THE WAY WE SEE IT

DELIVERING AN AFFORDABLE, DEPENDABLE AND SMART ELECTRICITY SUPPLY

GOVERNANCE AND ANNUAL FINANCIAL REPORT 2008/09

everything in our power

ERGON ENERGY


Graf
n Street No 2
Sheridan Street
Mc Leod Street
2SHS (sh
idan Street)
Hartley St No 2
Aplin Street
2HS2 (hartley St No 2
ey St No 1)

Ergon Energy's annual reporting suite is presented in two components: the Annual Stakeholder Report 2008/09, published in print and online; and this document, which includes our Corporate Governance Statement, Annual Financial Report, as well as our Statement of Affairs and an index for the two documents.

The information provided here is intended to build on the discussions in the Annual Stakeholder Report 2008/09, which can be obtained online at www.ergon.com.au/annualreport or by request on 13 10 46.

CONTENTS

CORPORATE GOVERNANCE STATEMENT

OUR GOVERNANCE FRAMEWORK

Ergon Energy's Board of Directors is responsible for the corporate governance of the organisation. The business operates within a corporate governance framework, detailed on the following pages, which provides a comprehensive process for managing the business with integrity and in the best interests of our stakeholders. This is supported by ethical leadership, risk assessment and performance monitoring by the Board and our management teams.

In effect, Ergon Energy's governance framework regulates the operations of the organisation by assigning decision rights and accountabilities, as well as setting out the strategic direction as a guide to decision-making across the organisation's operations. The framework also ensures the business is able to manage critical risks and that it complies with all relevant legislation and regulations.

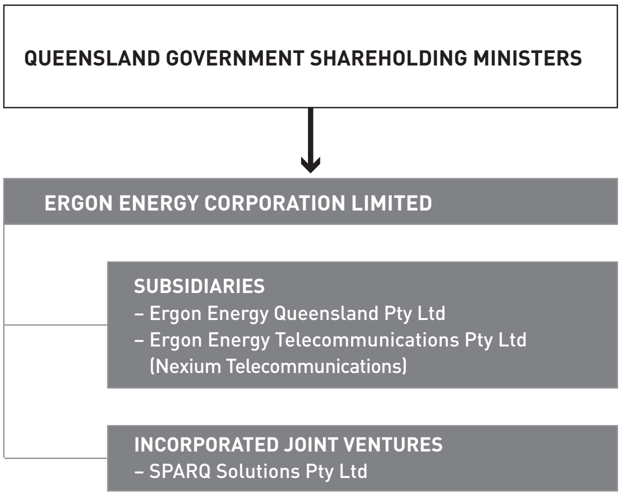
Following on from the review of Ergon Energy's governance practices in early 2008, after the release of the second edition of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (now called the Corporate Governance Principles and Recommendations), we continued to fine tune our governance framework. This focused specifically on matters revised in the Queensland Government's (Treasury) Corporate Governance Guidelines for Government Owned Corporations (released in February 2009). These Corporate Governance Guidelines also included a Code of Conduct and Conflicts of Interests Best Practice Guide which is based on the Managing Conflicts of Interest in the Public Sector Guidelines published by the Independent Commission Against Corruption (NSW) and the Crime and Misconduct Commission.

A number of governance documents were updated during 2008/09 to ensure compliance with best practice, including Ergon Energy Corporation Limited's constitution, our Entertainment and Hospitality Guidelines, and Employees' Declaration of Interests Guidelines.

References to the relevant ASX Best Practice Recommendation are provided in this statement. Along with additional information on our approach to corporate governance, further details of our compliance is also available online at www.ergon.com.au/about_us/corporate_governance.asp

Ergon Energy will continue to review its policies and practices in light of further developments in corporate governance and any new guidelines that are generally accepted by the business community.

OUR OPERATING COMPANY STRUCTURE



OUR COMPANY STRUCTURE

The principal operating companies in the Ergon Energy group during 2008/09 were Ergon Energy Corporation Limited and its subsidiary, Ergon Energy Queensland Pty Ltd.

Ergon Energy Corporation Limited, a wholly government-owned corporation, is governed by the provisions of the *Corporations Act 2001*, except as otherwise provided by the *Government Owned Corporations Act 1993*.

Ergon Energy Corporation Limited's responsibilities under its Distribution Authority and the *Electricity Act 1994 (Qld)* are to allow, as far as practical, connection to its supply network on fair and reasonable terms and to operate, maintain and protect its supply network to ensure the adequate, economic, reliable and safe connection and supply of electricity to its customers.

Ergon Energy Queensland Pty Ltd provides electricity retail services to customers in Ergon Energy's retail area. As a 'non-competing' electricity retailer, Ergon Energy Queensland Pty Ltd offers the government's regulated uniform tariff.

Ergon Energy's other subsidiary is Ergon Energy Telecommunications Pty Ltd, trading as Nexium Telecommunications – a licensed telecommunications carrier offering wholesale high-speed data capacity. Nexium's business has continued to grow its external commercial business during 2008/09. It has also delivered a range of internal services for Ergon Energy's Operational Communications Network, SCADA Network and broader internet requirements, as well as new connections to a number of Ergon Energy sites.

The activities of the subsidiary companies are overseen by their own Boards, which in the case of Ergon Energy Telecommunications Pty Ltd consist of directors of the parent company and for Ergon Energy Queensland Pty Ltd senior executives of the parent company. These subsidiary Boards, which meet regularly, have adopted the Directors Code of Conduct applicable to the Ergon Energy Board and applicable Ergon Energy management and governance policies as amended from time to time.

Ergon Energy Corporation Limited is also a shareholder in a joint venture with Energex Limited, SPARQ Solutions Pty Ltd, which provides Information Technology and Telecommunications (IT&T) solutions and services to both Ergon Energy and Energex Limited.

The Board of SPARQ Solutions Pty Ltd has a Corporate Governance Manual, which includes a Code of Conduct based on those approved by its shareholders. Detailed shareholder agreements guide the governance of this company with its Board, comprising executives from both Ergon Energy and Energex Limited, meeting monthly.

During 2008/09, the structure of the Ergon Energy group of companies was reviewed and, after the completion of share buy back schemes, the following non-operating companies were approved for deregistration by the Australian Securities and Investments Commission on 6 May 2009:

- Ergon Energy Gas Pty Ltd
- Ergon Energy (Victoria) Pty Ltd
- EA North Queensland Pty Ltd
- Northern Electricity Retail Corporation Pty Ltd.

Together with Energex Limited, we also deregistered a jointly controlled company, Quest Asset Holdings Pty Ltd. Quest Asset Holdings Pty Ltd never operated.

These structural and governance changes were incorporated into the governance framework to enable the business to pursue its strategic and business objectives with effective accountability.

BOARD OF DIRECTORS

In October 2008, the Board of Ergon Energy Corporation Ltd was renewed with three new Directors, including a new Chairman. Our Directors are profiled on pages 14-15 of the Annual Stakeholder Report and on pages 16-18 of the Directors' Report in this document.

Appointment – The Directors are appointed by Queensland's Governor-in-Council, in accordance with the *Government Owned Corporations Act (1993)*, for a set term of office. This acts as a review mechanism for enhancing Board performance, allowing new members to be selected on a regular basis for their expertise and ability to contribute on behalf of our regional Queensland customer base.

Independence – All of the Directors of the parent company and Ergon Energy Telecommunications Pty Ltd, including the Chairman, are non-executive directors. The independence of Directors is assessed by the Board against the five criteria listed in the ASX Corporate Governance Principles and Recommendations. When making the assessment, materiality is judged on a case-by-case basis by reference to each Director's individual circumstances. All of the Directors are considered by the Board to be independent. *ASX Best Practice Recommendation 2.1, 2.2, 2.3*.

The Directors of Ergon Energy Queensland Pty Ltd are executives of the Ergon Energy group and are not independent as assessed against ASX Best Practice Recommendation 2.1 and the role of the Chairman and the Chief Executive Officer is exercised by the same individual.

Role of the Board – The Board has overall responsibility for the management of the company's business and affairs. It delegates functions to management, however, specifically reserves certain matters for the Board. These matters are outlined in a Board Charter and a policy document, Delegation of Powers. *ASX Best Practice Recommendation 1.1.*

Review of Performance – The Board reviews its own performance and that of the Committees of the Board at least every two years to ensure they are working effectively. The process is facilitated by an external consultant and includes one-on-one interviews with senior executives, the Company Secretary, external stakeholders and the Directors, followed by a workshop to present and discuss the findings from the interviews. Elements reviewed include overall board performance, roles, functions, relationships, process and continuing improvement and the role of the Board in setting direction and monitoring achievement of strategic objectives.

Following on from the changes in the Board's composition made in September 2008, a performance review of the Board and its members started in June 2009 as this Corporate Governance Statement was being finalised. The performance review is expected to be completed in the latter half of 2009.

The Board sets Key Performance Indicators (KPIs) for the Chief Executive, which link to the strategic objectives of the organisation. These are formulated based on the Statement of Corporate Intent (Annual Stakeholder Report pgs 12-13). The Board then reviews the performance of the Chief Executive and the group based on the achievement of these KPIs. This process cascades to the next level of management, with the Chief Executive conducting performance reviews with each member of the Executive Management Team and comparing performance against previously agreed KPIs.

This performance evaluation process commenced in June, with the Ergon Energy Board reviewing the performance of the organisation and endorsing relevant business results in July 2009. At the time of writing, Board approval was being sought for the 'at risk' payment to the Chief Executive and Executive Managers consistent with the provisions of Ergon Energy's Executive Remuneration Guidelines. *ASX Best Practice Recommendation 1.2, 2.5.*

Directors' Education – Our new Directors were provided with an orientation program by management as part of their induction and to make them aware of their duties and responsibilities. The support provided included discussions with the Chief Executive and members of the Executive Management Team, the provision of reading material, briefings and workshops. These included details of the Directors' rights, duties and responsibilities; the company's strategic and corporate plans; its significant financial, accounting and risk management issues; its Code of Conduct; management structure; and its internal and external auditors.

The ongoing provision of timely and relevant information to the boards and committees is also seen as of critical importance in enabling the Directors to effectively discharge their duties in accordance with the requirements under the *Government Owned Corporations Act* and *Corporations Law*. During the year, a short-term Board Agenda and Information Needs Committee was established to review the information flows to the Board and its Committees. It has led to improvements to the structure and format of Board agendas, Board paper quality, and other information requirements of the Board.

