVER BALANCED results

KEY OUTCOMES 2009/10

- Targeted investment of $1.24 billion in building, operating and maintaining our network
- Approval of our five-year funding proposal by the AER, including $5.783 billion for capital investment and $1.634 billion to maintain and operate the network
- Launched a multi-million dollar powerline improvement scheme
- Delivered a $460 million Summer Preparedness Plan
- Achieved better than minimum service standards for network reliability and security
- Delivered efficiencies and cost savings through Joint Workings initiatives with Ergon Energy.

As the owner and operator of South East Queensland's distribution electricity network, we are committed to providing a safe and reliable supply that is economically, socially and environmentally sustainable. Our network is one of the fastest growing in Australia, providing supply to a population of 2.9 million including 1.3 million residences.

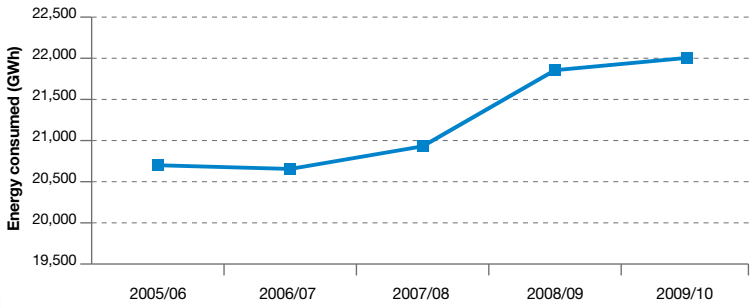
Over the past 10 years, the population of South East Queensland has dramatically increased, with a 30 per cent growth in the number of ENERGEX customers and a consequent rise in overall energy demand. Adding to this rise, the average South East Queensland household is now using between 50 and 70 per cent more electricity than just 10 years ago. This growth in the overall energy demand is predicted to continue.

Our ultimate goal is to improve the balance between supply-side management and demand-side solutions. This involves meeting demand through capacity into the system, while at the same time focusing on reducing demand through energy efficiency and a range of demand-side management initiatives.

Delivering to meet demand

We currently manage electricity assets valued at $8.8 billion (illustrated in Table 2) and have more than 3,800 employees working towards delivering an electricity network that supports our customers' lifestyle aspirations and sustainable economic growth. More than $1.24 billion was invested this year to build, operate and maintain the electricity network (2008/09: $1.1 billion). This largely reflects the increasing demand for electricity in South East Queensland, illustrated in Graph 1, driven by the soaring domestic use of energy intensive appliances and the continuing population surge.

Graph 1: South East Queensland energy consumption



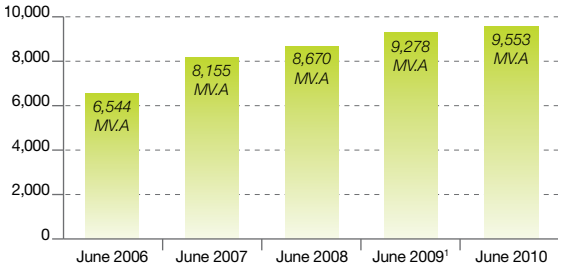
Almost $910.8 million was invested in the network system Capital Program, resulting in significant network improvements and increased capacity through the region. During the year we:

- commissioned four new zone substations and upgraded capacity at 12 zone substations, resulting in a 275 MV.A net increase in capacity (illustrated in Graph 2)
- constructed or augmented 21 x 33kV powerlines and 151 x 11kV powerlines to improve reliability
- installed or replaced 1,015 new distribution transformers via the maximum demand program
- replaced 274 ring main units (11kV) to improve safety and network reliability.

Similarly, $326.8 million was invested in the network maintenance program to improve reliability and complete customer requested work. In the past year we:

- trimmed vegetation along 14,728 km of 11kV powerlines to maintain established clearance zones
- inspected 123,848 poles to ensure ongoing serviceability of the network
- installed 5,354 spacers on low voltage open powerlines and replaced 12,627 cross arms to improve safety and reduce interruptions
- replaced neutral clamps on 3,265 low voltage services to improve safety and reliability.

Graph 2: Zone substation capacity



Notes

1 The June 2009 zone substation capacity has been revised up by 3 MV.A, from previously reported, due to a data recording error.

Table 2: ENERGEX electrical assets

ASSETS	2005/06	2006/07	2007/08	2008/09	2009/10
Total overhead and underground (km)	48,688	50,044	51,176	52,361	53,256
Lines – length of overhead (km)					
Total	35,897	36,200	36,349	36,490	36,607
LV[1]	14,702	14,720	14,732	14,736	14,742
11 kV	17,504	17,709	17,843	17,953	18,032
33 kV	2,059	2,091	2,136	2,161	2,175
132/110 kV[2]	1,632	1,680	1,638	1,640	1,658
Cables – length of underground (km)					
Total	12,791	13,844	14,827	15,871	16,649
LV	8,135	8,592	9,083	9,612	9,978
11 kV	3,666	4,207	4,657	5,099	5,469
33 kV	905	942	981	1,053	1,092
132/110 kV	85	103	106	107	110
Other equipment (qty)					
Bulk supply substations	34	36	37	37	38
Zone substations	200	207	213	219	223
Poles	596,770	612,638	622,064	630,259	638,982
Distribution transformers	40,826	42,261	43,420	44,613	45,456
Street lights	260,605	296,849	306,892	314,008	324,111
Customers					
Residential	1,101,455	1,126,875	1,148,270	1,167,885	1,187,665
Other	115,005	117,685	110,670	110,315	111,125
Total	1,216,460	1,244,560	1,258,940	1,278,200	1,298,790

Notes

1 LV overhead line lengths between 2007/08 have been reduced by 173 kilometres from previously reported values, following data validation improvements.

2 The increase in 132/110 kV line length in 2006/07 over previous reports is due to a data redefinition.

Table 3: Top 20 PoW projects[1]

PROJECT NAME	PROJECT DESCRIPTION	$ SPEND (million)
Victoria Park – Airport Link Northern Busway	Network relocations for transport infrastructure	33.6
Myrtletown	110/33kV substation	18.2
Merrimac	110/11kV substation	13.6
Hays Inlet to Brendale	110kV powerline	11.2
Sandgate	Bulk supply substation and 110kV powerlines	10.8
Coomera to Hope Island	Second 33kV powerline	10.8
Pimpama East	33/11kV substation	9.3
Enoggera to Grovely	Upgrade 33kV powerlines	8.5
Spring Creek	Upgrade substation	8.5
Cornubia	33/11kV zone substation	8.5
Jimboomba	Bulk supply substation	8.4
Kalbar to Boonah	Second 33kV powerline	7.5
North Springwood	Upgrade substation	7.0
Bundamba	Upgrade substation	6.5
Palmwoods to Woolooga	Upgrade 132kV powerlines	6.4
Nudgee – Airport Link Northern Busway	Network relocations for transport infrastructure	5.8
Yandina	33/11kV substation	5.6
Cooroy	Upgrade substation	5.6
Jindalee to Darra	Replace 33kV powerline	5.6
Woodford	Upgrade substation	5.5

Notes

1 Project selection based on total spend during 2009/10.

Improving our Program of Work

Over the year, we continued working towards improving the processes and systems we use to deliver our Program of Work (PoW).

Our Program of Work Improvement Program (PoW IP) has been designed to assist us meet an ever increasing demand for electricity within the funding arrangements set by the AER. This will be achieved by updating our process model to simplify the day-to-day delivery of our PoW and improve forward planning for how we use our staff, contractors and material resources.

The improvements we are pursuing are focused on our end-to-end process for planning, programming and the delivery of our PoW. This includes changes to the design and estimation process, the scheduling and delivery of work, and system refinements to improve the quality of data and support new performance measures.

During the past year, key outcomes included:

- structural alignment of Distribution Planning and Design to provide clarity of accountability
- consolidation of design functions.

This work will continue in 2010/11.

Supporting infrastructure growth in South East Queensland

In addition to distributing electricity to homes and businesses, we also provide support for large corporate organisations and government projects.

Key projects we supported throughout 2009/10 and will continue to in the coming year, include the Clem Jones Tunnel (CLEM7), Airport Link Northern Busway and Airport Roundabout projects, and the Water Grid.

For these projects, we carry out work to ensure a reliable supply of electricity is provided for construction, relocate any electrical assets which may conflict with the construction, and also provide supply to the project for its ongoing operation once construction is completed. All of this work is done while ensuring a continual safe and reliable supply of power to the homes and businesses in the surrounding areas.

In coming years, we will be involved in infrastructure projects including the Northern Link Tunnel, the $8.2 billion Cross River Rail Tunnel and the next stage of the Ipswich Motorway widening from Rocklea to Darra.

Ensuring a reliable network

Overall, the electricity network performed well, particularly when results are normalised to exclude extreme weather events.

In the past year we performed favourably against all reliability Minimum Service Standards (MSS), as set out in Table 4.

Table 4: Reliability performance

		2005/06 actual	2006/07 actual	2007/08 actual	2008/09 actual	2009/10 actual	2009/10 MSS[1]
SAIDI (mins)	CBD	4.10	0.00	4.00	3.10	1.19	<20.00
	Urban	104.00	80.00	84.70	91.20	88.48	<110.00
	Rural	306.00	203.00	242.10	228.00	215.73	<220.00
SAIFI (events)	CBD	0.02	0.00	0.04	0.06	0.08	<0.33
	Urban	1.41	1.00	1.05	1.05	1.20	<1.32
	Rural	3.29	2.33	2.71	2.56	2.41	<2.50

Notes

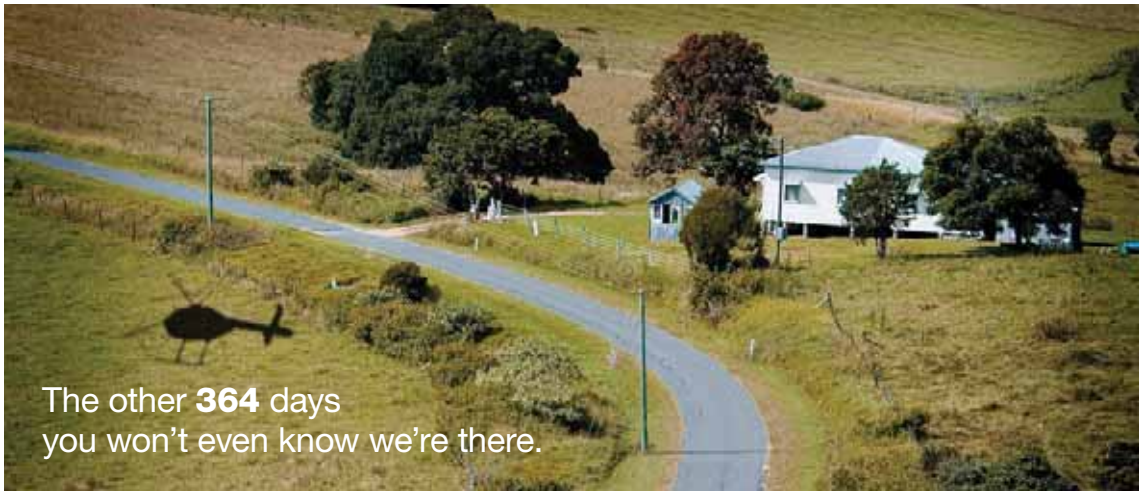
1 Industry MSS are updated annually to reflect industry changes and encourage improvement. Only this year's results should be compared to the MSS for 2009/10.

Vegetation management

Vegetation management is a major preventative strategy used to improve community safety and reduce interruptions during storms and high winds. The program continued over the past year with total expenditure of $66.7 million. Vegetation was maintained along 14,728 kilometres of 11kV powerlines and 1,251 kilometres of 110/132kV powerlines to improve network reliability, particularly during severe weather events such as storms and strong winds. Our trimming techniques ensure we balance the aesthetic component of the trees with the responsibility to ensure a safe and reliable electricity supply.

This year, we continued the collaborative approach to carry out the program, working with local councils to combine our planned trimming efforts with their routine street tree pruning. By using the one contractor and scheduling our programs simultaneously, we have been able to deliver benefits to the community, including less disruption, as well as cost savings to both organisations. We are also continuing to work cooperatively with other local councils through established Memoranda of Understanding to remove and replace risk trees with powerline friendly trees from our Safetree program. In some instances where removal or trimming is considered undesirable by the local community, alternative solutions are being used including realignment or insulation of the overhead network.

We also undertook other initiatives to enable a balanced approach to vegetation management, particularly in sensitive areas. As a result of the installation of photoelectric cells, more than 500 kilometres of dedicated overhead street light powerlines were removed from the network, reducing the amount of vegetation clearing required near these powerlines.



Chopper patrols give a bird's eye view of the network

Our annual helicopter patrols continued this year, inspecting around 15,000 kilometres of poles and powerlines. The $1.2 million aerial survey of the overhead network allows for early detection of pole deterioration. It is one of the many ways ENERGEX is keeping the electricity supply in rural and semi-rural areas safe and reliable, supplemented by extensive vehicle and foot patrols. Customers were kept well-informed prior to helicopters patrolling their area. In some areas the flight path was altered at the request of residents.

Working towards a sustainable network for the future

At ENERGEX, we have a vision for a smarter, more efficient electricity network by 2025. Our strategy is to invest in the capacity, utilisation and reliability of our network, and implement a suite of energy efficiency and distribution initiatives to encourage a demand management capability.

Demand management

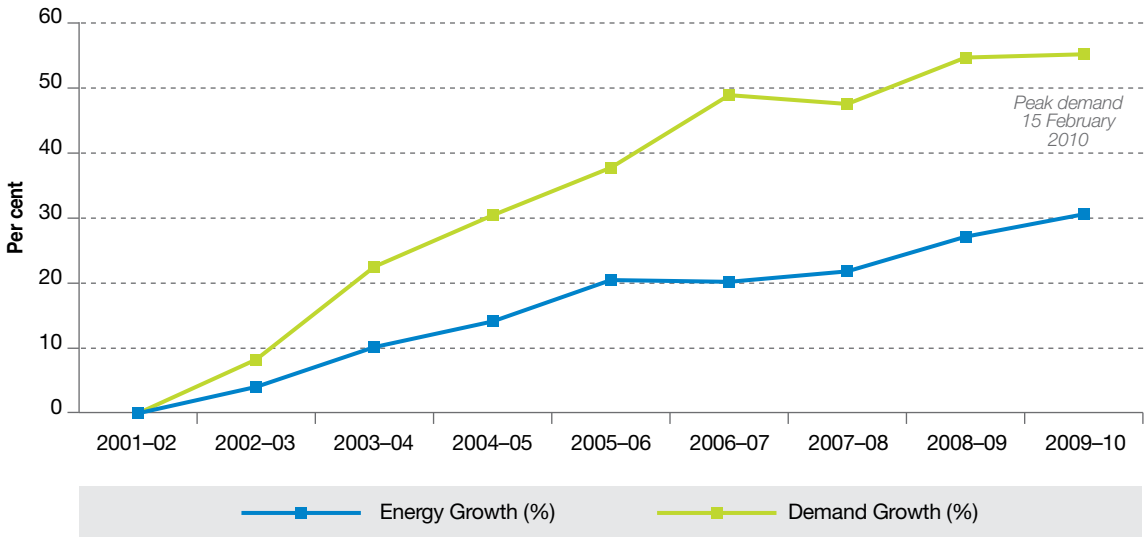
The electricity network is like a multi-lane highway. That means, as people use more energy, more powerlines and underground cables need to be built. Just like our roads, there are also peak times when the energy network is very busy with people using electricity at the same time. This is known as peak demand. In Queensland, peak demand occurs on a few hot days a year, for a few hours – particularly when air conditioners are switched on.

Meeting peak demand is a costly exercise due to the capital investment required to maintain sufficient capacity during these times. Approximately 13 per cent of ENERGEX's $8.8 billion network is built to supply a demand for energy that only occurs for fewer than 100 hours a year. The rest of the year this capacity remains unused – but still must be maintained and paid for by customers. While we could continue to expand the network to cater for these peak times, this is not the most sustainable approach for customers or the environment.

With peak demand expected to grow between 40 to 60 per cent over the next 10 years, influencing our customers' energy use to reduce this growth remains one of our key challenges in ensuring we deliver a sustainable network for the future.

As part of our vision for a smarter, more efficient network and to proactively reduce the peak demand forecast, we are taking a proactive approach by investing in our energy conservation and demand management strategy. This year, significant progress was made implementing our targeted initiatives following funding assistance from the Queensland Government. Our target is to achieve real peak demand reductions over the next five years totalling 144 megawatts from current demand forecasts – the equivalent of one third of the power used on the Sunshine Coast on a normal summer's day. By achieving better utilisation of network assets, the benefits can ultimately be passed to electricity consumers through efficient network prices. Graph 3 illustrates the increase in overall energy consumption across our network (energy growth) compared to the increase in demand at peak times (demand growth).

Graph 3: Energy and demand growth



Our demand-side initiatives include:

Project: Energy Conservation Communities

In partnership with the Queensland Government and local authorities in South East Queensland, this year we launched Energy Conservation Communities (ECC) to provide residents in selected areas with technology and information relating to energy conservation ideas, initiatives and programs. Through the ECC program, we are installing energy conservation devices on eligible residents' air conditioners and/or pool pumps. These devices will enable the energy-intensive appliances to be cycled on hot summer days, subsequently reducing demand on the electricity network during these times.

Membership of the program is voluntary with eligible residents receiving an incentive package including a range of energy conservation services and a $50 contribution to an ECC environmental benefit fund. The fund enables local schools and community groups to apply for funding towards a range of energy saving or other sustainability products, services and programs.

In March 2010, ENERGEX, in conjunction with the Sunshine Coast Regional Council, launched Queensland's first ECC covering the suburbs of Mooloolaba, Mountain Creek and Sippy Downs. By working together, we are able to provide the residents with the opportunity to take individual and collective action to create a more sustainable future for their community. The ECC program will be expanded and rolled out to other communities across South East Queensland in the coming year. For further information on the ECC program on the Sunshine Coast refer to page 76.

Project: Rewards Based Tariffs Initiative

The Rewards Based Tariffs (RBT) initiative is a joint project between ENERGEX and Ergon Energy to study the impact of new electricity pricing structures. The aim of these pricing structures is to reduce demand on the electricity network during peak times and to maintain customer satisfaction levels. With trials to be carried out in Cairns, Toowoomba and Brisbane, RBT seeks to identify whether volunteers across the state are willing and able to respond to, and benefit from, differing electricity prices dependent on the time of day and peak periods. Trials are expected to commence in the 2010/11 summer and continue past summer 2011/12.

The tariffs under investigation compel users to carefully consider how to limit their consumption during peak periods and offer strong incentives to shift discretionary usage into low price periods. Pre-trial research has indicated customer interest in the upcoming trials, with many customers seeking to better understand the drivers of their electricity costs and desiring the tools to help them manage these costs. RBT will help ENERGEX, Ergon Energy and trial volunteers understand how and when customers use their electricity, highlight the challenges faced by customers in responding to new pricing structures and play a key role in shaping future initiatives.

Project: Residential Targeted Initiative – Cool Change Trial

For more than 30 years, ENERGEX has successfully used remote controlled communications technology to manage the load of residential electric hot water systems throughout South East Queensland. This has helped to reduce peak electricity demand and has provided residents with the potential to reduce energy costs of appliances fitted with energy management (through tariffs T31 and T33). Residential Targeted Initiative (RTI) focuses on how ENERGEX's historic success with residential electric hot water systems can be replicated for the appliances which are now driving residential peak demand.

Our Cool Change trial, introduced in the summer of 2007/08, was initiated to assess the impacts of efficiently cycling customers' air conditioning units at peak times. This initiative was expanded in 2009/10, with the trial of a Pool Filtration Demand Management (PFDM) device aimed at shifting the energy used by pool filters to off-peak times.

These projects will provide a blueprint for implementing energy management processes and devices across South East Queensland households to assist owners to use electricity efficiently within their homes. For further information refer to page 102.

RTI is considered to be the critical first step in the delivery of significant medium-term (2010–2015) and long-term (2015–2030) benefits to both the South East Queensland community and the ENERGEX network.

Project: Commercial and Industrial

Our Commercial and Industrial (C&I) initiative involves working with business customers to facilitate energy conservation and demand management based solutions. The initiative aims to identify the most cost-effective technology solutions, as well as commercial models, and develop and demonstrate expertise to proactively facilitate implementation.

Options typically include energy efficient lighting, heating, ventilation and cooling, distributed generation including customer generation, cogeneration and tri-generation, fuel switching, load shifting and load curtailment.

During the past year, a business case and project management plan was approved, a project team recruited, and strategies put in place to deliver the project. The first round of customer contracts have been negotiated involving embedded generation and load curtailment.

A smart network

In partnership with Ergon Energy, this year we released Network Vision Outlook to 2030, a shared network vision for electricity infrastructure in Queensland. This landmark approach provides direction to meet future expectations of Queenslanders in a more demanding environment. The document recognises that traditional management of electricity distribution is not sustainable into the future. We propose to further explore the movement towards an intelligent network.

An intelligent network increases connectivity, automation and co-ordination between generators, transmission companies, distributors and customers. While both ENERGEX and Ergon Energy have progressed along this path, the shared vision co-ordinates efforts to maximise the benefits from new technologies while working collaboratively with customers to identify solutions beyond the electricity meter.

Growing customer needs are driving electricity distributors to think differently about how we manage the network and encouraging the development of new innovative products, processes and services. This joint-network vision provides a unified development outlook for all of Queensland.

Delivering efficiencies through Joint Workings

Implementation of Joint Workings initiatives with Ergon Energy continued to ramp up this year, with more than 50 initiatives delivered to help both organisations become more efficient and reduce duplication of investment. Some key milestones included the first joint tender between the two organisations, first joint asset management plans, a transition of Information Communication Technology (ICT) accountabilities to one supplier, and the implementation of a Rewards Based Tariff pilot.

Pictured: Lowe Street, Nambour. This year we assisted the Sunshine Coast Council's Nambour Public Domain Improvement Project, replacing the overhead powerlines with underground cables along Lowe, Short and Queen Streets. This allowed mature trees to be planted in the streets, providing shade and improving the amenity and climate in the area. Our design staff worked closely with the Council to achieve the most affordable and practical outcome for the project. Our field staff also worked hand-in-hand with the landscapers to deliver a professional and cost-effective result.

Community powerline improvement initiative

As part of our commitment to deliver balanced outcomes between meeting our customers' energy needs, sustainability and the environment, this year we launched a new $8 million annual powerline improvement scheme to enhance the look of electricity infrastructure in sensitive areas.

Developed in conjunction with local councils, the Community Powerline Enhancement Program (CPEP) focuses on undergrounding or bundling existing powerlines in sensitive locations including major street shopping precincts, sensitive environmental and heritage areas, locations with significant vegetation, high pedestrian or vehicular areas, and in communities abutting bays, rivers and coastlines.

The CPEP is the first of five segments in a planned $100 million, five-year program aimed at reducing the visual impact of existing overhead powerlines. The other elements include a blackspot program targeting electricity poles and powerlines consistently damaged during traffic accidents.

As we continue to expand the electricity network in a community focused and sustainable way, this year we also reached a major milestone with more than 31 per cent of our network supplied to customers via underground cables.

We are now installing an average of around seven kilometres of underground cable for every one kilometre of overhead powerline. The CPEP integrates and enhances our current powerline practices making them more transparent and open to scrutiny by all South East Queensland councils.

Project applications from local councils across the region have been assessed. Seven projects will commence in 2010/11, including Brisbane, Ipswich, Moreton Bay, Sunshine Coast and Gold Coast.

The CPEP is a subsidy scheme which, in conjunction with the required 50 per cent funding by the local government authority, will provide annual funding for projects worth up to $8 million each year for lower voltage powerlines up to 11kV.

An independent community committee will administer the program and prioritise the projects. The remaining four components of ENERGEX's new integrated powerline improvement program are also expected to commence during 2010/11.

New designs deliver a balanced outcome

The need to build electricity substations is news that most neighbourhoods do not always accept enthusiastically.

This task is becoming easier thanks to the innovative substation designs being created by the architects in the Network Engineering team, who are focused on good urban design.

Principal Architect Phil Scorey said, "Gone are the days where a 'one design fits all' approach is used for every substation in every location".

"We are not only designing reliable, functional buildings which are cost-effective, but they also have a more aesthetically pleasing exterior that contributes to, rather than detracts from, the surrounding environment. Standard designs are adopted in compatible environments to reduce construction time," he said.

"Along with the electrical and safety requirements, there are a number of aspects we take into consideration and can manipulate to ensure compatibility with the local neighbourhood.

"We aim to continue to enhance the current streetscape and local amenity through the scaling and detailing of the building, selection of colours, style, vertical and horizontal design elements, light and shade elements, noise reduction features and landscaping to reduce the overall mass of the buildings. The character of existing homes and buildings is respected and complemented through the selection of building materials and architectural design," Phil said.

The shift in approach reflects the process change over recent years, with the design stage now completed in-house.

"We have more control of the entire process. Our team engages and gathers feedback from a number of key bodies including the community, local councils, government, local businesses and other key stakeholders," Phil said.

With the new *Sustainable Planning Act 2009* introduced in December 2009, replacing the *Integrated Planning Act 1997*, there has been a greater focus on providing more information up front to local councils and communities, and ensuring designs are environmentally sustainable.

"After carrying out extensive research in the community and area, we draft the first sketches which start to address the relevant codes. These are presented to the local council and residents, and modified where possible while continuing to meet ENERGEX electrical standards."

"We ensure we select materials which have a long life span, are environmentally sustainable and are low maintenance," Phil said.

As well as drawing architectural impressions to give stakeholders an indication of the finished product, Phil and his team also carry out sun and shade diagrams to ensure the community, high-use areas and other buildings are minimally affected by shading.

"We try to minimise potential impacts from overshadowing through the careful arrangement of electrical equipment and the articulation of varied external design elements," he said.

In 2009, Phil sat on the jury for the Public Architect Awards for South East Queensland. He said it is "forums and events like these that allow us to stay up-to-date with architectural trends and to lead the way in making our electrical infrastructure more acceptable to the community".

It is clearly evident from looking at just a few of the recent designs that these almost 'habitable' substations are definitely setting a great example.

Pictured: Architectural sketches of Springfield Central Substation (top), Coorparoo Substation (centre) and Merrimac Substation (bottom).

Pictured: Our field crews undertaking power upgrades for the Kelvin Grove community.

Future funding

In May 2010, the AER approved ENERGEX's five-year funding proposal, developed to ensure we continue to meet growth, reliability and security, renew and replace assets, and address the changing operating environment of South East Queensland.

The final determination sets out the allowed revenue for the five years from 1 July 2010 to 30 June 2015. It has provided certainty for future investment in electricity infrastructure in South East Queensland and will support the development of economically sustainable non-network alternatives that assist in the management of electricity demand.

Included in the approved AER determination is $5.783 billion ($2009/10) for capital investment and a further $1.634 billion ($2009/10) to maintain and operate the network over the next five years.

The funding model also included a multi-streamed energy conservation and demand management program targeting rapidly rising electricity use on hot summer days – peak demand.

The revenues allowed for in the AER's final determination recognise the need for ENERGEX to continue to augment distribution networks following strong growth earlier in the decade. Continued growth in population, demand for capacity, higher reliability standards and real increases in cost of labour and materials were also factored into the revenue approved to 2015.

In reviewing ENERGEX's regulatory proposals, the AER found ENERGEX's approach to network planning and management to be sound. The increased revenue reflects a 58 per cent increase in required CAPEX, when compared with the previous five-year period, and a 41 per cent increase in OPEX.

The AER's final determination also marked a significant milestone in the successful transition of the economic regulation of ENERGEX to the national regulatory framework, established under the National Electricity Rules. The move to national consistency in the regulation of electricity distributors will see the implementation of three performance incentive schemes, a reclassification of ENERGEX's services and adoption of new cost allocation guidelines.

Summer preparedness

Severe weather events including storms, floods, heat and high winds can cause significant damage to any power network. In preparation for the 2009/10 summer season, we invested $460 million through our Summer Preparedness Plan to improve the resilience of the network and our response to severe weather events.

The 2009/10 plan focused on four major areas of service delivery:

- prepare the supply network for the upcoming summer to minimise outages of customers' electricity supply
- manage and minimise the impact of extreme weather events on customers' electricity supply
- identify and respond to emergencies that have the potential to impact on customers' electricity supply
- keep customers informed of electricity supply issues during summer.

While a significant weather event such as the November 2008 line of storms which hit Brisbane's north, was not experienced in this year's storm season, there were a number of events across South East Queensland which had localised impact. In total, there were seven major weather events where more than 5,000 customers were affected.

These included storms that brought hailstones, thousands of lightning strikes, flash flooding and damaging winds, which affected more than 250,000 customers in total. Despite this, a positive network performance result was achieved largely due to the work conducted through our preparedness program[1].

A centralised approach

Following the operational review of the previous summer season, which was widely regarded as one of the most severe weather periods in decades, the 2009/10 season saw a change in the way work was carried out.

Significantly, all emergency jobs were dispatched from a Central Despatch Department, a shift away from individual hubs issuing the work. As a result, the Resource Coordinators were able to be out and about supporting their crews in the field. Further benefits included:

- a single point of accountability for the dispatch of fault work
- a 'global view' of work priority which enabled better resource use across all regions
- a reduction in the amount of rework and revisits required.

Telling us on toughbooks

This year, we continued to issue our operating expenditure (OPEX) work to maintain the network via Field Force Automotion (FFA) or "Toughbooks". FFA allows instant communication via satellite linked computers. Crews receive details of their next batch of orders directly from the hubs to their vehicles. The satellite navigation facilities allow the closest available crew to be dispatched to the job and guided along the fastest possible route using road network mapping and a global positioning system (GPS). This year's increase in the use of FFA is a result of the development and application of a standardised process for issuing and managing work through FFA, the provision of system refresher training for standby crews, and the issuing of practice FFA 'dummy' jobs prior to the commencement of storm season.

New mobile centre

In July 2009, we launched the new Forward Command Mobile Communication Centre, which provides the community with the best possible response when a major weather event hits South East Queensland. The purpose-built facility was an initiative developed as a result of key learnings from an operational review of the previous summer season. Used on the frontline, it provided information and assistance to the community, including a range of computer-based data, safety advice, basic amenities, emergency mobile power generation, and a hub for ENERGEX crews working locally.

Pictured: Our Forward Command Mobile Communication Centre is a 'one-stop-shop' for information and assistance to the community.

1 ENERGEX's Summer and Network Preparedness Plans are available at the ENERGEX website (www.energex.com.au/network/electricity_network.html).

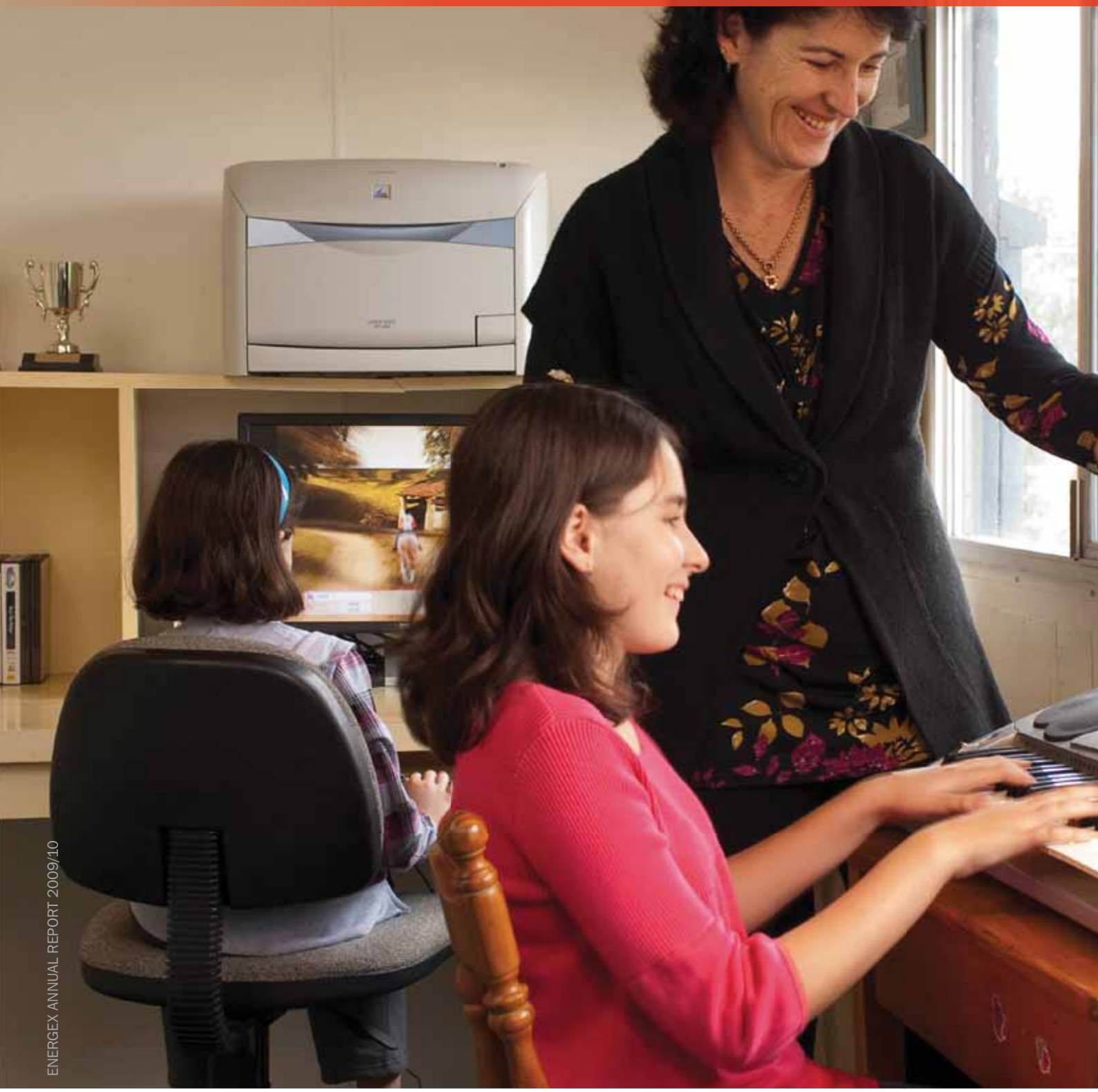
Pictured: Our field crews worked around the clock to restore power to homes and businesses affected by severe weather events.