The importance placed on maintaining an in-depth understanding of our operations and being able to represent regional Queensland is also reflected by the fact that five Board meetings were held in different locations across regional Queensland over the past year. These events have allowed the Directors a greater degree of access to Ergon Energy's employees, as well as to engage with local community representatives. Directors also are encouraged to keep up to date on relevant topical issues independently. *ASX Best Practice Recommendation 2.5.*

The Directors' Code of Conduct provides for each Director to have the right to seek independent professional advice at the company's expense, subject to the prior approval of the Chairman. The Board has the authority to conduct or direct any investigation required to fulfil its responsibilities and has the ability to retain, at the company's expense, such legal, accounting or other services, consultants or experts from time to time as it considers necessary in the performance of its duties. *ASX Best Practice Recommendation 2.5.*

Directors' Duties – The *Corporations Act 2001* applies to Ergon Energy Corporation Limited and the other companies in the group. Accordingly, the statutory duties of Directors apply and the Board follows normal procedures for the disclosure of Directors' standing interests and material personal interests, and how to deal with them. The Board reviews the register of Directors' interests at each meeting and all new declarations of interest by Directors are brought to the attention of the other Directors. *ASX Best Practice Recommendation 3.1, 3.2.*

Remuneration – Directors are remunerated separately from Executive Management. Directors' emoluments as a Board or Committee member are set by the State Government, while reimbursement was made for expenditure incurred in performing their roles as Directors of the Company. Executive Directors do not receive additional payment for their role as director of a company. Non-executive Directors of the company do not participate in any variable reward or at-risk plan and are not eligible for retirement benefits other than for statutory superannuation. *ASX Best Practice Recommendation 8.2.*

Deed of Access and Indemnity – The company has entered into a Deed of Access and Indemnity with each Director, giving them right of access to all documents that were provided to them during their term in office, and for a period of 10 years after ceasing to be a Director and to indemnify them to the extent allowed by law in respect of certain liabilities that they may incur as a result of or by reason of being a Director.

COMMITTEES OF THE BOARD

To assist with the discharge of Directors' duties, the Board has established committees to consider and respond to particular issues faced by Ergon Energy, many of which are around regional Queensland sustainability challenges, such as health and safety, community safety, environmental matters, disaster management, and people issues, such as Equal Employment Opportunities.

Membership details of the Audit and Financial Risk Committee, Operational Risk Committee, People Committee and the AER 2010 Due Diligence Committee, as well as the number of meetings attended by each Director, are available in the Directors' Report (pg 21).

As part of the company's governance framework, each committee operates according to a charter. These charters are summarised below, along with a statement of the key activities undertaken by each committee during 2008/09. *ASX Best Practice Recommendation 4.1, 4.2, 4.3, 8.1.*

Audit and Financial Risk Committee – this Committee receives reports from the executives, as well as independent external auditors, and it approves and monitors Ergon Energy's in-house internal audit program to provide ongoing assurances on financial integrity, financial risks, regulatory reporting and compliance issues.

This year, the Committee oversaw a number of significant audits undertaken by the Internal Audit team, including Use of Consultants and Project Resources, Performance Reporting to the Board, Payroll, Procurement and Ergon Energy Queensland Pty Ltd's Energy Trading Operations.

The Committee reviewed the statutory financial accounts for the Ergon Energy group and the supporting management representation letters and recommended that the Board adopt the financial accounts and Directors' Report.

Against the background of the global financial crisis, the Committee focused its attention on the lending terms and conditions applied by Queensland Treasury Corporation, debt management strategies and refinancing issues. A workshop was conducted with representatives from Queensland Treasury Corporation enabling the Committee to fully consider these matters in the changing financial environment.

A review of the use of corporate cards for the procurement of goods and services was undertaken with the Committee endorsing new business rules to improve compliance and ensure appropriate use within Ergon Energy.

The Fraud and Corruption Prevention Strategy was revised to reflect structural and process changes within Ergon Energy and provide a foundation to promote strong corporate governance, financial probity, and ethical practices.

The Committee reviewed its governance practices against the Audit Committee Guidelines: Improving Accountability and Performance issued by Queensland Treasury and established that they were generally compliant with the key requirements.

Operational Risk Committee – this Committee assists the Board in its response to business and operational risks and oversight responsibilities in relation to health and safety, including community safety, as well as environmental risks and exposures, and claims management.

As in previous years, the major focus remained the goal of achieving zero injuries in the workplace. The Committee reviewed the strategic direction for health and safety, initiatives implemented, and the results achieved. Further work occurred in developing a revised health and safety performance reporting framework to improve the use of risk-based lead and lag indicators. This enabled Ergon Energy to better manage health and safety and further assist management decision making. The adoption of 'Always Safe' as the banner to cover all health and safety initiatives and programs was also endorsed by the Committee.

The Corporate Risk Profile for 2008/09, including target risk ratings to be achieved by June 2010, was recommended to the Board for adoption. The Corporate Risk Profile contains 15 key risks that have the potential to significantly affect the achievement of Ergon Energy's vision, objectives and strategies.

Management actions were endorsed for the implementation of recommendations from external consultants engaged to perform a review of Ergon Energy's Business Continuity Management framework. The objective was to establish a structured, integrated and holistic approach to enable disruption events to be planned for and managed in a way that takes into account and meets the needs and requirements of the whole organisation.

The results of our disaster management exercise were reviewed by the Committee. The aim of the exercise was to test the preparedness of members of each Regional Disaster Management Committee in preparation for 2008/09 storm and cyclone season. In the relevant areas, a further test was conducted to assess awareness of security and contingency plans for critical infrastructure sites, as required under the Queensland Government's Protection from Terrorism Plan.

The oversight of risk management was extended through the review of the insurance program to determine an appropriate level of risk transfer in the form of insurance cover, and the level of risk retention through deductible limits and self insurance.

People Committee – this Committee assists the Board in developing a strategic, long-term and sustainable approach on issues relating to our people working for Ergon Energy. This includes fulfilling the Boards' oversight responsibilities in relation to remuneration arrangements and organisational culture and development.

A review of the management structure was undertaken to deliver an efficient and effective organisational structure that enables the business to deliver benefits to our customers, shareholders and community now and in the future. The Committee oversaw the development of the new structure and endorsed the submission to the shareholding Ministers for approval.

The options available to employees for contributions to the industry based superannuation scheme were reviewed to ensure that these are equitable for all employees in the current financial situation.

A review of the role of Work Group Leaders was commenced to clarify and strengthen the leadership role and accountabilities of these employees in sustainable and improved safety performance, productivity improvement, and service delivery.

The Committee endorsed the Employee and Industrial Relations Plan, which focuses on improving workplace efficiency, streamlining operations, and simplifying work practices in line with productivity initiatives under the Ergon Energy Union Collective Agreement 2008.

Regular reports were reviewed on the progress of meeting the targets in the Diversity Program and endorsing plans to overcome barriers to meeting these targets.

Programs were implemented to identify and address health issues that have the potential to impact Ergon Energy employees. These included screening for the identification and prevention of skin cancer, preventative influenza vaccinations, and communications to employees at appropriate times about tropical diseases and heat stress.

AER 2010 Due Diligence Committee – established by the Board in August 2008, this temporary Committee assisted the Board fulfil its corporate governance and oversight responsibilities by reviewing and reporting on the due diligence process regarding the preparation of the Regulatory Proposal for the Australian Energy Regulator (AER). This included ensuring that:

- the Regulatory Proposal complied with all legal requirements and business objectives; and
- the Directors could certify that the key assumptions underlying the capital expenditure forecast and operating expenditure forecast in the Regulatory Proposal were reasonable.

The AER 2010 Due Diligence Committee also assisted the Chief Executive, enabling him to provide a statutory declaration to the effect that all information and documentation provided to the AER was accurate and complete in all material respects and could be relied on by the AER to assess the Regulatory Proposal and to make a distribution determination for Ergon Energy Corporation Limited.

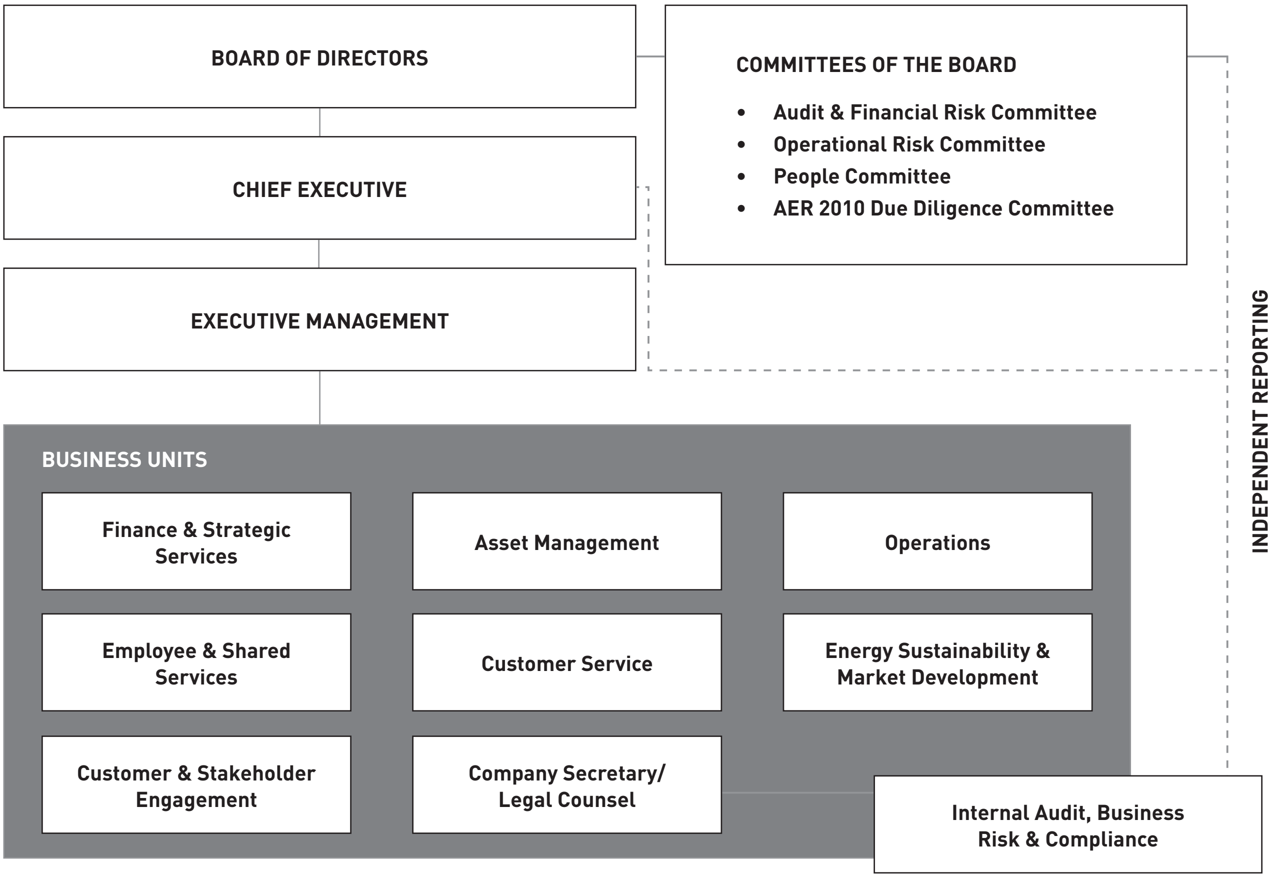
In discharging its duties, the Committee implemented and oversaw a high level due diligence structure in connection with the preparation of the Regulatory Proposal.