OUTLOOK 2010/11

- We will develop and release the 2010/11 Network Management Plan and Summer Preparedness Plan by 31 August 2010.
- The first seven selected projects under the Community Powerline Enhancement Program will commence, including three on the Gold Coast and Sunshine Coast, two in Brisbane and one in Moreton Bay. We will call for Expressions of Interest from local councils, assess proposals and develop a schedule of projects for 2011/12.
- We will aim to improve our service standards for network reliability and security, exceeding the industry MSS.
- We will deliver the 2010/11 PoW on time and within budget, and prepare a detailed PoW for 2011/12. In 2010/11, we plan to invest around $1.02 billion on upgrades to the electricity network, and a further $342 million-plus to maintain and operate the network.
- We plan to continue to deliver energy conservation and demand management initiatives as part of our Demand Management Strategy, working towards a reduction in the future demand growth and assisting customers to reduce their consumption. Further Energy Conservation Communities will be established, including the Redlands Shire Council, and the trial of the PFDM device will continue.
- We will continue to work together with commercial and industrial customers to facilitate energy solutions which help conserve and manage energy use during peak times. Through the Commercial and Industrial initiative (detailed on page 54), we will facilitate solutions which meet individual business requirements, including customer load curtailment, heating, ventilation and cooling, tri-generation and energy efficient lighting.
- As part of the Rewards Based Tariff initiative (detailed on page 53), we will launch a trial in late 2010 to explore how customers respond to different pricing signals. Data gathered from the trial will help inform our position on future policy and direction for electricity tariffs.
- Improvement initiatives under PoW IP will continue.
- The Joint Workings project and relationship with Ergon Energy will continue to achieve efficiencies and cost savings. The next phase will be implemented in 2010/11 including initiatives in the asset management and strategic procurement and logistics areas.

Pictured: Our field crews replacing a power pole in Kelvin Grove.

We find ways of impressing our customers at every opportunity so they tell others about their positive experiences.



LIVING OUR VALUES

impress our customers

WHAT WE DO

Find ways to make our customers smile – provide the service we would expect.

Go out of our way to help ENERGEX deliver on its promises to customers.

Anticipate what customers want and need – put ourselves in their shoes.

Own and respond to problems as a matter of urgency – customers only have to ask once.

Provide customers with timely and relevant information.

Make it easy for customers to do business with us.

Customers are our focus. We are committed to meeting or exceeding customer expectations in service and energy supply.

IMPRESS
our customers

KEY OUTCOMES 2009/10

- Established Queensland's first Energy Conservation Community
- Contact Group continued to deliver award winning service
- Maintained high customer satisfaction levels achieving a Community Regard Index of 64 per cent (2009/10 target: 63 per cent)
- Held 47 community consultation events
- Achieved a Corporate Responsibility Index score of 75.32 per cent for 2008/09 (2007/08: 58.5 per cent)
- Continued to support South East Queensland communities through a $1.4 million sponsorship program
- Continued to advocate alternative sources of energy in our communities, including solar power which saw a connection increase of 500 per cent.

As a customer-centric organisation, we strive to maintain open, honest and regular communication with our customers and communities. Enduring and positive relationships will ensure we proactively understand and respond to customers and their energy related choices. By working together we can create sustainable long-term solutions. This is how we will impress our customers.

Award winning customer service

In July 2009, our Customer Contact Group was once again recognised for its award winning service at the Australian Teleservices Association Awards, taking out Contact Centre Manager of the Year and Best Customer Service Representative. The awards recognise achievements of the highest level within the call centre industry. Our four-year consecutive state and national success demonstrates the quality of service, support and customer care provided to the community.

In total we responded to 419,000 customer enquiries via telephone, email, letter and fax (2008/09: 390,000). We exceeded the target of 70 per cent of all calls to our general enquiries number being answered within 20 seconds, reaching almost 75 per cent. In addition, our Customer Contact Group received more than 436,000 loss of supply calls (2008/09: more than 500,000) and more than 43,000 emergency calls (2008/09: 38,000).

While we continue to achieve these high standards, ongoing improvement remains a focus. The Customer Contact Group began trialling a new initiative called Remote Response which will see Contact Group standby staff being able to log in and work from home when called upon during storms or large scale outages. The overall benefit to our customers would be shorter waiting times during the early stages of a high call volume event.

Pictured: Our commitment to customer service has resulted in many accolades for our Customer Contact Group.

Customer satisfaction remains high

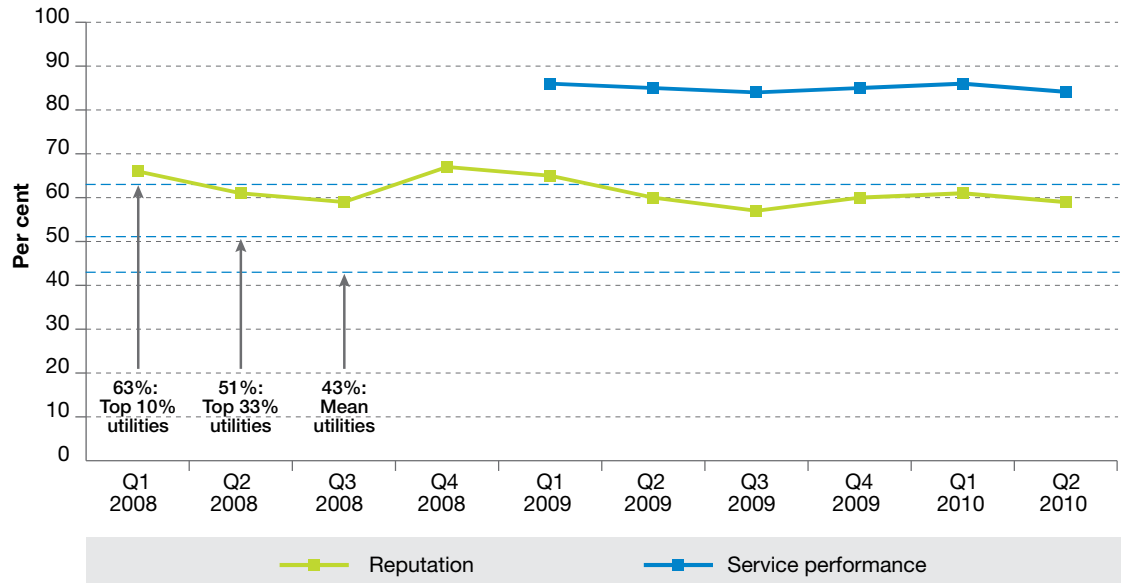
To keep our finger on the pulse of our customers' needs and aspirations, we engage an independent research company to assess customer satisfaction, perception regarding our delivery of service to customers who have direct contact with us, and the community's perception of ENERGEX acting as a "good corporate citizen". This research assists us to understand and improve our performance and service delivery.

Our three measures include:

- Reputation – as demonstrated in Graph 4, customer satisfaction levels over the past two years have remained consistently strong with reputation again rating near the top 10 per cent of utilities.
- Service performance – as demonstrated in Graph 4, service performance highlights customers who have had direct contact with us have a significantly higher perception of our performance than the greater community.
- Community Regard Index – is our key performance measure for community, included in our Statement of Corporate Intent on page 12. This index considers a broader set of community and sustainability related factors used to track our overall performance for community and customer related matters. For 2008/09, we achieved a Community Regard Index of 64 per cent (2009/10 target: 63 per cent).

Understanding what our customers expect now and in the future plays a significant part in our strategic planning. For further information on our customer research refer to page 100.

Graph 4: Customer satisfaction results



Notes

Benchmarking applies to reputation only. The questions used to derive results between reputation and service performance vary slightly. However, it does indicate direct contact leads to a higher engagement score with customers.

Source: Taylor Nelson Sofres (TNS) research company

10 years of customer**care**

In 2010 ENERGEX's customer**care** program celebrated its 10th anniversary following a decade of developing, encouraging and recognising excellent customer service in ENERGEX. In keeping with previous years, the customer**care** program emphasised a number of attributes of our service brand and the focus for 2010 was in the areas of training, consistency and responsiveness.

The training focus saw an emphasis on customer**care** induction training for new employees, apprentices and contractors, and refresher training for existing customer service employees.

More than 100 apprentices and 390 contractors completed this training which was well received, with some of the attendees advising:

"The subject matter was great and will be an excellent tool to use."

"It has already made me think more in the way I deal with customers."

*"Examples are used during session to help me to understand the importance of customer**care** to our business."*

The focus on consistency ensured the standard of ENERGEX customer service continued to meet both our internal and external standards. Each and every customer interaction with ENERGEX should be consistent and meet our customers' expectations. Effectiveness of this program was supported through our customer survey, and the employee and contractor audit program. The analysis of these results enabled us to respond to problem areas and to constantly improve and maintain our service levels.

The responsiveness focus encouraged customer feedback at each of our service interactions, either through our Customer Contact Group or following service visits. A new Customer Feedback Card available from field staff and contractors was introduced to encourage customers to provide feedback.

The Customer Contact Group continued to use our formal complaint system and the results were formulated monthly to guide service improvement initiatives. A focus of the program was the use of positive feedback as a tool for reinforcement of good behaviour. This complemented our existing program driven by the correction of customer complaints.

We continued to reward and recognise staff and contractors who provided capable, progressive and caring customer service. Approximately 200 customer**care** award recipients were invited to the 10th annual awards event to celebrate exceptional internal, external and contractor customer**care**.

Pictured: Customer Feedback Card – A focus of the program was the use of positive feedback as a tool for reinforcement of good behaviour.

Pictured: 2009 customer**care** Winners – Warren Vaughan *Internal customer**care***, Barbara Hooper *External customer**care***, Sean Campbell and Ciaran Moohan, Diona Pty Ltd *Contractor customer**care***, with John Dempsey, ENERGEX Chairman (centre).

Recognising our top suppliers

Providing a customer-focused service requires effective assistance from a range of external organisations that supply a service to us. We rely on around 2,000 suppliers of goods and services to assist us with everything from building and maintaining the network to supplying photocopy paper. The ENERGEX Supplier Quality Awards have been running for 21 years and recognise outstanding achievement by our suppliers and contractors. This year, seven suppliers received quality awards across the eight categories.

Guaranteeing good service

The Queensland Electricity Industry Code (the Code) specifies Guaranteed Service Levels (GSLs) that we must provide in relation to the timeliness of service received by small customers.

We are required to pay a financial rebate (detailed in Table 5) to the customer if the following service standards are not met:

- keeping an appointment with a customer
- not connecting or reconnecting electricity on time
- wrongfully disconnecting a customer
- failing to reconnect hot water supply within one business day (unless otherwise agreed)
- failing to give at least two business days notice of a planned power interruption
- interruption to electricity of more than 18 hours for urban or rural customers, or eight hours for CBD customers
- more than 10 interruptions for CBD or urban customers, or more than 16 interruptions for rural customers, in one financial year.

Electricity distributors are accountable for the administration of the GSL program regardless of whether the error was caused by the distributor or retailer. During this year a total of 958 GSL claims were paid as displayed in Table 5. Customer service related issues generated 956 GSL claims and reliability matters initiated the remaining two. All claims have been apportioned between the relevant stakeholders with 633 attributed to ENERGEX and 325 to the retailers.

Table 5: GSL claims paid by category and entity source

GSL EVENT	Total GSL claims paid		ENERGEX related		Retailer related	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Reliability						
Reliability – interruption duration	0	2	0	2	0	0
Reliability – interruption frequency	0	0	0	0	0	0
Total reliability	**0**	**2**	**0**	**2**	**0**	**0**
Customer Service						
New connection	1,440	138	1,414	137	26	1
Wrongful disconnection	167	293	126	162	41	131
Failure to reconnect	172	482	146	289	26	193
Hot water complaint– failure to attend	0	0	0	0	0	0
Missed scheduled appointment	15	15	15	15	0	0
Planned interruption – business[1]	2	2	2	2	0	0
Planned interruption – residential[1]	21	26	21	26	0	0
Total customer service	**1,817**	**956**	**1,724**	**631**	**93**	**325**
GSL TOTAL	**1,817**	**958**	**1,724**	**633**	**93**	**325**

Notes

1 "Planned interruptions" for business and residential this year was categorised under customer service related matters rather than reliability as in the previous year. The 2008/09 total figures have been adjusted.

Following a review of the GSL program by the Queensland Competition Authority (QCA), three major changes to the Code will be implemented on 1 July 2010, including:

- all seven types of GSLs should be identified and paid automatically
- where a GSL is not paid automatically, customers have a three month time limit to lodge a claim
- distribution entities have a one month time limit for processing claims.

To meet these new requirements an Auto GSL project commenced at ENERGEX in November 2009 to ensure the timely implementation of these changes. The scope of this project will deliver the people, process and information technology changes required to fulfil the amendments to the Code. We have also been working closely with Ergon Energy to ensure a consistent joint approach.

Engaging our community

We see ourselves as a part of the community and aim to be a good neighbour. While we need to construct and maintain South East Queensland's electricity network to power the community's lifestyles and businesses, we are aware of the impact our maintenance and construction activities can have on the communities living within close proximity. Our communications, through all aspects of our work, endeavour to establish relationships with the community to produce a mutually beneficial outcome and minimise, as much as possible, the inconvenience any work may create.

This year we have expanded our communication channels to further reach the social media and digital communities. Adding to our online presence and Wireless Application Protocol for mobile phones, we are now actively involved in online forums such as Twitter, and disseminate our communications through channels such as YouTube. The two-way dialogue provides a platform for discussions, ideas generation and feedback – all designed to enhance the customer's experience and engagement.

Communicating network maintenance and upgrades

We continued to raise the bar in supporting our expanding Program of Work (PoW) with effective and essential public communications on almost 150 projects across South East Queensland, including newsletters, flyers, stakeholder letters, media releases and advertising.

Consulting on major infrastructure

As a responsible organisation, we recognise and appreciate customers' increasing expectations to be well-informed and involved in decisions regarding their community. In 2009/10 we stepped-up our community consultation activities across South East Queensland to ensure that proactive, in-depth engagement with all relevant stakeholders was undertaken. We carried out more community consultation programs than ever before, as detailed in Table 6, page 69.

In order to keep in step with growth in customer demand, driven by increasing commercial and domestic power consumption and rapid regional expansion, we are often required to build new high voltage powerlines and substations. Our consultation efforts are part of our commitment to deliver an infrastructure program in line with community needs. Consultation activities, including more than 47 public events, were undertaken on several major infrastructure projects shown in Table 6. Communities had input into the design process, for example, negotiating the specific location of power poles and also assisting in revegetation and landscape designs. We also engaged other key stakeholders including elected representatives, local councils, other infrastructure providers, and organised groups to ensure that all affected parties were involved from an early stage and common goals were achieved.

Our Community Consultation Manual integrates a number of key ENERGEX policies and State legislation or standards to ensure effective communication around community infrastructure projects. This year we focused on improving our processes set out in the Manual to ensure we not only provide the appropriate level of consultation, but also exceed our minimum statutory requirements. To achieve the desired interaction with our communities and stakeholders, our engagement model recognises three distinct levels of engagement – information, consultation and active participation. We evaluate the level of engagement and tools needed by assessing various elements including environmental sensitivity, project scale, perceived social, environmental or health impacts, project stage, political climate and previous projects in the area.

Table 6: 2009/10 major consultation projects

PROJECT	CONSULTATION ACTIVITIES	PROJECT STAGE
Abermain to Lockrose 110kV single circuit	■ Stakeholder briefings (ongoing) ■ Community information days (November 2009) ■ Meetings with landowners (ongoing).	■ Draft Environmental Impact Study (EIS) for public feedback to be released August 2010.
Loganlea to Jimboomba 110kV single circuit	■ Stakeholder briefings ■ Community information days (May 2009; March 2010) ■ Public feedback periods ■ Meetings with landowners (ongoing).	■ Completed Supplementary Initial Assessment Report incorporating community feedback. ■ Release of Final Initial Assessment Report (IAR) for public feedback.
Mudgeeraba to Tugun 110kV double circuit	■ Stakeholder briefings (ongoing) ■ Community information days (March and May 2008; April 2010) ■ Public feedback periods ■ Meetings with landowners (ongoing) ■ Community Reference Group (ongoing).	■ Initial Assessment Report will commence on alternative proposed route following community and stakeholder feedback.
SunCoast Power Project 132kV double circuit	■ Stakeholder briefings (ongoing) ■ Community information days (March and May 2008; April 2010) ■ Public feedback periods ■ Meetings with landowners (ongoing) ■ Community Reference Group.	■ Readvertising of land designations for final position of proposed route.
Southpine to Hays Inlet 110kV double circuit	■ Initial Assessment Report (IAR) ■ Stakeholder briefings ■ Community information days ■ Public feedback periods ■ Meetings with landowners ■ Community Infrastructure Designation approval.	■ Transfield Services appointed as the Principal Contractor to undertake the construction of the new powerline. ■ Construction activities commenced.

Focusing on our stakeholder relationships

Our Stakeholder Management approach and strategy enables communication across various stakeholders to be monitored, tracked and enhanced throughout the entire life of a project or relationship. As illustrated in Table 7 on page 71, a range of engagement tools were used throughout the year to ensure stakeholders were regularly engaged.

To monitor and record our engagement and consultation activities, this year we commenced initial trials on a new stakeholder engagement database program. The database enables users across the organisation to record and access data, including discussions, outcomes and feedback, from any engagement on an ongoing basis. It enables a consistent level of awareness on the status of relationships and expectations across all of our people who will have contact with that stakeholder at some stage.

This year we also established the ENERGEX Community Consultation Committee (ECCC) bringing together representatives of local government, industry, planners, state government and social justice organisations. The ECCC enables a platform for discussion and provides on-going advice to the company on current community issues, concerns and expectations, taking on board the range of opinions, needs and expectations.

Pictured: Our sponsorship of South East Queensland community events, including the ENERGEX Community Arena at the Royal Queensland Show, provides further opportunities to engage with residents.

Table 7: Stakeholder engagement 2009/10

STAKEHOLDERS	KEY METHODS OF ENGAGEMENT DURING 2009/10
Government stakeholders	
Shareholding Ministers	Statement of Corporate Intent 2009/10 and Corporate Plan 2009/10 – 2014/15, quarterly performance reports, regular briefings and updates on key issues including meetings with the Chairman and CEO.
Government departments and councils	Information days, Memoranda of Understanding, meetings and briefings at various levels of each organisation, letters and verbal communication, ENERGEX Community Consultation Committee.
Regulators – QCA, AER, Energy Ombudsman	Provided submissions and ongoing reporting to the QCA on relevant issues. Submitted regulatory proposals to the AER in respect to 2010–15 determination. Throughout the regulatory process, ENERGEX actively engaged with the AER and its consultants in an open and transparent manner, presenting at public forums, attending face-to-face meetings and providing written responses. ENERGEX is represented on the Energy Ombudsman Group.
Business customers	
Electricity retailers	Briefings, meetings, written agreements, policies, letters, quarterly interstate visits, teleconferences, satisfaction surveys.
Electricity transmission distributor and electricity generators, Powerlink	Verbal, face-to-face and written communications regarding planning and network issues, joint planning and communications.
Suppliers and contractors	Meetings, workshops and briefings, letters, contract development, Supplier Quality Awards.
Large customers	Network and industry changes briefings, workshops, meetings, verbal and written communications.
Community stakeholders	
Customers and community, including environmental groups	Community newsletters, flyers, brochures and fact sheets, advertisements, letters, website/social media tools, presentations, sponsorships, meetings, forums and face-to-face consultations, surveys and feedback forms, call centre and verbal conversations, ENERGEX Community Consultation Committee.
Our employees	Regular updates including daily 'Bulletin Board' email, CEO update, newsletters including Connections article and group newsletters, leaders' forums, communications via managers, supervisors and other consultants, workshops, surveys, topical presentations open to the entire organisation, intranet, emails, divisional updates including TeamShare and division group days, weekly group meetings.
Media	Media briefings, meet-and-greet days, media releases/alerts, interviews.

Notes

The development and maintenance of relationships with our range of stakeholders is an essential activity and one that enables common goals to be achieved.

Electrical contractor stakeholder management

The Electrical Contractor Stakeholder Management team continued to build and maintain a strong working relationship with electrical contractors by engaging them in changes to our processes as well as the release of the Electrical Work Request (EWR) Web Portal.

The new EWR Web Portal was released in early December 2009, replacing the former Online Form 2 submission. As part of our engagement plan, site visits were made to 10 selected electrical contractors where training was provided and their accounts set up on the new Web Portal. Electrical contractors who previously utilised the Online Form 2 were successfully transferred to the new Web Portal throughout December 2009 and kept informed throughout the transition.

This new technology has been widely accepted by contractors proving to be an efficient way to manage their work, enabling their jobs to be tracked as well as receiving status updates via email and/or SMS. Having access to this information minimises the need to contact us for updates and also allows them to provide their clients with up-to-date information.

Since its implementation, more than 28,000 EWRs have been submitted via the Web Portal by electrical contractors, 76 per cent of all EWRs received. The remaining 24 per cent of EWRs have been submitted via fax, with ENERGEX continuing to engage those electrical contractors by communicating the benefits the Web Portal offers.

Maintaining effective relationships with retailers

ENERGEX continued to work with electricity retailers during 2009/10, including a number of new small entrants. However, the most significant retailer event of the year was the Australian Energy Market Operator's (AEMO)suspension of Jackgreen (International) Pty Ltd from trading in the National Electricity Market on 18 December 2009. Jackgreen had approximately 17,000 customers in ENERGEX's distribution area at the time of their suspension, who were all consequently transferred to Origin Energy under the Retailer of Last Resort provisions. Significant effort was involved to ensure customers were seamlessly transferred to Origin and that open service orders and transfers involving Jackgreen were handled appropriately.

Origin and AGL continue to be the largest retailers operating in ENERGEX's distribution area. Integral Energy is the next largest retailer with approximately 12 per cent of customers. During the year, we assisted AGL in the migration of customers from a legacy system to their new Customer Information System (CIS). This involved changing the retailer participant identifier on approximately 40,000 connections. The joint meetings and planning were conducted over a six-month period.

ENERGEX maintains regular contact with retailers, including quarterly interstate visits to discuss the major issues being faced by ENERGEX and retailers, and periodic teleconferences to actively engage retailers in proposed process changes. A satisfaction survey is also conducted twice a year to gauge retailers' opinions on ENERGEX's performance. In the latest survey, ENERGEX scored slightly above its target satisfaction level of 65 per cent.

Communicating with our large customers

The new regulatory determination from the AER, to apply from 1 July 2010, involves a number of changes for ENERGEX when connecting large customers to our network. In particular, customers with consumption over 4 GWh per annum or maximum demand greater than 1 MV.A will have the choice to use ENERGEX to construct their connection, or a different service provider. Also, the cost of the connection will be paid for by the customer upfront, rather than as part of the customer's ongoing network charges. We have engaged affected customers, through customer forums and direct correspondence, to provide information in regard to the changes, and will continue to liaise with these customers through the transition to the framework.

Executing our Customer Strategy

This year we continued to execute our Customer Strategy which provides a clear link between customer drivers, network planning and investment decisions to assist in achieving increased network sustainability. Initiatives within the strategy will allow us to capture valuable data to better understand customers and their energy related choices. The research ultimately informs business decision making processes in areas such as investment planning, reliability and customer service standards.

Focusing on corporate social responsibility

As a customer-centric organisation, we take pride in our role in the community as a good corporate citizen. Delivering sustainable and balanced outcomes lies at the heart of our daily operations and long term strategies. To ensure we continue to deliver and improve our business operations, ENERGEX participates in measuring and reporting programs which provide guidelines and feedback to improve our business practices – ultimately to provide a better and sustainable service to our customers, communities and stakeholders.

Currently, ENERGEX uses two programs to measure and improve corporate responsibility performance in line with the business strategy – the Corporate Responsibility Index (CRI) and the Global Reporting Initiative (GRI). This year ENERGEX achieved a CRI score of 75.32 per cent (2007/08: 58.5 per cent). Supporting initiatives implemented throughout the year included the formalisation of a Corporate Sustainability and Responsibility Working Group, formed by representatives from all areas of the business to recommend and monitor improvements, and the Sustainability Steering Committee to oversee the sustainability framework and strategy[1].

Educating the community

One of the ways we support our communities is by passing on valuable knowledge on various issues around electricity and sustainability. The ENERGEX Community Speakers Program celebrated five years of providing speakers free of charge to community groups throughout South East Queensland. We now have 18 ENERGEX industry experts who present on numerous subjects including the history of electricity and changes to the industry, electrical safety, energy efficiency, renewable energy, work in the community, ENERGEX and the environment, Safetree, ENERGEX helicopter patrols and careers in the electricity industry.

1 Further information can be found in our current Sustainability Report at www.energex.com.au/about_energex/sustainability_report.html

This year, 25 presentations were given to a range of audiences from school children and community groups to businesses and local councils.

This year also saw a fresh approach in how we engage the community through our advertising. Our summer preparedness education campaign used the November 2008 storms in northern Brisbane to highlight the real dangers associated with summer, reinforcing the need to be prepared and to stay away from fallen powerlines.

For the first time, ENERGEX was able to utilise statistics associated with electrical incidents in South East Queensland to build a targeted approach for safety around the network, with the aim to influence known high-risk audiences in key geographic locations. We also delivered our first public education campaign addressing the issue of peak demand, encouraging the community to help ENERGEX reduce the demand on electricity during peak times. This supports several targeted initiatives and trials to help ENERGEX achieve a smarter, more sustainable network.

As well as our website, consultation and engagement activities, and targeted sponsorships, another key education tool used is our popular Switched On website for children. More than 230,000 site visits have been recorded this year, with registered members from all over South East Queensland receiving the online newsletter.

Supporting the community

Throughout 2009/10, our sponsorship program continued to provide funding and support to South East Queensland communities with an investment of $1.4 million.
As outlined in our Sponsorship policy, we focus our investments towards targeted initiatives around local communities, safety, education and environment/energy efficiency, as listed in Table 8, page 74.

The policy is closely monitored by our Sponsorship Committee led by ENERGEX's Chief Executive Officer and consisting of senior managers from across the business. The committee meets every second month to discuss key sponsorship proposals and monitors existing sponsorships and budgets to ensure their effectiveness. Following approval of our five-year Network Management Plan by the AER this year, our sponsorship funding structure will be more closely aligned with local projects to ensure community investment in the areas we are working in.

We continue to encourage our hubs and operational staff in different regions of South East Queensland to assist with sponsorship of local community groups and charitable organisations. Some of these sponsorships have included the Starlight Children's Foundation, Sunshine Coast Health Foundation, St John Ambulance and the Ipswich Hospital Foundation.

Pictured: A community information stand at the Hays Inlet Festival provided an opportunity for community and stakeholder discussions and feedback.

Pictured: We sponsor a range of initiatives focused around local communities, safety, education, environment and energy efficiency.

Table 8: Sponsorship activities for 2009/10[1]

LOCAL COMMUNITY INITIATIVES	SAFETY	EDUCATION	ENERGY EFFICIENCY/ ENVIRONMENT
■ Lord Mayor's Community Trust	■ Queensland Cancer Council: SunSmart Day – raising awareness and funds to fight skin cancer	■ Bright Futures program – sponsoring high school students' attendance at Committee for the Economic Development of Australia (CEDA) forums	■ Earth Hour 2010
■ Ipswich Festival	■ Rural Fire Service	■ Queensland Museum – ENERGEX Playasaurus Place	■ SEQ Catchments
■ Dingo Creek Festival – supporting SIDS and KIDS Queensland	■ Sunshine Coast Helicopter Rescue Service	■ Queensland University of Technology	■ ENERGEX Junior Landcare Activity Days
■ St Vincent De Paul	■ Volunteer Marine Rescue		■ Premier's Sustainability Awards
■ Royal Queensland Show 2009 (Brisbane EKKA)	■ State Emergency Service		■ Lord Mayor's Business Awards
■ The Starlight Children's Foundation			■ International River Foundation (Bremer River Forum)
■ Sunshine Coast Health Foundation (Give Me 5 for Kids)			
■ Hays Inlet Festival			

Notes

1 Sponsorships of $5,000 or more

Showing our support on the water – ENERGEX Sandgate 1

We've sponsored helicopters, helped koala habitats to grow and redeveloped a dinosaur garden at the Queensland Museum. This year it was time we extended our support to the hard working marine rescuers.

Volunteer Marine Rescue Brisbane (VMRB), a squadron of Volunteer Marine Rescue Association of Queensland, provides volunteer marine search and rescue services for the communities along the sea coast of Queensland. Currently it has 350 volunteers who keep the radio room manned from 6.00am to 5.00pm on weekends and public holidays, when people are making the most of our waterways.

ENERGEX Group Manager Strategic Change and Program Management Simon Middap said "ENERGEX Sandgate 1 is regularly called on for not only public rescues, but also by the Water Police, Queensland Ambulance Service, the Port of Brisbane Authority, other Coast Guards, the SES, and yachting organisations".

"ENERGEX has helped out by providing necessities including shade hats and building a new equipment room at their clubhouse to store emergency equipment. This allows quicker and easier access to the rescue gear on the way to the pontoon and the craft," said Simon.

Pictured: ENERGEX's sponsorship of VMRB and the ENERGEX Sandgate 1 makes the search and rescue work for the volunteers more efficient and safer.

Innovative community project a first in Queensland

This year saw an exciting and innovative large-scale community engagement and sustainability project launched to promote awareness of electricity peak demand and energy conservation.

A first in Queensland, the Energy Conservation Communities (ECC) initiative will help residents actively adopt energy efficiency methods in the home to reduce energy consumption and demand on the electricity network during peak times.

Working with local councils and the Queensland Government's Office of Clean Energy, we are able to deliver this opportunity to communities – the Sunshine Coast being the first region.

With the knowledge and technology, we can help communities achieve a more sustainable way of life in relation to their electricity use.

Connected residents Robert and Ruth Hayman from the Sunshine Coast have had a device installed on their air conditioner which will help reduce their electricity consumption during peak times.

Robert said they decided to sign up to the ECC as soon as they heard about it, and encouraged other residents to participate.

"Whether we're working with the rest of the community to cut energy consumption at peak times, or reducing the day-to-day power use within our own home, it's a good thing," he said.

"If everyone joined up to take part in the initiative we could make a real difference," he said.

Peak demand usually occurs on days of extreme temperature, when a large number of South East Queensland households and businesses use their high-energy appliances at the same time, typically between 4.00pm and 8.00pm.

Population growth and the rapid uptake of energy-intensive appliances over the past decade have boosted peak electricity demand in South East Queensland by an average of five to seven per cent a year – well above national trends.

There are now more than one million air conditioning systems installed in South East Queensland, with around 1,500 new systems being installed every week.

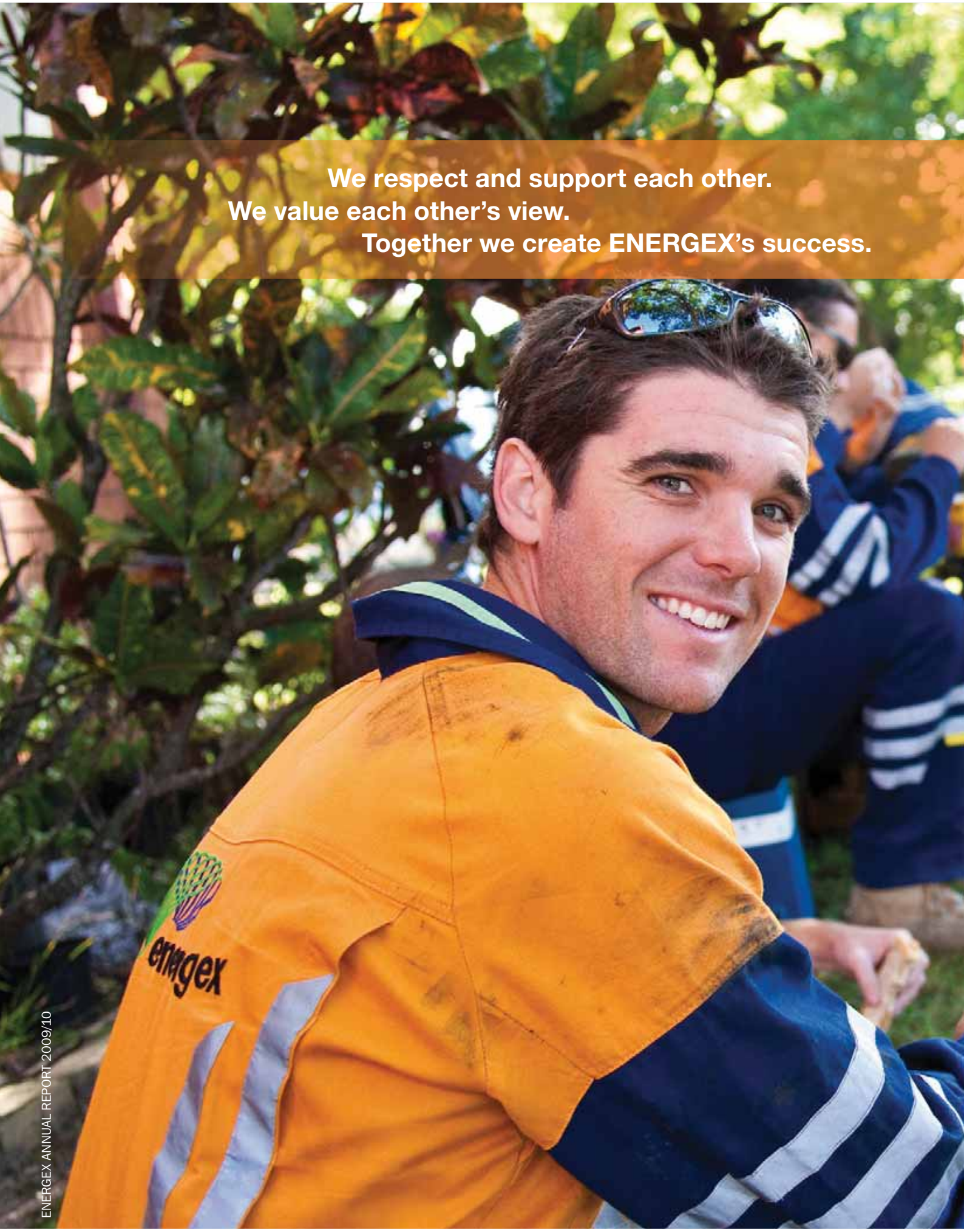
While we can continue to upgrade the electricity network to manage this growing demand, this isn't the most sustainable approach as the extra capacity isn't needed or used outside of peak times.

Energy Conservation Communities will offer residents solutions to help them conserve energy, including a conservation package worth up to $800, and use energy-conservation devices on appliances such as air conditioners and pool pumps.

OUTLOOK 2010/11

- We will support the community through our 2010/11 sponsorship program, focused on local community initiatives, safety, education, energy efficiency and the environment.
- Our Community Consultation Manual will be refined as part of the bi-annual review process, ensuring the community receives the appropriate level of communication and engagement for our major work projects.
- We will launch the new ENERGEX website – a two-year project which has involved extensive user research to ensure it aligns with needs and expectations of our customers. The new website will be innovative, fresh, intuitive, enable "dialogue", improve usability, and ultimately put the customer at the centre of their online experience.
- We will continue to advocate and provide information on energy conservation initiatives to help our customers and the community reduce their power consumption. We will expand the Energy Conservation Communities program into two other local councils in South East Queensland. Assessment for further expansion will also be carried out.
- Customer and community attitudes will continue to be tracked through our ongoing research surveys.
- Our trial of the new stakeholder engagement database will continue and be assessed to determine its effectiveness in managing the relationships with our range of stakeholders.
- We will focus on building stronger relationships with the retailers through regular interaction and by working constructively through common issues.
- We will execute the Auto GSL Project which will allow us to automatically identify and process GSLs. This will involve three stages including: the implementation of a new GSL customer complaint system called Customer Service Investigations (CSI) and changes to our current systems, first GSL payments being paid to customers under the new system, and a customer feedback functionality being integrated.
- We will be trialling a new Community Benefits Fund linked to four specific major work projects, investing in the neighbouring communities which may be impacted upon.
- We will continue on our Corporate Responsibility journey, through the development of action plans from this year's results to achieve improvement.
- We will launch the ENERGEX Excellence Awards, joining our customer**care** program and staff recognition scheme. Staff and contractors will be recognised for excellence in safety, innovation, performance, environment, customer**care** and projects.
- We will continue to work together with commercial and industrial customers to facilitate energy solutions which help conserve and manage energy use during peak times. Through the Commercial and Industrial initiative (page 54), we will facilitate targeted solutions which meet individual business requirements, including customer load curtailment, heating, ventilation and cooling, tri-generation and energy efficient lighting.
- As part of the Rewards Based Tariff initiative (page 53), we will launch a trial in late 2010 to explore how customers respond to different pricing signals. Data gathered from the trial will help inform our position on future policy and direction for electricity tariffs.

Pictured: Sunshine Coast residents Robert and Ruth Hayman were amongst the first customers to become a part of Queensland's first Energy Conservation Communities.



We respect and support each other.
We value each other's view.
Together we create ENERGEX's success.

LIVING OUR VALUES

respect and support each other

WHAT WE DO

Treat others as you would like to be treated.

Listen attentively to understand the other person and respond constructively.

Acknowledge each other's expertise and perspectives and the value diversity brings to the business.

Talk straight – with honesty and empathy.

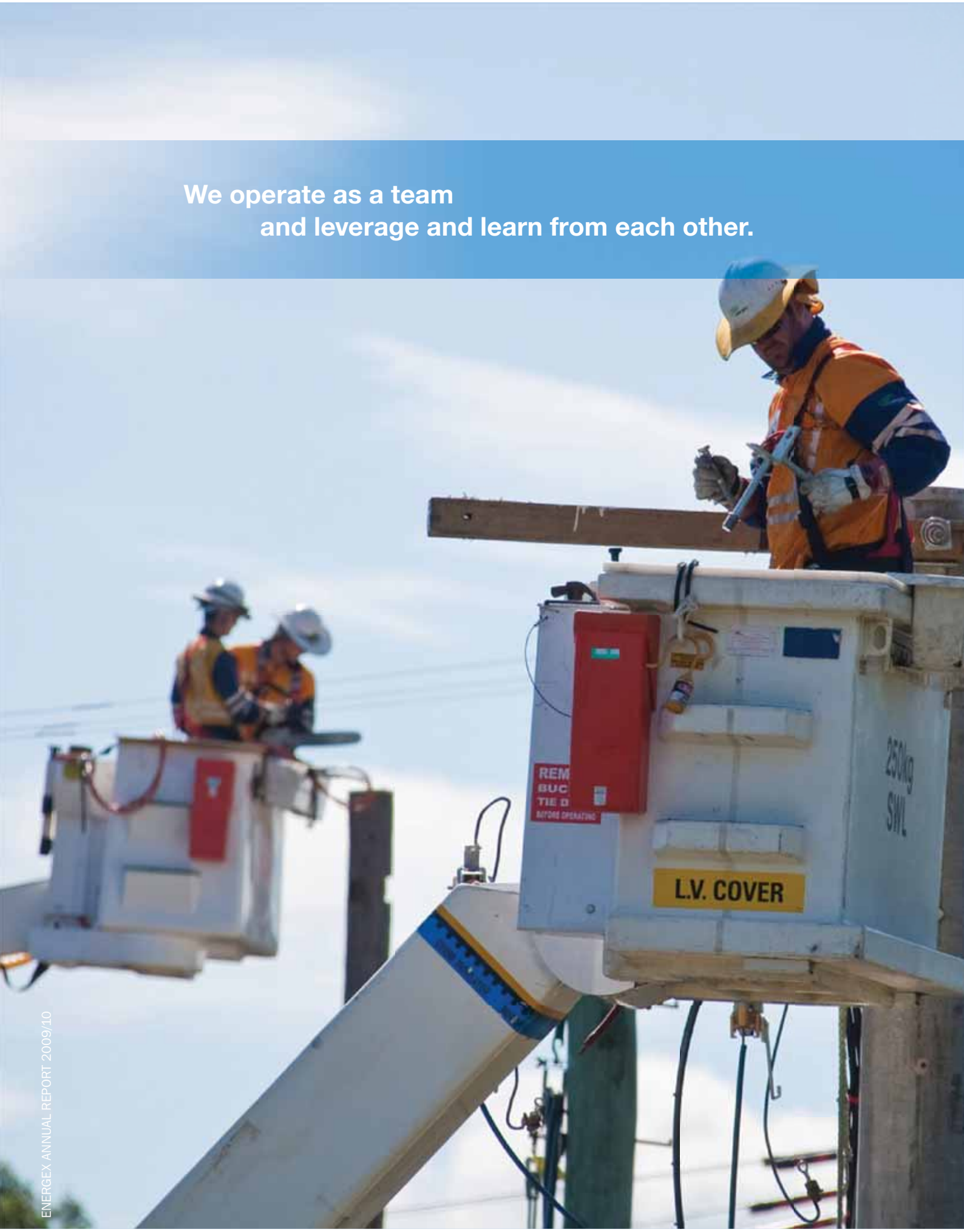
Make sure people are well informed about issues that affect them.

Seek input from people to improve business outcomes, believing good ideas come from anywhere and anyone.

Recognise efforts and achievements.

Pictured: Our People Strategy focuses on building a capable, committed workforce and creating a workplace that our 3,800 staff want to be a part of.

We operate as a team and leverage and learn from each other.



LIVING OUR VALUES

be a team player

WHAT WE DO

Focus on what is best for the business as a whole, not just our part in it.

Actively contribute our knowledge, experience and ideas to help ENERGEX achieve its goals.

Engage in 'healthy debate' – challenge issues and ideas, whilst respecting individuals.

Strengthen team spirit by celebrating achievements.

Value diversity and foster an environment where learning and continuous improvement occurs.

Pictured: Field crews support each other every day to efficiently complete projects.

RESPECT AND SUPPORT EACH OTHER and be a team player

KEY OUTCOMES 2009/10

- Recruited 243 new staff
- Implemented a revised Workplace Learning Program and a new suite of leadership workshops
- Designed and tested an improved approach to managing staff performance
- Maintained a high level of employee motivation – achieving an Employee Motivation and Performance Index tally score of 65.87 (2008/09: 65.7)
- Implemented an Indigenous Apprentice Program in conjunction with the Department of Employment, Economic Development and Innovation and the Electrical Trades Union
- Introduced a Wellness Program for employees
- Conducted a pilot workforce planning project.

Building the workforce of the future

We recognise an adaptable organisation with engaged people is a key foundation for business success. This year, we continued to deliver on our People Strategy to build a sustainable, adaptable and engaged workforce. This will ensure we have the people, skills, culture and performance required to deliver our business objectives now and in the future.

This year we recruited more than 243 new staff (2008/09: 450), taking our end of year total to 3,849, as demonstrated in Table 9. As we move towards our vision of a customer-centric organisation providing sustainable energy solutions, we will need to continually develop the skills of our existing and new people to keep pace with our customers' lifestyle aspirations and changing environment.

Table 9: Staff numbers by employment category[1]

EMPLOYMENT CATEGORY	EMPLOYEES 2008/09	EMPLOYEES 2009/10
Administrative/clerical	714	728
Apprentice	325	338
Electrical systems design advisor	91	88
Executive	130	147
Para-professional	333	332
Power worker	192	186
Professional managerial	556	596
Supervisor	317	337
Systems operator	67	67
Technical serviceperson	1,002	1,018
Trainee/cadet	11	11
Casual	1	1
Other contract employees	5	0
TOTAL	**3,744**	**3,849**

Notes

1 Includes all full-time, part-time and casual ENERGEX staff as at 30 June 2010.

Developing our employees' capabilities

In 2009/10, we continued to invest in a range of development programs including apprenticeships, para-professional cadetships, graduate development and staff development. These programs assist to develop employees' skills, knowledge and experience needed to not only enhance their future, but also to keep building and maintaining South East Queensland's electricity network.

We own and operate a Registered Training Organisation (RTO), EsiTrain, which provides the trade and post-trade technical training required to work on low and high voltage overhead powerlines, underground cables and substations, including safety and rescue training. EsiTrain courses are nationally accredited in line with the Australian Quality Training Framework (AQTF).

This year we expanded our training services, which are now open to external organisations within the industry, including mining and electricity distribution companies and high voltage customers. Our specialised instructors are trained to a Diploma level in Training and Assessment and have a wealth of experience within and external to ENERGEX. This year more than 136,691 student contact hours (a measure of training delivery) were provided through EsiTrain.

At the end of June 2010, we had 338 apprentices employed in a range of trades including electrical fitter mechanics, overhead linespersons and cable jointers. In 2009/10, 95 new apprentices started their qualifications (2008/09: 101).

Cadetships combine study and on-the-job training. At ENERGEX there are currently six para-professional cadetship programs running, two starting in 2009/10, with 77 employees taking part.

These programs provide participants with TAFE training to gain an Advanced Diploma of Electrical Engineering, which helps to build capability in these employees to fill future para-professional roles across the organisation.

Our graduate programs are designed to attract recent engineer, business and finance university graduates. Graduates are able to rotate through relevant departments, applying their studies and also learning about different facets of our business. All participants receive personal development and mentoring from our senior employees. There are currently 23 participants in the engineer development program and three in the finance program.

A revised Workplace Learning Program was also launched in May 2010, offering employees access to over 50 development courses in the areas of leadership fundamentals and business acumen.

Building effective leaders

Building strong and effective leadership in the office and field environments is paramount to a well-balanced workplace and ensures business objectives are achieved. Over the past year, more than 350 leaders have participated in ENERGEX's leadership development programs.

During the year all leadership programs were reviewed to ensure alignment with our leadership capability framework and emerging leadership needs. As a result, a new suite of leadership workshops was introduced to meet immediate business needs and build the desired capabilities in ENERGEX leaders. The Employee in Charge and Frontline Leadership programs were redesigned and tailored to reflect the ENERGEX values and environment, and a new Executive Leadership Program was designed and implemented in partnership with Mt Eliza Melbourne Business School. To date, 26 senior leaders have participated.


RG
ACTION
AUTO ELEC
TRAFFIC CONTROL
PH: 3881 3008

Powering performance

We continued to finalise our new performance management process, Power to Perform, which commenced in July 2010.

Based on extensive research and investigation internally, including staff surveys, and externally among the industry, Power to Perform has been designed to support continuous day-to-day conversations between employees and their leaders about performance at work. It will enable better performance by individuals and the business by providing employees with the guidance, coaching and feedback that they need to develop their skills and perform to the best of their ability. The framework clarifies the different roles, responsibilities and expectations of employees and leaders. In preparation, the launch and roll out of information sessions began in April 2010.

Attracting quality staff

The new ENERGEX Employment Offer strategy and branding project was implemented this year, to further promote and demonstrate ENERGEX as an employer of choice. Ensuring we attract and retain the right people is a vital element to delivering our business objectives. Outcomes achieved as part of this strategy include:

- 'The Power to…' campaign to communicate a clear and compelling employment offer to the market. This included The Power to Perform, The Power to Connect, The Power to Work Together, The Power to Switch on New Ideas, and The Power to Feel Proud
- information, tools and advertising materials for ENERGEX managers to utilise when communicating the employment offer to new employees during recruitment, induction and on-boarding processes
- improved awareness of ENERGEX as an employer of choice and as a result, an increase in the number of job applications
- delivery of a new careers micro website which communicates the key aspects of the employment offer.

This year our staff turnover rate was 4.6 per cent (2008/09: 5.3 per cent). Our low turnover rate highlights the effectiveness of our initiatives to promote ENERGEX as an employer of choice. Some level of turnover is considered healthy for an organisation.

Proactively managing workforce sustainability

To achieve sustainable growth and maintain workforce capability and capacity in a changing labour market, a strategic workforce planning pilot was conducted in 2009/10. This involved examining internal and external labour markets to forecast our labour demand and supply for the next seven years. As a result, a number of risks were exposed and strategies were developed to mitigate the risks. Throughout 2010, we will provide structured development for engineers, expand the graduate engineer program, expand the para-professional cadetship program, establish a business-wide succession planning methodology for leaders and people in critical roles and areas of knowledge, and implement maturing workforce initiatives to encourage knowledge transfer and reduce the impacts of an ageing workforce. In 2010/11, ENERGEX will update its strategic workforce plan to ensure it maintains people capacity and capability to achieve its strategic objectives and meet customer, community and stakeholder expectations.

Listening to our staff

Results from the 2010 staff survey indicated our employees' motivation levels are stable, according to Hinds Workforce Research, the company conducting the research. More than 3,200 staff took the opportunity to be heard representing a response rate of 85 per cent (2008/09: 84 per cent).

Hinds use the Employee Motivation and Performance Index (EMPI) to measure employee interest, satisfaction and commitment at work. The survey results indicated an overall tally score of 65.87 out of 100 (2008/09: 65.7).

As in the previous year, the results from the 2010 staff survey will be used in Receive, Own, Discuss, Act (RODA) workshops for every department and team. The RODA workshops provide a forum for staff and managers to determine the required actions needed based on local level survey results and feedback.

Actions from the previous staff survey, which are continuing into the coming year, included assessing the cultural aspects which impact on our Program of Work, improving our performance management system, implementing senior leadership development programs, improving our internal communication, and organising forums to allow employees to understand industry changes and our business strategies.

Throughout the year, employees are also able to voice their concerns or complaints through an independent disclosure line, operated by an external company and overseen by Internal Audit.

Pictured: Our teamwork culture proved to be the key in delivering an upgrade project for the Kelvin Grove community.

While employees are encouraged to discuss issues with their supervisor, manager, general manager or Internal Audit, the confidential disclosure line is available to report suspected fraud and unethical or illegal matters. Its aim is to enhance the existing fraud and compliance frameworks and support our Code of Conduct.

Creating equal employment opportunities

Equal Employment Opportunity (EEO) is a key focus in the energy industry. Our EEO Policy and strategy demonstrates our commitment and continual action to ensure our workplace is free of discrimination and harassment. All employees and potential employees enjoy equal access to opportunities within the company based on their individual merit.

We track employment diversity in our workplace by measuring the gender balance and people from minority groups. We ask all new employees to complete an Equal Employment Census in line with requirements of the *Equal Employment Opportunity in Public Employment Act 1992*. Provision of this information is at the employees' discretion, so collection of this information is limited to those employees who elect to participate in the census. In particular, in an industry which has traditionally been dominated by males, in 2009/10 our ratio of male to female employees is in line with industry averages at approximately 78.7 per cent: 21.3 per cent, or 4:1 (2008/09: 79.1 per cent: 20.9 per cent).

This year we have worked closely with the Department of Employment, Economic Development and Innovation and the Electrical Trades Union to implement an Indigenous Apprenticeship Program. The aim of the program is to up-skill local indigenous youth to enable them to undertake an electrical linesperson apprenticeship. The program will take 20 weeks to complete and covers topics including literacy, numeracy, team-building, communication and goal setting. Following a successful completion, we plan to employ a number of these participants as apprentices in the July 2011 intake[1].

In addition to a complaint handling system which includes both informal and formal procedures, ENERGEX has a network of trained Employee Contact Officers who are available to provide information to employees in their attempts to resolve EEO matters informally. Employees may also access ENERGEX's Employee Assistance Program (EAP) for confidential and professional support.

The EAP provides assistance through short-term professional counselling and consulting for employees and members of their immediate families, who face problems of a personal, family related or employment nature.

Communicating with our staff

Effective internal communication is about more than simply sharing information. At its best, it motivates, unites, inspires and celebrates a level of performance that helps an organisation achieve its business objectives.

We used a range of communication tools and activities to assist our employees to perform their jobs productively, provide input and suggestions, and keep up-to-date with what is happening in the company. In the past year, staff received regular information through the monthly staff newsletter Connections and a daily electronic Bulletin Board. Our intranet also continued to be an important source of information, receiving on average 3.375 million page requests each month. The launch of a new Google search engine in 2010 and new design features has further improved the functionality of the intranet as a business tool, making it easier and quicker for employees to find the information they need.

Communication of key safety themes and messages has been strengthened this year with the introduction of new initiatives for National Work Safe Week and the roll out of Zero Incident Process (ZIP) programs such as 'My Personal Big 5' to all employees (refer to page 41 for further information).

Our leaders have also come together at Leaders' Forums which are held several times during the year to hear directly from our CEO, other managers and guest speakers about the organisation's direction and strategy, progress and results. Our staff also heard directly from the CEO through a workplace visits program and via fortnightly email updates.

In 2010, an internal communication audit was conducted, to assess staff satisfaction and the effectiveness of current tools used to inform and support staff to achieve business objectives. In total, 703 employees participated in the research. Research findings benchmarked satisfaction, in regards to internal communication at ENERGEX, higher than the Australian average. The results will be communicated throughout the organisation in late 2010 and will be used in the future planning of strategies, with actions linked to the improvement areas identified.

1 For further information regarding our workforce profile please refer to our latest Sustainability Report at www.energex.com.au/about_energex/sustainability_report.html

Supporting our regional cousins when wild weather hits

A team of 27 ENERGEX crew members headed to cyclone ravaged North Queensland this year to lend a helping hand to electricity network owner Ergon Energy.

Tropical Cyclone Ului crossed the coast on 21 March 2010 leaving around 55,000 homes and businesses without power for several days.

ENERGEX response manager Brian Uren said his crews were pleased to be able to assist the people of North Queensland.

"Although ENERGEX crews are based in South East Queensland, wild weather responses are something we're well versed in," Mr Uren said.

"Not only do we get our fair share of decent storms in South East Queensland, many of our crews have assisted in natural disasters such as Cyclone Larry in 2006 and the Northern New South Wales floods last year.

"There's always a sense of accomplishment when restoring our own community's power after wild weather and we're also equally pleased to be able to help the North Queensland community and our regional cousins at Ergon."

Mr Uren said it was another illustration of ENERGEX's strong team work and supporting culture.

Pictured: Our crews assisted Ergon Energy to restore power to homes and business in one of the cyclone-affected communities, Proserpine.


energex
4926

Improving our health and wellbeing

We believe a healthy lifestyle and workforce not only reduces health risks and prevents injuries, but also boosts employee morale, supports our safety culture and provides customers with a continued high level of service. This year, as part of our commitment to assisting employees with managing their health, ENERGEX launched a new Employee Wellness Program, including the appointment of a specialist Health and Wellness Consultant. This year approximately 1500 employees took the opportunity to review their current health status and develop plans for improvement.

Determining wages and conditions

As part of the Federal Government's labour relations reforms, the Australian Industrial Relations Commission undertook a rationalisation of the Award system in Australia. Known as the Award Modernisation process, it involved reviewing, rationalising and modernising all Awards in the Federal system to create a 'safety net' of award conditions which meet the range of industries within Australia.

For the electricity industry, the Electrical Power Industry Award 2010 was developed. This Award became effective on 1 January 2010 and replaced Queensland based Award, The Electricity Generation, Transmission and Supply Award – State 2003.

The introduction of the Electrical Power Industry Award 2010 does not have any direct impact on employment conditions within ENERGEX. Our employees are currently governed by the ENERGEX Union Collective Agreement (EUCA) 2008, a three-year agreement which overrides the Modern Award. The Agreement determines the terms for paid leave, allowances, penalties, wage increases and structure for career path development.

As part of our Employee Relations and Industrial Relations strategies, we continued to encourage and promote constructive workplace relations with industry unions through effective communication and consultation. Industrial Relations Issues Forums are held bi-monthly between our Industrial Relations Consultants and union officials.

OUTLOOK 2010/11

- As part of the Newstead Office Accommodation Project, we will transition affected employees from our current city office and several other depots to the new headquarters in Newstead. The engagement and communication undertaken throughout 2009/10 will assist in ensuring an easy transition to the new working environment.
- We will execute year one of our three-year Power to Perform program to improve how we manage the development and performance of our staff. The framework will ensure ongoing and open communication between employees and their leaders, promotion is equitable and performance based, and employees understand how their role contributes to our organisation's overall objectives.
- Investment in people leadership and training will progress to ensure our workforce remains skilled and capable, including the leadership development program with Mt Eliza Melbourne Business School.
- Results from the 2010 staff survey will be released and used to form action plans. Employees will have the opportunity to take part in a RODA workshop to discuss their division's results and specific future plans.
- We will continue communicating to employees the three-year ZIP safety program, including the "What's my 50%?" campaign to encourage employees to focus on the elements they can control while at work.
- EUCA renegotiations will progress with the existing workplace agreement expiring in October 2011.
- We will launch the revised Staff Recognition Scheme to bring together a number of existing awards including customer**care**, innovation and safety, and introduce new awards covering environment, performance and projects.

Pictured: The health and wellbeing of our staff is important. ENERGEX CEO Terry Effeney (centre) joins ENERGEX employees in the Brisbane to Gold Coast Cycle Challenge, an annual event we support.

We 'live' our corporate values every day. We create an environment that encourages people to grow and achieve and show courage in making changes for the better.

LIVING OUR VALUES

set a great example

WHAT WE DO

Behave consistently with the ENERGEX values.

Demonstrate positive energy on carrying out work tasks – be passionate about our business!

Show the commitment and courage necessary to make changes for the better.

Encourage others to excel.

Show trust and confidence in people.

Recognise and reward people who 'live' our values.

Deal with reasonable mistakes as learning experiences.

Show each other that we care.

Pictured: Senior Environment Advisor – Sustainability
Dr Jan Green focuses on developing environmental initiatives, monitoring and reporting.

SET A GREAT EXAMPLE
environment

KEY OUTCOMES 2009/10

- Exceeded the Queensland Government's five-year greenhouse gas emissions reduction target
- Purchased NSW Greenhouse Gas Abatement Certificates (NGACs) to offset our 2008/09 fleet carbon emissions
- Nationally recognised for our trials of public lighting monitoring devices and pool pump filters – winning awards on two separate occasions
- Installed a further 11 rainwater collection tanks across our major sites, increasing our capacity to collect water by 31 per cent
- Construction continued on our new headquarters in Newstead
- Implemented the new Environment Strategy and reviewed our Carbon Management Plan.

At ENERGEX, our commitment to sustainability and the environment goes beyond responsible management of our daily operations and future planning. We believe our role extends to educating and setting a great example for customers, the community and business.

This year we have continued to promote energy conservation through targeted initiatives and trials, implementing strategies to reduce our own environmental footprint and working with key bodies across South East Queensland to progress in environmental best practice.

Delivering a consistent approach to environmental management

A new five-year Environment Strategy was developed and implemented to oversee and provide strategic direction across all key environmental areas. The strategy focuses on:

- our Environmental Management System
- sustainability
- biodiversity management
- cultural heritage
- pollution management
- water, waste and energy management
- systems compliance
- environmental communication and training.

The strategy is supported by our Environment Policy, Environmental Offsets Policy, Carbon Management Plan, Sustainable Procurement Policy, and the Environment Operational Plan which states our performance indicators as set out in the Statement of Corporate Intent (pages 10-13).

Offsetting our emissions

Since joining the Australian Government's Greenhouse Challenge in 1996, we have planted almost 300,000 native trees to offset our carbon emissions. As part of this program, this year we purchased, through Eco Fund, Federal Government approved New South Wales Greenhouse Gas Abatement Certificates (NGACs) to offset our fleet and air travel carbon emissions for 2008/09. This scheme allows the abatement certificate providers to carry out activities on our behalf, decreasing greenhouse gases. This can be achieved through generating electricity in a way that reduces the greenhouse gas emissions per megawatt hour, or reducing the consumption of electricity. In our case, the certificates are generated by burning biomass in Queensland generators, thus reducing waste to landfill and the resultant carbon emissions. Refer to Table 11 on page 98 to view a summary of our greenhouse gas emissions.

We also carried out project specific offsets including revegetation and rehabilitation to ensure environmental areas are sustained. This year we provided marine plant offsets as part of the Queensland Government's approval for a powerline project from Southpine to Hays Inlet. Marine couch was relocated to a nominated rehabilitation site at Rothwell. Other key revegetation projects included almost 1,000 plants to Springbrook Landcare and 500 native trees to provide food, habitat and corridor connectivity along the Bremer River.

Sustainable streetlighting trial nationally recognised

This year we received the inaugural Energy Supply Association of Australia (ESAA) Industry Innovation Award in recognition of our trial of public lighting monitoring devices in newly installed energy efficient globes.

Public lighting is the single largest source of local government's greenhouse gas emissions, accounting for up to 70 per cent of their corporate emissions. While they are necessary, the current lights result in more than one million tonnes of carbon dioxide emissions each year in South East Queensland alone.

The trial, coordinated in partnership with the Queensland Government's Office of Clean Energy and five local councils, involves the use of sophisticated measuring devices on 288 sites to collect data on performance such as light output, power usage, temperature and resilience to vibration and voltage surges. It will ultimately inform a strategy to reduce the environmental impact by replacing the mercury vapour streetlights with more energy-efficient lights.

The three-year trial is the first of its kind in Australia and, with approximately two million public lights across the country, has great potential to inform how our industry can reduce public streetlight energy consumption.

In early June 2010, we also won the Innovation in ClimateSmart Technologies Award for our energy conservation Pool Filtration Demand Management (PFDM) device (page 102).

Working towards sustainability in procurement

Our sustainable procurement strategy focuses on ensuring the balance between environmental, ethical and value outcomes. This framework offers benefits for business performance, risk management as well as the environment. In line with the Queensland State Government Procurement Policy, we are progressively integrating the practice of sustainability into the procurement of goods, services and construction. To achieve this, procurement decisions encompass the consideration of goods and services which have a lower environmental and social impact than competing goods and services from suppliers, and which are ethically and socially responsible. This is achieved by:

- strategies to avoid unnecessary consumption and manage demand, consideration of the potential for reduced waste through less packaging, provision of a packaging take-back, products made from recycled or re-manufactured materials or the use of renewable resources
- strategies to minimise the environmental impacts of the goods and services through improved design or manufacturing
- the supplier's socially responsible practices including compliance with legislative obligations to employees
- value for money over the whole-of-life of the goods and services including end of use management, rather than just the initial cost.

ENERGEX has a dedicated team to examine the end-to-end recovery of materials with a view to identifying opportunities to recover and recycle, thereby improving end of use management and optimising sustainability. Our Environmental Management System is included in all our contracts with suppliers, ensuring the sustainability criteria, related to key performance indicators, are progressively implemented as procurement activities are undertaken.

ENERGEX collaborates proactively with our industry partners and suppliers to develop business management decisions and initiatives that will result in sustainable business benefits to both ENERGEX and the supplier.

In March 2010, ENERGEX hosted its annual Supplier Quality Awards, an industry opportunity to recognise the exceptional achievements of our suppliers. SG Fleet was announced the winner of the ENERGEX 'Innovations in Sustainability' supplier award as a result of its approach to document systems and processes concerning our fuel consumption. As an organisation, we are proud to partner with a company that embeds sustainability as a serious part of their business framework and promotes their vision to help organisations achieve sustainable outcomes for all stakeholders and reduce their carbon footprint.

Supporting embedded renewable energy sources

This year saw a dramatic rise in the number of small-scale embedded renewable energy sources, or solar systems, distributed across our electricity network – reaching a major milestone with the 20,000th solar photovoltaic connection installed in April 2010. We continued to promote and facilitate these connections which, in the past 12 months alone saw more than 19,144 South East Queenslanders going 'green'. These systems are essentially mini power stations on the roofs of homes, allowing customers to export the excess power generated back into the electricity grid. More than $3.3 million was paid to customers in 2009/10 in rebates for energy exported to the network.

With the increase in the number, size and type of small-scale renewable energy sources growing at an unprecedented rate we continued to work actively with government, solar photovoltaic installers and clean energy organisations to ensure an end-to-end customer friendly connection process and beneficial outcomes are delivered to all involved. Due to a revised method of reporting, a comparable analysis to previous years is not available this year.

Building environmental awareness among our people

The ENERGEX Environmental Awareness training course was updated this year and supplemented by an online format called EsiLearn. The course provides our employees with a better understanding of the environment and our responsibilities in the field and office. By the end of April 2010, 97 per cent of staff had completed the online training.

We also improved our internal environmental communication with employees through a new campaign and supporting initiatives. A quarterly newsletter, *EnviroNews*, was distributed to all staff discussing topical environmental issues, good practice and information on how to reduce water, waste and energy at work and in the home. 'Go Green, Print Lean' was an initiative which saw great results in the amount of paper saved and waste reduced. From March 2009 to March 2010, we reduced our printing activity across the business by approximately 10 per cent. A group of enthusiastic staff also formed their very own Green Team to come up with creative and innovative ways each individual can reduce their own footprint – in the workplace and home. From promoting reusable stationery, encouraging weekly bin audits and a recycling roster, to sending useful information via emails and recycling shoes for an orphanage in Tanzania. The Green Team looks at all levels and areas where action could be taken to protect the environment.

Our commitment to sustainability is demonstrated at all levels of the company. This year we formalised the Corporate Responsibility Working Group, formed by representatives from all areas of the business to implement and monitor improvements in corporate responsibility and sustainability, and the Sustainability Working Group to oversee the sustainability framework and strategy. Our first Global Reporting Initiative (GRI) based Sustainability Report (for 2008/09) was published earlier this year.

New world-leading green home for ENERGEX

As part of ENERGEX's commitment to reducing our carbon footprint and achieving our corporate responsibility objectives, we will relocate our corporate office to the new 'Six Star Green Star in Office Design, V2' building at Newstead, later this year.

ENERGEX Newstead Riverpark will be a centralised hub for more than 1,650 employees of ENERGEX and SPARQ, our information and technology provider, previously spread over five separate locations.

Accredited by the Green Building Council of Australia as a world-leading environmental and sustainably designed office, the six-level campus-style building in Newstead's Riverpark development will boast cutting-edge green technology aimed at reducing carbon emissions by more than 2,100 tonnes each year – equivalent to removing 520 cars from the road annually.

When completed, the building will house smart sustainable features and technologies including:

- a water harvesting system including a 200,000 litre rainwater tank to supply toilets and landscape irrigation, expected to reduce our consumption by 38 per cent annually
- high-performance façade allowing for enhanced internal daylight levels with floor-to-ceiling windows and three spacious atriums
- six lifts complemented with an escalator from ground to first floor and inter-connecting stairs between levels two to six in the atriums, allowing ease of movement throughout the building
- an active chilled beam air conditioning system providing fresh air at rates 150 per cent above the Australian Standards, with high air change rates and no recirculation
- waste management systems which will substantially reduce waste to landfill.

Additionally, it is anticipated electricity consumption will be reduced significantly by the new technology within the building.

The building design supports an open plan layout, which enables rapid exchange of information and promotes interaction and effective communication between employees.

The new ENERGEX corporate office also offers a high standard of work-life balance facilities including a gymnasium, staff club library, credit union and open air terraces to enhance well being.

With its smart technology, energy-saving ideas and people-focused design, our office is a fitting symbol for a world-class energy company committed to providing sustainable outcomes for our employees, the community and the environment.

Our new building is a clear demonstration of how we live our core values of setting a great example, impressing our customers and doing all we can to look after our environment.