The Committee received regular reports regarding the completion of a detailed work plan for the preparation of the Regulatory Proposal and reviewed recommendations from the AER 2010 Regulatory Reset Steering Committee, which managed and controlled the project established to prepare the Regulatory Proposal.

External consultants were engaged to review and make recommendations to the committee on aspects of the matters included in the Regulatory Proposal, including the system capital and operating expenditure forecasts, the financial modelling supporting the Regulatory Proposal and the legal and regulatory obligations to ensure that a compliant proposal was submitted to the AER.

Sign-offs were received from senior managers and project stream leaders that the information and documentation provided to support the content of the Regulatory Proposal was complete and accurate in all material respects. Based on the work undertaken including reviewing the reports received, the external consultants' advice, and sign offs from senior managers and project stream

OUR NEW ORGANISATIONAL STRUCTURE



leaders, the committee recommended to the Board that a resolution be passed that the Directors' Certificate be provided to the AER certifying that key assumptions that underlie the capital and operating expenditure forecasts are reasonable.

EXECUTIVE MANAGEMENT TEAM AND ROLES

Our Executive Management Team is profiled on pages 16-17 of the Annual Stakeholder Report, with an overview of their roles in our new organisational structure.

Early 2008/09 saw the start of a major Organisation Design Review with external specialists developing a detailed understanding of our current state and working with the Executive on potential organisational models for consideration. The objective was to create an organisational structure that would enable the business to efficiently and effectively deliver benefits to its customers, shareholders and community, now and in the future.

At the time of writing, the first phase – implementing the new organisational structure – was well underway and appointments were being made. As a key 'get fit' initiative, this journey is primarily about eliminating duplication, establishing clear accountabilities, and streamlining processes.

The changes have seen the previous Energy Services group split to form two new business units. The Asset Management business unit, as the 'Asset Manager', is now responsible for developing the asset investment plan and the program of work. The new Operations business unit, in its role as 'Service Provider', is accountable for delivering the program of work, as well as reactive work to time, budget, quality and safety standards. This business unit is also accountable for delivering capacity, capability and asset condition information to the Asset Management business unit.

Other significant structural changes to the organisation include:

- centralising Safety Support and Environment Support to improve consistency and effectiveness of these critical functions.
- moving Procurement, Warehousing, Logistics and Fleet into the Operations business unit to support end to end delivery of the program of work.
- centralising services duplicated in various parts of the business, including strategy, business planning, corporate communications, learning, training, development, business improvement and administration, for single point accountability.
- management of network and customer demand has become part of Asset Management to support a future solutions focus.
- a clearer separation of the regulated and non-regulated business is also being created to facilitate commercial

success. As a result, Corporate Sustainability and Innovation has been renamed Energy Sustainability and Market Development (ESMD). The group's focus has shifted to developing new non-regulated competitive business opportunities around energy conservation, efficiency and demand management, and renewable energy solutions.

– specialist Plant Services and Generation will also become part of ESMD to support a desire to better target competitive opportunities in the marketplace.

The new organisational structure maintains the key strengths of our previous structure, such as single point accountability for stakeholder relations and the supply of non-competitive retail services through our Customer Service business unit to support our 650,000 distribution and retail customers.

INVESTMENT REVIEW COMMITTEES

Ergon Energy uses a comprehensive framework for the development and prioritisation of investment programs. This framework is supported by a hierarchy of approval authorities and governance bodies, such as the Investment Review Committee (IRC) and the Network Investment Review Committee (NIRC), to ensure investment is aligned with the organisation's strategic and operational priorities.

The IRC operates at a business-wide, strategic level to ensure an appropriate balance between asset investments, customer service, product and asset research and development, and business change within the investment portfolio. The NIRC facilitates the efficient and effective management of all network asset related capital and operating expenditure in accordance with the Asset Management Plan.

ETHICAL PRACTICE

Ergon Energy embraces ethical business practice as a fundamental part of our culture. It is critical to supporting our corporate values and, therefore, to realising our strategic plans and, ultimately, our vision. The Board and management are committed to conducting all business activities legally, ethically and with strict observance of the highest standards of integrity and propriety. To meet this commitment, sound corporate governance practices and policies have been adopted by the Board and implemented at all levels of management. Each Director is expected to have regard for these practices and policies in the performance of their duties as a Director of the company. The Board of Ergon Energy has a Board Charter and a formal Directors' Code of Conduct and Conflicts of Interest Guidelines to assist with these governance objectives. *ASX Best Practice Recommendation 3.1.*

Ergon Energy's management is expected to act appropriately and practice ethical behaviour. This expectation comes directly from the Board and, during the year, was supported by our continuing focus on embedding corporate values and employee Code of Conduct. Our code is intrinsic to our learning and development programs, such as the Management Foundations and other leadership development programs, as well as the Leadership Capability Centre that was established to objectively assess the behaviour of developing managers.

We have continued to operate the FairCall Service, established in 2003, as a means by which staff, contractors and members of the public can report unethical conduct, breach of corporate policy – such as the Code of Conduct – or suspected fraud. The service is independently operated and reflects the principles embodied in the various whistleblowers' protection standards, ensuring fairness to all concerned.

All allegations lodged using the FairCall Service are referred to the Manager Internal Audit for investigation and, where these are substantiated, appropriate disciplinary measures are applied. During the year, three allegations were received, but after investigation, no disciplinary measures were required. During 2008/09, Ergon Energy revised its Fraud and Corruption Prevention Strategy to reflect structural and process changes within Ergon Energy and to provide a foundation to promote strong corporate governance, financial probity and ethical practices. *ASX Best Practice Recommendation 3.1.*

REMUNERATION

Ergon Energy recognises that to attract and retain the people necessary to deliver on the company's strategic plan and achieve its vision, salaries and salary packaging must be competitive, flexible and performance oriented. The remuneration strategy involves the allocation of at-risk payments based on performance at the company, business unit and individual level. Details of remuneration to non-executive Directors and executives are reported on pages 81 and 83, consistent with the requirements of Australian Accounting Standard AASB 124. The eligibility of executives for an at-risk or variable component is directly linked to both the overall performance of the company and their individual efforts against a range of key indicators. This is in line with the performance agreement made through our Statement of Corporate Intent on pages 12-13 of the Annual Stakeholder Report. Any at-risk payment is contingent upon the Board's assessment of the company's overall performance. Non-executive Directors do not participate in any variable reward or at-risk plan. *ASX Best Practice Recommendation 8.2.*

STRATEGIC PLANNING

The significant change taking place in our operating environment, particularly across our regulatory environment and the emerging climate change issues, has been the priority of the business' long-term strategic planning process during 2008/09. This process has been particularly important this year as the strategic plan is the foundation of our Regulatory Proposal (Annual Stakeholder Report pg 55). The long-term focus of our planning efforts aims to establish a balance between our response to today's challenges and our organisation's sustainability.

Ergon Energy uses a strategic planning model that spans three horizons, each corresponding to a new regulatory control period. The Strategic Plan, currently extending to 2010, aligns with other long-term planning documents, including the Network Vision to 2030, to provide an overarching framework to guide the business, especially network planning and major investment decisions.

This year, we focused on improving the alignment of the organisation and the strategic and business planning process. This resulted in improvements to the tools for tracking actual performance against the business plans and for identifying areas at risk. Work will continue on the Organisation Design Review project to ensure strategy, business planning and the budgeting process are better linked with Ergon Energy's strategic objectives.