Educating the community about sustainability and energy efficiency

As a leading organisation in the electrical industry, we acknowledge our responsibility to raise awareness in our customers about the role they can play in reducing their energy consumption. This year we implemented new energy conservation and demand management education campaigns aimed at reducing demand on electricity and consequently greenhouse gas emissions. As a new campaign, advertising results of 37 per cent for unprompted awareness and 65 per cent for prompted awareness were positive results. The independent survey also found that 73 per cent of respondents stated the campaign encouraged them to think about actions they take to save electricity. For further information on our energy conservation and demand management initiatives refer to page 52.

We continued our Junior Landcare program this year involving 10 primary schools across South East Queensland. The program provides the opportunity to support local communities through environmental education and give primary age students the chance to get their hands dirty by planting trees next to waterways in their local catchments. Students also test water quality and identify and count invertebrates in the creeks as part of a series of activity days focusing on experimental learning. We were also the proud sponsors of the ClimateSmart School Community Award which was awarded to Eatons Hill State School.

We again played a major role in the 2010 Earth Hour campaign, supporting the World Wildlife Foundation (WWF) through the promotion of energy efficiency messages and providing detailed energy consumption data. This year, Brisbane's CBD and western suburbs showed a reduction in electricity use of around two per cent during Earth Hour.

A group within ENERGEX, Metering Dynamics, continued to work with Queensland state schools by supplying electricity consumption data via the internet. This allowed students to understand the impact of their activities on the total energy consumed by their school.

Working with industry and government

In addition to the revegetation and rehabilitation activities we undertake with local councils and the community, we continued to work with the Department of Environment and Resource Management to revise and implement the Memoranda of Understanding for environmental offsets, protecting koala habitats, and the Deed of Agreement for Electricity Works on Protected Areas for work conducted in the national estate. We also worked with key stakeholders to deliver our energy conservation and demand management programs as detailed on page 52. These programs included Energy Conservation Communities, Rewards Based Tariffs and the Commercial and Industrial program.

Delivering on our environmental responsibilities in the workplace

Last year, our Environmental Management System remained certified against the 2004 version of the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001). The Environment Strategy also ensures we continue to reduce the risk of environmental incidents caused by us or any of our service providers. The effectiveness of this strategy was proven again this year, with no infringement notices received in 2009/10.

Water efficiency and waste reduction

We continued to implement several water efficiency initiatives in accordance with our Corporate Portfolio Water Strategy. As a result, we further reduced our water consumption this year by two per cent. Since the baseline year of 2005/06, our total water usage over the past four years has reduced by 37.1 per cent.

Pictured: The ENERGEX Junior Landcare program allows young people to learn and play an active role in our region's sustainable future.

Throughout 2009/10 we:

- installed a further 11 water tanks at five locations for use in wash bays, toilets and general purpose hoses, increasing our capacity to collect water by 31 per cent compared to the previous year
- doubled our water monitoring system with an additional 13 meters installed, totalling 26 meters across the majority of our corporate sites
- installed seven new wash bays connected to water tanks.

To increase our transparency and accuracy in reporting, our waste data collection process changed from being reported in cubic metres to tonnage. This ensures the exact weight of waste is measured rather than the size. As such, a trend analysis will be available in 2010/11.

For 2009/10, 4,188.15 tonnes of waste was collected. Of this, 284.63 tonnes of waste (predominately concrete, cardboard and green) and 9.23 tonnes of co-mingle wastes (items marked with a recycling symbol including plastic, paper and aluminium cans) was recycled. The total amount of waste includes two months of assumption-based analysis, using the 10 months of actual data collected, while we transitioned to the new waste contract in September 2009.

We continued to recycle our waste products and decommissioned assets, with a proportion of the money raised going towards environmental partnerships in South East Queensland. In 2009/10, the program to recycle metal, cable, oil and timber raised more than $6.75 million. Around 3,317 tonnes of metal, 603,680 litres of oil and 14,824 metres of timber were recycled. We sponsored environmental projects including SEQ Catchments, Landcare Queensland and the ENERGEX Junior Landcare activity program (for further sponsorship activities refer to pages 73-74). A new trial project to recycle mobile phone batteries has also begun within ENERGEX.

Energy efficiency

As part of our Strategic Energy Management Plan (SEMP), which is aligned to the Queensland Government ClimateSmart initiative, we continue to monitor and manage our energy consumption. Remote tracking and reporting of energy use across all ENERGEX corporate sites are received through the recording of electricity account data and electricity sub-meters. The data collected is a pivotal tool in identifying potential energy reduction opportunities and cost savings.

In 2009/10 the total electricity used at our offices, hubs and depots was approximately 17,600,000 kilowatt hours (kWh), which represents a decrease of approximately 1.7 per cent from 2008/09.

This decrease is an indicator of improved performance despite our staff population growing by 2.8 per cent over the same period. Additionally, we have expanded our reportable data to include several communication towers under our control which were not previously tracked.

When these additional figures are included, our overall energy use represents a 0.5 per cent decrease compared to 2008/09, and a 1.7 per cent increase compared to the 2005/06 base year. This year, we also committed to purchasing 40 per cent Green Power for all our corporate sites.

One of our key corporate projects expected to reduce our energy consumption is the relocation of our head office to the new 'Six Star Green Star in Office Design, V2' accredited building in late 2010. Rated by the Green Building Council of Australia, together with our key workplace initiatives already underway, this move will help us meet the Queensland Government's target of a 20 per cent reduction in energy consumption by 2015.

Fleet improvements

We are committed to a sustainable fleet and over the years improved the efficiency of our fleet through weight distribution management, introducing more fuel-efficient vehicles and harnessing the innovations of heavy vehicle design. This year we continued to purchase improved green-rated vehicles in each vehicle category to support the delivery of reduced carbon emissions, as part of our commitment to the Queensland Government's ClimateSmart initiative. We also extended our fleet pool vehicle programs to maximise vehicle use within capital and operating budgets. To continue to support the delivery of our Program of Work, our fleet is detailed in Table 10.

Table 10: ENERGEX's Fleet

VEHICLE TYPE	2008/09	2009/10
Light vehicles up to 3,500kg	986	980
Medium trucks up to 9,000kg	529	515
Heavy vehicles over 9,000kg	245	237
Miscellaneous fleet – trailers, forklifts, backhoes, bobcats	418	427
Plant attached to trucks – lifters, borers, truck mounted cranes, EWPs	335	330

Notes

We developed our categories more extensively in the past two years, so the revised trend analysis prior to 2008/09 is unavailable.

Reducing our carbon footprint

Managing and reducing our greenhouse emissions is a task we take very seriously. Each year we measure our carbon footprint and use the data to implement our Carbon Management Plan, currently being updated for 2010/11. The Carbon Footprint Summary Report, shown in Table 11, calculates our carbon dioxide emissions to establish a base line of current environmental performance and guide appropriate targets and strategies for the future. Our total carbon emission for 2008/09 was 1,448,224 tonnes of CO2-e. This represents a slight increase of 1.6 per cent on 2007/08 (1,426,107 tonnes), however a 12.1 per cent decrease on 2006/07 emissions which is our benchmark year. While an increase was observed this year, we achieved the Queensland Government target of a five per cent reduction in greenhouse gas emissions by 2010 from the 2005/06 benchmark level.

Since July 2008, the *National Greenhouse and Energy Reporting Act (2007)* (NGER Act) established a national system for reporting greenhouse gas emissions, energy consumption and production by corporations. As the electricity distributor to South East Queensland, the extent of ENERGEX's business operations means the level of emissions produced from its business activities exceeds reporting thresholds. The first mandatory reporting period for NGER was October 2009, and this involved Scopes 1 and 2. Our 2009/10 Carbon Footprint Technical Review, including our emissions summary for this period, will be published on our website following our next submission at the end of October 2010.

Although a significant driver for reporting greenhouse gas emissions is meeting our compliance requirements, we also understand and are committed to sharing responsibility for reducing greenhouse gas emissions and improving the sustainability of our operations.

Table 11: ENERGEX's Energy Carbon Footprint (2008/09) Summary

EMISSIONS SOURCES	Consumption	Consumption units	CO2-e (tonnes)	% of total emissions
Scope 1 – Direct emissions			112,604	7.64%
Mobile combustion – heavy load transport fleet (>4.5t)	3,640	kL	9,810	0.67%
Mobile combustion – 'on road' transport fleet	3,940	kL	9,455	0.64%
Natural gas and landfill gas – production of electricity and steam	1,931,047	GJ	89,208	6.05%
Diesel – production of electricity	405	kL	1,087	0.07%
Air conditioner refrigerants	1,309	Kg	2,151	0.15%
SF6 from switchgear	37	kg	893	0.06%
Scope 2 – Emissions associated with the use of electricity			1,338,264	90.81%
Electricity used in ENERGEX buildings	17,817,812	kWh	16,214	1.10%
Electricity to compress natural gas for Garden City bus fleet	794,000	kWh	730	0.05%
Network losses	1,300	GWh	1,183,000	80.27%
Street lighting	152	GWh	138,320	9.39%
Scope 3 – Indirect emissions			22,833	1.55%
Employee air travel	1,910,518	Km	225	0.02%
Employee taxi travel	125,933	km	31	0.00%
SPARQ solutions emissions[1]		N/A	319	0.02%
Waste disposed	11,957	tonnes	13,152	0.89%
Full fuel cycle for stationary and transport fuels	2,232,264	GJ	9,105	0.62%
Scope 1 + 2 + 3			1,473,701	100.00%
Reduction measures			25,477	
Green power purchased	3,618,913	kWh	3,293	
NSW Greenhouse Gas Abatement Certificates			22,184	
Net carbon footprint			1,448,224	

Notes

1 Only 50 per cent of SPARQ Solutions' emissions are included, as SPARQ Solutions is jointly owned by Ergon Energy.

SET A GREAT EXAMPLE – research and development

KEY OUTCOMES 2009/10

- Progressed towards our vision of a smart network, including the release of the *Network Vision Outlook to 2030*, in collaboration with Ergon Energy
- Commissioned an extensive Queensland Household Energy Survey, capturing valuable data for future planning
- Awarded the Innovation in ClimateSmart Technologies Award for our energy conservation pool pump technology
- Expanded our Cool Change – Energy Smart Suburbs program
- Involved in key industry events
- Continued to support the development of our industry's future engineers through scholarships.

As a major electricity provider and organisation in Queensland, we play a key role in leading and shaping how electricity is delivered to and used by South East Queensland communities and customers. Our long-term vision aims to achieve a future 'participative' network which delivers the most commercial outcome for the business while meeting increasing customer, community and environmental requirements.

Our research and development efforts support the drivers for the network vision, being technology, social values and environmental sustainability.

A smart network

ENERGEX is progressively moving towards its vision for a 'smart network'. A mesh radio communication network was installed this year to allow remote control of network switches, which will improve network reliability through faster restoration of supply after a network outage. Installation of an optic fibre communication network between all substations has also commenced. The fibre network provides the capacity for future smart network initiatives. Power quality monitoring of the network has increased, to assess the impact of significant quantities of solar photovoltaic arrays currently installed on the network.

In partnership with Ergon Energy, this year we released *Network Vision Outlook to 2030*, a shared network vision for electricity infrastructure in Queensland. This landmark approach provides direction to meet future expectations of Queenslanders in a more demanding environment. The document recognises that traditional management of electricity distribution is not sustainable into the future. In alignment with the other energy distributors, our response is to move towards an intelligent network.

An intelligent network increases connectivity, automation and co-ordination between generators, transmission companies, distributors and customers. While both ENERGEX and Ergon Energy have progressed along this path, the shared vision co-ordinates efforts to maximise the benefits from new technologies while working collaboratively with customers to identify solutions beyond the electricity meter.

Growing customer needs are driving electricity distributors to think differently about how we manage the network and encouraging the development of new innovative products, processes and services. This joint-network vision provides a unified development outlook for all of Queensland.

Our effective partnering with Ergon Energy expanded further this year, as we developed a submission to the Australian Government's Smart Grid, Smart City bid. Together with the Queensland Government's Office of Clean Energy, we aimed to show how promising new technologies can be successfully applied to the Australian lifestyle, climate and geography.

Possible future technologies include a solar thermal storage technology pilot, capturing heat from the sun to store it for future electricity generation, and the coupling of solar photovoltaic cells with applications that will fit them into modern power grids, proving their worth as a reliable source of clean, green energy. While we did not receive the grant this year, we will gain knowledge from the trials conducted by other distributors. These innovations mark significant progress in the area and demonstrate the effectiveness of joint workings with key industry bodies.

Queensland household energy survey

In 2009, ENERGEX, in partnership with Ergon Energy and Powerlink Queensland, commissioned an extensive Queensland Household Energy Survey to gather research on household energy use, energy-saving attitudes and awareness, and household appliance data and the future intention to purchase.

The survey of almost 3,500 home owners across the state – the most comprehensive snapshot in Queensland – found Queenslanders are generally more interested in their own comfort, entertainment and lifestyle rather than the environment. Residents are increasingly filling their homes with air conditioners and a raft of high energy consuming appliances.

Key information from the survey indicated that:

- About 75 per cent of households in South East Queensland are expected to own air conditioners by 2011 and 81 per cent in five years
- Households looking to buy their first air conditioning unit are less likely to have insulation or ceiling fans which are a much lower cost form of cooling than air conditioning
- Households with existing air conditioning units that are looking to add more systems are generally using air conditioning efficiently, but 22 per cent of potential buyers do not have ceiling or wall insulation
- Personal comfort is the strongest motivation for buying air conditioners, followed by cost. Environmental considerations rate lower, with 98 per cent of respondents stating climate change/environmental impacts were not a primary motivator to change their energy use
- Around one third of Queenslanders with air conditioning or electric heating are willing to change their behaviour with pricing strategies to reduce peak electricity demand use
- 68 per cent of Queensland homes now have at least one LCD or plasma screen television with this expected to rise to almost 100 per cent within the next five years
- A quarter of South East Queensland homes have a swimming pool or spa and nearly 10 per cent of survey respondents that did not have a pool or spa indicated they intended to install one in the next five years. Just 21 per cent of SEQ pools have heat-saving pool blankets.

The valuable data will be used in the development of network and capital planning, and public communication strategies. It reinforces the forecasted significant increase in peak demand for South East Queensland, projected at 40 to 60 per cent over the next 10 years, a rate well above national averages. To proactively reduce this forecast, we continued to invest in our energy conservation and demand management strategies during 2009/10 (page 52).

Our customers' energy needs and choices impact the development of our electricity network.

Pictured: Our purpose-built trucks assist us to complete our work safely and efficiently.

Vehicles of the future

ENERGEX has identified the emergence of electric vehicles as a significant factor in the development of the electricity network for the future. In recognition of the potential widespread adoption of electric vehicles, which provide a reduction in greenhouse gases, and tempering the impact of tightening oil supplies, ENERGEX is working with government and industry bodies to overcome challenges and prepare the electricity infrastructure for their use in the community.

Preliminary research indicates that, based on existing residential circuits, the recharging of an electric vehicle is likely to result in two to five kilowatts of electricity demand. As electric vehicles increase in popularity, ENERGEX recognises the need to be well-positioned to ensure electricity is available and the reliability and quality of supply for all network users is maintained. Market analysis and modelling of user data on the network will be undertaken to understand the likely impact electric vehicles will have in South East Queensland.

As part of this analysis, we will consider issues associated with the recharging of vehicles, in the home or at future public charging stations, in terms of maintaining safety and the capacity required by local area networks. The viability of utilising electric battery storage as a distributed energy resource to feed electricity into the grid will also be assessed.

In addition, tariff structures will be examined to provide incentives to customers to recharge during off peak times, optimising the productivity of electricity assets.

Influencing key industry events

This year we were active participants in several key industry events, including: the Annual Queensland Energy Conference 2010, Queensland Power and Gas Conference, The Premiers Climate Change Council, and the International Electricity and Gas Networks Energy 21C Conference and Exhibition. In addition to a number of our employees from operational roles and management attending and presenting at these and various other events, our Chief Executive Officer, Terry Effeney, also presented and took part in discussions on topical issues including the role of 'smart networks', the importance of versatility in an evolving Queensland energy market, sustainability and demand management.

Supporting our future leaders

This year, a sponsorship of $65,000 was granted to Queensland University of Technology's Faculty of Built Environment and Engineering as part of our ongoing commitment to support the future of our industry.

The money will be used to support students to achieve their full potential through the:

- establishment of an ENERGEX Electrical Engineering Scholarship
- contribution towards the perpetual establishment of the Monique Cramer Memorial Fund, recognising the need to support high achieving women in engineering
- contribution to the Textbook Loan Scheme to help students with genuine financial difficulties.

Innovative pool pump device nationally recognised

In a field of 39 finalists, this year we were awarded the Premier's Innovation in ClimateSmart Technologies Award for our energy conservation pool pump technology.

A first in Australia, the Pool Filtration Demand Management (PFDM) device is aimed at addressing sky-rocketing peak electricity demand across South East Queensland.

Installation of the purpose-built device began in November 2009 with around 430 North Brisbane homes participating in the trial.

The initiative was built on the success of an air conditioning trial previously conducted as part of ENERGEX's Cool Change – Energy Smart Suburbs program.

The Cool Change program is one of a number of coordinated initiatives developed in a bid to reduce peak electricity demand across South East Queensland. This is the maximum demand placed on the electricity network due to high energy appliances, such as air conditioners and pool filters. Energy use in the region has risen by 50 to 70 per cent in the past 10 years, while population has risen by around 33 per cent in the same period.

The voluntary trial initially involved the retrofitting of a device to air conditioners in almost 2,000 local homes. The device allowed ENERGEX to remotely cycle the air conditioner's compressor for seven to 10 minutes every 30 minutes without impacting on homeowners' comfort levels. Results of the trial conducted in early 2009 showed there was a 20 per cent reduction in energy demand, which followed a 17 per cent peak power drop recorded in the 2007/08 summer.

The new pool filter trial is an extension of the Cool Change program and aims to shift energy used by pool filters to off-peak times.

The technology was developed by the ENERGEX Cool Change Team, and can be easily fitted to most existing pool filters while being compact and weather proof.

Pool owners will benefit from added value to their pool pumps, with features including an inbuilt timer, unique electrical plug for easy disconnection, and a manual override button.

The manual override button will give owners the ability to use the pool filter for up to an hour, if the ENERGEX technology has turned it off during peak times.

Pictured: The Cooley Family of Arana Hills participated in this year's Cool Change Pool Pump trial to see how use of the PFDM device can contribute to energy savings in their community. "We were keen to sign up to the trial. It makes sense to not filter during peak hours, and with the device we can do this without even noticing," Suzanne and Wayne Cooley said.

OUTLOOK 2010/11

- In 2010/11, we will deliver and implement the revised Carbon Management Plan. This will assist us to continue to achieve reductions in our greenhouse gas emissions, meeting the Queensland Government reduction targets of 20 per cent and 33 per cent by 2015 and 2020 respectively.
- The environmental training sessions will continue throughout ENERGEX and provide ongoing advice to assist employees achieve waste, water and energy reductions. This includes the progression of our printing reduction campaign.
- We will seek to maintain certification of our Environmental Management System against the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001).
- We will progress towards the QFleet Climate SMART Action Plan aiming to reduce light fleet greenhouse emissions by 25 per cent by 2012 and 50 per cent by 2017.
- We will continue to deploy the Customer Strategy including the development of customer knowledge, segmentation and data tools, and use this information to provide business decisions and influence network and customer related issues.
- We will continue to deliver energy conservation and demand management initiatives, assessing their effectiveness in reducing customers' energy use and peak demand. As part of the Residential Targeted Initiative, we will be working with industry, government and customers to create a clearer picture about the electrical technologies required within Queensland homes and the electricity network up to the year 2030. Detailed plans will be produced for the roll out of new generation energy management products for residential appliances including greenhouse-efficient electric hot water. Recommendations on improving the future operation of ENERGEX's existing 'hot water control' residential load management system will also be developed.
- Together with Ergon Energy, we will prepare and contribute a report to the Office of Clean Energy's Queensland Energy Management Plan (QEMP) recommending policies and regulatory initiatives which will promote both energy conservation and demand management for the long term benefit of all electricity customers in Queensland.
- We will progress the investigation regarding the use of electric vehicles. Market analysis and modelling of user data on the network will be undertaken.
- We will continue to be actively involved in key industry events, using the depth of knowledge and experience our organisation holds to provide input and recommendations on topical issues in the electricity industry.

ADDITIONAL corporate reporting

Table 12: Financial five-year summary

AS AT 30 JUNE	2010	2009	2008	2007[12]	2006 Restated[13]	2006
Profit and loss ($M)						
Total revenue	**1,467.9**	**1,336.2**	**1,403.0**	**1,261.0**	**1,099.8**	**2,546.9**
Cost of sales[1]	(345.7)	(306.9)	(303.6)	(255.8)	(248.8)	(1,511.7)
Employee expenses	(212.1)	(208.1)	(232.5)	(212.6)	(175.3)	(196.3)
Depreciation	(236.0)	(232.2)	(220.6)	(200.0)	(190.5)	(198.2)
Amortisation	(2.7)	(4.5)	(20.9)	(23.2)	(21.0)	(21.1)
Impairment	(3.8)	1.3	(14.2)	(9.0)	(4.0)	(7.2)
Borrowing costs	(224.7)	(212.5)	(196.2)	(169.1)	(129.5)	(131.3)
Other operating expenses	(182.4)	(197.6)	(215.9)	(205.9)	(188.8)	(244.8)
Operating profit before income tax	260.5	175.7	199.1	185.4	141.9	236.3
Income tax equivalent	(75.3)	(47.2)	(58.3)	(62.6)	(45.4)	(72.9)
Net profit	185.2	128.5	140.8	122.8	96.5	163.4
Earnings before interest and tax (EBIT)	485.2	388.2	395.3	354.5	271.4	367.6
Earnings before interest, tax and depreciation adjusted (EBITDA)[2]	727.7	623.6	651.0	586.7	486.9	594.1
Capitalised interest	17.3	12.1	6.6	9.7	10.1	10.1
Balance sheet ($M)						
Total assets	8,811.6	8,011.0	7,400.5	7,683.7	6,624.0	6,624.0
Total debt[3]	4,094.2	3,872.5	3,344.9	3,268.5	2,762.9	2,762.9
Total shareholders' equity	2,574.9	2,293.1	2,315.1	3,016.0	2,060.1	2,060.1
Capital expenditure ($M)						
Property, plant and equipment and intangibles	1,026.4	871.0	722.3	771.2	820.4	820.4
Share information						
Number of shares on issue at year end	875,532,774	875,532,773	875,532,773	875,532,773	921,000,000	921,000,000
Dividends per share (¢)[5]	16.9	11.7	108.2	57.1	13.3	13.3
Dividends ($M)[4,5]	148.2	102.8	946.9	500.0	122.6	122.6
Dividends/net profit (%)[5]	80.0	80.0	672.5	407.2	127.1	75.0
Ratios						
Earnings per share (¢)	21.2	14.7	16.1	12.8	10.5	17.7
Weighted average shares on issue	875,532,773	875,532,773	875,532,773	960,348,120	921,000,000	921,000,000
Return on total operating revenue (%)[6]	12.6	9.6	10.0	9.7	8.8	6.4
Return on average shareholders' equity (%)[7]	7.6	5.6	5.3	4.8	4.9	7.4
Debt/equity (%)	159.0	168.9	144.5	108.4	134.1	134.1
Debt/(debt + equity) (%)	61.4	62.8	59.1	52.0	57.3	57.3
Return on average total assets (%)[8]	5.8	5.0	5.2	5.0	4.4	6.0
Current ratio (%)[9]	121.7	183.4	155.2	655.6	237.4	237.4
EBITDA interest cover (times)[10]	3.0	2.8	3.2	3.3	3.5	4.2
Statistical information						
Maximum demand (MW)	4,768	4,499	4,142	4,289	N/A	4,131
Number of employees at year end[11]	3,784	3,733	3,794	3,863	N/A	3,798

Continued on following page

Notes

1 Cost of sales refers to transmission use of system charges and materials and consumables.
2 Adjusted for total depreciation, amortisation and impairment.
3 Debt consists of long-term borrowings and the QTC working capital facility.
4 Dividends shown represent amounts provided for in the year and also include dividends that have been provided and paid in the same year.
5 Dividend Paid in 2007 relates to an interim dividend of $500 million resulting from the sales of Allgas, Sun Retail and Sun Gas. Dividend Paid in 2008 relates to final dividends for 2007 ($98.2 million), final dividends for 2008 ($112.6 million) and a final dividend resulting from the sales of Allgas, Sun Retail and Sun Gas ($736.1 million).
6 Net profit / total revenue.
7 Net profit / average of opening and closing shareholders' equity.
8 EBIT / average of opening and closing total assets.
9 Current assets / current liabilities.
10 EBITDA / (borrowing costs + capitalised interest).
11 Full time equivalents.
12 2007 amounts include continuing operations results only.
13 2006 figures have been restated to exclude discontinued operations to provide a comparison.

Table 13: Corporate entertainment and hospitality

EVENTS OVER $5,000	DATE	TOTAL COST $
2009 ENERGEX Apprentice of the Year Awards function	4 Sep 2009	27,712
Supplier Quality Awards function	25 Mar 2010	6,003
ENERGEX Customer**care** Awards function	16 Apr 2010	84,348
2010 ENERGEX Apprentice of the Year Awards function	18 Jun 2010	30,004
25 Year Service function	23 Jun 2010	15,056
TOTAL		**163,123**

Ministerial directions

During 2009/10, there were no written directions given to the ENERGEX Limited Board in accordance with section 115 of the GOC Act.

Ministerial notifications

On 6 October 2009, the shareholding Ministers notified the ENERGEX Limited Board that the Queensland Government Sport and Recreation Sponsorship Policy applies to ENERGEX Limited and its subsidiaries, in accordance with section 114 of the GOC Act. The notification was published in the Queensland Government Gazette on 23 October 2009.

International travel expenditure 2009/10

International travel is undertaken for approved business purposes in accordance with the Government Owned Corporations Air Travel Policy. ENERGEX also has a Travel Policy for overseas and domestic travel, consistent with public expectations of accountability.

The Travel Policy is approved by the Board.

Summarised in Table 14 is the international travel expenditure costs incurred by the ENERGEX Group of Companies for 2009/10.

Table 14: International travel expenditure

REGION	COUNTRY	PURPOSE	No. of visits	Expenditure ($)	Subtotal ($)
Pacific Rim	New Zealand	To attend CIGRE meeting as ENERGEX's representative.	1	1,126	
		To witness investigations into the failure mode of ring main units and to develop a long term solution.	3	4,470	
		To develop a remote operating system with supplier for SafeLink Ring Main Units.	2	2,065	7,661
Asia	Malaysia and Singapore	Attendance and delivery of presentation at the Metering Asia Utility Conference and visit to the Singapore manufacturing facilities of a major metering equipment supplier.	1	1,841	1,841
Europe	United Kingdom	Attendance and delivery of presentation at Network 2010 Conference and visit to UK utilities to discuss smartgrids and sustainable network strategies.	2	35,603	
		Visit GE factory and UK utilities on distribution management systems related software development and implementation.	2	30,443	
	Spain, UK and Republic of Ireland	Attendance and delivery of paper at the European Group for Organization Studies (EGOS) Colloquium together with industry visits and research.	1	9,416	75,462
Europe Canada and USA	Europe, Canada and USA	Study Tour (ENA) and research into smart networks, smart metering, renewable energy, energy conservation and demand management.	2	43,585	
	Germany, Belgium, France, UK, Canada and USA	To review capital works programming, project and works management processes and systems to support transformational change.	2	38,066	81,651
USA		Attendance and delivery of paper at 2009 Itron Users conference and visits to USA utilities and suppliers of metering and communication solutions.	1	8,547	
		Attendance at CEATI Distribution Asset Lifecycle Management Interest Group (DALCM) general meeting to identify beneficial projects and information.	1	14,424	22,971
USA and Canada	USA and Canada	Attendance and delivery of paper at the CEATI Distribution Planning Workshop to identify beneficial projects and information. Utility and vendor visits.	1	26,072	26,072
TOTAL					**$215,658**

GLOSSARY AND abbreviations

Australian Energy Market Operator (AEMO): From 1 July 2009, AEMO replaced NEMMCO with a broader national focus on delivering an array of electricity and gas market, operational, development and planning functions. These functions incorporate management of the National Electricity Market (NEM) electricity grid system.

Australian Energy Regulator (AER): From 1 July 2010, the Australian Energy Regulator is responsible for our economic regulation under the provisions of the National Electricity Rules (NER).

Capital Expenditure (CAPEX) Plan: A measure of how effectively ENERGEX is completing the program that is identified in the Network Management Plan.

Capital Program of Work (Capital PoW): Investment in new network infrastructure or improving existing network infrastructure.

Corporate Responsibility Index (CRI): An index used to measure our corporate responsibility and sustainability performance across environment, community/social, workplace, marketplace and business conduct, and ethical governance.

Customer: A party that consumes services or electricity and has a contract with a retailer and a connection contract with a distributor. A customer can be categorised in the market as follows:

Large customer: > 100MWh consumption per annum.

Small customer: < 100MWh consumption per annum.

Demand (side) management: Activities which seek to influence the patterns of energy consumption, including the amount and rate of energy use, the timing of energy use and the source and location of energy supply.

Distributor: A party who manages an electricity distribution network (e.g. ENERGEX). Regulations define a distribution entity as the party who provides customer connection services to a customer at an electrical installation or premise. The term Distributor may also be used interchangeably with the term Network. A Distributor is also known as a 'Network Service Provider'.

Electricity Industry Code (EIC or the Code): Under the authority of the *Electricity Act 2004*, the Regulator issued the code to prescribe requirements relating to industry planning, reporting and service standards.

End-to-end process: The end-to-end Program of Work process starts with planning and ends with delivery. Delivery may be through internal resources or an external contractor.

Equal Employment Opportunity (EEO): Requires that all employees have equal access to employment opportunities, employment decisions are made on the basis of the individual merit and requirements of the role, and the workplace is managed to ensure absence of harassment.

Gigawatt hour (GWh): Unit of electrical energy equal to one billion watt hours and one thousand megawatt hours (MWh).

Global Reporting Initiative (GRI): Sets a standard framework, including principles and indicators, for companies to report on organisational activities encompassing economic, environmental and social performance.

Government Owned Corporation (GOC): An entity created by a government to undertake commercial activities on behalf of an owner government.

Guaranteed Service Level (GSL): Defined by the Code, distributors and retailers must adhere to stipulations regarding the timing of reconnecting and disconnecting supply to the electricity network.

Initial Assessment Report (IAR) and Final Assessment Report: A detailed investigation of the potential environmental and social impacts of a proposed project, to support the application for Community Infrastructure Designation.

Key Result Area (KRAs): Key Result Areas are organisation wide objectives that measure business performance. There are currently eight KRAs covering Safety, People, Financial Performance, Network Performance, Operational Excellence, Customers, Community and Environment.

Key Performance Indicators (KPIs): Key Performance Indicators are a set of measures that are agreed by the organisation to best indicate whether we have or have not met our KRAs.

kV: Kilovolts (kV): 1000 volts.

Lost Time Injury (LTI): Instances where permanent staff suffered a physical injury as a result of a safety incident, which resulted in those staff taking time off work.

Lost Time Injury Frequency Rate (LTIFR): Calculated as the number of lost time occurrences of injury or disease for every one million hours worked over a 12 month progressive period.

LV: Low voltage

Megavolt amperes (MV.A): The product of voltage and current multiplied by one million.

National Electricity Market (NEM): A wholesale market for the supply of electricity to retailers and end-users in Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia and Tasmania.

National Electricity Market Management Company (NEMMCO): The previous body which operated and administered the National Electricity Market (NEM). Since 1 July 2009, NEMMCO has been replaced by the Australian Energy Market Operator (AEMO).

National Meter Identifier (NMI): Identifies a customer's electricity meter separately to all other meters. It is used when customers transfer from one retailer to another.

Network Management Plan (NMP): The plan is prepared annually to explain how ENERGEX is managing the network to meet customer and shareholder aspirations. The NMP is a requirement of the state government's Electricity Industry Code (EIC or the Code).

Operational Expenditure (OPEX) Plan: A measure of how effectively ENERGEX is completing its maintenance program as identified within the Network Management Plan.

Peak Demand: The maximum amount of electricity used at one time. Each day, electricity peaks in the early evening, as people start returning home and activity in the home starts. Once or twice a year, electricity peaks at summertime and winter.

Program of Work (PoW): Taking plans for new network investments and plans for ongoing network maintenance from the concept stage (design) through to delivery, ensuring the projects are delivered on time and within budget by achieving best practice in the project management.

Program of Work Improvement Program (PoW IP): Aims to improve the PoW process.

Queensland Competition Authority (QCA): An independent statutory authority charged with implementing competition policy and funding approval for electricity companies in Queensland. Funding approval from 1 July 2010 will be via the AER.

Retailer: The party from which a consumer has contracted to purchase electricity.

Sectionalising: Restoring power to one section of a feeder (powerline) at a time after an interruption to isolate the cause of a fault.

Smart meter: A general class of meter which will not only measure kilowatt hours but also 'quality of supply' functions. It is capable of being read remotely.

Social media: Media disseminated through social interaction using various forms of technology and transforms people from content consumers into content producers. Forms can include, but not limited to, internet forums, weblogs, social blogs, wikis, podcasts, pictures, instant messaging and social media services including FaceBook, YouTube, Twitter, MySpace and LinkedIn.

Statement of Corporate Intent (SCI): ENERGEX's annual strategic planning document.

System Average Interruption Duration Index (SAIDI): The average duration (in minutes) of the long duration (more than one minute) outages.

System Average Interruption Frequency Index (SAIFI): The average number of long duration (more than one minute) outages experienced by a customer over a period of time.