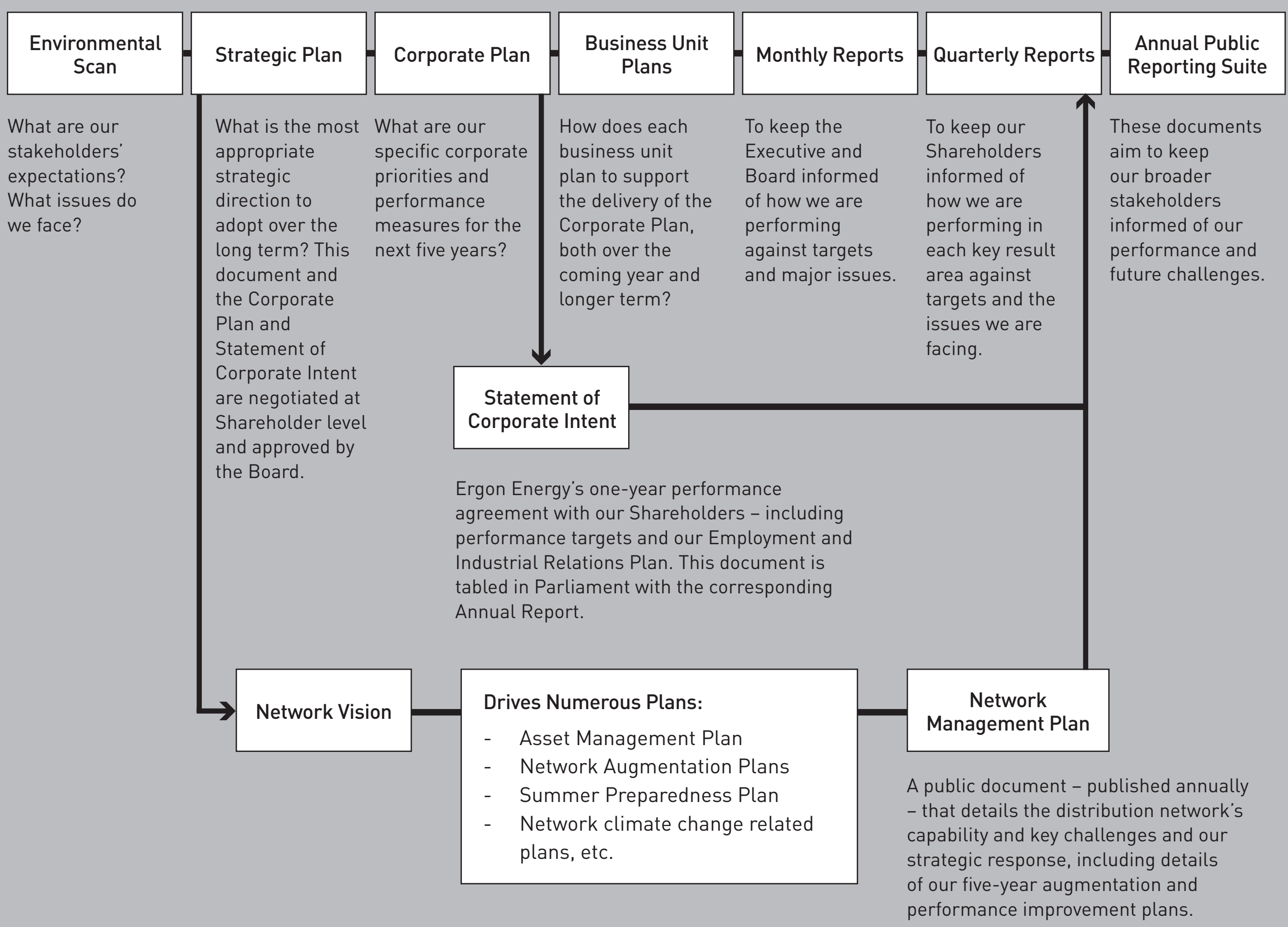
Ergon Energy's strategic planning framework has specific Key Result Areas, which are used to monitor performance against the strategic plan. Our performance outcomes form the body of the Review of Operation in the Annual Stakeholder Report. Extensive consultation through Senior Management Team forums and our employee communication channels is helping build ownership of our corporate priorities at all levels of the organisation.

The illustration below shows the annual planning process, from the environmental scan through to the reporting stage. The first step in the business planning process is to gather information through our many feedback mechanisms about what our customers and other stakeholders value (pgs 9-11), and channel this into the decision-making processes across the organisation. This is done at the strategic planning level and for the formulation of specific initiatives.

Ergon Energy's Asset Management Plan (AMP) and Network Management Plan (NMP) were used to guide shorter-term decision making and provided key input in determining the capital and operating expenditure programs for the next regulatory control period. The AMP for 2009-10 to 2014-15 provides a framework for the efficient management of Ergon Energy's electricity infrastructure assets over their life cycle. It balances costs against service obligations and stakeholder expectations, including expectations of customers, regulators and Ergon Energy's shareholding Ministers.

The NMP is a rolling five-year plan, prepared in accordance with section 2.3 of the Queensland Electricity Code. The NMP is a public document that is published annually following approval by the Queensland Competition Authority (QCA). It details how Ergon Energy will manage and develop its network with the objective of delivering an adequate, economical, reliable and safe connection and supply of electricity to customers. The NMP is built up from other annual, regional planning documents such as the Sub-transmission Network Augmentation Plans and Distribution Network Augmentation Plans. These plans outline the capital works needed to meet the network's augmentation requirements and, subsequently, accommodate normal load forecasts for the next 10 years.

ANNUAL STRATEGIC PLANNING PROCESS



STAKEHOLDER ENGAGEMENT

Ergon Energy is committed to building positive relationships with its stakeholders who, broadly, are the many individuals or groups who could be impacted by our operations or affect our ability as a business to service our customers, including:

- Government (as shareholders and regulators)
- Regulators
- Industry associates
- Communities (including the media and future generations)
- Customers (including retailers and customer representatives)
- Employees (including unions), and
- Suppliers.

Clearly understanding our stakeholders' needs and expectations enables us to make more informed decision-making, deliver on our business priorities, grow our business and maintain our 'licence' to operate. It also better defines our corporate social responsibility and supports our stakeholders' social, economic and environmental goals. It is this understanding that has helped define the content of the Annual Stakeholder Report and the key sustainability issues faced.

As well as the engagement channels documented below for each individual stakeholder group, during 2008/09 we reviewed our procedures for enabling stakeholder access to information. In line with the Queensland Government's principles of transparency and accountability throughout government, we willingly provided access to information wherever it is in the public interest to do so. For more information, see our Statement of Affairs on page 92.

GOVERNMENT – The Board and the Executive engage with the Queensland Government via regular briefings and through the reporting regime prescribed by the *Government Owned Corporations Act (1993)*. This ensures that the operation and strategic direction of the business is consistent with the Government's energy policy and generally meets the expectations of our shareholder. One of the areas that we are working closely with Queensland Mines and Energy (QME) within the Department of Employment, Economic Development and Innovation (DEEDI) is around Queensland's climate change response, and associated electricity demand management. We are also providing technical advice and customer insights into the Government's tariff reform considerations.

Ergon Energy has also established policies that cover our communication obligations to the Government around our performance and achievement of Statement of Corporate Intent (SCI) targets (Annual Stakeholder Report pgs 12-13), public safety, probity, occupational health and safety, employment practices, privacy and environmental protection. *ASX Best Practice Recommendation 6.1.*

REGULATORY – We have frequent contact with our regulatory entities, specifically the Queensland Competition Authority (QCA) and the Australian Energy Regulator (AER). We are committed to working closely with all regulatory bodies to support industry improvements and ensure the needs of Ergon Energy and regional Queenslanders are heard and considered. Our regulatory relationships are especially important in the current climate, having submitted our Regulatory Proposal to the new Australian Energy Regulator in July 2009 for revenue allowance for the period from 2010 to 2015. By the time this report is published, the proposal will have gone through its first public consultation period. It, along with any public submissions, will be in the hands of the AER. In early November, the AER will then release a draft revenue determination for further public consultation. (Annual Stakeholder Report pg 55)

INDUSTRY ASSOCIATES – There are a number of other industry-related stakeholders that have been important to developing our Regulatory Proposal for the 2010 to 2015 period, many of whom will continue to be important to the success of our other corporate priorities going forward. These include other distribution and transmission network service providers, particularly Energex Limited and Powerlink Queensland; the Australian Energy Market Operator (AEMO); and other industry representative bodies, such as Energy Networks Association, Energy Supply Association of Australia, and Energy Retailers Association of Australia. We are working with these bodies through various forums to help influence and shape ongoing reforms to the National Electricity Market.

COMMUNITIES – Through our regional stakeholder management plans and community consultation program, local managers and key operational staff engage with community members on a regular basis to support our understanding of specific regional community and customer issues. Maintaining professional relationships with regional Queensland's city, regional and shire councils is a priority, as it enables us to work together to achieve mutually beneficial outcomes. (Annual Stakeholder Report pg 33)

Another source of community feedback during 2008/09 was through the operation of the six Regional Electricity Councils. These Councils were appointed by the Minister responsible for Energy to provide advice to Government and the electricity corporations on electricity distribution and retail issues. Broadly reflective of community interests, the Councils held rotational quarterly meetings across Ergon Energy's supply territory. The Government wound up the Councils in June 2009 following the Weller review, and alternative channels to receive community feedback that complements Ergon Energy's range of stakeholder engagement activities are being explored.

We are also in the process of undertaking in-depth interviews with representatives across all of our stakeholder groups, including communities, to explore their needs and expectations of Ergon Energy. This will provide great input into our strategic planning process and our stakeholder communications program, already refreshing the materiality of content in this annual reporting suite.

In 2008/09, Ergon Energy facilitated a number of reference groups. The Single Wire Earth Return Network (SWER) Reference Group provided input into our SWER network improvement program, which is on track (status updates are regularly provided to Government) and a Hardship Reference Group, consisting of Lifeline Community Care representation, to consider issues faced by our customers with financial difficulties.

CUSTOMERS – Our key avenues for informing customers are through our customer newsletter, website, media campaigns and other mass market communications mediums. Our larger customers are serviced through Key Customer Managers, who develop strong relationships over many years with primary contacts within their organisations.

We also keep our finger on the pulse as to what customers value and how they rate our performance through formal research activities, including our customer service satisfaction monitoring (Annual Stakeholder Report pgs 20-21).

As part of this customer insights program, this year we extended our Value to Customer (V2C) measurement to the business community. This research looks at how customers judge value in terms of what they receive versus the price that they pay. It helps us focus on what's important to our customers. We also invested in research to help define the needs and expectations of different customer segments in relation to their electricity supply as an important input into our network investment strategy (Annual Stakeholder Report pg 20).

To explore improvement opportunities in our bill payment options, we also undertook targeted research to identify how customers prefer to pay and how we can support those who have difficulty paying. Research was also used in the development of a bill benchmarking feature on our electricity accounts, which is now being progressively implemented on all residential accounts (Annual Stakeholder Report pg 19).

As an important input into our demand management initiatives and general energy efficiency messaging, research was conducted to help understand the barriers customers face in implementing a range of energy efficient behaviours, as well as identifying the benefits that would encourage such behaviours and attitudes.

In addition to these avenues, customers and the community participate in the formulation of our policies and practices by direct feedback through our customer service representatives. This feedback is captured via a 'continuous improvement program register', which enables us to resolve individual concerns and target systemic issues (Annual Stakeholder Report pg 21).

Another key engagement commitment is our Office of the Customer Advocate (OCA). Since the office was established in 2003 as the independent 'voice' of the customer within Ergon Energy, it has represented the best interests of our customers broadly within the company. Part of its role is to act as an escalated complaints office. However, by listening to customers, understanding their concerns and then advocating on their behalf, the OCA can challenge policies and procedures that may have led to systemic service issues. The OCA can also advocate for stakeholder groups from the wider perspective of Ergon Energy's corporate social responsibilities.

The Customer Advocate is a member of an advisory council assisting the Queensland Government on the operations of the Office of the Energy Ombudsman, which helps consumers with a wide range of energy issues. As evidence of the importance and achievement of the Office, Ergon Energy's Customer Advocate Fraser Power was named Customer Service Advocate of the Year at the Australian Service Excellence Awards in October 2008.

The Office's areas of focus this year have included developing an A&TSI Community Engagement Strategy, reviewing our disconnection of supply policy, and working to ensure that Ergon Energy can best respond to customer needs in the current economic environment. This includes reviewing the hardship policy and strengthening relationships with the Energy Ombudsman and social services groups.

EMPLOYEES – Employee engagement is critical to our success and sustainability. Our people are intrinsic to achieving our business goals. Through our extensive employee communications program, we inform our people and listen and respond to their concerns. This is highlighted through the establishment of special email addresses and hotline phone numbers to make it easy for employees to feed back and receive information about the Organisation Design Review (pg 37) and the Swine Flu response. Ergon Energy is also committed to engaging with all the unions that represent its employees.

We have continued with the Listening Forums, launched in 2007. These events were hosted by a different Management Team at various locations across the state, providing a chance to gather employee feedback as a key input into the strategic plan's review and development.

Ergon Energy also invests significant resources in building employee understanding of our corporate strategy and ultimately greater ownership. We have established internal communications channels at whole-of-business, business unit and functional levels. The communications are distributed in various media to ensure our people feel informed and involved. The diverse nature and the geographical spread of our business means our internal communications are vital for our people to understand their role in the bigger picture, as well as the impact and value of their individual or team efforts.

A whole of business review of all of internal communications channels was undertaken during 2008/09 (Annual Stakeholder Report pg 38), which led to the introduction of new channels:

- *Team Brief DVD*, a bimonthly production of around 20 minutes, available to all employees, featuring updates, presentations and previews of business activities.
- *DailyMail*, a new daily email launched to keep our employees updated on everything from safety notices and operational news to job vacancies.
- *Welcome Forum DVD*, produced for new employees.

We also continued to produce:

- *eConnect*, a bimonthly A4 colour magazine, highlighting the human side of business operations and posted to each employee's home.
- *eNet*, our intranet site providing key information on each business unit, contacts, latest news, process documents, travel booking system, e-Library, staff services and more. This is particularly important for distributing information about our strategic priorities and specific projects, including the Organisation Design Review.
- *Team Briefs*, monthly meetings for employees held at a work group level that allow for discussion of local and topical issues in an open environment.
- *Senior Management Team Brief,* a monthly bulletin emailed to the Senior Management Team from the Chief Executive and featuring updates on high-profile and business-critical activities and latest key reporting figures.

These key communications are supported by various business unit-specific newsletters, bulletins, emails, notices and meetings to ensure a high awareness by our employees of the issues that affect them, their colleagues and their organisation.

SUPPLIERS – Ergon Energy has a wide range of suppliers servicing major power transformer, fuel, vegetation and asset inspection contracts, to smaller suppliers of goods and services such as stationery and cleaning. Indirectly, we engage around 800 people through our core supply contract activities. During the year, we started talking to our suppliers about performance improvements linked to sustainability, as an example of initiative in this area of our engagement. The professional management of these contracts is vital to enabling the implementation of our works program and daily operations.

RISK MANAGEMENT FRAMEWORK

Ergon Energy recognises that effective risk management and compliance frameworks are necessary in meeting the expectations of our shareholders, the community and other stakeholders. It is critical that our Directors and management are able to demonstrate an understanding of the risks and compliance obligations associated with the business and that they are being appropriately and effectively managed.

The primary objectives of Ergon Energy's risk management and compliance frameworks are to:

- help the organisation achieve its corporate objectives and strategies
- ensure the overall strategic direction of the business is appropriate
- identify business priorities and allocate resources effectively and efficiently
- assist in discharging legal and regulatory requirements and meeting the expectations of stakeholders
- identify and maximise opportunities for growth and diversification.

To effect its commitment to risk management and compliance, Ergon Energy has established policies on these and other areas (eg. Health and Safety and Environment) and implemented a risk management framework based on the Joint Australia/New Zealand Risk Management Standard: AS/NZS 4360:2004, and a compliance program based on the Australian Compliance Standard AS 3806:2006. In developing these frameworks, elements and attributes of the Committee of Sponsoring Organisations (COSO) Internal Control Framework and Enterprise Risk Management Framework have also been referenced and drawn on where appropriate.

Ergon Energy has also developed a Risk Management Methodology Reference Guide that provides guidance on assessing, rating and evaluating risks. Risks are assessed in terms of their financial and non-financial consequences and likelihood of occurrence and, based on these assessments, are rated as either Extreme, High, Medium, Low, or Very Low. A risk tolerance and acceptability table is used to determine the acceptability or otherwise of risks and any actions, if required.

Ergon Energy has robust corporate and business unit level processes in place to ensure that risk and compliance issues are identified, assessed, managed, monitored and reported in a timely manner. Key outputs of these processes include:

- Corporate and Business Unit Risk Profiles that contain details on the key risks and compliance issues affecting the organisation, and the mitigation strategies to manage them. These are reviewed and updated at least annually and approved by Executive Management and the Operational Risk Committee.
- An Operational Risk and Compliance Issues Register that contains details on the significant risks and compliance issues prevailing at a point in time and what action is being taken to address them. This is updated and reviewed by Executive Management and the Operational Risk Committee monthly and quarterly, respectively.

Key risk areas, including health and safety, environment, regulatory, procurement, financial reporting are reviewed periodically for compliance by Internal Audit and/or external agencies. Based on these and other assessments, management reported to the Board that risks are being managed effectively.

In addition, as part of managing financial risk, the Chief Executive and Chief Financial Officer, when presenting financial statements for approval, provided a formal statement to the Board that:

- The company's financial statements present a true and fair view, in all material respects, of the company's financial condition and operational results in accordance with relevant accounting standards
- The company's financial statements are founded on a sound system of risk management and internal control and compliance, which implements the policies adopted by the Board
- The risk management and internal control systems are sound and operating effectively in all material respects.

ASX Best Practice Recommendation 7.1, 7.2, 7.3.

EXTERNAL AND INTERNAL AUDIT

Ergon Energy submits to a number of external audits in pursuit of world-class practice and, in some cases, to gain or retain the certification we need to do business, such as Quality Assurance ISO 9001 certification for our Transmission and Distribution Services work group. Other audits we regularly undergo include Australian Standard 4801 Occupational Health and Safety, Electrical Safety Legislation, International Customer Service Standards, Environmental Standard ISO 14001 and Corporate Responsibility Index ratings. Many of these provide external assurance of the performance statements in this statement and the Annual Stakeholder Report.

Ergon Energy's annual accounts and financial statements were audited by Deloitte Touche Tohmatsu (Deloitte), as delegate of the Auditor-General of Queensland, to meet government and regulatory reporting requirements. The scope of our Internal Audit function covers all of Ergon Energy's operations, either directly or through auditors contracted by the organisation or its subsidiaries.

Our Internal Audit function helps us accomplish our objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Ergon Energy Internal Audit Charter is established by the authority of the Ergon Energy Audit and Financial Risk Committee (AFRC). In addition, we conduct a number of operational audits to assess the risks and adequacy of processes and controls over assets, systems and activities. This year's plan included significant audits into the use of Consultants and Project Resources; Performance Reporting to the Board; Payroll; Procurement; and Ergon Energy Queensland Pty Ltd's – Energy Trading Operations. Other Internal Audits included reviews of Customer Initiated Capital Works; Ellipse Reporting and Controls; Capital Project Management; Asset Defect Work Orders Compliance; Corporate Card Compliance; and a number of investigations received via FairCall (pg 7) or other sources.

The Manager Internal Audit reports for administrative purposes to the General Counsel / Company Secretary but retains unrestricted access to the Chief Executive to discuss any matter relating to the finances or operations of Ergon Energy. Internal Audit also ensures its independence by reporting to the AFRC on progress against the Internal Audit Plan and resolution of issues raised in reports. The Manager Internal Audit also has access to the Board of Directors through the AFRC Chair.

RISK MANAGEMENT ACTIVITIES AND COMPLIANCE

During 2008/09, the following risk management activities were undertaken by Ergon Energy:

- **Committee Charters**; The charters for the Operational Risk Committee and Audit and Financial Risk Committee were reviewed and updated to achieve a greater level of integration and consistency with respect to risk and compliance areas.
- **Risk Management Framework**; A review was undertaken of the effectiveness and efficiency of Ergon Energy's risk management framework to support the certification to be provided by the Chief Executive Officer and Chief Financial Officer in accordance with ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations and the Queensland Government's Corporate Governance Guidelines for Government Owned Corporations, Principle 7.
- **Risk Profiles**; In addition, Ergon Energy's Corporate and Business Unit Risk Profiles were reviewed and updated. As part of this process, a workshop was held with Executive Management and the Board to review the organisation's Corporate Risk Profile and risk management and compliance frameworks.
- **Insurance Program**; A review of Ergon Energy's 2008/09 Insurance Program was undertaken to ensure cost effective coverage of the organisation's insurable risks. In addition, a self insurance amount was included as part of the operating expenditure building block for Ergon Energy's Revenue Proposal to the Australian Energy Regulator for the period 2010/11 to 2014/15.
- **Business Continuity Management**; External consultants were engaged to review Ergon Energy's Business Continuity Management framework. Subsequently, a policy on Business Continuity Management was submitted to and approved by the Operational Risk Committee to complement and strengthen Ergon Energy's risk management and compliance frameworks.
- **Energy Trading Performance**; Excellent attention to detail and focus has resulted in Ergon Energy being recognised by the market as an astute hedger. As a measure of hedge performance, being the realised Long-Term Energy Procurement (LEP) position, we produced an end of year position of $0.2 million positive, compared to 2008 when the year ended $54.0 million negative. Steady improvements have also been made to the risk management and governance around energy trading. Of note, a deal capture system project has begun and is expected to be finalised in September 2009. This project is expected to improve the quality and timeliness of data and support efficient reporting on risk matters to all levels of management, including the Board.
- **Control Self Assessment (CSA) program**; implemented for the Accounts Payable, Purchasing and Payroll functions. The CSA Questionnaires developed allow management and employees to evaluate the effectiveness of their processes and key controls as part of an effective assurance framework.