Zero Incident Process (ZIP): ENERGEX's workplace safety awareness program that focuses on the 'person' component of the Safety Culture Model. It gives participants an insight into the way their brain works, their thinking, their attitudes and how this drives their behaviour. It is designed to empower people to take control of their personal safety by becoming more effective within the systems they work in.

index

LIVING OUR VALUES

ENERGEX **FINANCIAL REPORT** 2009/10

Annual financial report for the year ended 30 June 2010

energex

positive energy

ENERGEX Limited Corporate Office
150 Charlotte Street
GPO Box 1461
BRISBANE QLD AUSTRALIA 4001

Telephone: +61 7 3407 4000
Facsimile: +61 7 3407 4609

ENERGEX Limited
ABN 40 078 849 055

ENQUIRIES

Telephone: 13 12 53
Hours: 8.00am – 6.30pm Monday to Friday
Email: custserve@energex.com.au

For more information on any of the initiatives, projects, products and services mentioned in this report and more, visit the ENERGEX website at **www.energex.com.au**

THANK YOU

Thank you to all the staff and colleagues who contributed to this report.

contents

Cover photos -
Pictured: Our new corporate office aims to significantly reduce our carbon footprint; our People Strategy focuses on building a capable, committed workforce and creating a workplace that our 3,800 staff want to be a part of; a community information stand at the Hays Inlet Festival provided an opportunity for community discussions and feedback.

DIRECTORS' report

The Board of Directors of ENERGEX Limited (ENERGEX or the Company) is pleased to submit this annual financial report of the Company and the consolidated entity (the Group) for the financial year ended 30 June 2010. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the Directors in office at any time during, or since the end of, the year are:

- John Patrick Dempsey – Chairman
- Peter Maurice Arnison
- Mary Stuart Boydell
- Mat Darveniza
- John Geldard
- Ronald William Monaghan
- Kerryn Lee Newton

These Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Please refer to the Board of Directors profiles' section of the ENERGEX Annual Report 2009/10 for details of Directors' qualifications, experience and special responsibilities.

Principal activities

The principal activities of the Group during the financial year were the design, construction, operation, maintenance and management of the South East Queensland electricity distribution network.

Operating results

The consolidated profit of the Group, after providing for income tax, amounted to $185.2 million (2009: $128.5 million).

Review of operations

A review of the consolidated entity's operations during the financial year and the results of those operations are contained in the ENERGEX Annual Report 2009/10.

Changes in state of affairs

The Australian Energy Regulator (AER) released its Final Determination on 6 May 2010 which sets the revenue allowances for the regulatory control period from 1 July 2010. With the transfer from state-based to national regulation, ENERGEX has been preparing to operate under the new national framework. There have been significant changes to ENERGEX's service classifications and pricing, and three new schemes have been introduced. ENERGEX is well placed to meet its obligations under the new national regulatory framework.

ENERGEX has been undergoing a review of its investment in non-core assets and as such the exit of the following investments are in progress or complete:

ENERGEX's subsidiary, Varnsdorf Pty Ltd (Varnsdorf), held contracts and extensions associated with cogeneration activities undertaken with certain Victorian hospitals. Under an extension arrangement, Varnsdorf was required to leave the cogeneration plant in situ at the end of 30 June 2010 and sell the facility works assets to the relevant hospitals for $1. In return for the extension the hospitals exercised their option to acquire the plant. All necessary steps have been taken to ensure the wind down is appropriately conducted.

An asset sale agreement was fully executed and completed on 24 July 2009 for Beak Industries Pty Ltd's (Beak Industries) main operating assets, resulting in the assets being transferred to the purchaser for $1. A Deed of Surrender and Termination was also executed on the same date over the site located at Sunshine Energy Park, Victoria releasing Beak Industries from its obligations in relation to the site. Approvals were obtained from the relevant Boards to wind up or deregister the company as appropriate. Finalisation entries were processed in May 2010, including a $1 million debt forgiven by ENERGEX. Beak Industries is currently undergoing a voluntary deregistration process.

In June 2010, ENERGEX's subsidiary Energy Impact Pty Ltd issued Request for Proposal documentation to certain respondents in relation to the sale of assets relating to three landfill gas sites (Sleeman, Wyndham and Mornington). At 30 June 2010, various parties indicated their intention to submit a proposal and have commenced due diligence and site inspections. Sale approval and closure is anticipated to occur during 2010/11. The landfill gas business does not have a material impact on the Group's overall result.

No other significant changes in the Group's state of affairs occurred during the financial year.

Events after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, results of those operations or state of affairs of the Group in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been included in this report.

Environmental regulations

The Group's operations are subject to environmental regulations under both Commonwealth and State legislation.

The ENERGEX Board maintains oversight of key environmental risks and obligations and is committed to achieving a high standard of environmental performance. The Board has established appropriate governance arrangements in relation to environment, which includes an environment council consisting of management representatives who regularly reviews environmental issues and reports to the Audit and Compliance Committee and Board.

The Group's environment council is responsible for the regular monitoring of environmental exposures, review of incident trends, environmental initiatives, endorsement of recommendations for environmental improvement policies, programs and investments, as well as compliance with environmental regulations.

To enable it to meet its responsibilities the environment council meets monthly to receive progress reports on approved environmental action plans and environmental status reports. Based on the results of enquiries made, the Board is not aware of any significant breaches during the period covered by this report.

For further environmental performance information, refer to the 'Environment' section of the ENERGEX Annual Report 2009/10.

Dividends

Dividends paid or declared by the Company since the end of the 2008/09 financial year were:

	Type of shares	Cents per share	Total amount $ M	Franked/ unfranked	Date of payment
Final 2010 dividend – operating profits	Ordinary	16.93	148.2	Unfranked	Declared and unpaid
Final 2009 dividend – operating profits	Ordinary	11.74	102.8	Unfranked	30 December 2009[1]

[1] Refer to Note 20 of the financial statements for details of dividends paid.

Share options

There are no share options in existence at this time.

Directors' shareholdings

At the time of publication, no Directors held any beneficial interest in the shares of the Company. The shareholding Ministers on behalf of the Queensland Government hold all issued shares.

Directors' benefits and interests in contracts

Between 30 June 2009 and 30 June 2010, no Director has received or become entitled to receive a benefit, other than those benefits disclosed in Note 28 of the financial statements.

Indemnification of Directors and officers

Indemnification of Directors of the Company

The Company has agreed to indemnify John Dempsey, Peter Arnison, Mary Boydell, Mat Darveniza, John Geldard, Ronald Monaghan and Kerryn Newton, being current Directors of the Company, and other former Directors of the Company, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a Director of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or liability against which the Company is not permitted by law to exempt or indemnify the Director in accordance with the Constitution of the Company. The ENERGEX Limited Constitution stipulates that, subject to its terms and the exceptions above, the Company will meet the full amount of any such liabilities, including costs and expenses.

Indemnification of Directors of the Company's controlled entities

The Company has agreed to indemnify Darren Busine, Terence Effeney, Susan Kehoe and Peter Weaver, being current Directors of the Company's controlled entities, and other former Directors[1] of the Company's controlled entities, for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as a Director of the Company's controlled entities, except where the liability arises out of conduct involving a lack of good faith or liability against which the Company is not permitted by law to exempt or indemnify the Director. The deed of indemnity stipulates that, subject to its terms and the exceptions above, the Company will meet the full amount of any such liabilities, including costs and expenses. The indemnity continues for a period of seven years following a Director's resignation from their position.

Indemnification of ENERGEX Directors and officers appointed to external boards and committees

The Company has agreed to indemnify any Directors or officers who are nominated by the ENERGEX Board to represent the Company on external boards and committees to the extent as follows:

- A deed of indemnity was provided to John Dempsey for his role as an ENERGEX representative Director on the Board of Ceramic Fuel Cells Limited. Effective 28 August 2009, he ceased holding the position as the ENERGEX representative Director.
- Indemnities provided to former ENERGEX representative Directors continue for seven years following their resignation from that position, in accordance with the terms of the deed of indemnity.
- Other officers appointed to external boards and committees are indemnified in accordance with the terms of the ENERGEX Directors' and Officers' Liability insurance policy.

Insurance premiums

Premiums have been paid on policies of insurance for former and current Directors and officers. Disclosure of the nature of the liability covered by and premiums paid under these contracts of insurance is prohibited by the terms of the insurance contracts.

[1] Effective 2 July 2010, Thomas Bloxsom resigned as a Director of Service Essentials Pty Ltd and Metering Dynamics Business Support Pty Ltd.

Directors' meetings

The numbers of meetings of the Company's Board of Directors and of each Board Committee held and attended by each Director during the year ended 30 June 2010 were:

ENERGEX Limited	Board meetings		Committee meetings							
			Audit and compliance		Corporate development		Network and technical		Remuneration	
Directors	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
John Dempsey (Chairman)	12	12	5	5	3	3	–	–	–	–
Peter Arnison	10	12	4	5	–	–	4	4	–	–
Mary Boydell[1]	12	12	–	–	–	–	4	4	5	5
Mat Darveniza	12	12	–	–	–	–	4	4	5	5
John Geldard[2]	11	12	5	5	2	3	–	–	–	–
Ronald Monaghan[3]	10	12	–	–	3	3	–	–	5	5
Kerryn Newton	12	12	5	5	–	–	4	4	–	–

[1] Ms Mary Boydell resigned from the Corporate Development Committee at the Board meeting held on 24 August 2009.
[2] Mr John Geldard resigned as Chairman of the Corporate Development Committee at the Board meeting held on 24 August 2009.
[3] Mr Ronald Monaghan was appointed as Chairman of the Corporate Development Committee at the Board meeting held on 24 August 2009.

Remuneration of Directors and executives

Refer to Note 28 of the financial statements for details of Directors' and executives' remuneration.

Rounding of amounts

The parent entity is a company of the kind specified in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities & Investments Commission. In accordance with that class order, amounts in the financial report and Directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6. This report is made in accordance with a resolution of the Directors.

John Dempsey
Chairman
ENERGEX Limited
23 August 2010
Brisbane, Queensland

AUDITOR'S INDEPENDENCE declaration

AUDITORS' INDEPENDENCE DECLARATION

To the Directors of ENERGEX Limited

This auditor's independence declaration has been provided pursuant to section 307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of ENERGEX Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been –

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

G G POOLE FCPA
Auditor-General of Queensland

AUDITOR GENERAL
20 AUG 2010
OF QUEENSLAND

Queensland Audit Office
Brisbane

INCOME statements

for the year ended 30 June 2010

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Revenue from rendering of services	2.1	**1,300.7**	1,154.0	**1,290.4**	1,134.5
Revenue from sale of goods	2.1	**46.5**	48.0	**32.7**	33.1
Government grant revenue	2.1	**27.6**	33.3	**24.5**	29.1
Other revenue	2.1	**93.1**	100.9	**92.7**	92.8
Total operating revenue		**1,467.9**	1,336.2	**1,440.3**	1,289.5
Materials and consumables		**(59.7)**	(60.3)	**(47.4)**	(47.4)
Transmission use of system charges		**(286.0)**	(246.6)	**(286.0)**	(246.7)
Employee benefits expense		**(212.1)**	(208.1)	**(205.8)**	(203.0)
Depreciation, amortisation and impairment expense	2.2	**(242.5)**	(235.4)	**(237.7)**	(235.2)
Contractors and consultants		**(135.4)**	(144.1)	**(132.8)**	(140.1)
Finance costs	2.2	**(224.7)**	(212.5)	**(225.5)**	(213.5)
Forgiveness of related party receivable	2.2	**–**	–	**(1.0)**	–
Other operating expenses		**(47.0)**	(53.5)	**(42.8)**	(46.5)
Total operating expenses		**(1,207.4)**	(1,160.5)	**(1,179.0)**	(1,132.4)
Profit before income tax equivalent		**260.5**	175.7	**261.3**	157.1
Income tax equivalent	3.1	**(75.3)**	(47.2)	**(75.7)**	(42.5)
Profit for the year		**185.2**	128.5	**185.6**	114.6
Profit attributable to non-controlling equity interest		**–**	–	**–**	–
Profit attributable to members of the parent entity		**185.2**	128.5	**185.6**	114.6

The accompanying notes form part of these financial statements.

STATEMENTS OF comprehensive income

for the year ended 30 June 2010

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Profit for the year		**185.2**	128.5	**185.6**	114.6
Other comprehensive income					
Gain on revaluation of property, plant and equipment, net of tax	18.1	**167.9**	21.9	**167.9**	21.9
Changes in the fair value of cash flow hedges, net of tax	18.3	**0.3**	(0.2)	**0.3**	(0.2)
Changes in the fair value of available-for-sale investments, net of tax	18.4	**(13.1)**	(5.5)	**(13.1)**	(5.5)
Exchange differences on translation of foreign operations	18.2	**–**	(0.4)	**–**	(0.4)
Actuarial losses on defined benefit plans, net of tax	19	**(13.1)**	(63.5)	**(13.1)**	(63.5)
Other comprehensive income for the year, net of tax		**142.0**	(47.7)	**142.0**	(47.7)
Total comprehensive income for the year		**327.2**	80.8	**327.6**	66.9
Total comprehensive income for the year is attributable to:					
Owners of ENERGEX Limited		**327.2**	80.8	**327.6**	66.9
Non-controlling interest	21	**–**	–	**–**	–
		327.2	80.8	**327.6**	66.9

The accompanying notes form part of these financial statements.

BALANCE sheets

as at 30 June 2010

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
ASSETS					
Current assets					
Cash and cash equivalents	6	**162.0**	304.3	**156.1**	301.7
Trade and other receivables	7	**311.2**	262.2	**304.5**	253.3
Inventories	8	**89.3**	106.5	**88.2**	105.7
Derivative financial instruments	23.2	**–**	0.3	**–**	0.3
Assets classified as held for sale	4.2	**–**	14.8	**–**	14.8
Other current assets	12	**25.1**	29.9	**25.0**	29.8
Total current assets		**587.6**	718.0	**573.8**	705.6
Non-current assets					
Trade and other receivables	7	**66.2**	89.3	**66.2**	89.3
Other financial assets	9	**–**	6.3	**–**	6.4
Property, plant and equipment	10	**8,021.8**	7,054.0	**8,010.4**	7,037.9
Deferred tax assets	3.4	**126.6**	135.6	**122.2**	134.2
Intangible assets	11	**9.4**	7.8	**9.4**	7.8
Total non-current assets		**8,224.0**	7,293.0	**8,208.2**	7,275.6
TOTAL ASSETS		**8,811.6**	8,011.0	**8,782.0**	7,981.2
LIABILITIES					
Current liabilities					
Trade and other payables	13	**181.7**	182.6	**177.3**	178.5
Current tax payable	3.2	**–**	(3.6)	**–**	(3.6)
Provisions	15	**186.8**	136.8	**182.8**	133.3
Derivative financial instruments	23.2	**–**	0.3	**–**	0.3
Other current liabilities	16	**114.2**	75.5	**114.2**	75.5
Total current liabilities		**482.7**	391.6	**474.3**	384.0
Non-current liabilities					
Trade and other payables	13	**–**	–	**23.1**	19.8
Long-term borrowings	14	**4,094.2**	3,843.1	**4,094.2**	3,843.1
Defined benefit fund	25.3	**70.3**	73.1	**70.3**	73.1
Deferred tax liabilities	3.5	**1,394.6**	1,255.4	**1,394.6**	1,258.2
Provisions	15	**173.4**	151.2	**173.4**	151.2
Other non-current liabilities	16	**21.5**	3.5	**21.5**	3.4
Total non-current liabilities		**5,754.0**	5,326.3	**5,777.1**	5,348.8
TOTAL LIABILITIES		**6,236.7**	5,717.9	**6,251.4**	5,732.8
NET ASSETS		**2,574.9**	2,293.1	**2,530.6**	2,248.4
EQUITY					
Contributed equity	17	**746.4**	643.6	**746.4**	643.6
Reserves	18	**1,339.9**	1,194.5	**1,339.9**	1,194.5
Retained earnings	19	**488.6**	455.0	**444.3**	410.3
Parent interest		**2,574.9**	2,293.1	**2,530.6**	2,248.4
Non-controlling interest	21	**–**	–	**–**	–
TOTAL EQUITY		**2,574.9**	2,293.1	**2,530.6**	2,248.4

The accompanying notes form part of these financial statements.

STATEMENTS OF changes in equity

for the year ended 30 June 2010

	Attributable to owners of ENERGEX Limited					
	Contributed equity	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Consolidated	$ M	$ M	$ M	$ M	$ M	$ M
Balance at 1 July 2008	643.6	1,220.4	451.1	2,315.1	–	2,315.1
Profit for the year	–	–	128.5	128.5	–	128.5
Other comprehensive income	–	(25.9)	(21.8)	(47.7)	–	(47.7)
Total comprehensive income for the year	–	(25.9)	106.7	80.8	–	80.8
Transactions with owners in their capacity as owners:						
Dividends provided for or paid	–	–	(102.8)	(102.8)	–	(102.8)
Balance at 30 June 2009	643.6	1,194.5	455.0	2,293.1	–	2,293.1
Balance at 1 July 2009	643.6	1,194.5	455.0	2,293.1	–	2,293.1
Profit for the year	–	–	185.2	185.2	–	185.2
Other comprehensive income	–	145.4	(3.4)	142.0	–	142.0
Total comprehensive income for the year	–	145.4	181.8	327.2	–	327.2
Transactions with owners in their capacity as owners:						
Contributions of equity – dividend reinvestment	102.8	–	–	102.8	–	102.8
Dividends provided for or paid	–	–	(148.2)	(148.2)	–	(148.2)
Balance at 30 June 2010	**746.4**	**1,339.9**	**488.6**	**2,574.9**	**–**	**2,574.9**

The accompanying notes form part of these financial statements.

	Attributable to owners of ENERGEX Limited			
	Contributed equity	Reserves	Retained earnings	Total
Parent Entity	**$ M**	**$ M**	**$ M**	**$ M**
Balance at 1 July 2008	643.6	1,220.4	420.3	2,284.3
Profit for the year	–	–	114.6	114.6
Other comprehensive income	–	(25.9)	(21.8)	(47.7)
Total comprehensive income for the year	–	(25.9)	92.8	66.9
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	–	–	(102.8)	(102.8)
Balance at 30 June 2009	643.6	1,194.5	410.3	2,248.4
Balance at 1 July 2009	643.6	1,194.5	410.3	2,248.4
Profit for the year	–	–	185.6	185.6
Other comprehensive income	–	145.4	(3.4)	142.0
Total comprehensive income for the year	–	145.4	182.2	327.6
Transactions with owners in their capacity as owners:				
Contributions of equity – dividend reinvestment	102.8	–	–	102.8
Dividends provided for or paid	–	–	(148.2)	(148.2)
Balance at 30 June 2010	**746.4**	**1,339.9**	**444.3**	**2,530.6**

The accompanying notes form part of these financial statements.

CASH FLOW statements

for the year ended 30 June 2010

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Cash flows from operating activities:					
Receipts from customers (GST inclusive)		**1,455.4**	1,282.8	**1,442.3**	1,263.0
Payments to suppliers and employees (GST inclusive)		**(678.2)**	(699.0)	**(667.4)**	(680.1)
		777.2	583.8	**774.9**	582.9
Finance costs paid		**(214.1)**	(212.2)	**(215.0)**	(213.2)
Income taxes (paid)/received		**3.6**	9.8	**3.6**	10.3
Government grants received		**–**	45.0	**–**	45.0
Net cash provided by operating activities	6.2	**566.7**	426.4	**563.5**	425.0
Cash flows from investing activities:					
Payment for property, plant and equipment, and intangibles		**(961.9)**	(835.6)	**(961.9)**	(835.1)
Payments for capitalised interest		**(17.3)**	(12.1)	**(17.3)**	(12.1)
Loan to related parties		**(6.3)**	–	**(6.3)**	–
Proceeds from sale of land		**20.1**	–	**20.1**	–
Proceeds from sale of property, plant and equipment		**8.0**	13.2	**8.0**	13.2
Proceeds from sale of investments and business operations	6.2	**7.9**	5.0	**7.9**	5.0
Interest received	6.2	**17.9**	33.2	**17.8**	33.1
Net cash used in investing activities		**(931.6)**	(796.3)	**(931.7)**	(795.9)
Cash flows from financing activities:					
Proceeds from borrowings		**251.1**	498.2	**251.1**	498.2
Repayable deposits received/(paid)		**0.9**	(1.2)	**0.9**	(1.2)
Dividends paid to the Company's shareholders	20	**(102.8)**	(210.8)	**(102.8)**	(210.8)
Proceeds from issue of shares	17.2	**102.8**	–	**102.8**	–
Net cash provided by financing activities		**252.0**	286.2	**252.0**	286.2
Net decrease in cash and cash equivalents		**(112.9)**	(83.7)	**(116.2)**	(84.7)
Cash and cash equivalents at start of year		**304.3**	359.0	**301.7**	357.4
Queensland Treasury Corporation working capital facility		**(29.4)**	29.4	**(29.4)**	29.4
Effect of exchange rate changes on cash and cash equivalents		**–**	(0.4)	**–**	(0.4)
Cash and cash equivalents at end of year	6.1	**162.0**	304.3	**156.1**	301.7

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE financial statements

for the year ended 30 June 2010

1 Summary of significant accounting policies

1.1 General information

ENERGEX Limited (ENERGEX or the Company) is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the consolidated entity or the Group) and the consolidated entity's interest in associates and jointly controlled entities.

The financial statements were authorised for issue by the Directors on 23 August 2010.

1.2 Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group (UIG) Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the provisions of the *Government Owned Corporations Act 1993* (*GOC Act*).

The consolidated financial report of the Group and the Company complies with all applicable Australian Accounting Standards.

The accounting policies have been consistently applied, unless otherwise stated.

The financial report includes the consolidated financial statements of the Group and the parent entity financial statements in accordance with the Australian Securities & Investments Commission (ASIC) Class Order 10/654, issued on 26 July 2010.

Early adoption of Australian Accounting Standards

The Group has assessed the Australian Accounting Standards issued or amended but not yet effective for the annual reporting period ended 30 June 2010 and elected not to early adopt any standards under section 334(5) of the *Corporations Act 2001*.

Australian Accounting Standards not yet applicable and not early adopted

The potential impact of Australian Accounting Standards issued or amended that are not yet effective and not elected to be early adopted has been assessed. They are not expected to result in significant accounting policy or disclosure changes and are shown below (those Australian Accounting Standards that have been assessed to result in no impact or minimum impact are not included in the table):

Reference	Title	Issued	Application date of standard[1]	Impact on the Group's financial report	Application date for the Group
AASB 9	Financial Instruments	December 2009	1 January 2013	Potential impact on the Group for the classification of financial assets carried at amortised cost and carried at fair value.	1 July 2013
AASB 124	Related Party Disclosures	December 2009	1 January 2011	No significant impact on the Group as the exemption for government related entities is only a partial exemption and would not affect current disclosures.	1 July 2011

[1] Applicable to reporting periods beginning on or after the given date.

1.3 Basis of preparation

Historical cost convention

The consolidated financial statements have been prepared on the basis of historical cost, except the following assets and liabilities, which are stated at their fair value: available-for-sale financial assets; financial assets and liabilities (including derivative instruments); and supply system assets.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in relevant future periods affected.

The estimates and assumptions that have a potential significant effect are discussed below.

Regulated revenue

Various assumptions are used in the recognition of the Group's regulated revenue and associated assets and obligations. These assumptions are described in Notes 1.6, 1.13, 1.23 and 1.26.

During 2009/10 the methodology for calculating transmission use of system (TUOS) under- or over-recoveries was revised to take into account the previous year's under- or over-recovery. The previous methodology adopted was consistent with the Queensland Competition Authority (QCA) approach. However, during 2009/10 this methodology was reviewed and changed by the QCA.

The impact of the change on the 2009/10 financial statements is an adjustment decreasing TUOS revenue by $6.0 million and reducing 2008/09 TUOS over-recovery by $7.6 million. As the amount of TUOS recoveries is dependent on actual TUOS revenue and TUOS expense, it is impractical to estimate the effect on future periods resulting from the change in accounting estimate.

Impairment of property, plant and equipment, and intangibles

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may lead to indicators of impairment of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Key estimates and assumptions made in determining the recoverable amount of assets, in the absence of quoted market prices are discussed in Notes 10 and 11.

Supply system assets valuation

Supply system assets including associated land and buildings are carried at fair value. Fair value is estimated using an income approach based on discounted future cash flows. Key assumptions are made in assessing fair value and are discussed in Note 10.

Dismantled assets valuation

In addition to the income based approach applied to supply system assets to ensure they are carried at fair value, the unit rates used to estimate the value of dismantled assets were reviewed and have been amended to align with the assets valuation approach. The amended valuation methodology applied to dismantled assets from 1 July 2009.

The impact of the change on the 2009/10 financial statements is estimated to be a $4.6 million decrease in profit after tax. As the value of the dismantled assets is dependent on the volume of dismantled assets, it is impractical to estimate the effect on future periods resulting from the change in accounting estimate.

Defined benefit superannuation fund obligations

Actuarial assumptions used in the calculation of the Group's defined benefit superannuation fund obligations are described in Note 25.

Employee entitlements

The Group recognises a long service leave liability based on accrued employment entitlements. The liability recognised for employee entitlements is based on assumptions described in Note 1.22.

1.4 Principles of consolidation

The consolidated financial statements of the Group include the financial statements of ENERGEX and all entities in which it had a controlling interest during the year ended 30 June 2010.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities.

The balances and effects of transactions between entities are eliminated in preparing the consolidated financial statements. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated income statements and balance sheets respectively.

Where control of an entity commences or ceases during a financial year, the profits or losses are included in the consolidated income statements from the date control commenced to the date control ceased. Investments in controlled entities are carried in the financial statements at the lower of cost and recoverable amount.

Associates

Associates are entities the Group has significant influence over, but no control over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements using the equity method and are carried at the lower of cost and recoverable amount. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statements, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Jointly controlled entities

The Group has a 50 per cent interest in the jointly controlled entity, SPARQ Solutions Pty Ltd. This investment is accounted for in the financial statements using the equity method. Refer to Note 26 for further details.

1.5 Foreign currency translation

Foreign currency transactions are initially translated to Australian currency at the rates of exchange prevailing at the dates of the transactions. Amounts receivable and payable in foreign currencies at the end of the reporting period are converted to Australian dollars at the rates of exchange prevailing at that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the financial year in which the exchange rates change.

1.6 Revenue

Revenue is measured at the fair value of the consideration received and receivable net of the amount of goods and services tax (GST). Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity.

Revenue is recognised for the major business activities as follows:

Rendering of services

Regulated revenue

ENERGEX is subject to regulation under the National Electricity Law, the National Electricity Rules, and by the QCA to 30 June 2010 under a revenue cap and price cap form of regulation. The revenue cap is comprised of an allowance for distribution use of system (DUOS) charges and capital contributions, and a price cap applies to certain ancillary distribution services (refer to service charges section below). ENERGEX is subject to economic regulation under the Australian Energy Regulator (AER) effective from 1 July 2010.

Regulated network use of system (NUOS) prices are determined based on the allowed revenue cap plus a passthrough of regulated TUOS charges levied by transmission network service providers.

Regulated revenue is comprised of actual billed energy consumption, estimated unbilled energy consumption, capital contributions and a provision for under- or over-recovery of regulated network prices and other allowances.

Any current period under- or over-recovery results in an adjustment which may increase or decrease prices in the succeeding periods. Where over-recoveries result in an obligation, they are brought to account as a liability in the period in which they are over-recovered. Where there is sufficient certainty regarding the recoverability of under-recoveries, they are brought to account as an asset in the period in which they are under-recovered.

Service charges

Revenue is received for the provision of other electricity-related services including additions and alterations to meters and service connections, ancillary metering services and temporary supply services. Some of these services were subject to a price cap by the QCA. However, the price charged for some of these services was capped under schedule 8 of the *Electricity Regulation 2006 (Qld)*. Revenue is recognised when the service is provided.

Non-refundable capital contributions

The Group finances part of its capital works program through non-refundable capital contributions which are applied to the cost of these works. Capital contributions form part of the regulated revenue for the electricity network. Non-repayable capital contributions, in-kind capital contributions and in-cash capital contributions are initially recognised as unearned revenue in the balance sheet. These contributions are subsequently recognised as revenue from ordinary activities when the associated assets are brought into commercial operation.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, effective control over the goods has been passed to the buyer and the amount can be measured reliably.

Revenue from billed recoverable works

Recoverable works represent customer requested works and work resulting from damage to ENERGEX property. Revenue is recognised when the work has been completed.

Interest revenue

Interest revenue is recognised as it is earned.

Government grants

When there is reasonable assurance the Group will comply with all conditions attached to government grants and the grants are received, they are recognised in the balance sheet as unearned revenue. Grants that compensate the consolidated entity for expenses incurred are recognised as revenue in the income statements. This occurs on a systematic basis as the conditions of the grants are fulfilled.

1.7 Goods and services tax

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statements on a gross basis where major classes of gross cash receipts and gross cash payments are disclosed inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows on the basis that the GST receivable/payable is operating in nature.

1.8 Finance costs

Borrowings are initially recognised at fair value including transaction costs incurred and are subsequently measured at amortised cost, using the effective interest rate method. Following initial recognition, no principal repayments are made and finance costs are charged by the lender at a rate inclusive of administration fees, capital market fees, a competitive neutrality fee and interest on the principal (refer Note 1.24). Interest costs are calculated by Queensland Treasury Corporation (QTC) in accordance with its book rate methodology, which equates with amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Borrowing costs, which includes interest calculated using the effective interest method and administration fees, are expensed in the period in which they arise.

Finance costs directly attributable to the construction of assets that take more than 12 months to prepare for their intended use are added to the cost of those assets.

Where the present value of a provision differs materially to its future expected settlement value, the provision is recorded at its present value. The increase in the provision due to the passage of time is recorded as a finance cost and is referred to as the unwinding of the discount (refer Note 1.23).

All other finance costs are recognised as an expense in the period in which they are incurred.

1.9 Income tax

Income tax equivalents

The Group is required to make income tax equivalent payments to the Queensland Government pursuant to subsection 129(4) of the *GOC Act*. These payments are administered by the ATO under the National Tax Equivalent Regime (NTER).

The NTER broadly utilises the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and associated legislation, as well as rulings and other pronouncements by the ATO, to determine the tax payable by the Group (refer Note 3.2). The entities are not required to maintain a franking account.

Income tax equivalent accounting

The charge for current income tax expense is based on the profit for the year adjusted for any items that are non-assessable or non-deductible in relation to the current tax year. It is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable profit for the year, at tax rates applicable to the income tax year, less any instalments paid.

Deferred tax assets and liabilities are calculated by comparing the carrying amounts of assets and liabilities in the balance sheets with the tax bases of assets and liabilities determined in accordance with the relevant taxation legislation.

Deferred tax is calculated at the tax rates expected to apply when the differences reverse.

Deferred tax is recognised as income or an expense in the income statements except for items that may be credited/(charged) directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax balances, those balances relate to the same taxation authority and the intention is to settle on a net basis or realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption no adverse change will occur in income taxation legislation. It also anticipates the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Income tax consolidation

The Group implemented the tax consolidation legislation as of 1 December 2002 and is therefore taxed as a single entity from that date. ENERGEX is the 'head-entity' in the tax-consolidated group and makes income tax payments on behalf of wholly-owned subsidiaries. However, in accordance with UIG Interpretation 1052 *Tax Consolidation Accounting*, wholly-owned Australian subsidiaries in the tax-consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured as if the subsidiary continued to be a stand-alone taxpayer in its own right.

Tax funding agreement

Entities within the ENERGEX tax-consolidated group existing at 30 June 2010 have signed a tax funding agreement designed to bind all entities within the tax-consolidated group. The tax funding agreement applies from 1 July 2005. Under the terms of the tax funding agreement, each of the subsidiary entities in the tax-consolidated group have agreed to pay or receive a tax equivalent payment to or from the head entity, based on the current tax liability or current tax receivable asset of the subsidiary entity. Such amounts are reflected in amounts receivable from or payable to the head company in the tax-consolidated group. ENERGEX has elected the 'stand-alone taxpayer approach' under UIG Interpretation 1052 *Tax Consolidation Accounting* in accounting for the tax effect balances of reporting entities within the ENERGEX Group. Under this approach, each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

1.10 Earnings per share

Basic earnings per share is determined by dividing profit after tax attributable to members of the parent entity by the weighted average number of ordinary shares on issue during the financial year.

The weighted average number of shares on issue (also referred to as shares outstanding) during the financial year is calculated by applying a time weighting factor to shares issued or redeemed throughout the year.

1.11 Dividends

A provision is made for the amount of any dividend declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period. A liability for dividends payable is recognised in the reporting period in which the dividends are declared for the entire undistributed amount.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, call deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheets and are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

1.13 Trade and other receivables

Trade and other receivables are recognised at nominal amounts due at the time of sale or service delivery. Trade receivables are due for settlement within 10 to 30 days of the customer being billed. Other receivables are due in accordance with their contractual terms.

Collectibility of trade receivables is reviewed on an ongoing basis. A provision for impairment of receivables is raised when the collection of the full amount of the debt is no longer probable. Bad debts are written off when identified. Movements in the provision are recognised in the income statement.

Regulated revenue under-recoveries

A separate current asset is recognised for the net balance of regulated revenue under-recoveries to be released over the next 12 months where the net balance is an asset. A separate non-current asset is provided for any current year under-recovery of regulated revenue, on the basis there is sufficient certainty over its recoverability in future years but the timing of the release is yet to be approved by the regulator.

1.14 Financial instruments

Initial recognition and measurement

Financial instruments are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Subsequent measurement

Financial assets or financial liabilities at fair value through profit and loss are measured at fair value at the end of each reporting period, subsequent to their initial recognition. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss when incurred, unless hedge accounting is applied.

Loans and receivables are stated at amortised cost subsequent to their initial recognition, using the effective interest method less provision for impairment. The effective interest rate is the rate that discounts estimated future cash flows over the life of the asset.

Available-for-sale financial assets are measured at fair value at the end of each reporting period, subsequent to their initial recognition. Fair value movements are recognised in a reserve account and transferred to the income statement upon sale or derecognition, where the financial asset is not held for trading purposes.

Other non-derivative financial liabilities are recognised at amortised cost subsequent to their initial recognition, comprising original debt less principal payments and amortisation.