The most notable compliance matters during 2008/09 included:

- **Compliance with the Electricity Industry Code (EIC)**; As a consequence of safety precautions and an extended and varied summer storm season, Ergon Energy's outage duration results (SAIDI) for all three feeder categories and the outage frequency result (SAIFI) for the Urban Distribution Short Rural category were unfavourable to the Electricity Industry Code's Minimum Service Standards (MSS). The frequency index for Long Rural was favourable. (Annual Stakeholder Report pgs 28-29).

  A significant amount of work has been done to ensure our customer service activities are in accordance with the EIC. Subsequent auditing, both independently and internally, has identified a high level of code compliance in areas such as instalment plans, disconnection processes, and application of Guaranteed Service Levels. There has also been an outstanding and sustained improvement in service order completion for activities, such as new connections and special meter reads. (Annual Stakeholder Report pg 22)
- **Renewable Energy and Gas Electricity Certificates**; Ergon Energy met its liability for Renewable Energy and Gas Electricity Certificates (RECs and GECs). In April 2009, Ergon Energy lodged its 2008 calendar year 13% Liability Self Assessment Report by the due date. Based on a total liable load of 8,959,565MWh, Ergon Energy Queensland was liable for 1,164,743 GECs that were surrendered to meet its 2008 GEC compliance requirements. Ergon Energy Queensland was also liable for 309,415 RECs that were surrendered on 14 February 2009 to meet its 2008 franchise load REC compliance requirements as well as 47,632 RECs to meet its Clean Energy REC compliance that were also acquitted by the due date.
- **Safety Prosecutions and Infringement Notices**; In 2008/09, the organisation received one fine relating to one prosecution under the *Electrical Safety Act 2002.* No conviction was recorded in relation to the incident. Ergon Energy also received two infringement notices and a fine from the Electrical Safety Office. One was withdrawn after a formal request was made. The other related to a failure to keep accurate records of the location of a high voltage underground cable. Ergon Energy also received one infringement notice and a fine from Workplace Health & Safety Queensland for failing to report a notifiable workplace injury.

- **Personal Injury Claims**; In 2008/09, Ergon Energy received nine Personal Injury Claims from external parties and Ergon Energy staff and contractors under the *Personal Injuries Proceedings Act* and paid an amount of $469,998. We also received two WorkCover common law claims from staff and paid out $480,501 in damages. At the time of publication, one of the common law claims had been settled and five common law claims are in progress.
- **Environmental Compliance**; Ergon Energy has maintained ISO14001 Environmental Management System accreditation in 2008/09. This is seen as the foundation in moving from compliance to 'environmental responsibility', and ultimately leadership. Ergon Energy had no incidents resulting in a Class 1 or 2 impact during the year and, therefore, there have been no environmental breaches notified to government agencies (Annual Stakeholder Report pg 48).

  We are progressing with a remediation plan acceptable to the Queensland Government Contaminated Land Unit to address site contamination associated with old power stations at Thursday Island, Normanton, Hughenden and Rockhampton (Annual Stakeholder Report pg 49).

  Ergon Energy is ahead of schedule in removing and disposing of scheduled Polychlorinated Biphenyl (PCB) contaminated insulating oil from service as agreed with the Environmental Protection Agency (EPA) in our Transitional Environmental Plan (TEP). This plan will see this process completed by June 2010. (Annual Stakeholder Report pg 49).

  In 2006/2007, we reported an incident with a Class 2 Cultural Heritage impact, which resulted in a Stop Work Order being issued by the Department of Natural Resources and Water (DNR&W). This year saw mediation resolve this matter.
- **Customer Privacy**; We are continuing to protect the privacy of personal information collected during our operations through compliance with the National Privacy Principles contained in the *Federal Privacy Act 1988*. All of the repositories that hold customer data are governed by strict protection systems and procedures to avoid unauthorised access, either by outside parties or unauthorised employees. In the past year, we have made improvements to our privacy training tool. During 2008/09, we had 17 complaints relating to customer privacy matters that were resolved.
- **Responsible Marketing**: To ensure our adherence to laws, standards and voluntary codes related to marketing, including advertising, promotion and sponsorship, we continued to provide training for relevant employees in trade practices and privacy issues, as well as a formal approval process for our marketing communications to minimise the potential for non-compliance. No issues have arisen.
- **Sponsorship Policy**: Ergon Energy has a Sponsorship Policy, developed with reference to the Queensland Government Sponsorship Policy for Government Owned Corporations, to guide decisions about sponsorship and provide guidelines to parties seeking support. The policy supports a strategic whole-of-business approach to managing and leveraging sponsorship to maximise the value of Ergon Energy's investments and ensure ethical behaviour and fair dealing. In line with stakeholder expectations, we also have an assessment, approval and management process for sponsorship activities across the business.
- **Entertainment and Hospitality**: In furthering its business interests and working to achieve its corporate goals, Ergon Energy from time to time provides entertainment and hospitality to employees, clients, customers and community groups. Reasonable limits have been observed for aggregate event expenditure and expenditure per head, taking into account the nature of the event.

  At the request of shareholding Ministers, the Statement of Corporate Intent was modified to include additional information on Corporate Entertainment and Hospitality.

  For 2008/09, the following entertainment and hospitality expenses over $5,000 were held:

EVENT NAME	Date	Investment
Opening of Teebar Aramara Switching Station	July 2008	$5,315
Corporate marquee at the Cairns Amateurs	August 2008	$5,750
Corporate marquee at the North Qld Amateurs Turf Club Inc	September 2008	$6,275
Far Northern Employee Christmas Party – Cairns	December 2008	$7,280
Northern Employee Christmas Party – Townsville	December 2008	$5,504
Central Employee Christmas Party – Rockhampton	December 2008	$6,205
Southern Employee Christmas Party – Toowoomba	December 2008	$7,020
Opening Banyo Workshop	June 2009	$7,711

DIRECTIONS AND NOTIFICATIONS

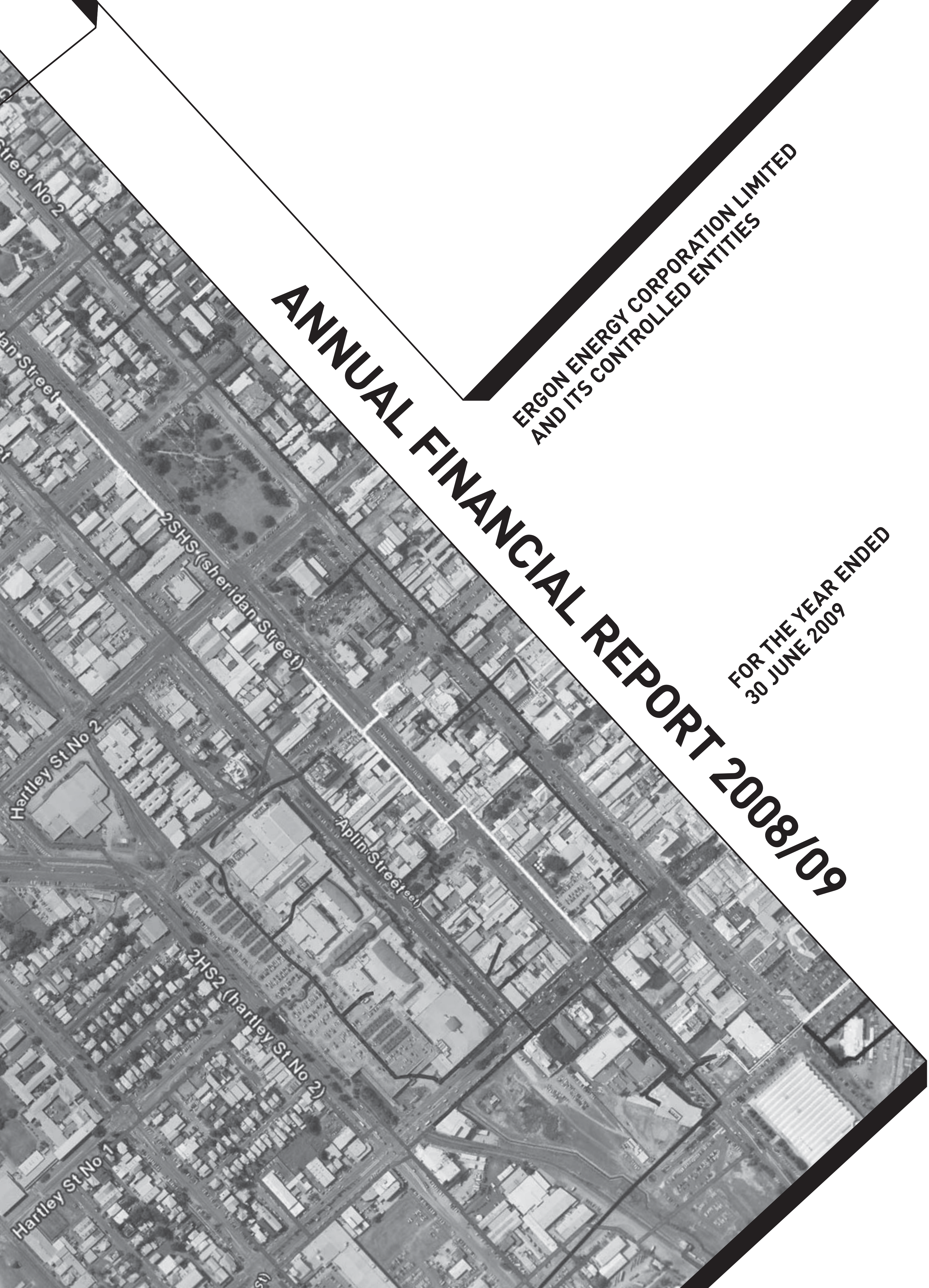
Under Part 10 of the *Government Owned Corporations Act 1993* the reserve powers of the shareholding Ministers provide that they may in the public interest notify Ergon Energy, as a Government Owned Corporation, of a public sector policy that is to apply to the Corporation (section 114) and may also give a written direction to Ergon Energy (section 115):

- In October 2008, notification was received from the Government that "in accordance with section 123 (now 114) of the *Government Owned Corporations Act 1993* that the Local Industry Policy as amended from time to time is to apply to Ergon Energy Corporation Limited, and as far as practicable, to its subsidiaries".
- In December 2008, notification was received from the Government that "in accordance with section 114 of the *Government Owned Corporations Act 1993* that the QFleet Climate Smart Action Policy as amended from time to time is to apply to Ergon Energy Corporation Limited, and as far as practicable, to its subsidiaries".
- Notification was received from the Government in February 2009 that "in accordance with section 114 of the *Government Owned Corporations Act 1993* that the State Procurement Policy as amended from time to time is to apply to Ergon Energy Corporation Limited, and as far as practicable, to its subsidiaries".
- No written directives have been received from the shareholding Ministers in relation to section 115 of the Act.

ANNUAL FINANCIAL REPORT 2008/09

ERGON ENERGY CORPORATION LIMITED
AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED
30 JUNE 2009



CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

The Directors present their report together with the financial report of Ergon Energy Corporation Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities (the "Economic Entity") for the year ended 30 June 2009 and the Auditor's report thereon.

Directors

The names and details of the Directors of Ergon Energy Corporation Limited in office during the financial year and up to the date of this report are as follows:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Dr Ralph Craven *BE PhD FIEAust FIPENZ FAICD CPEng* Chairman Independent Non-Executive Director Appointed 1 October 2008	Dr Ralph Craven brings to the Chairmanship formidable experience gained from a professional background which encompasses the energy and resources sector, commodity trading and regulatory activities. From 1995 until 1997, he was the CEO of the energy retailing company established to enable Ergon Energy's predecessors to enter the competitive electricity retail markets, which was incorporated into today's Ergon Energy in 1999. From 2003 until 2007, Dr Craven was Chief Executive Officer of the New Zealand Government-owned Transpower, which owns and manages their national grid and also operates the wholesale electricity market. He was Executive Director of NRG Asia-Pacific, responsible for its investments in the Asia-Pacific region and served Shell Coal as General Manager of its international power and energy portfolio. For a four year period to the end of 2007, Dr Craven was Chair of d-cypha Trade Ltd, a company which has exclusive management rights to all Sydney Future Exchange energy-related futures and options products used by participants in the Australian National Electricity Market. Dr Craven is also a director of Arrow Energy Limited, Ergon Energy Telecommunications Pty Ltd and a member of all of Ergon Energy's Board Committees.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Dr Keith Hilless AM *BE(Elec) DUnivQUT FIEAust FAIM MAICD* Chairman Independent Non-Executive Director Resigned 30 September 2008	Dr Keith Hilless brought to his role as Chairman experience gained from a career in the electricity supply industry spanning over 50 years. Prior to taking up the role as Chairman, Dr Hilless held the position of Managing Director with international energy corporation NRG Asia Pacific Ltd for five years. He served as the Queensland Electricity Commissioner with oversight of electricity generation, transmission, distribution and regulation in Queensland from 1991 to 1994. Throughout his career, Dr Hilless also held a number of engineering and executive roles with the Queensland Transmission and Supply Corporation and Ergon Energy's predecessor organisations, SWQEB and NORQEB. He is currently a member of the Council of Queensland University of Technology and Chairman of Queensland University of Technology Enterprise Holdings Pty Ltd. On Australia Day 2008, he was appointed a Member of the Order of Australia in recognition of his service to the electricity supply industry in Queensland, particularly through his contribution to restructuring and fostering improved relationships, to regional development and to the community. Dr Hilless was a member of all of Ergon Energy's Board Committees.
John Bird *FCPA FAICD FTIA* Deputy Chairman Independent Non-Executive Director	As a Registered Company Auditor, Mr Bird provides considerable experience and direction to Ergon Energy in his role as Deputy Chairman and Chairman of Ergon Energy's Audit and Financial Risk and AER 2010 Due Diligence Committees. Mr Bird is also a Director of Ergon Energy Telecommunications Pty Ltd. He was formerly a Managing Partner in Brown and Bird Certified Practising Accountants in Mackay. Mr Bird is Chair of the Queensland Labor Group of Companies and of ESI Financial Services Pty Ltd and is a director of Electricity Supply Industry Superannuation (QLD) Ltd. He previously served as Deputy Chairman of the electricity retailer Ergon Energy Pty Ltd for a period of seven years.
Susan Forrester *EMBA BA LLB (Hons)* Independent Non-Executive Director Appointed 1 October 2008	Susan Forrester brings to the Board more than 20 years of experience in the legal, commercial and change management fields, spanning the public and private sectors. Trained as a banking and finance lawyer, Ms Forrester is the Chief Executive of The CEO Institute, a professional development forum for CEOs and business leaders. Previously, she was General Manager of a leading architectural services firm and HR Director with the Queensland Treasury Corporation and Allens Arthur Robinson Lawyers. Ms Forrester, who brings expertise in governance and strategy development and implementation, currently holds a directorship with the National Foundation for Australian Women. She has been a member of the Corporate Governance Advisory Board to the Department of Primary Industries and Fisheries for three years to 30 June 2009. Ms Forrester is also a member of Ergon Energy's People Committee.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Tony Mooney *BEd BA (Hons) FAICD* Independent Non-Executive Director Appointed 1 October 2008	Tony Mooney brings extensive experience in infrastructure, economic development, community engagement and regional government to Ergon Energy's Board. Mr Mooney served the Townsville City Council as an elected representative for more than 30 years. During his 19 years as Mayor, Mr Mooney oversaw a period of unprecedented sustainable urban and infrastructure development during which Townsville transformed into a booming northern metropolis. As Mayor, he championed a partnership with Ergon Energy which helped win the bid to be part of the Australian Government's Solar Cities Program. Mr Mooney currently sits on the Premier's Climate Change Council and until recently served on the Local Government Superannuation Board and as a Director of the Port of Townsville. He is also Ergon Energy's representative on the Townsville Enterprise Limited Board. Mr Mooney is a member of Ergon Energy's Audit and Financial Risk and Operational Risk Committees.
Wayne Myers *MAICD* Independent Non-Executive Director	Mr Myers is currently the Managing Director of Dinorden Pty Ltd, a business consulting service. He has worked in the information technology and telecommunications industry for over 30 years. Mr Myers is a member of the Australian Institute of Company Directors. Mr Myers is Chairman of Stadiums Queensland, a Queensland Government Authority which owns and operates the major stadiums in Queensland. He is also a Director of John Paul College. Mr Myers is a member of Ergon Energy's AER 2010 Due Diligence, Operational Risk and People Committees. Mr Myers is also a Director of Ergon Energy Telecommunications Pty Ltd.
Helen Stanton *BE GAICD* Independent Non-Executive Director	Ingham-based engineer Helen Stanton is an independent business improvement consultant specialising in strategy implementation, business process analysis and change management. Previously a Senior Operations Engineer and Six Sigma Leader at BHP Billiton, she has had responsibilities ranging from managing major engineering projects to coordinating business improvement and strategy development. Ms Stanton is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors. Ms Stanton chairs Ergon Energy's Operational Risk Committee and is a member of Ergon Energy's AER 2010 Due Diligence Committee.
Terri Hamilton *LLB DipFP FAICD* Independent Non-Executive Director Resigned 30 June 2009	Terri Hamilton is currently a consultant in the financial services industry. In the last 23 years, she has held senior management positions within the financial services sector and has extensive experience in regulatory, compliance, risk management and governance issues. Ms Hamilton is a member of ASIC's QLD Regional Liaison Committee and is an independent director of the Board of Teachers' Union Health. Ms Hamilton chaired Ergon Energy's People Committee and was a member of Ergon Energy's Audit and Financial Risk Committee.
Andrew Robertson *BCom CA FAICD* Independent Non-Executive Director Resigned 30 September 2008	Andrew Robertson, as Director of ABN AMRO Morgans Limited, brought to the Board expertise in the areas of finance and investment. He holds a Bachelor of Commerce degree, is an Affiliate of the Australian Stock Exchange Limited and a fellow of the Australian Institute of Company Directors. He is also a director of several of ABN AMRO Morgans Limited's subsidiary companies. Mr Robertson was a member of Ergon Energy's Audit and Financial Risk Committee.

Name, qualifications and independence status	Experience, special responsibilities and other directorships
Barry Taylor *MAICD* Deputy Chairman Independent Non-Executive Director Resigned 30 September 2008	Barry Taylor is a lawyer and Notary Public who developed the legal firm Suthers Taylor and now practises with Emanate in Townsville. He has extensive experience in corporate, commercial, property law and planning and environmental law. Mr Taylor has in excess of 25 years corporate, business and legal experience practising throughout Queensland together with a range of commercial interests in the property development, quarrying and entertainment industries. Mr Taylor holds numerous directorships and memberships. Mr Taylor chaired Ergon Energy's Operational Risk Committee and was a member of Ergon Energy's Audit and Financial Risk Committee.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.
Dr Ralph Craven, Wayne Myers and Tony Mooney have been appointed until 30 September 2011. All other directors have been appointed until 30 September 2010.

Company Secretary

Graeme Finlayson
BA(Hons)/LLB(Hons); MBA
Graeme Finlayson commenced with Ergon Energy in the position of General Counsel and Company Secretary in 2008. Prior to this, Graeme held senior in-house commercial legal roles and worked with some of Australia's top national law firms. Graeme also held senior executive positions and directorships with Queensland Rail and the Gold Coast City Council.

Principal activities

The principal activities of the Economic Entity during the financial year consisted of:

- Maintenance of a electricity distribution system within the State of Queensland;
- Distribution of electricity within the State of Queensland;
- Non-competitive electricity retailing in Queensland; and
- Provision of electricity related contracting and other services.

Dividends

Dividends amounting to $116.6 million (2008: $118.4 million) have been provided for during the financial year. A final dividend of $110.8m was paid on 31 December 2008 in respect of the 2008 financial year. The dividend for 2009 was not paid during the financial year.

Operating and financial review

The consolidated Income Statement shows a consolidated profit after income tax equivalent expense for the Economic Entity for the year of $129.3 million (2008: $162.9 million).