1.15 Inventories

The majority of ENERGEX inventories are generally used in maintenance and construction of electricity supply system assets. Some inventories are sold to contractors for the development of subdivisions. Inventories are measured at the lower of cost and net realisable value.

1.16 Other financial assets

Interests in listed and unlisted securities, other than controlled entities in the consolidated accounts, are classed as available-for-sale financial assets where the interests are not held for trading purposes. Fair value movements are recognised in a reserve account and are transferred to the income statement upon sale or derecognition (refer Note 1.14).

1.17 Property, plant and equipment

Each class of property, plant and equipment is carried at fair value or cost, less where applicable, any accumulated depreciation and impairment losses. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an 'arm's length' transaction.

Supply system assets are measured at fair value using an income approach based on discounted future cash flows. Valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

Land and building assets include properties utilised for warehousing and logistics purposes, training and pole depot facilities, and field response activities. These properties are equipped with specialised facilities to meet the specific needs of the network field operations. As these land and building assets are integral in supporting the operation of the electricity network and form part of the regulated asset portfolio subject to the same revenue cap form of regulation, they were reclassified as supply system assets as at 30 June 2010. At 30 June 2009, these land and buildings were recognised as a separate asset class and the Directors determined their fair value ($136.7 million) by reference to independent property valuations based on commercial market information. The 2008/09 land and building balances have been reclassified as supply system assets for comparative purposes as at 30 June 2010.

Other property, plant and equipment, and work in progress are carried at cost. The carrying amount for these assets at cost should not materially differ from their fair value.

Acquisition of assets

All assets acquired are recorded at their cost of acquisition plus incidental costs directly attributable to the acquisition.

Asset recognition threshold

Individual items with a purchase price of $1,000 or greater are recorded in the financial statements as property, plant and equipment. Items between $100 and $999 in value which have a life greater than 12 months are recorded as pooled assets. All other items are expensed.

Non-current assets constructed by the Group

The cost of non-current assets constructed by the Group includes the cost of materials, direct labour, other costs directly attributable to the assets and where appropriate, borrowing costs.

Repairs and maintenance

Items of property, plant and equipment are maintained on a regular basis. The costs of such maintenance are expensed as incurred. Where the costs extend the useful life of the asset or upgrade the asset beyond its originally designed function or capacity, such costs are capitalised.

Gains and losses on disposal

A gain or loss on disposal is recognised in the income statement and is the difference between the net sale proceeds and the carrying amount of the asset at the time of disposal.

Depreciation

Depreciation is calculated on a straight-line basis using the estimated useful life of each item of property, plant and equipment within the same asset class. Depreciation is provided for from the time units of property, plant and equipment commence operation. Estimates of the remaining useful lives of property, plant and equipment are reviewed annually. When changes are made, adjustments are reflected prospectively in current and future periods only.

The electricity supply system is treated as a complex asset. A complex asset is a physical asset capable of disaggregation into identifiable components that are subject to regular replacement. These components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

The estimated useful lives used for each class of depreciable assets are:

Supply system	12 – 70 years
Other property, plant and equipment	3 – 35 years

Asset revaluation reserve

If an item of property, plant and equipment is revalued, the entire class to which that asset belongs is revalued on a consistent basis. The electricity supply system is treated as a complex asset for the purposes of revaluation increments and decrements, such that increments and decrements can be offset.

Revaluation increments, net of tax, are recognised in the asset revaluation reserve. This is except for amounts reversing a decrement previously recognised as an expense, which are recognised in the income statement. Revaluation decrements are only offset against revaluation increments applying to the supply system, and any excess is recognised as an expense.

Where an asset is sold, dismantled or scrapped, any remaining revaluation amount held in the asset revaluation reserve is transferred directly to retained earnings.

1.18 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. This condition is met only when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and the sale is expected to be completed within 12 months from the date of classification.

Non-current assets classified as held for sale and the assets/liabilities of a disposal group classified as held for sale are presented separately from other assets/liabilities in the balance sheet and comparatives are not restated.

1.19 Intangible assets

Contractual rights

Contractual rights represent the Group's right to future economic benefits and are initially recorded at net realisable value using discounted cash flow analysis undertaken at the time of purchase. Contractual rights are amortised on a straight-line basis over the life of the contract.

Computer software

The cost of internally generated computer software includes the cost of all materials and direct labour used during development of the software and other costs directly attributable to the asset. Capitalisation commences from the point of Board approval and ceases when the software is available for use. Other computer software is carried at cost.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a straight-line basis over the useful life of the project.

Amortisation

Intangible assets are amortised on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for intangible assets with definite lives are as follows:

Computer software	2.5 – 7 years

The useful lives of intangible assets are reviewed annually and are altered if estimates have changed significantly. The residual value is assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset in which its residual value can be determined and it is probable that such a market will exist at the end of the asset's useful life.

Derecognising intangible assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from continued use of the assets. Gains and losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of assets, and are recognised in the income statement.

1.20 Impairment

At the end of each reporting period, the Group reviews the carrying value of the assets of its cash-generating units (CGUs) to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Fair value less costs to sell is best determined by reference to a price in a binding sales agreement. However, where there is no binding sales agreement and an asset is traded in an active market, fair value is an asset's market price. Where neither of these valuations exists, the net selling price is based on the best information available to reflect the amount that an enterprise could obtain in an arm's length transaction.

Value-in-use is the present value of future cash flows expected to be derived from an asset or CGU.

Impairment losses are recognised in the income statement, unless an asset has previously been revalued. In this case the impairment loss is treated as an adjustment to the asset revaluation reserve (refer Note 10.1).

Impairment losses are reversed when there is an indication the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.21 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and payment has not been made. Trade and other payables are recognised when the Group has a legal or constructive obligation to pay. Trade and other payables are recognised at cost, which approximates their fair value. Trade payables are unsecured and payment is normally made by the end of the month following ENERGEX's receipt of the supplier's invoice. Other payables are settled in accordance with their contractual terms.

1.22 Employee benefits

A liability is recognised for benefits accruing to employees for wages and salaries, annual leave, long service leave and vesting sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised for employee benefits expected to be settled within 12 months are measured at their nominal value using remuneration rates expected to apply at the time of settlement and include related on-costs.

Liabilities recognised for employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash flows to be made by the Group for services provided by employees up to the end of the reporting period. These cash flows are discounted using rates attaching to government bonds at the end of the reporting period which most closely match the terms of maturity of the related liabilities.

Superannuation plans

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit plans

The cost of providing benefits for defined benefit plans is determined using the projected unit credit method. Defined lump sum benefits based on years of service and final average salary are provided in Note 25.

Post-employment benefit obligations are discounted using market yields at the end of the reporting period on government bonds, with terms to maturity and currency of the bonds that match, as closely as possible, to the estimated term of the benefit obligations.

Any defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated by an independent actuary.

Actuarial valuations are carried out at each reporting period. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur and presented in the statement of comprehensive income. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Past service cost is recognised immediately in the income statement to the extent that benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

1.23 Provisions

Provisions are recognised when the Group has a legal or constructive present obligation, as a result of past events, where it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Refer to Note 15 for further details.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows.

Where some or all of the present obligation is expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain the recovery will be received and the amount can be measured reliably. Any expensed amount relating to the provision is presented net of the reimbursement.

Provisions are reviewed on an annual basis and adjustments made where appropriate. Where the adjustment relates to a change in an estimate the amount is taken to the income statement prospectively. Write-backs against the provision are allowed only when the expenditure relates to the purpose of the provision.

A provision which is not expected to be settled within 12 months is discounted to present value where the impact of discounting is material. The discount rate used reflects the risks specific to the liability.

Provision for site restoration/rehabilitation

A provision is raised for the obligation to restore sites in the future, on expiration of associated contracts or when the obligation arises in the course of business. The provision is determined with reference to an independent estimate of the cost to restore, repair, dismantle or rehabilitate the site.

Provision for public liability insurance

A non-current provision is raised to cover the Group's excess on any public liability insurance claim where the cumulative claim value per incident is more than $0.05 million and less than $1 million. Any amount more than $1 million is paid by ENERGEX's liability insurers if ENERGEX is deemed legally liable. The provision is maintained for up to six years as public liability claims have a statutory limit of six years for property claims, and three years for personal injury claims. This provision is based on a biennial independent actuarial valuation, and is also internally assessed annually at the end of each reporting period for sufficiency and appropriateness. Due to the inability to obtain a reliable estimate of the appropriate split between the current and non-current portions, the entire provision is classified as non-current.

Provision for regulated revenue over-recoveries

A separate non-current provision is recognised for the over-recovery of regulated revenue where there is sufficient certainty over its release in future years, but the timing of the release is yet to be approved by the regulator or the release will occur in a period beyond 12 months. The over-recovery of regulated revenue to be released over the next 12 months is recognised as a current liability (refer Note 1.26).

The non-current provision is escalated by the weighted average cost of capital (WACC) as determined by the regulator and discounted to reflect the present value of the amount required to settle the obligation at the end of the reporting period (refer Note 15).

1.24 Borrowings

Borrowings are initially recognised at fair value including transaction costs incurred and are subsequently measured at amortised cost, using the effective interest rate method. Following initial recognition, no principal repayments are made and interest is charged by the lender at a rate inclusive of administration fees, capital market fees, a competitive neutrality fee and interest on the principal.

Principal repayments are not required for the long-term debt funding with QTC under the terms and conditions of the loans. The working capital facility is short-term in nature with the outstanding balance paid down regularly.

Forward start loans

The Group enters into forward start loans with QTC where it agrees to borrow specified amounts in the future at a pre-determined interest rate. The forward start loans are entered into with the objective of minimising interest rate volatility.

It is the Group's policy to recognise forward start loans at fair value when the loan is drawn. Net receipts and payments are recognised as an adjustment to interest expense.

1.25 Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

The Group is not subject to any finance lease payment obligations but is entitled to receive amounts under finance lease receivable arrangements.

Finance lease receivables are recognised as receivables at the present value of minimum lease payments receivable, plus the present value of any unguaranteed residual expected to accrue to the benefit of the Group at the end of the lease term. The asset is reduced by the principal component of lease receipts. The interest component is credited to profit from operations.

1.26 Other liabilities

Regulated revenue over-recoveries

A separate current liability is recognised where the net balance of regulated revenue over-recoveries to be released during the next 12 months is a liability. Where the timing of a release is yet to be approved by the regulator, or a release will occur in a period beyond 12 months, a non-current provision is recognised (refer Notes 15 and 16).

1.27 Share capital

Ordinary shares

Ordinary shares are classified as equity.

1.28 Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 dated 10 July 1998 therefore amounts in the financial report and Directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

1.29 Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2 Profit from operations

2.1 Revenue

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Revenue from operations consisted of the following items:					
Revenue from rendering of services					
Network use of systems (NUOS)		**1,260.1**	1,094.9	**1,260.1**	1,094.9
Corporate service charges		**–**	–	**0.5**	0.1
Service charges – other parties		**40.6**	59.1	**29.8**	39.5
		1,300.7	1,154.0	**1,290.4**	1,134.5
Sale of goods revenue from operating activities					
Sale of goods		**27.1**	26.1	**13.3**	11.2
Billed recoverable works		**19.4**	21.9	**19.4**	21.9
		46.5	48.0	**32.7**	33.1
Government grant revenue[1]		**27.6**	33.3	**24.5**	29.1
Other revenue					
Non-refundable capital contributions		**50.3**	45.5	**50.3**	45.5
Interest revenue – related parties	29.1, 29.2	**9.1**	7.5	**9.1**	7.6
Interest revenue – other parties		**8.8**	25.8	**8.7**	25.6
Sundry revenue		**24.9**	22.1	**24.6**	14.1
		93.1	100.9	**92.7**	92.8
Total operating revenue		**1,467.9**	1,336.2	**1,440.3**	1,289.5

[1] A state government grant of $27.6 million (2009: $33.3 million) was recognised as income by the Group during the year. The nature of the grant represents funds for the purposes of meeting legacy expenses incurred by ENERGEX that relate to the sale of the retail businesses during 2006/07 and other expenses associated with approved energy market reform initiatives.

2.2 Expenses

Expenses consisted of the following significant items:

Finance costs:					
Related parties		**–**	–	**0.8**	1.0
Other parties – QTC		**217.6**	206.9	**217.6**	206.9
Competitive neutrality fee		**12.0**	17.7	**12.0**	17.7
Finance charges – unwinding discount	15.1	**12.4**	–	**12.4**	–
Less: capitalised borrowing costs	10.2	**(17.3)**	(12.1)	**(17.3)**	(12.1)
Total finance costs		**224.7**	212.5	**225.5**	213.5
Depreciation, amortisation and impairment expense:					
Depreciation					
Supply system assets[1]	10.1	**223.6**	216.7	**223.6**	216.7
Other property, plant and equipment	10.1	**40.8**	38.8	**39.7**	37.3
Less: capitalised depreciation expense	10.1	**(28.4)**	(23.3)	**(28.4)**	(23.3)
Total depreciation expense		**236.0**	232.2	**234.9**	230.7
Amortisation					
Computer software	11.1	**2.7**	4.3	**2.7**	4.3
Contractual rights	11.1	**–**	0.2	**–**	–
Total amortisation expense		**2.7**	4.5	**2.7**	4.3

[1] Depreciation expense on buildings has been aggregated with depreciation expense on supply system assets for 2009/10 and 2008/09 (refer Note 1.17).

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Impairment loss/(reversal)					
Plant and equipment[1]	10.1	**3.8**	(1.3)	**–**	–
Other financial assets	9	**–**	–	**0.1**	0.2
Total impairment loss/(reversal)		**3.8**	(1.3)	**0.1**	0.2
Total depreciation, amortisation and impairment	6.2	**242.5**	235.4	**237.7**	235.2

[1] 2008/09 plant and equipment impairment expense includes a reversal of prior year impairment of $4.0 million. Refer to Note 10.1 for further details.

Net expense including:					
Loss on disposal of property, plant and equipment	6.2	**12.5**	8.4	**12.4**	8.4
Write-down of property, plant and equipment	6.2, 10.1	**–**	0.5	**–**	0.5
Provision for impairment of receivables	6.2	**4.4**	(0.2)	**4.6**	0.2
Provision for impairment of related party receivables	6.2	**–**	–	**(0.8)**	(0.5)
Provision for inventory obsolescence	6.2	**(0.7)**	1.5	**(0.3)**	0.7
Forgiveness of related party receivable	6.2, 29.1	**–**	–	**1.0**	–
Operating lease rental expense		**11.6**	12.5	**10.4**	10.2
Defined contribution plan expense		**20.0**	16.1	**20.0**	16.1

3 Income tax

3.1 Income tax reported in the income statements

Current income tax:				
Current income tax charge	**6.7**	(14.8)	**6.9**	(16.2)
Adjustments for current income tax of previous years	**0.4**	(0.7)	**0.4**	(1.3)
Movement in capital loss previously unbooked	**1.1**	(1.3)	**1.1**	(1.3)
Deferred income tax:				
Relating to origination and reversal of temporary differences	**68.2**	68.9	**68.2**	65.5
Adjustments for deferred income tax of previous years	**(1.1)**	(4.9)	**(0.9)**	(4.2)
Income tax equivalent reported in the income statements	**75.3**	47.2	**75.7**	42.5

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M

The aggregate amount of income tax equivalent attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:

Profit before income tax equivalent	**260.5**	175.7	**261.3**	157.1
Income tax equivalent calculated at 30% (2009: 30%)	**78.2**	52.7	**78.4**	47.1
Equivalent tax effect on non-temporary differences:				
Bad debts	**–**	3.3	**–**	3.4
Impairment loss	**–**	0.1	**–**	0.1
Other non-assessable income	**(3.7)**	–	**(3.7)**	–
Other non-deductible expenses	**0.4**	(2.3)	**0.4**	(1.3)
Income tax equivalent adjusted for non-temporary differences:	**74.9**	53.8	**75.1**	49.3
Over provision of prior year	**(0.7)**	(5.6)	**(0.5)**	(5.5)
Current year losses for which no deferred tax asset was recognised	**–**	0.3	**–**	–
Current year capital losses for which no deferred tax asset was previously recognised/(recouped)	**1.1**	(1.3)	**1.1**	(1.3)
Income tax equivalent reported in the income statements	**75.3**	47.2	**75.7**	42.5

3.2 Current tax balances

Current tax payable/(receivable)	**22.8**	(8.6)	**22.8**	(8.3)
Less: tax instalments	**–**	(3.6)	**–**	(3.6)
Less: unused tax losses for which deferred tax asset has been recognised/(recouped)	**(22.8)**	8.3	**(22.8)**	8.3
Less: unused tax losses for which no deferred tax asset has been recognised/(recouped)	**–**	0.3	**–**	–
Total current tax payable/(receivable)	**–**	(3.6)	**–**	(3.6)
Income tax equivalent attributable to:				
Parent entity	**–**	(3.6)	**–**	(3.6)
Total current tax payable/(receivable)	**–**	(3.6)	**–**	(3.6)

3.3 Income tax equivalent reported in the statement of comprehensive income

Deferred income tax related to items charged or credited directly to equity:					
Property, plant and equipment revaluations	18.1	**71.5**	9.8	**71.5**	9.8
Available-for-sale investment reserve	18.4	**6.8**	(2.4)	**6.8**	(2.4)
Actuarial movements on defined benefit plans	19	**(5.6)**	(27.2)	**(5.6)**	(27.2)
Hedge reserve		**0.1**	(0.1)	**0.1**	(0.1)
Income tax equivalent reported directly in equity		**72.8**	(19.9)	**72.8**	(19.9)

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M

3.4 Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the income statements:				
Provisions and accrued expenditure not currently deductible	**87.8**	64.3	**86.3**	62.9
Unearned revenue in relation to government grant	**5.0**	13.3	**5.0**	13.3
Unused tax losses for which deferred tax asset has been recognised	**9.8**	36.0	**9.8**	36.0
Reclassification from deferred tax liabilities	**2.9**	–	**–**	–
Amounts recognised directly in equity:				
Financial liabilities – cash flow hedges	**–**	0.1	**–**	0.1
Defined benefit fund deficit	**21.1**	21.9	**21.1**	21.9
Gross deferred income tax assets	**126.6**	135.6	**122.2**	134.2
Movements in deferred tax assets:				
Balance at start of year	**135.6**	80.4	**134.2**	77.3
Credited to the income statement	**8.4**	17.7	**8.4**	20.0
Credited to equity	**5.6**	27.2	**5.6**	27.2
Under/(over) provision of prior year	**(2.0)**	–	**(2.1)**	(0.6)
Unused tax losses for which deferred tax asset has been recognised/(recouped)	**(23.9)**	10.3	**(23.9)**	10.3
Reclassification from deferred tax liabilities	**2.9**	–	**–**	–
Balance at end of year	**126.6**	135.6	**122.2**	134.2

3.5 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Note				
Amounts recognised in the income statements:					
Difference in depreciation and amortisation of property, plant and equipment for accounting and tax purposes		**1,307.6**	1,238.1	**1,310.7**	1,241.1
Expenditure currently deductible for tax but deferred and amortised for accounting purposes		**12.6**	14.2	**12.4**	14.0
Reclassification to deferred tax assets		**2.9**	–	**–**	–
Amounts recognised directly in equity:					
Financial assets – cash flow hedges		**–**	0.1	**–**	0.1
Revaluation of property, plant and equipment	18.1	**71.5**	9.8	**71.5**	9.8
Investment – Ceramic Fuel Cells Limited		**–**	(6.8)	**–**	(6.8)
Gross deferred income tax liabilities		**1,394.6**	1,255.4	**1,394.6**	1,258.2
Movements in deferred tax liabilities:					
Balance at start of year		**1,255.4**	1,167.0	**1,258.2**	1,170.8
Charged to the income statement		**58.6**	80.0	**58.7**	78.9
Charged to equity		**78.4**	7.3	**78.4**	7.3
Under/(over) provision of prior year		**(0.7)**	1.1	**(0.7)**	1.2
Reclassification to deferred tax assets		**2.9**	–	**–**	–
Balance at end of year		**1,394.6**	1,255.4	**1,394.6**	1,258.2

4 Discontinued operations and non-current assets held for sale

4.1 Discontinued operations

In June 2010, ENERGEX's subsidiary Energy Impact Pty Ltd issued Request for Proposal documentation to certain respondents for the sale of assets relating to three landfill gas sites (Sleeman, Wyndham and Mornington). At 30 June 2010, various parties indicated their intention to submit a proposal and have commenced due diligence and site inspections. Sale approval and closure is anticipated to occur during 2010/11. The landfill gas business does not have a material impact on the Group's overall result.

During 2010 ENERGEX's subsidiary Beak Industries Pty Ltd (Beak Industries) commenced a wind down of operations. An asset sale agreement was fully executed and completed on 24 July 2009 for Beak Industries' main operating assets, resulting in the assets being transferred to the purchaser for $1. A Deed of Surrender and Termination was also executed on the same date over the site located at Sunshine Energy Park, Victoria releasing Beak Industries from its obligations in relation to the site. Approvals were obtained from the relevant Boards to wind up or deregister the company as appropriate. Finalisation entries were processed in May 2010, including a $1 million debt forgiven by ENERGEX. Beak Industries is currently undergoing a voluntary deregistration process.

ENERGEX's subsidiary, Varnsdorf Pty Ltd (Varnsdorf), held contracts and extensions associated with cogeneration activities undertaken with certain Victorian hospitals. Under an extension arrangement, Varnsdorf was required to leave the cogeneration plant in situ at the end of 30 June 2010 and sell the facility works assets to the relevant hospitals for $1. In return for the extension the hospitals exercised their option to acquire the plant. All necessary steps have been taken to ensure the wind down is appropriately conducted.

4.2 Non-current assets classified as held for sale

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M
Land	–	14.8	–	14.8

In 2008/09 the Directors of ENERGEX approved the sale of vacant land surplus to operational requirements. Settlement of the sale contract occurred in the 2009/10 year.

5 Earnings per share (EPS)

5.1 Operations

		CONSOLIDATED	
	Note	2010	2009
Total basic earnings per share (cents)		**21.15**	14.67
		$ M	$ M
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:			
Profit attributable to members of the parent entity	19	**185.2**	128.5
		Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	5.2	**875,532,773**	875,532,773

5.2 Calculation of weighted average number of ordinary shares used in the calculation of basic earnings per share

	Note	Number of shares on issue	Number of days shares issued	Number of days in year	Weighted average number of shares
2010					
1 July 2009 – 30 June 2010		875,532,773	365	365	875,532,773
B Class share issue: 2 June – 30 June 2010	17.2	1	29	365	–
Total shares for 2010	17	**875,532,774**			**875,532,773**
2009					
1 July 2008 – 30 June 2009	17	875,532,773	365	365	875,532,773
Total shares for 2009	17	**875,532,773**			**875,532,773**

		CONSOLIDATED		PARENT ENTITY	
	Note	2010 $ M	2009 $ M	2010 $ M	2009 $ M
6 Cash and cash equivalents					
Cash on hand and at bank		**16.6**	8.2	**10.7**	5.6
Short-term deposits	23.5	**145.4**	296.1	**145.4**	296.1
Total cash and cash equivalents		**162.0**	304.3	**156.1**	301.7

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. The average effective interest rate on short-term bank deposits was 4.0 per cent (2009: 5.4 per cent) inclusive of fees charged.

6.1 Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	**162.0**	304.3	**156.1**	301.7
Cash and cash equivalents	**162.0**	304.3	**156.1**	301.7

6.2 Reconciliation of net profit after tax to net cash flows from operations

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
Profit after income tax		**185.2**	128.5	**185.6**	114.6
Adjustments for non-cash and other income and expense items:					
Depreciation, amortisation and impairment	2.2	**242.5**	235.4	**237.7**	235.2
Write down of non-current assets	2.2	**–**	0.5	**–**	0.5
Loss on sale of property, plant and equipment	2.2	**12.5**	8.4	**12.4**	8.4
Provision for impairment of receivables	2.2	**4.4**	(0.2)	**4.6**	0.2
Provision for impairment of related party receivables	2.2	**–**	–	**(0.8)**	(0.5)
Provision for inventory obsolescence	2.2	**(0.7)**	1.5	**(0.3)**	0.7
Interest revenue classified as investing activities		**(17.9)**	(33.2)	**(17.8)**	(33.1)
Unwinding discount on regulated revenue recoveries		**12.4**	–	**12.4**	–
Net change in derivative financial instruments		**0.2**	(0.4)	**0.2**	(0.4)
Forgiveness of related party receivable	2.2	**–**	–	**1.0**	–
Sale of business operations and investment proceeds recognised in investing activities		**(7.9)**	(5.0)	**(7.9)**	(5.0)
Changes in operating assets and liabilities:					
(Increase)/decrease in trade and other receivables		**(43.6)**	8.5	**(46.9)**	(3.4)
(Increase)/decrease in inventories		**17.9**	(25.2)	**17.8**	(25.1)
(Increase)/decrease in other current assets		**4.9**	7.5	**4.8**	7.7
(Increase)/decrease in deferred tax assets		**9.0**	(55.2)	**12.0**	(57.0)
(Decrease)/increase in trade and other payables		**8.6**	1.5	**12.6**	21.1
(Decrease)/increase in current tax payable		**3.6**	5.3	**3.6**	4.9
(Decrease)/increase in provisions		**26.8**	36.8	**26.4**	44.9
(Decrease)/increase in deferred tax liabilities		**67.8**	78.5	**65.0**	77.6
(Decrease)/increase in other liabilities		**41.0**	33.2	**41.1**	33.7
Net cash provided by operating activities		**566.7**	426.4	**563.5**	425.0

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M

7 Trade and other receivables

Current					
Trade receivables		**210.6**	198.9	**207.4**	194.1
Provision for impairment of receivables		**(3.9)**	(1.2)	**(3.9)**	(1.2)
Finance lease receivables	7.2	**2.0**	1.9	**2.0**	1.9
Other receivables		**50.1**	37.0	**46.6**	32.9
Amounts receivable from:					
– provision for impairment of related party receivables[1]	29.1	**–**	–	**–**	(1.1)
– related parties	29.1	**–**	–	**–**	1.1
– associates		**52.4**	25.6	**52.4**	25.6
Total current trade and other receivables		**311.2**	262.2	**304.5**	253.3
Non-current					
Finance lease receivables	7.2	**2.3**	3.8	**2.3**	3.8
Other receivables – other parties		**1.2**	1.5	**1.2**	1.5
Amounts receivable from:					
– provision for impairment of related party receivables[1]	29.1	**–**	–	**(1.1)**	(0.8)
– related parties	29.1	**–**	–	**1.1**	0.8
– associates		**62.7**	84.0	**62.7**	84.0
Total non-current trade and other receivables		**66.2**	89.3	**66.2**	89.3

[1] In 2009/10 the parent reversed its provision against its non-current related-party receivable from Beak Industries Pty Ltd as part of the forgiveness of this receivable. The provision against its non-current related-party receivable from Service Essentials Pty Ltd is $1.1 million (2009: $1.1 million classified as current). The movement in these provisions are shown in other expenses in the income statement of the parent.

7.1 Finance lease receivables are reconciled to the investment in finance leases as follows:

Aggregate of minimum lease payments and unguaranteed residual values				
Not later than one year	**2.3**	2.2	**2.3**	2.2
Later than one year and not later than five years	**1.1**	4.0	**1.1**	4.0
Later than five years	**3.0**	–	**3.0**	–
Total	**6.4**	6.2	**6.4**	6.2

7.2 Future finance revenue

Not later than one year		**(0.3)**	(0.3)	**(0.3)**	(0.3)
Later than one year and not later than five years		**(0.7)**	(0.2)	**(0.7)**	(0.2)
Later than five years		**(1.1)**	–	**(1.1)**	–
Total		**(2.1)**	(0.5)	**(2.1)**	(0.5)
Net finance lease receivables[1]		**4.3**	5.7	**4.3**	5.7
Reconciled to:					
Current receivables	7	**2.0**	1.9	**2.0**	1.9
Non-current receivables	7	**2.3**	3.8	**2.3**	3.8
Total finance lease receivables		**4.3**	5.7	**4.3**	5.7
[1] Includes unguaranteed residual amounts.		**0.1**	1.8	**0.1**	1.8

The Group has entered into various finance lease arrangements as a lessor, as part of its commercial activities. In 2008/09 a finance lease receivable arrangement was entered into with Ergon Energy Corporation Limited (Ergon Energy).

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M

7.3 Past due but not impaired

As at 30 June 2010, trade and other receivables of $5.2 million (2009: $7.1 million) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

Up to 30 days	**4.1**	2.8	**4.1**	2.3
31 to 60 days	**0.2**	0.4	**0.2**	0.3
Later than 60 days	**0.9**	3.9	**0.4**	3.9
Total past due but not impaired	**5.2**	7.1	**4.7**	6.5

The method of calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client ratings.

8 Inventories

Maintenance and construction stocks – at net realisable value	**87.1**	102.2	**86.7**	102.2
Work in progress – at cost	**2.2**	4.3	**1.5**	3.5
Total inventories	**89.3**	106.5	**88.2**	105.7

9 Other financial assets

Non-current				
Shares in controlled entities[1]	**–**	–	**–**	0.1
Shares in other corporations – available-for-sale financial assets[2]	**–**	6.3	**–**	6.3
Total other financial assets	**–**	6.3	**–**	6.4

[1] The carrying amount of the parent's investment in its subsidiary, Beak Industries, was impaired by $0.1 million (2009: $0.2 million) to reflect its fair value less costs to sell.

[2] Shares in Ceramic Fuel Cells Limited were fully disposed of in the current financial year.

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M

10 Property, plant and equipment

Supply system[1]				
At Directors' valuation	**11,140.5**	10,063.4	**11,140.5**	10,063.4
Less: accumulated depreciation	**(3,933.9)**	(3,626.9)	**(3,933.9)**	(3,626.9)
	7,206.6	6,436.5	**7,206.6**	6,436.5
Other property, plant and equipment				
At cost	**390.7**	386.6	**335.6**	329.4
Less: accumulated depreciation	**(177.0)**	(159.3)	**(159.0)**	(140.8)
Less: accumulated impairment losses	**(25.7)**	(22.7)	**–**	–
	188.0	204.6	**176.6**	188.6
Work in progress				
At cost	**627.2**	412.9	**627.2**	412.8
Total property, plant and equipment	**8,021.8**	7,054.0	**8,010.4**	7,037.9

[1] Land and building assets have been aggregated with supply system for 2009/10 and 2008/09 (refer Note 1.17).

Supply system assets

ENERGEX's supply system assets are carried at fair value. An income approach to valuation was undertaken by ENERGEX at 30 June 2010 using the following key assumptions and approach:

- ENERGEX's supply system assets are subject to regulation in the form of a revenue cap and it is assumed that they will continue to be subject to regulation in the future.
- Cash flows have been projected based on forecasts of prudent and efficient operating costs and revenue consistent with:
  - The building block methodology outlined in Chapter 6 of the National Electricity Rules; and
  - The Australian Energy Regulator's (AER) May 2010 *Final Decision on Queensland Distribution Determination 2010-11 to 2014-15* (AER Final Determination).
- Revenue cash flows for the 2010-15 regulatory period assume a rate of return of 9.72 per cent which is consistent with the WACC determined by the AER in its Final Determination.
- Future capital expenditure has been included in the cash flows as it is assumed that future capital expenditure is required to ensure the security and reliability of the electricity network.
- Post-tax cash flows have been projected over a five year term and on a basis consistent with the AER's approach, whereby the tax deductibility of debt, capital raising costs and imputation credits are reflected in the projected cash flows, rather than the discount rate. The projected cash flows have been discounted at a rate of 9.72 per cent.
- The residual value at 30 June 2015 has been determined using the best information available to estimate future cash flows and assumes that throughout the remaining useful life of the supply system assets, the regulator will be in alignment with the market view as to both the required rate of return and the costs of operating the supply system. It has also been assumed that any form of future regulation will ensure an owner of these assets will receive a sufficient return on equity after repayment of debt.

Asset retirements

ENERGEX has plant and equipment with a gross carrying amount of $605.2 million (2009: $422.3 million) and a written down value of nil. During the period, ENERGEX undertook an assessment of assets in use and retired assets with a gross carrying amount of $95.6 million (2009: $540.9 million) that were no longer in use and have since been replaced or retired. The impact of these retirements has been a transfer of $9.7 million (2009: $41.7 million) from the asset revaluation reserve to retained earnings (refer Note 18.1).

10.1 Movements in carrying amounts

	Supply system[1] $ M	Other plant and equipment $ M	Capital works in progress $ M	Total $ M
Consolidated				
Year ended 30 June 2010				
Carrying amount at start of year	6,436.5	204.6	412.9	7,054.0
Additions	–	–	976.5	976.5
Capitalised depreciation	–	–	28.4	28.4
Capitalised interest	–	–	17.3	17.3
Disposals	(18.3)	(7.4)	–	(25.7)
Depreciation	(223.6)	(40.8)	–	(264.4)
Revaluation increment/(decrement)	239.4	–	–	239.4
Transfer between classes	–	(0.1)	–	(0.1)
Transfer from work in progress	772.4	35.5	(807.9)	–
Reversal of asset write-down	0.2	–	–	0.2
Impairment losses for year	–	(3.8)	–	(3.8)
Carrying amount at 30 June 2010	**7,206.6**	**188.0**	**627.2**	**8,021.8**

[1] Land and building assets have been aggregated with supply system for 30 June 2010 reporting (refer Note 1.17).

	Supply system[1] $ M	Other plant and equipment $ M	Capital works in progress $ M	Total $ M
Year ended 30 June 2009				
Carrying amount at start of year	5,911.0	199.5	335.9	6,446.4
Additions	–	–	835.7	835.7
Capitalised depreciation	–	–	23.3	23.3
Capitalised interest	–	–	12.1	12.1
Disposals	(12.0)	(10.1)	–	(22.1)
Depreciation	(216.7)	(38.8)	–	(255.5)
Revaluation increment/(decrement)	31.7	–	–	31.7
Transfer between classes	(5.6)	5.3	–	(0.3)
Transfer from work in progress	743.4	50.7	(794.1)	–
Write-down of assets	(0.5)	–	–	(0.5)
Impairment losses for year	–	(2.7)	–	(2.7)
Reversal of impairment loss	–	4.0	–	4.0
Transfer to trade and other receivables	–	(3.3)	–	(3.3)
Assets classified as held for sale	(14.8)	–	–	(14.8)
Carrying amount at 30 June 2009	**6,436.5**	**204.6**	**412.9**	**7,054.0**

[1] Land and building assets have been aggregated with supply system for 30 June 2009 reporting (refer Note 1.17).

	Supply system[1] $ M	Other plant and equipment $ M	Capital works in progress $ M	Total $ M
Parent Entity Year ended 30 June 2010				
Carrying amount at start of year	6,436.5	188.6	412.8	7,037.9
Additions	–	–	976.2	976.2
Capitalised depreciation	–	–	28.4	28.4
Capitalised interest	–	–	17.3	17.3
Disposals	(18.3)	(7.3)	–	(25.6)
Depreciation	(223.6)	(39.7)	–	(263.3)
Revaluation increment/(decrement)	239.4	–	–	239.4
Transfer between classes	–	(0.1)	–	(0.1)
Transfer from work in progress	772.4	35.1	(807.5)	–
Reversal of asset write-down	0.2	–	–	0.2
Carrying amount at 30 June 2010	**7,206.6**	**176.6**	**627.2**	**8,010.4**

[1] Land and building assets have been aggregated with supply system for 30 June 2010 reporting (refer Note 1.17).

	Supply system[1] $ M	Other plant and equipment $ M	Capital works in progress $ M	Total $ M
Year ended 30 June 2009				
Carrying amount at start of year	5,911.0	183.8	335.8	6,430.6
Additions	–	–	835.1	835.1
Capitalised depreciation	–	–	23.3	23.3
Capitalised interest	–	–	12.1	12.1
Disposals	(12.0)	(10.0)	–	(22.0)
Depreciation	(216.7)	(37.3)	–	(254.0)
Revaluation increment/(decrement)	31.7	–	–	31.7
Transfer between classes	(5.6)	5.3	–	(0.3)
Transfer from work in progress	743.4	50.1	(793.5)	–
Write-down of assets	(0.5)	–	–	(0.5)
Transfer to trade and other receivables	–	(3.3)	–	(3.3)
Assets classified as held for sale	(14.8)	–	–	(14.8)
Carrying amount at 30 June 2009	**6,436.5**	**188.6**	**412.8**	**7,037.9**

[1] Land and building assets have been aggregated with supply system for 30 June 2009 reporting (refer Note 1.17).

If property, plant and equipment were stated on a historical cost basis, the carrying amount at the end of the reporting period would have been:

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M
Supply system[1]	**5,264.3**	4,592.4	**5,264.3**	4,592.4

[1] Land and building assets have been aggregated with supply system for 2009/10 and 2008/09 (refer Note 1.17).

Property, plant and equipment and impairment

An impairment review across all of ENERGEX's CGUs has resulted in property, plant and equipment impairment losses of: $3.8 million (2009: $2.7 million) for the Group; and nil (2009: nil) for the parent. There were no reversals of prior year impairment losses in 2009/10 (2009: $4.0 million) for the Group; nor the parent (2009: nil).

These impairment losses and reversals are included within the depreciation, amortisation and impairment expense item in the income statement, which are detailed as follows:

Landfill gas generation

The landfill gas generation CGU operates landfill gas sites in Queensland and Victoria. A review of the value-in-use assessment of this operation resulted in an impairment loss on plant and equipment of $3.8 million (2009: $2.2 million). The value-in-use assessment was based on forecast cash flows and a discount rate of 13.38 per cent (2009: 12.65 per cent) was used to calculate the recoverable amount.

Embedded generation

The embedded generation CGU operates generation capacity that is installed to provide demand side management for the network and capacity to third parties. A review of the value-in-use assessment of this operation was undertaken and resulted in there being no impairment loss on plant and equipment in 2009/10 (2009: impairment reversal of $4.0 million). The value-in-use assessment was based on forecast cash flows and a discount rate of 13.38 per cent (2009: 12.65 per cent) was used to calculate the recoverable amount.

Beak Industries

Beak Industries CGU operated singular natural gas fired electric generators in Victoria. In 2008/09, the residual values of the assets of the CGU were reviewed in light of the probability that the assets would be sold at scrap value. This resulted in an impairment loss on plant and equipment of $0.5 million in 2008/09. Fair value less costs to sell, based on an estimate provided by an independent qualified quantity surveyor, was used to calculate the recoverable amount. No impairment test was carried out in 2009/10 as the CGU assets had been sold.

		CONSOLIDATED		PARENT ENTITY	
	Note	2010 $ M	2009 $ M	2010 $ M	2009 $ M
10.2 Capitalised borrowing costs					
Borrowing costs capitalised during the financial year	2.2	**17.3**	12.1	**17.3**	12.1
Weighted average interest rate on funds borrowed generally		**5.78%**	6.20%	**5.78%**	6.20%

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M

11 Intangible assets

Computer software				
At cost	**52.4**	51.9	**52.3**	51.9
Less: accumulated amortisation	**(47.0)**	(44.5)	**(46.9)**	(44.5)
Software work in progress	**4.0**	0.4	**4.0**	0.4
	9.4	7.8	**9.4**	7.8
Contractual rights				
At cost	**13.1**	13.1	**–**	–
Less: accumulated amortisation	**(12.2)**	(12.2)	**–**	–
Less: accumulated impairment loss	**(0.9)**	(0.9)	**–**	–
	–	–	**–**	–
Total intangible assets	**9.4**	7.8	**9.4**	7.8

11.1 Movements in carrying amounts

	Computer software $ M	Contractual rights $ M	Total $ M
Consolidated			
Year ended 30 June 2010			
Carrying amount at start of year	7.8	–	7.8
Amortisation	(2.7)	–	(2.7)
Additions/(disposals)	4.2	–	4.2
Transfer between classes	0.1	–	0.1
Carrying amount at 30 June 2010	**9.4**	**–**	**9.4**
Year ended 30 June 2009			
Carrying amount at start of year	13.9	0.5	14.4
Amortisation	(4.3)	(0.2)	(4.5)
Additions/(disposals)	(0.1)	(0.3)	(0.4)
Transfer between classes	0.3	–	0.3
Transfer to trade and other receivables	(2.0)	–	(2.0)
Carrying amount at 30 June 2009	**7.8**	**–**	**7.8**

	Computer software $ M	Contractual rights $ M	Total $ M
Parent Entity			
Year ended 30 June 2010			
Carrying amount at start of year	7.8	–	7.8
Amortisation	(2.7)	–	(2.7)
Additions/(disposals)	4.2	–	4.2
Transfer between classes	0.1	–	0.1
Carrying amount at 30 June 2010	**9.4**	**–**	**9.4**
Year ended 30 June 2009			
Carrying amount at start of year	13.8	0.3	14.1
Amortisation	(4.3)	–	(4.3)
Additions/(disposals)	–	(0.3)	(0.3)
Transfer between classes	0.3	–	0.3
Transfer to trade and other receivables	(2.0)	–	(2.0)
Carrying amount at 30 June 2009	**7.8**	**–**	**7.8**

		CONSOLIDATED		PARENT ENTITY	
	Note	2010 $ M	2009 $ M	2010 $ M	2009 $ M
12 Other assets					
Current prepayments		**25.1**	29.9	**25.0**	29.8
13 Trade and other payables					
Current					
Trade payables		**138.9**	115.8	**134.5**	111.7
QTC working capital facility		**–**	29.4	**–**	29.4
Accrued wages and salaries		**25.3**	20.6	**25.3**	20.6
Refundable deposits		**4.5**	3.5	**4.5**	3.5
Amount payable to:					
– associates	29.2	**13.0**	13.3	**13.0**	13.3
Total current trade and other payables		**181.7**	182.6	**177.3**	178.5
Non-current					
Amount payable to:					
– related parties	29.1	**–**	–	**23.1**	19.8
Total non-current trade and other payables		**–**	–	**23.1**	19.8
14 Long-term borrowings					
Non-current					
QTC loans – unsecured		**4,094.2**	3,843.1	**4,094.2**	3,843.1
Total non-current borrowings		**4,094.2**	3,843.1	**4,094.2**	3,843.1

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M

15 Provisions

Current					
Dividends	20	**148.2**	102.8	**148.2**	102.8
Employee benefits		**33.1**	30.8	**32.4**	29.9
Site restoration/rehabilitation		**1.7**	2.7	**0.3**	–
Redundancy provision		**1.8**	–	**–**	–
Other provisions		**2.0**	0.5	**1.9**	0.6
Total current provisions		**186.8**	136.8	**182.8**	133.3
Non-current					
Site restoration/rehabilitation		**0.6**	0.6	**0.6**	0.6
Public liability insurance		**3.1**	2.6	**3.1**	2.6
Employee benefits		**79.5**	69.7	**79.5**	69.7
Regulated revenue recoveries		**90.2**	78.3	**90.2**	78.3
Total non-current provisions		**173.4**	151.2	**173.4**	151.2

15.1 Movements in carrying amounts

	Carrying amount at start of year $ M	Additions $ M	Utilised $ M	Reversal $ M	Unwinding of discount $ M	Transfer to other liabilities $ M	Carrying amount at end of year $ M
Consolidated							
Dividends	102.8	148.2	(102.8)	–	–	–	148.2
Regulated revenue recoveries	78.3	58.6	–	–	12.4	(59.1)	90.2
Site restoration	3.3	0.4	–	(1.4)	–	–	2.3
Public liability insurance	2.6	1.0	–	(0.5)	–	–	3.1
Employee benefits	100.5	46.2	(33.9)	(0.2)	–	–	112.6
Redundancy provision	–	2.2	(0.4)	–	–	–	1.8
Other	0.5	1.9	(0.4)	–	–	–	2.0
Total	**288.0**	**258.5**	**(137.5)**	**(2.1)**	**12.4**	**(59.1)**	**360.2**
Parent Entity							
Dividends	102.8	148.2	(102.8)	–	–	–	148.2
Regulated revenue recoveries	78.3	58.6	–	–	12.4	(59.1)	90.2
Site restoration	0.6	0.3	–	–	–	–	0.9
Public liability insurance	2.6	1.0	–	(0.5)	–	–	3.1
Employee benefits	99.6	45.9	(33.4)	(0.2)	–	–	111.9
Other	0.6	1.3	–	–	–	–	1.9
Total	**284.5**	**255.3**	**(136.2)**	**(0.7)**	**12.4**	**(59.1)**	**356.2**

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
15.2 Analysis of total provisions					
Current	15	**186.8**	136.8	**182.8**	133.3
Non-current	15	**173.4**	151.2	**173.4**	151.2
Total provisions		**360.2**	288.0	**356.2**	284.5

16 Other liabilities

Current				
Regulated revenue recoveries – net	**59.1**	7.3	**59.1**	7.3
Unearned revenue – government grant[1]	**11.6**	44.4	**11.6**	44.4
Unearned revenue – other	**43.5**	23.8	**43.5**	23.8
Total current other liabilities	**114.2**	75.5	**114.2**	75.5
Non-current				
Unearned revenue	**16.4**	3.5	**16.4**	3.4
Unearned revenue – government grant	**5.1**	–	**5.1**	–
Total non-current other liabilities	**21.5**	3.5	**21.5**	3.4

[1] ENERGEX received a $125 million government grant over 2007/08 and 2008/09 to cover legacy costs associated with the sale of its energy retail business, and energy market reform initiatives. The grant is initially recorded as unearned revenue and is recognised as revenue when the conditions of the grant have been met (refer Note 2.1).

	Note	CONSOLIDATED AND PARENT ENTITY 2010 Number	2009 Number	2010 $ M	2009 $ M
17 Contributed equity					
A Class ordinary shares – voting	17.1	**122,600,006**	122,600,006	**122.6**	122.6
B Class ordinary shares – non-voting	17.2	**752,932,768**	752,932,767	**623.8**	521.0
Total contributed equity	5.2	**875,532,774**	875,532,773	**746.4**	643.6
17.1 A Class ordinary shares					
Movements:					
Beginning of financial year		**122,600,006**	122,600,006	**122.6**	122.6
Share movement		**–**	–	**–**	–
End of the financial year	17	**122,600,006**	122,600,006	**122.6**	122.6
17.2 B Class ordinary shares					
Movements:					
Beginning of financial year		**752,932,767**	752,932,767	**521.0**	521.0
Share movement	5.2	**1**	–	**102.8**	–
End of the financial year	17	**752,932,768**	752,932,767	**623.8**	521.0

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M
18 Reserves					
Asset revaluation reserve	18.1	**1,339.9**	1,181.7	**1,339.9**	1,181.7
Foreign currency translation reserve	18.2	**–**	–	**–**	–
Hedge reserve	18.3	**–**	(0.3)	**–**	(0.3)
Available-for-sale investment reserve	18.4	**–**	13.1	**–**	13.1
Total reserves		**1,339.9**	1,194.5	**1,339.9**	1,194.5
18.1 Asset revaluation reserve (ARR)					
Balance at start of year		**1,181.7**	1,201.5	**1,181.7**	1,201.5
Revaluation increment (gross) – supply system[1]	10.1	**239.4**	31.7	**239.4**	31.7
Deferred tax effect on revaluations	3.3	**(71.5)**	(9.8)	**(71.5)**	(9.8)
Transfer ARR to retained earnings for disposed assets	19	**(9.7)**	(41.7)	**(9.7)**	(41.7)
Balance at end of year		**1,339.9**	1,181.7	**1,339.9**	1,181.7
18.2 Foreign currency translation reserve					
Balance at start of year		**–**	0.4	**–**	0.4
Net exchange differences on translation of foreign-controlled operations		**–**	(0.4)	**–**	(0.4)
Balance at end of year		**–**	–	**–**	–
18.3 Hedge reserve					
Balance at start of year		**(0.3)**	(0.1)	**(0.3)**	(0.1)
Movement for the year		**0.4**	(0.3)	**0.4**	(0.3)
Deferred tax effect on amortisation		**(0.1)**	0.1	**(0.1)**	0.1
Balance at end of year		**–**	(0.3)	**–**	(0.3)
18.4 Available-for-sale investment reserve					
Balance at start of year		**13.1**	18.6	**13.1**	18.6
Revaluation – gross		**3.0**	(7.9)	**3.0**	(7.9)
Divestment		**(9.3)**	–	**(9.3)**	–
Deferred tax effect on revaluations	3.3	**(6.8)**	2.4	**(6.8)**	2.4
Balance at end of year		**–**	13.1	**–**	13.1

[1] Revaluation on land and building assets has been aggregated with supply system revaluation for 2009/10 and 2008/09 (refer Note 1.17).

18.5 Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1.17.

Foreign currency translation reserve

In 2008/09, exchange differences arising on translation of the ENERGEX New Zealand branch operations were taken to the foreign currency translation reserve (FCTR) (refer Note 1.5). The FCTR balance was transferred from equity to the income statement (miscellaneous expense) on the sale and wind down of the ENERGEX New Zealand branch operations in 2008/09.

Hedge reserve

The hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge (refer Notes 1.14 and 23.2).

Available-for-sale investment reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve (refer Note 1.16).

		CONSOLIDATED		PARENT ENTITY	
	Note	2010 $ M	2009 $ M	2010 $ M	2009 $ M

19 Retained earnings

Retained earnings at start of year		**455.0**	451.1	**410.3**	420.3
Gross actuarial gains/(losses) on defined benefit plans		**(18.7)**	(90.7)	**(18.7)**	(90.7)
Deferred tax on actuarial gains/(losses) on defined benefit plans	3.3	**5.6**	27.2	**5.6**	27.2
Transfer from asset revaluation reserve – net of tax	18.1	**9.7**	41.7	**9.7**	41.7
Net profit attributable to members of the parent entity	6.2	**185.2**	128.5	**185.6**	114.6
Total available for appropriation		**636.8**	557.8	**592.5**	513.1
Dividends provided at 30 June 2009	20	**–**	(102.8)	**–**	(102.8)
Dividends provided at 30 June 2010	20	**(148.2)**	–	**(148.2)**	–
Retained earnings at end of year		**488.6**	455.0	**444.3**	410.3

	CONSOLIDATED AND PARENT ENTITY			
	2010 Cents per share	2010 $ M	2009 Cents per share	2009 $ M

20 Dividends

Dividends on ordinary shares **Dividends declared during the year:**				
Final unfranked dividend	**16.93**	**148.2**	11.74	102.8
Total dividends declared during the year	**16.93**	**148.2**	11.74	102.8
Dividends paid during the year:				
Final unfranked dividend declared in prior financial year and paid in current financial year	**11.74**	**102.8**	12.86	112.6
Final unfranked dividend declared in 2008 relating to 2007 continuing operations profit and paid in 2009	**–**	**–**	11.22	98.2
Total dividends paid during the year	**11.74**	**102.8**	24.08	210.8

A final dividend of $148.2 million for the 2009/10 year (2009: $102.8 million) was declared and provided for on the basis of 80 per cent of net profit after income tax equivalent in consultation with the shareholding Ministers. The 2008/09 dividend of $102.8 million was paid in the 2009/10 year.

The shareholding Ministers reinvested the 2008/09 dividend of $102.8 million in the 2009/10 year. This was treated as an equity injection by ENERGEX with one B Class non-voting share being issued to the shareholding Minister (refer Note 17.2).

During 2008/09 a dividend of $112.6 million was paid on the basis of 80 per cent of 2007/08 net profit after income tax equivalent. An additional dividend of $98.2 million was paid in 2008/09 relating to continuing operations profits from the 2006/07 year.

ENERGEX operates under the National Tax Equivalent Regime where income tax equivalent payments are made to the Queensland Government. As ENERGEX is a Queensland government owned corporation, with all shares owned by the shareholding Ministers on behalf of the Queensland Government, dividend payments are unfranked.

21 Non-controlling interests

Ergon Energy has a 10 per cent shareholding interest in Service Essentials Pty Ltd to the value of 11 cents (refer Note 27).

22 Financial risk management objectives and policies

Financial risk management is carried out by ENERGEX's Treasury Department (ENERGEX Treasury) under policies approved by the Board of Directors. ENERGEX Treasury manages the cash flow needs of the Group on a net basis and ensures a consistent approach to managing the financial arrangements and their associated risk across the business. The ENERGEX Treasury Risk Policy Manual applies to all of the entities within the Group and its intention is to ensure compliance with the *Code of Practice for Government-Owned Corporations' Financial Arrangements*.

The Group's principal financial instruments, other than derivatives, comprise QTC loans. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that financial instruments are not to be used for speculative purposes.

The Group holds foreign exchange derivatives entered into in the 2008/09 year to hedge USD currency exposures arising in the normal course of its operations.

Other financial assets and liabilities include trade receivables, trade payables, provisions, short-term deposits and unearned revenue which arise directly from the Group's operations.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.14.

The Group is exposed to the following financial risks:

- *credit risk*: the risk of a financial loss if a counterparty to a transaction does not fulfil its financial obligations (also called default risk).
- *commodity risk*: the risk that contract prices will move as a result of adverse movements in market prices.
- *funding risk*: the risk that the Group will be unable to refinance existing debt or raise additional debt.
- *liquidity risk*: the risk of insufficient funds to fulfil the Group's cash flow obligations on a timely basis.
- *interest rate risk*: the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.
- *operational risk*: the risk resulting from inadequate internal processes and systems or from external events.
- *capital structure risk*: the risk of the Group ineffectively structuring its balance sheet resulting in suboptimal returns to the shareholders.

Credit risk

The Group minimises concentrations of credit risk with its network customers and counterparties by ensuring, as far as possible, sufficient letters of credit or bank guarantees are in place.

Commodity and foreign currency risk

The Group is also exposed to commodity price risk and foreign currency risk in the normal course of its operations. The Group minimises foreign currency risks by entering into foreign currency forward contracts where the quantum and timing of the exposure can be accurately measured. Commodity price risk movements are managed where possible through contractual arrangements with suppliers. Consideration may be given in the future to alternative strategies to manage exposure to commodity price volatility if appropriate.

Funding risk

ENERGEX's debt, provided exclusively by QTC, is interest only in perpetuity with no set repayment date. This debt portfolio is structured to reflect a fixed-term loan to correlate with the regulatory period and, as such, has been refinanced during 2009/10 in anticipation of the new regulatory period which commenced on 1 July 2010. QTC is responsible for refinancing the Group's debt when it becomes due. To ensure the Queensland public sector entities are able to meet their debt funding obligations as and when they fall due, the QTC borrows in advance of requirements.

Interest rate risk

The cost of ENERGEX's debt is comprised of a competitive neutrality fee (CNF), administration fee, capital market fee and a book interest rate on the debt portfolio calculated periodically by QTC.

The CNF is charged by the State of Queensland to ensure ENERGEX does not obtain an economic benefit from funding at a lower cost through QTC than could be achieved by a private sector operator. The repricing of the CNF has occurred in concurrence with the regulator's rate setting period, 1 February 2010 to 26 March 2010. The new CNF will be effective from the 1 July 2010.

The Group's borrowings are subject to annual repricing following a book rate review of the debt portfolio undertaken by QTC. The Group was exposed to book interest rate movements when it refinanced its existing debt or when future debt requirements were locked in. Additionally, the Group will be exposed to interest rate movements when new debt is drawn outside of the Group's forward start loans program. The book interest rate for ENERGEX's debt portfolio was dependent on the market interest rates at the time the debt portfolio was refinanced.

Liquidity risk

To manage the Group's liquidity risk, the Group has a $150 million working capital facility with QTC. This facility operates as an overdraft arrangement which is used to cover temporary funding deficits. Any outstanding balance is repaid at the earliest opportunity. The facility is repayable on demand.

Operational risk

The Group recognises operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. The Group continues to develop and expand its guidelines, standards, methodologies and systems to enhance the management of operational risk.

Capital risk

The Board's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain future development of the business. Part of this process is ensuring the right quantitative and qualitative factors exist to support at a minimum a BBB+ credit rating. The Group monitors the return on capital, which is defined as net operating income divided by total shareholders' equity. The Group also monitors the level of dividends to ordinary shareholders.

The Group seeks to maintain a balance between the higher return on equity that might be possible with higher levels of borrowings, and the advantages and security offered by a sound capital position through appropriate injections of equity from time to time to balance the funding sources of the Group. The weighted average interest expense on interest-bearing borrowings in 2009/10 was 5.75 per cent (2009: 6.18 per cent).

23 Financial instruments

23.1 Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities, other than derivative financial instruments, are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative financial instruments represents the value of the cash flow (either negative or positive) which would have occurred if the rights and obligations arising from that instrument were closed out in the market place at the end of the reporting period.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify for hedge accounting as cash flow hedges, are taken directly to the income statement for the year.

The Group considers the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value, excluding borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between cost and the redemption amount being recognised in the income statement over the period of the borrowings on an effective interest basis.

The Group has not designated any financial instruments as at fair value through profit or loss.

23.2 Derivative financial instruments

As at 30 June 2010, the hedged transactions in place included cash flow hedges as detailed below:

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M
Current assets				
Forward exchange contract – cash flow hedge	–	0.3	–	0.3
Current liabilities				
Forward exchange contract – cash flow hedge	–	0.3	–	0.3

Varnsdorf has an agreement for the receiving of maintenance services payable in USD. To protect against exchange rate variations in the AUD/USD spot rate, the Group entered into a forward exchange contract (FEC). Under the FEC, the Group is required to pay a fixed AUD amount and receive a fixed USD amount per month until 31 July 2010.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised in the income statement immediately. The FEC was determined to be effective for the year ended 30 June 2010 and resulted in no net loss (2009: nil).

23.3 Credit risk exposure

The credit risk on financial assets of the Group which have been recognised on the balance sheet is generally equal to the carrying amount net of any provisions for impairment of receivables. Refer to Note 22 for related risk management policies and procedures that are in place to minimise credit risk.

With the introduction of full retail contestability on 1 July 2007, ENERGEX is exposed to the credit quality of licensed retailers for NUOS payments. The standard co-ordination agreement between the Company and every retailer operating in ENERGEX's distribution area allows the Company to request a retailer to provide an unconditional bank guarantee if it does not have a BBB- or better credit rating, or have its payment obligations guaranteed by another party that has at least this credit rating. ENERGEX actively manages the provision of credit support in accordance with the provisions of the standard co-ordination agreement.

23.4 Liquidity risk exposure

The Group's exposure to liquidity risk is set out in the following table:

	Note	Carrying amount $ M	Contractual cash flows $ M	1 year or less $ M	1 to 5 years $ M	More than 5 years $ M
Consolidated						
As at 30 June 2010						
Financial liabilities						
Derivative	23.2	–	–	–	–	–
Trade and other payables	13	177.2	(177.2)	(177.2)	–	–
QTC working capital facility	13	–	–	–	–	–
Refundable deposits	13	4.5	(4.5)	(4.5)	–	–
Borrowings – QTC unsecured[1]	14	4,094.2	(5,437.5)	(282.0)	(1,128.8)	(4,026.7)
Total financial liabilities		**4,275.9**	**(5,619.2)**	**(463.7)**	**(1,128.8)**	**(4,026.7)**

[1] Market value of the borrowings as at 30 June 2010 as advised by QTC was $4,207.3 million.

As at 30 June 2009						
Financial liabilities						
Derivative	23.2	0.3	(0.3)	(0.3)	–	–
Trade and other payables	13	149.7	(149.7)	(149.7)	–	–
QTC working capital facility	13	29.4	(29.4)	(29.4)	–	–
Refundable deposits	13	3.5	(3.5)	(3.5)	–	–
Borrowings – QTC unsecured[1]	14	3,843.1	(5,118.3)	(221.6)	(887.8)	(4,008.9)
Total financial liabilities		**4,026.0**	**(5,301.2)**	**(404.5)**	**(887.8)**	**(4,008.9)**

[1] Market value of the borrowings as at 30 June 2009 as advised by QTC was $3,889.3 million.

Parent Entity						
As at 30 June 2010						
Financial liabilities						
Derivative	23.2	–	–	–	–	–
Trade and other payables	13	172.8	(172.8)	(172.8)	–	–
QTC working capital facility	13	–	–	–	–	–
Trade and other payables – related parties, controlled	13	23.1	(23.1)	–	(23.1)	–
Refundable deposits	13	4.5	(4.5)	(4.5)	–	–
Borrowings – QTC unsecured[1]	14	4,094.2	(5,437.5)	(282.0)	(1,128.8)	(4,026.7)
Total financial liabilities		**4,294.6**	**(5,637.9)**	**(459.3)**	**(1,151.9)**	**(4,026.7)**

[1] Market value of the borrowings as at 30 June 2010 as advised by QTC was $4,207.3 million.

As at 30 June 2009						
Financial liabilities						
Derivative	23.2	0.3	(0.3)	(0.3)	–	–
Trade and other payables	13	145.6	(145.6)	(145.6)	–	–
QTC working capital facility	13	29.4	(29.4)	(29.4)	–	–
Trade and other payables – related parties, controlled	13	19.8	(19.8)	–	(19.8)	–
Refundable deposits	13	3.5	(3.5)	(3.5)	–	–
Borrowings – QTC unsecured[1]	14	3,843.1	(5,118.3)	(221.6)	(887.8)	(4,008.9)
Total financial liabilities		**4,041.7**	**(5,316.9)**	**(400.4)**	**(907.6)**	**(4,008.9)**

[1] Market value of the borrowings as at 30 June 2009 as advised by QTC was $3,889.3 million.

23.5 Interest rate risk exposure

Sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome to profit and loss if interest rates change by +/- 1.0 per cent for cash funds (2009: +/-1.0 per cent) from the year-end rates. With all other variables held constant, the Group would have a surplus/(deficit) of $1.5 million (2009: $2.7 million).

	Note	Carrying amount $ M	(1.0)% Profit $ M	(1.0)% Equity $ M	1.0% Profit $ M	1.0% Equity $ M
2010 interest rate risk						
Short-term deposits	6	145.4	(1.5)	–	1.5	–
2009 interest rate risk						
Short-term deposits	6	296.1	(3.0)	–	3.0	–
QTC working capital		29.4	0.3	–	(0.3)	–

The above sensitivity percentages were based on official cash rate movements.

23.6 Financing arrangements

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	2009 $ M	2010 $ M	2009 $ M
The Group has access to the following lines of credit:				
Total facilities available – unsecured loans	**4,244.2**	3,993.1	**4,244.2**	3,993.1
Facilities used at the end of the reporting period – unsecured loans	**4,094.2**	3,872.5	**4,094.2**	3,872.5
Facilities not used at the end of the reporting period – unsecured loans	**150.0**	120.6	**150.0**	120.6

Approved borrowings under the state borrowing program (SBP) for 2009/10 were $366.9 million (2009: $499.5 million), of which $250.0 million was drawn during the year (2009: $496.4 million). The unused funds of $116.9 million (2009: $3.1 million) expired on 30 June 2010. The 2009/10 borrowings drawn under the SBP were funded through ENERGEX's loan account with QTC.

The Group has interim approval under the SBP for the 2010/11 year of $825.9 million, which includes a $50.0 million increase to the existing working capital facility.

The Group had future loan commitments represented by undrawn forward start loans of $2,229.9 million with QTC as at 30 June 2010. At the time of settlement the future loan commitment was classified as a borrowing and measured at book value.

The 2009/10 future loan commitments with QTC are set out below. There were no future loan commitments for 2008/09.

	Book value $ M	1 year or less $ M	1 to 5 years $ M	More than 5 years $ M	Total $ M
Contractual undiscounted cash flows as at 30 June 2010					
Future loan commitments	2,229.9	20.4	477.2	2,229.9	2,727.5

The above table represents the future undiscounted cash flows relating to future loan commitments. For 2009/10 the future loan commitment book value of $2,229.9 million represented total undrawn forward start loans as at 30 June 2010 and the total of $2,727.5 million represented total undiscounted interest and principal cash flows. The actual repayment profile of long-term debt is interest only with no fixed repayment date for the principal component. However, the above simulation assumes the debt is repaid in the 'more than five years' period with the amount shown being equal to the principal and one month of interest.

The benefit of the forward start loans was that the Group had been able to effectively lock-in the interest rate on all or part of a known future borrowing requirement. This provided greater certainty of the borrowing costs on known future borrowing requirements.

These loans have been effective in minimising the risk of rising interest rates. As at 30 June 2010, this difference was favourable to the Group by $40.3 million (2009: nil).

23.7 Guarantees

Guarantees held

The Group holds bank guarantees from customers and suppliers totalling $32.8 million (2009: $45.6 million), relating to subdivision works and construction of capital assets for customers and procurement guarantees from suppliers.

Guarantees issued

The parent entity has provided guarantees via its banker in respect of its trading activities. The amount of these guarantees is $0.1 million (2009: $8.4 million).

ENERGEX warrants that unlimited sufficient financial support will be provided to Beak Industries Pty Ltd, Queensland Energy Services Team Pty Ltd, and Service Essentials Pty Ltd to ensure the companies are able to pay their debts as and when they fall due. ENERGEX warrants that sufficient financial support up to a limit of $10,000 will be provided to Metering Dynamics Business Support Pty Ltd to ensure that business is able to pay its debts as and when they fall due.

	CONSOLIDATED		PARENT ENTITY	
	2010 $ M	**2009 $ M**	**2010 $ M**	**2009 $ M**

24 Commitments for expenditure

24.1 Capital and other expenditure commitments

Commitments for capital and other expenditure contracted for at the end of the reporting period but not recognised as liabilities payable:				
Not later than one year	**305.7**	227.0	**303.4**	223.9
Later than one year and not later than five years	**64.1**	–	**64.1**	–
Later than five years	**–**	–	**–**	–
Total capital and other expenditure commitments	**369.8**	227.0	**367.5**	223.9

These commitments consist of open purchase orders and are valued at price levels and foreign currency exchange rates as at the end of the reporting period.

24.2 Operating lease commitments

Commitments in relation to operating leases contracted for at the end of the reporting period but not recognised as liabilities payable:				
Not later than one year[1]	**21.3**	17.5	**21.2**	17.3
Later than one year and not later than five years[1]	**99.4**	76.5	**99.3**	76.5
Later than five years[1]	**169.4**	–	**169.4**	–
Representing: non-cancellable operating leases	**290.1**	94.0	**289.9**	93.8

[1] ENERGEX will commence a 15 year lease at Newstead from September 2010 for the purpose of corporate office accommodation.

25 Defined benefit obligations

The Group contributes to an industry multiple employer superannuation plan, the Electricity Supply Industry (ESI) Superannuation Fund (Qld). Members, after serving a qualifying period, are entitled to benefits from this fund on retirement, resignation, retrenchment, disability or death. The defined benefit account of this fund is a funded plan which provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

	CONSOLIDATED		PARENT ENTITY	
	2010 %	2009 %	2010 %	2009 %
25.1 Key assumptions used				
Discount rate (post tax)	**4.3**	4.7	**4.3**	4.7
Expected return on plan assets	**6.0**	6.0	**6.0**	6.0
Future salary increases				
Salary increase rate year one	**4.5**	4.5	**4.5**	4.5
Salary increase rate year two	**4.5**	4.5	**4.5**	4.5
Salary increase rate year three	**4.5**	4.5	**4.5**	4.5
Salary increase rate thereafter	**4.5**	4.5	**4.5**	4.5

The expected return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of the asset classes.

		CONSOLIDATED		PARENT ENTITY	
	Note	2010 $ M	2009 $ M	2010 $ M	2009 $ M
25.2 Reconciliation of amounts recognised in the income statement					
Current service cost		**17.4**	16.2	**17.4**	16.2
Interest cost		**17.9**	18.3	**17.9**	18.3
Expected return on plan assets		**(20.0)**	(22.8)	**(20.0)**	(22.8)
Net expense recognised in year		**15.3**	11.7	**15.3**	11.7
Past service cost		**–**	–	**–**	–
Total included in employee benefits expense		**15.3**	11.7	**15.3**	11.7
25.3 Reconciliation of amounts recognised in the balance sheet					
Present value of funded obligations		**(442.7)**	(394.4)	**(442.7)**	(394.4)
Fair value of plan assets		**383.0**	332.3	**383.0**	332.3
Surplus/(deficit)		**(59.7)**	(62.1)	**(59.7)**	(62.1)
Provision for contributions tax		**(10.6)**	(11.0)	**(10.6)**	(11.0)
Net liability in the balance sheet	25.4	**(70.3)**	(73.1)	**(70.3)**	(73.1)

	Note	2010 $ M	2009 $ M	2008 $ M	2007 $ M	2006 $ M
25.4 Historical analysis of defined benefit obligations of the consolidated and parent entity						
Present value of defined benefit obligation	25.5	**(453.3)**	(405.4)	(351.1)	(326.5)	(319.7)
Fair value of plan assets	25.6	**383.0**	332.3	357.1	404.3	348.5
Surplus/(deficit) of the plan	25.3	**(70.3)**	(73.1)	6.0	77.8	28.8
Experience adjustments arising on plan assets		**15.9**	(46.9)	(69.5)	29.4	29.4
Experience adjustments arising on plan liabilities		**(5.5)**	(20.3)	(4.9)	21.3	(29.1)

	Note	CONSOLIDATED 2010 $ M	CONSOLIDATED 2009 $ M	PARENT ENTITY 2010 $ M	PARENT ENTITY 2009 $ M

25.5 Reconciliation of movements in the defined benefit obligation

Opening defined benefit obligation		**405.4**	351.1	**405.4**	351.1
Current service cost		**17.4**	16.2	**17.4**	16.2
Interest cost		**17.9**	18.3	**17.9**	18.3
Contributions by fund participants		**5.2**	4.8	**5.2**	4.8
Actuarial (gains)/losses		**24.1**	38.1	**24.1**	38.1
Benefits payments and tax		**(16.7)**	(23.1)	**(16.7)**	(23.1)
Closing defined benefit obligation	25.4	**453.3**	405.4	**453.3**	405.4

25.6 Reconciliation of movements in the fair value of plan assets

Opening fair value of plan assets		**332.3**	357.1	**332.3**	357.1
Expected return on plan assets		**20.0**	22.8	**20.0**	22.8
Actuarial gains/(losses)		**15.9**	(46.9)	**15.9**	(46.9)
Contributions by the employer		**26.3**	17.6	**26.3**	17.6
Contributions by fund participants		**5.2**	4.8	**5.2**	4.8
Benefits payments and tax		**(16.7)**	(23.1)	**(16.7)**	(23.1)
Closing fair value of plan assets	25.4	**383.0**	332.3	**383.0**	332.3

25.7 Cumulative amount recognised in the statement of comprehensive income

Cumulative amount of actuarial (gains)/losses at beginning of year	**81.8**	(3.1)	**81.8**	(3.1)
Loss in year	**8.2**	84.9	**8.2**	84.9
Cumulative amount of actuarial losses at end of year	**90.0**	81.8	**90.0**	81.8

25.8 The major categories of plan assets as a percentage of total plan assets are as follows:

Cash	**5%**	7%	**5%**	7%
Fixed interest	**15%**	16%	**15%**	16%
Australian shares	**28%**	21%	**28%**	21%
Alternatives	**20%**	20%	**20%**	20%
International shares	**22%**	21%	**22%**	21%
Property	**10%**	15%	**10%**	15%
Total	**100%**	100%	**100%**	100%

The actual return on plan assets for 2009/10 was a profit of $35.9 million (2009: $24.1 million loss).

25.9 Net financial position of plan

The superannuation plan computes its obligations in accordance with AAS 25 *Financial Reporting by Superannuation Plans* which prescribes a different measurement basis to that applied in this financial report, pursuant to AASB 119 *Employee Entitlements*. Under AAS 25, and in accordance with the *Occupational Superannuation Standards Regulation*, the ESI Superannuation Fund is required to undertake actuarial investigations at least every three years. The last reporting period for the ESI Super Actuarial Report for ENERGEX was 30 June 2008.

Surplus/(deficit)

The following is a summary of the most recent financial position of the ESI Superannuation Fund (with respect to both defined benefit and accumulation members for the Group's participation in the Fund) calculated in accordance with AAS 25:

	Last reporting period	$ M
Accrued benefits	30/06/2008	(569.0)
Net market value of plan assets	30/06/2008	552.1
Net deficit	**30/06/2008**	**(16.9)**

Contribution recommendations

For the financial year ended 30 June 2010, the Group paid 32 per cent (2009: 10 per cent) of defined benefit members' salaries. The plan actuaries have not recommended additional contributions beyond the current contributions level be made (2009: $7.9 million of additional funding was recommended and paid). Funding recommendations are made by the actuaries based on their forecast of various matters including: future plan assets performance, interest rates, and salary increases. ENERGEX will assess this contribution rate in the future to ensure it remains appropriate.

The Group expects to make a contribution rate of 32 per cent (2009: 32 per cent) to the defined benefit plan during the next financial year. Accordingly, the Group expects to contribute $29.9 million to its defined benefit plan in 2010/11.

Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate method. The method adopted affects the timing of the cost to the employer. Under the aggregate method, the future contribution rates are determined, and are expected to be sufficient to fund the difference between the value of the future benefits for existing defined benefit members, and the value of plan assets attributable to defined benefit members, over the future working lifetime of existing defined benefit members.

An aggregate financing method can be expected to produce a higher level of volatility in recommending employer contribution rates, particularly as the defined benefit membership ages and reduces in size. Variations between actual and expected experience have a greater financial effect on future employer contribution rates as the future working lifetime of the existing defined benefit members reduces.

Principal economic assumptions adopted for the last actuarial review (as at 30 June 2008) of the Fund include:

	%
Expected rate of return on plan assets in year one	(13.0)
Expected rate of return on plan assets thereafter	7.0
Expected salary increase rate	5.0

Nature of asset/liability

The ESI Superannuation Fund does not impose a legal liability on the Group to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Group to make good any shortfall. The Trust Deed of the Fund states that if the Fund winds up, after the payment of all costs and member benefits for the period up to the date of termination, any remaining assets are to be distributed by the Trustee of the Fund, acting on the advice of the actuary, to participating employers.

The Group may at any time by notice to the Trustee terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund.

The Group may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund's actuary.

The Company is committed under the terms of its union collective agreement to keep the Defined Benefit Fund open for the current fund members for the life of the agreement. The union collective agreement has an expiry date of 13 October 2011 but will continue after its nominal expiry until such time as it is replaced or terminated.

26 Investments in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 1.4). Information relating to the associates is set out below:

Name of entity	Principal activities	Ownership interest	
		2010 %	2009 %
SPARQ Solutions Pty Ltd	Information technology services provider	**50.0**	50.0

	2010 $ M	2009 $ M
Summarised presentation of share of aggregate assets, liabilities and performance of associates		
Assets	**125.1**	111.2
Liabilities	**127.3**	113.3
Net assets/(liabilities)	**(2.2)**	(2.1)
Share of net liabilities equity accounted	**–**	–
Revenues	**69.8**	58.2
Profit/(losses) from ordinary activities after tax	**–**	–

	2010 $ M	2009 $ M
Movements in net liabilities of associates		
Beginning of the financial year	**(2.1)**	(0.6)
Share of profits/(losses) from ordinary activities after tax	**–**	–
Net expense directly recognised in equity – defined benefit plan	**(0.1)**	(1.5)
End of the financial year	**(2.2)**	(2.1)

The consolidated entity has not recognised actuarial losses on defined benefit plans relating to SPARQ Solutions Pty Ltd amounting to $0.1 million for the 2009/10 year (2009: $1.5 million).

Share of associates' expenditure commitments		
Operating lease commitments		
Within one year	**1.3**	0.6
Later than one year and not later than five years	**4.8**	5.0
Later than five years	**1.0**	2.1
Capital commitments		
Within one year	**0.1**	0.3
Later than one year and not later than five years	**–**	0.1
Other commitments		
Within one year	**8.8**	7.4
Later than one year and not later than five years	**4.8**	0.2
Total	**20.8**	15.7

No contingent liabilities or accumulated unrecognised losses exist in relation to the associated entity at 30 June 2010 (2009: nil).

27 Investment in controlled entities

Interests are held in the following controlled companies:

Name	Note	Country of incorporation	Shares	Ownership interest 2010 %	Ownership interest 2009 %
Queensland Energy Services Team Pty Ltd		Australia	Ordinary	100	100
Metering Dynamics Business Support Pty Ltd	27.3, 27.5	Australia	Ordinary	100	100
Energy Impact Pty Ltd	27.1	Australia	Ordinary	100	100
Varnsdorf Pty Ltd	27.1	Australia	Ordinary	100	100
VH Energy Holdings Pty Ltd	27.1, 27.2	Australia	Ordinary	100	100
VH Operations Pty Ltd	27.1, 27.2	Australia	Ordinary	100	100
VH Finance Pty Ltd	27.1, 27.2	Australia	Ordinary	100	100
Beak Industries Pty Ltd	27.4	Australia	Ordinary	100	100
Service Essentials Pty Ltd	21	Australia	Ordinary	90	90

27.1 These companies entered into a deed of cross guarantee (DOCG) dated 13 March 2003 with Queensland Energy Services Team Pty Ltd (QEST). The DOCG provides that QEST will guarantee the payment in full to each creditor, of any debt of these companies, on the winding up of any company within the DOCG. As a result of Class Order 98/1418, ASIC granted approval on 24 April 2003 for these companies to be relieved from the *Corporations Act 2001* requirement for preparation, audit and lodgement of financial statements for financial years ending on or after this date.

27.2 These companies are relieved from the requirements for preparation, audit and lodgement of annual financial statements with ASIC as they are small proprietary companies. As these companies are parties to the DOCG as detailed in Note 27.1 above, Class Order 98/1418 would also provide ASIC reporting relief in the event they were classified as large proprietary companies.

27.3 Metering Dynamics Business Support Pty Ltd is a small proprietary company and is therefore relieved from the requirement for preparation, audit and lodgement of annual financial statements with ASIC.

27.4 During 2009/10 approvals were obtained from the relevant Boards to wind up or deregister Beak Industries as appropriate. Beak Industries is currently undergoing a voluntary deregistration process. Refer to Note 4.1 for further details.

27.5 Metering Dynamics Pty Ltd changed its name to Metering Dynamics Business Support Pty Ltd on 23 October 2009.

Subsidiary name	Purpose of entity	Total assets $'000	Total liabilities $'000	Total revenue $'000	Profit/ (loss) before tax $'000
30 June 2010					
Queensland Energy Services Team Pty Ltd (Consolidated)	Parent entity of QEST Consolidated Group	**52,690**	**8,163**	**33,866**	**(1,197)**
Queensland Energy Services Team Pty Ltd[1]	Parent entity of Energy Impact Pty Ltd and Metering Dynamics Business Support Pty Ltd	**4,411**	**2,322**	**–**	**–**
Beak Industries Pty Ltd	Undergoing a voluntary deregistration process	**–**	**–**	**292**	**1,445**
Service Essentials Pty Ltd	Operations have been wound down	**–**	**1,063**	**–**	**–**
Energy Impact Pty Ltd[1]	Provides generation services and operates landfill gas sites	**26,350**	**19,257**	**12,151**	**60**
Metering Dynamics Business Support Pty Ltd[1]	Dormant entity	**–**	**–**	**–**	**–**
Varnsdorf Pty Ltd[1]	Holds contracts for cogeneration activities with Victorian hospitals	**29,549**	**2,186**	**19,563**	**(928)**
VH Energy Holdings Pty Ltd[1]	Holding company	**(1)**	**(1)**	**–**	**–**
VH Operations Pty Ltd[1]	Holds employees associated with the Varnsdorf Group	**3,765**	**2,791**	**7,521**	**(389)**
VH Finance Pty Ltd[1]	Financing vehicle for the Varnsdorf Group	**19,431**	**14,523**	**59**	**59**

[1] These entities form the QEST Consolidated Group.

30 June 2009					
Queensland Energy Services Team Pty Ltd (Consolidated)	Parent entity of QEST Consolidated Group	51,688	6,323	51,614	18,393
Queensland Energy Services Team Pty Ltd[1]	Parent entity of Energy Impact Pty Ltd and Metering Dynamics Pty Ltd	3,493	1,762	–	–
Beak Industries Pty Ltd	Operates natural gas energy peaking plant	840	2,147	1,202	(454)
Service Essentials Pty Ltd	Billing, meter reading, credit and payment management services	1	1,063	(317)	–
Energy Impact Pty Ltd[1]	Provides generation services and operates landfill gas sites	26,358	19,326	20,269	(7,872)
Metering Dynamics Pty Ltd[1]	Dormant entity	–	–	–	–
Varnsdorf Pty Ltd[1]	Holds contracts for cogeneration activities with Victorian hospitals	32,189	3,898	29,245	9,024
VH Energy Holdings Pty Ltd[1]	Holding company	2	2	–	–
VH Operations Pty Ltd[1]	Holds employees associated with the Varnsdorf Group	2,500	1,138	7,350	(542)
VH Finance Pty Ltd[1]	Financing vehicle for the Varnsdorf Group	19,372	14,523	258	201

[1] These entities form the QEST Consolidated Group.

28 Key management personnel

28.1 Compensation principles

Directors

All remuneration of Directors, including Directors' fees and Board committee fees, is established by the shareholding Ministers. Directors do not receive any performance-related remuneration. The remuneration policy is to ensure the remuneration package properly reflects the Directors' duties and responsibilities, taking into account the nature and complexity of the business.

Director	Term of appointment	Appointment expiry date
John Dempsey	3 years 4 months	30 September 2011
Peter Arnison	2 years	30 September 2010
Mary Boydell	3 years	30 September 2011
Mat Darveniza	2 years	30 September 2010
John Geldard	2 years	30 September 2010
Ronald Monaghan	3 years 4 months	30 September 2011
Kerryn Newton	3 years	30 September 2011

Senior executives

The following are Directors of controlled entities and received no remuneration from their roles as executive Directors:

- Terence Effeney
- Darren Busine
- Peter Weaver
- Tom Bloxsom – resigned on 2 July 2010
- Susan Kehoe

The senior executive remuneration strategy and practices of the Group are designed to assist the Company to attract, retain and motivate high calibre individuals in senior executive positions. This is achieved by providing an appropriate combination of competitive fixed and variable remuneration components. Shareholder guidelines and policies on executive remuneration are followed.

The fixed component of remuneration is linked to an assessment of the job size and value based on independent market evaluation. The fixed remuneration on appointment is up to market median for the position size in accordance with Office of Government Owned Corporations guidelines. Annual increases are in accordance with recommendations approved by the Board in line with the governance arrangements for chief and senior executives provided by the government. A variable component of remuneration is provided to members of the senior executive as described in Note 28.5.

Senior executive employment contracts

Remuneration and other terms of employment for each senior executive are formalised in executive employment contracts. Each of these contracts makes a provision for fixed remuneration and performance pay.

Application to Executive General Manager Customer Services

Where employment is terminated due to the employer's operational requirement, a severance payment is payable based on the total fixed remuneration for the greater of 26 weeks or three weeks per year of service, together with a proportionate amount for an incomplete year of service. The minimum and maximum payment will be three weeks and 75 weeks respectively. An early separation incentive payment of 13 weeks may be paid where applicable, as well as a long service leave payment of 1.3 weeks for each completed year of service up to the date of termination.

The Executive General Manager Customer Services is on a tenured agreement.

Application to Executive General Manager Network Performance, Executive General Manager Network Programming and Procurement, Executive General Manager Human Resources and Executive General Manager Energy Delivery

Where employment is terminated by the employer on the basis of the employer's operational, technological or economical requirements, and no other suitable position for redeployment of the senior executive is able to be identified and offered, the senior executive is entitled to: a service payment based on two weeks salary per year of continuous service with a minimum of four weeks and a maximum of 52 weeks; and a separation payment of 20 per cent of the residual of the contract, that is between the termination date and the completion date of the initial three years or of the subsequent two years of the contract as the case may be.

These executive general managers have fixed term contracts that provide for four weeks notice or equivalent payment on termination.

Application to Chief Financial Officer and Executive General Manager Corporate Governance and Company Secretary

Where ENERGEX terminates the executive's employment prior to the termination date, or for unsatisfactory performance or incapacity, ENERGEX will pay to the executive upon termination: a service payment, equal to the greater of four weeks salary or two weeks salary per year of continuous service up to a maximum 52 weeks salary; and a separation payment, equal to 20 per cent of the salary the executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

These executives have fixed term contracts that provide for three months notice or equivalent payment on termination.

Application to the Executive General Manager Strategy and Regulation

Where ENERGEX terminates the executive's employment prior to the termination date, or for unsatisfactory performance in accordance with any policy of ENERGEX relating to performance management or incapacity, ENERGEX will pay to the executive: a service payment, equal to the greater of 12 weeks total fixed remuneration or two weeks total fixed remuneration per year of continuous service up to a maximum 52 weeks total fixed remuneration; and a separation payment, equal to 20 per cent of the total fixed remuneration the executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

The Executive General Manager Strategy and Regulation is on a fixed term contract that provides for three months notice or equivalent payment on termination.

Application to the Chief Executive Officer (CEO)

Where employment is terminated immediately upon notice in writing prior to the completion date in circumstances not otherwise provided for in the agreement or based on the employer's operational requirements, the CEO is entitled to: a service payment based on two weeks pro-rata of the total fixed remuneration package per year of continuous service subject to a minimum payment equivalent to 13 weeks and a maximum payment equivalent to 52 weeks; and a separation payment of the greater of an amount equivalent to 13 weeks pro-rata amount of the total fixed remuneration package or 20 per cent of the balance of the total fixed remuneration package in this agreement up to the completion date.

The CEO has a fixed term contract that provides for six months notice or equivalent payment on termination.

All remuneration component amounts are reviewed annually by the Remuneration Committee and the Board. All amendments to the remuneration policy for senior executives are reviewed by the Remuneration Committee for endorsement prior to submission to the Board and shareholding Ministers.

Other major provisions of the agreements relating to remuneration are set out as follows:

Position	Term of contract	Contract expiry date
Chief Executive Officer	3 years fixed term	1 July 2012
Executive General Manager Network Performance	2 years fixed term extension	29 February 2012
Executive General Manager Energy Delivery	2 years fixed term extension	29 February 2012
Executive General Manager Network Programming and Procurement	2 years fixed term extension	29 February 2012
Executive General Manager Corporate Governance and Company Secretary	2 years fixed term extension	2 October 2012
Chief Financial Officer	2 years fixed term extension	28 October 2012
Executive General Manager Human Resources	2 years fixed term extension	29 February 2012
Executive General Manager Customer Services	Tenured	
Executive General Manager Strategy and Regulation	3 years fixed term	30 August 2012

28.2 Compensation disclosures by category – Directors and executives

	2010 $	2009 $
Short-term employee benefits	**3,322,320**	3,212,684
Non-monetary benefits	**33,371**	26,100
Post-employment benefits	**257,171**	235,396
Other long-term benefits	**78,999**	76,799
Termination benefits	**–**	–
Total compensation	**3,691,861**	3,550,979

28.3 Compensation – Directors

Name	Short-term benefits $	Non-monetary benefits $	Post employment $	Total $
2010				
John Dempsey	80,983	3,393	7,288	91,664
Peter Arnison	37,792	–	3,401	41,193
Mary Boydell	38,370	–	3,453	41,823
Mat Darveniza	36,442	–	–	36,442
John Geldard	37,985	–	3,419	41,404
Ronald Monaghan	37,599	–	3,384	40,983
Kerryn Newton	36,442	–	3,280	39,722
Total	**305,613**	**3,393**	**24,225**	**333,231**
2009				
John Dempsey	79,007	2,610	7,111	88,728
Peter Arnison	36,870	–	3,318	40,188
Mary Boydell	40,820	–	3,674	44,494
Mat Darveniza	35,553	–	–	35,553
John Geldard	38,187	–	3,437	41,624
Ronald Monaghan	37,924	–	3,413	41,337
Kerryn Newton (appointed 1 October 2008)	26,150	–	2,353	28,503
Total	**294,511**	**2,610**	**23,306**	**320,427**

The service and performance criteria set to determine remuneration are included in Note 28.1.

28.4 Compensation – executives

Name	Short-term benefits[1] $	Non-monetary benefits[2] $	Post employment benefits[3] $	Other long-term benefits[4] $	Termination benefits $	Total $
2010						
Chief Executive Officer	526,450	3,393	51,823	14,291	–	595,957
Executive General Manager Network Performance	332,319	3,393	33,013	9,093	–	377,818
Executive General Manager Energy Delivery	342,968	3,393	14,323	9,093	–	369,777
Executive General Manager Network Programming and Procurement	332,320	3,393	33,013	9,093	–	377,819
Executive General Manager Corporate Governance and Company Secretary	239,618	3,393	14,803	6,451	–	264,265
Chief Financial Officer	364,467	3,393	14,323	9,464	–	391,647
Executive General Manager Human Resources	281,524	3,393	14,803	7,168	–	306,888
Executive General Manager Customer Services	346,221	3,393	33,889	9,328	–	392,831
Executive General Manager Strategy and Regulation[5]	250,820	2,834	22,956	5,018	–	281,628
Total	**3,016,707**	**29,978**	**232,946**	**78,999**	**–**	**3,358,630**
2009						
Chief Executive Officer	477,348	2,610	47,172	12,992	–	540,122
General Manager Network Performance[7]	296,974	2,610	31,118	8,574	–	339,276
General Manager Energy Delivery	347,339	2,610	13,731	8,574	–	372,254
General Manager Network Programming and Procurement[7]	310,178	2,610	31,118	8,574	–	352,480
General Manager Corporate Governance and Company Secretary[7]	228,386	2,610	14,210	6,173	–	251,379
Chief Financial Officer	349,545	2,610	13,731	8,916	–	374,802
General Manager Human Resources	281,133	2,610	14,063	6,859	–	304,665
General Manager Customer Services	335,633	2,610	32,737	9,012	–	379,992
Acting General Manager Commercial Developments[6]	291,637	2,610	14,210	7,125	–	315,582
Total	**2,918,173**	**23,490**	**212,090**	**76,799**	**–**	**3,230,552**

[1] Short-term benefits include all payments made to the officer during the year adjusted for the following:
- Excluding at-risk performance payments (these are included in aggregate in Note 28.5);
- Deducting annual leave and long service leave taken;
- Including the annual leave entitlement accrued during the year; and
- If leave taken exceeds leave accrued in the same year, the excess is deducted from short-term benefits as this is not an expense recognised by the Company in the current year.

[2] Non-monetary benefits represent the value of car parking provided to the officers.

[3] Post employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives' employment contracts. Some officers are members of the defined benefit superannuation fund to which the Company made contributions at a rate of 32 per cent during the 2009/10 financial year (2009: 10 per cent). This additional 22 per cent employer contribution has been made at the recommendation of the actuary to fund a deficit on the superannuation fund, and is not reflected in the post employment benefits reported above. Refer to Note 25 for further information on the defined benefit obligations of the Group.

[4] Other long-term benefits represent long service leave benefits accrued during the year.

[5] Position commenced on 31 August 2009.

[6] Position ceased on 30 June 2009.

[7] Comparatives for short-term and long-term benefits were updated to reflect methodology outlined in footnotes 1 and 4 above, that is, deducting all annual and long service leave taken from short-term benefits and including leave accrued during the year.

The service and performance criteria set to determine remuneration are included in Note 28.1.

28.5 At-risk performance compensation

Performance payments to employees

Financial year	Aggregate at-risk performance remuneration $	Total fixed salaries and wages payments[1] $	Number of employees receiving performance payments
2010	15,842,790	364,333,480	3,821
2009	12,605,456	339,784,660	3,490

[1] Amounts shown above include capitalised employee benefits not shown in the income statement.

Key management personnel and other executives

A variable component of remuneration is provided to members of the executive team through an annual performance payment scheme. This scheme is designed to effectively reward a combination of key behaviours, capability and performance aligned with business goals and targets of the Group. The maximum funds made available for such payments are 15 per cent of total fixed remuneration. Actual performance payments are based on performance measured against predetermined key performance indicators, as detailed in the annual statement of corporate intent (which is approved by the shareholding Ministers) and the senior executive's performance agreement. Senior executive performance agreements comply with the format approved by the shareholding Ministers. Senior executive performance payments recommended by the CEO are submitted to the Remuneration Committee for endorsement and recommendation to the Board for approval. Performance payments for the CEO are based on a review led by the Chairman, submitted to the Remuneration Committee for endorsement and recommendation to the Board for approval. The shareholding Ministers are advised of the actual performance payment within one month of payment. The grant date for both senior executives and executives 2009/10 performance pay was 3 September 2009 (2009: 24 September 2008).

Non-executive contract employees and employees covered by awards

The Group's performance pay scheme provides for the establishment of action plans and performance indicators against which performance is assessed for performance pay purposes. Employees develop performance agreements with their managers for a performance pay period (normally six or 12 months), with assessments for performance payments being conducted on completion of the assessment period.

All employees are eligible to participate in the scheme (including casuals, temporary staff, apprentices and trainees). Participation in the scheme is voluntary.

To be eligible for payment, the employee and the manager have a discussion to develop agreed targets which must be documented in the performance agreement. This agreement must be signed by both parties. The employee must also be employed at the end of the performance pay period to be eligible.

The size of the pool at the end of each period to enable payment of performance pays is at the discretion of the CEO. There will be a maximum pool of six per cent for award employees.

The grant dates for the 2009/10 performance pay were 11 March 2010 and 3 September 2009 (2009: 25 February 2009 and 24 September 2008).

28.6 Transactions with related parties of key management personnel

A number of key management persons (that is Directors and senior executives), or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

Transactions with related parties of key management personnel that occurred during the financial year are noted below. The related party disclosures are those in connection with ENERGEX and the related parties of ENERGEX Directors, as follows:

- John Geldard is a Director of ESI Superannuation Fund. ENERGEX contributed to the fund based on actuarial advice and the total payments for the year were $69,780,583 (2009: $55,288,645).
- Ronald Monaghan is a Director of WorkCover Queensland. During the year, premiums paid by ENERGEX to WorkCover Queensland were $2,248,602 (2009: $2,452,298).
- Professor Mat Darvenzia is a Director of Lightning and Transient Protection Services Pty Ltd. In 2009/10 Professor Mat Darvenzia was engaged under this company to undertake work for ENERGEX following all relevant approvals with the shareholding Ministers. The nature of the work related to the evaluation of weather normalisation of network reliability statistics and amounted to $18,000.

Related party transactions between ENERGEX and its wholly-owned entities and associates are disclosed in Notes 29.1 and 29.2.

29 Related parties

29.1 Wholly-owned Group

The wholly-owned Group consists of ENERGEX and its wholly-owned controlled entities as set out in Note 27. Transactions between ENERGEX and other entities in the wholly-owned Group include:

(a) Services provided to (expenses) and provided by (revenue) ENERGEX. During the year transactions were undertaken between the Company and a number of its related parties.

(b) Intragroup loans and interest charges.

Aggregate amounts included in the determination of the parent entity's operating profit before income tax equivalent that resulted from transactions with entities in the wholly-owned Group:

	Note	2010 $ M	2009 $ M
Corporate services charge	2.1	**0.5**	0.1
Interest revenue	2.1	**–**	0.1
Interest expense	2.2	**(0.8)**	(1.0)
Debt forgiveness – Beak Industries	2.2	**(1.0)**	–

Aggregate amounts of the parent entity receivable/payable from other entities in the wholly-owned Group at the end of the reporting period:

Current receivables	7	**–**	1.1
Provision for current receivables	7	**–**	(1.1)
Non-current receivables	7	**1.1**	0.8
Provision for non-current receivables	7	**(1.1)**	(0.8)
Non-current trade payables	13	**23.1**	19.8

29.2 Other related parties

Transactions and balances between the Company and other related entities (non-wholly-owned entities and associates) consisted of the following:

Revenues/(expenses)			
Tolling charges to Service Essentials Pty Ltd		**–**	0.3
Contractor charges paid to SPARQ Solutions		**(37.5)**	(37.9)
IT service charges (asset usage fee) paid to SPARQ Solutions		**(30.9)**	(26.4)
Interest received from SPARQ Solutions	2.1	**9.1**	7.5

Aggregate amounts receivable from/(payable to) related entities at the end of the reporting period:

Assets/(liabilities)			
Current receivables from SPARQ Solutions		**52.4**	26.7
Non-current receivables from SPARQ Solutions		**62.7**	83.9
Current trade payable to SPARQ Solutions	13	**(13.0)**	(13.3)

ENERGEX has agreed to cover its share of obligations of SPARQ Solutions to protect against insolvency.

29.3 Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

29.4 State-owned parties

ENERGEX is a Queensland government owned corporation, with shares held by the shareholding Ministers on behalf of the State of Queensland. All State of Queensland controlled entities meet the definition of a related party of ENERGEX.

The following relates to transactions with state-owned entities:

	2010 $ M	2009 $ M
Revenues and expenses		
TUOS expense	**286.0**	246.7
Interest expense – QTC	**217.5**	204.8
Other expenses	**76.6**	71.8
Government grant revenue	**27.6**	33.3
Other revenue	**22.5**	32.4

Aggregate amounts receivable from/payable to state-owned entities at the end of the reporting period:

Short term deposits	**145.4**	296.1
Other assets	**1.9**	11.4
Current trade payables	**26.3**	58.8
Current tax payable/(receivable)	**–**	(3.6)
Other liabilities	**–**	11.0
Government grant unearned revenue liability	**11.6**	44.4
Dividend provision	**148.2**	102.8
Long-term borrowings – QTC	**4,094.2**	3,843.1

No provision for impairment of receivables was raised for any outstanding balances and no expense was recognised for bad or impaired debts due from state-owned entities.

29.5 Guarantees

Other than the financial support provided to Beak Industries, QEST, Metering Dynamics Business Support Pty Ltd, Service Essentials Pty Ltd (refer Note 23.7), and SPARQ Solutions (refer Note 29.2), there are no other guarantees with other related parties at the end of the reporting period.

Terms and conditions

Intragroup loans are available from the parent entity in a rolling facility and reviewed on a regular basis. The loans are interest-bearing at the 30 day bank bill swap rate plus two per cent. There are no fixed terms for the repayment of loans between the parties.

The terms of the tax funding agreement are set out in Note 1.9.

Transactions with other state-owned electricity entities were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

30 Contingent assets and liabilities

30.1 Legal proceedings

A number of common law claims are pending against the consolidated entity. In each case a writ has been served and the consolidated entity is at various stages of defending the actions. Liability is not admitted and all claims will be defended. The known amount claimable due to litigation and associated legal fees is $0.1 million (2009: $0.3 million).

30.2 Environmental remediation

The Group provides for all known environmental liabilities. While the Directors believe that, based upon current information, its current provisions for environmental remediation are adequate, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

30.3 Billing disputes

In the normal course of operations, billing disputes arise. ENERGEX is currently investigating disputes in relation to prior period retailer accounts. Any adjustment to retailer accounts may give rise to an under- or over-recovery of ENERGEX's regulated revenue cap as outlined in Note 1.6.

31 Auditor's remuneration

	CONSOLIDATED		PARENT ENTITY	
	2010 $	**2009 $**	**2010 $**	**2009 $**
Remuneration for audit of the financial statements of the parent entity or any entity in the Group:				
Audit by the Auditor-General of Queensland:				
Annual financial statements	**500,100**	589,400	**456,500**	546,250
Regulatory reporting statements	**70,000**	68,100	**70,000**	68,100
Total auditor's remuneration	**570,100**	657,500	**526,500**	614,350

The 2008/09 figures have been updated for actual audit costs incurred.

32 Events after the reporting period

There are no matters or occurrences that have come to the Group's attention up to the time of signing which would materially affect the financial report, or are likely to materially affect the future results or operations of the Group.

DIRECTORS' declaration

for the year ended 30 June 2010

The Directors declare that the financial statements and notes:

(a) comply with Australian Accounting Standards, the *Corporations Regulations 2001*, the *Government Owned Corporations Act 1993*, other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*;

(b) there are reasonable grounds to believe that the Company and its controlled entities will be able to pay their debts as and when they become due and payable; and

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Groups identified in Note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee as described in Note 27.

The declaration is made in accordance with a resolution of the Directors.

JOHN DEMPSEY
Chairman
ENERGEX Limited
23 August 2010
Brisbane, Queensland

INDEPENDENT auditor's report

To the Members of ENERGEX Limited

Matters relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of ENERGEX Limited for the financial year ended 30 June 2010 included on ENERGEX Limited's website. The directors are responsible for the integrity of the ENERGEX Limited's website. I have not been engaged to report on the integrity of the ENERGEX Limited's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from ENERGEX Limited, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of ENERGEX Limited, which comprises the balance sheets as at 30 June 2010, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the *Australian Accounting Interpretations*) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

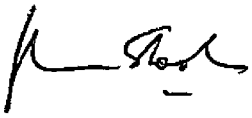
In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of ENERGEX Limited on 20 August 2010, would be in the same terms if provided to the directors, as at the date of this auditor's report.

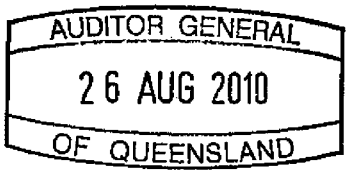
Auditor's Opinion

In my opinion the financial report of ENERGEX Limited is in accordance with the *Corporations Act 2001*, including –

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the *Australian Accounting Interpretations*) and the *Corporations Regulations 2001*.





G G POOLE FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

Production notes

Waterless Printing. Naturally.

This brochure has been printed using a waterless printing system with vegetable based inks.

Paper made carbon neutral
– for more information visit www.cpigroup.com.au

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
Cert no. SGS-COC-004234
www.fsc.org
© 1996 Forest Stewardship Council

ECF chlorine free

ISO 14001