The financial results have been reported in accordance with Australian Equivalents to International Financial Reporting Standards.

Significant changes in the state of affairs

Significant changes to the state of affairs of the Economic Entity that occurred during the year are:

- The Company deregistered four of its wholly-owned subsidiaries during the year. The subsidiaries ceased operations a number of years ago and were essentially dormant. The subsidiaries deregistered were:
  - EA North Queensland Pty Ltd;
  - Ergon Energy (Victoria) Pty Ltd;
  - Ergon Energy Gas Pty Ltd; and
  - Northern Electricity Retail Corporation Pty Ltd.
- Together with Energex Limited, the Company also deregistered a jointly controlled company, Quest Asset Holdings Pty Ltd. Quest Asset Holdings Pty Ltd never operated.

Significant events after balance date

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

Likely developments and future results

On 30 June 2009, Ergon Energy lodged a Regulatory Proposal with the Australian Energy Regulator (AER) that complies with the National Electricity Rules' requirements. The Regulatory Proposal seeks to secure a sustainable revenue stream for the distribution business for the regulatory control period 1 July 2010 to 30 June 2015 that will enable the business to build and operate a distribution network that will meet, but not exceed, all external standards and internal strategies.

During the year, the Federal Government released the Carbon Pollution Reduction Scheme Exposure Draft which included legislation to implement an Emissions Trading Scheme (ETS).

The proposed ETS is due to start in 2011. Under the proposed ETS, organisations that are large suppliers of fuel or have facilities that emit more than 25,000 tonnes of CO_2-equivalent (CO_2-e) will be required to surrender an emissions permit for each tonne of CO_2-e. Current expectations are that the Economic Entity will not be directly liable under the scheme, although the final legislation is yet to be passed and may be amended.

The Economic Entity is committed to improving the status of the electricity distribution network. An asset quality improvement program is continuing.

The Directors have excluded from this report any further information as to the likely developments in the operations of the Economic Entity and the expected results of those operations in future financial years, as the Directors believe that it would result in unreasonable prejudice to one or more entities in the Economic Entity.

Environmental regulation and performance

The Economic Entity's environmental obligations are regulated under State and Federal laws.

The *National Greenhouse and Energy Reporting Act 2007* requires the Economic Entity to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Economic Entity has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy Data Officer by 31 October 2009.

All environmental performance obligations are reported to the Operational Risk Committee and are, from time to time, subject to government agency, internal and external professional agency audits, as well as ongoing review to ensure compliance. The Economic Entity has a policy of meeting all its environmental obligations. The Economic Entity's certification to International Standard AS/ISO 14001:2004 has been maintained.

No environmental breaches have been notified to any government agencies during the financial year. There have been no major non-conformances/incidents (defined in internal policy guidelines as Class 1 or 2) reported in the financial year.

For further environmental performance information, refer to the Annual Stakeholder Report which is available separately and on the website: www.ergon.com.au

Indemnification and insurance of directors and officers

During the year, a policy was held to insure all directors and officers of the Economic Entity against liabilities incurred in their capacity as director or officer. The provisions of this policy prohibit the disclosure of the nature of the liabilities and the amount of the premium paid. The *Corporations Act 2001* does not require disclosure of this information in these circumstances.

The Company indemnifies the directors and officers of the Economic Entity. The indemnity relates to any liability (claim, action, suit, proceeding, investigation, inquiry, damage, loss, cost or expense) incurred by virtue of being a director or officer of the Economic Entity, other than: a liability owed to the Economic Entity; a liability for a pecuniary penalty or compensation order under the *Corporations Act 2001*; and a liability owed to someone other than the Company that did not arise out of conduct in good faith.

The Company also indemnifies each director and officer against any legal costs incurred in respect of a liability incurred by virtue of being a director or officer of the Economic Entity, other than for legal costs incurred: in defending or resisting proceedings in which the director or officer could not be indemnified; in defending or resisting criminal proceedings in which the director or officer is found guilty; and in defending or resisting proceedings brought by ASIC or a liquidator for a court order.

Directors' shareholding

No directors held any beneficial interest in the shares of the Company. All issued shares are held by the shareholding Ministers on behalf of the Queensland Government.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) held during the year ended 30 June 2009 and the number of meetings attended by each director was as follows:

	Board Meetings		Audit & Financial Risk Committee		Due Diligence Committee		People Committee		Operational Risk Committee	
	A	B	A	B	A	B	A	B	A	B
R Craven	13	13	4	4	9	9	4	5	3	3
K Hilless	5	5	3	3	-	-	2	2	1	1
J Bird	18	18	7	7	9	9	2	2	-	-
S Forrester	11	13	-	-	-	-	5	5	-	-
T Mooney	12	13	3	4	-	-	-	-	3	3
W Myers	18	18	-	-	7	9	5	7	4	4
H Stanton	16	18	-	-	9	9	-	-	4	4
T Hamilton	16	18	3	4	-	-	7	7	-	-
A Robertson	5	5	3	3	-	-	-	-	-	-
B Taylor	5	5	2	3	-	-	-	-	-	1

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the financial year

Auditor's Independence Declaration

The Auditor's Independence Declaration is on page 91 and forms part of the directors' report for the year ended 30 June 2009.

Rounding

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report (or financial report). Amounts in the directors' report (or financial report) have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, or in certain cases, to the nearest thousand dollars.

Signed in accordance with a resolution of Directors.

Dr R Craven
Chairman
Dated at Brisbane this 21st day of August 2009.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$M**	$M	**$M**	$M
Revenue	3	**2,272.6**	2,559.8	**1,372.0**	1,262.3
Other income	3	**6.5**	38.5	**9.0**	3.6
Network charges / electricity purchases	4	**(1,037.7)**	(1,419.1)	**(194.1)**	(184.8)
Employee expenses		**(170.1)**	(174.6)	**(170.1)**	(174.6)
Materials and services		**(200.1)**	(194.2)	**(199.8)**	(194.8)
Depreciation, amortisation and impairments	4	**(277.8)**	(248.0)	**(266.9)**	(238.2)
Finance costs	4	**(223.4)**	(180.1)	**(219.2)**	(179.8)
Other expenses		**(185.5)**	(152.3)	**(131.7)**	(88.7)
Share of net profits/(losses) of associates and jointly controlled entities accounted for using the equity method	25	**-**	-	**-**	-
Profit before income tax equivalent expense		**184.5**	230.0	**199.2**	205.0
Income tax equivalent expense	5	**(55.2)**	(67.1)	**(50.3)**	(53.0)
Profit after income tax equivalent expense		**129.3**	162.9	**148.9**	152.0

The Income Statements are to be read in conjunction with the notes to the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$M**	$M	**$M**	$M
CURRENT ASSETS					
Cash and cash equivalents	6	**367.4**	198.3	**327.5**	98.5
Trade and other receivables	7	**368.6**	302.7	**196.0**	172.6
Inventories	8	**103.5**	100.0	**103.5**	100.0
Financial assets	9	**156.5**	76.4	**-**	-
Other assets	10	**17.8**	22.0	**-**	-
Total current assets		**1,013.8**	699.4	**627.0**	371.1
NON-CURRENT ASSETS					
Trade and other receivables	7	**68.9**	68.1	**82.7**	80.3
Inventories	8	**1.4**	-	**1.4**	-
Financial assets	9	**-**	-	**2.5**	2.5
Property, plant and equipment	11	**6,900.6**	6,224.7	**6,899.2**	6,224.2
Intangible assets	12	**9.5**	10.1	**7.1**	6.8
Employee benefits	16	**-**	18.4	**-**	18.4
Total non-current assets		**6,980.4**	6,321.3	**6,992.9**	6,332.2
TOTAL ASSETS		**7,994.2**	7,020.7	**7,619.9**	6,703.3
CURRENT LIABILITIES					
Trade and other payables	14	**353.0**	326.3	**296.4**	260.1
Interest bearing liabilities	15	**17.0**	20.7	**1.9**	14.8
Employee benefits	16	**132.4**	120.3	**132.4**	120.3
Provisions	17	**31.3**	29.4	**30.6**	28.4
Financial liabilities	18	**162.5**	88.3	**-**	-
Other liabilities	19	**64.6**	93.1	**64.3**	92.8
Total current liabilities		**760.8**	678.1	**525.6**	516.4
NON-CURRENT LIABILITIES					
Trade and other payables	14	**0.8**	0.5	**1.0**	0.8
Interest bearing liabilities	15	**3,689.9**	2,996.0	**3,689.9**	2,996.0
Employee benefits	16	**78.9**	7.0	**78.9**	7.0
Provisions	17	**46.9**	10.6	**44.8**	8.5
Net deferred tax equivalent liabilities	13(c)	**864.4**	802.8	**831.4**	772.7
Other liabilities	19	**1.3**	1.9	**1.3**	1.9
Total non-current liabilities		**4,682.2**	3,818.8	**4,647.3**	3,786.9
TOTAL LIABILITIES		**5,443.0**	4,496.9	**5,172.9**	4,303.3
NET ASSETS		**2,551.2**	2,523.8	**2,447.0**	2,400.0
EQUITY					
Share capital	20	**942.4**	942.4	**942.4**	942.4
Other owners' contributions	21(a)	**(10.6)**	(10.6)	**(1.1)**	(1.1)
Reserves	21(b)	**1,216.0**	1,138.2	**1,216.0**	1,138.2
Retained profits	21(c)	**403.4**	453.8	**289.7**	320.5
TOTAL EQUITY		**2,551.2**	2,523.8	**2,447.0**	2,400.0

The Balance Sheets are to be read in conjunction with the notes to the financial statements.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$M**	$M	**$M**	$M
Revaluation of property, plant and equipment, net of tax	21(b)	**77.8**	105.4	**77.8**	105.4
Actuarial gains/(losses) on defined benefit plans recognised directly in equity, net of tax	21(c)	**(63.1)**	(66.2)	**(63.1)**	(65.9)
Net income/(loss) recognised directly in equity		**14.7**	39.2	**14.7**	39.5
Profit for the financial year		**129.3**	162.9	**148.9**	152.0
Total recognised income and expense for the financial year		**144.0**	202.1	**163.6**	191.5

The Statements of Recognised Income and Expense are to be read in conjunction with the notes to the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		The Company	
		2009	2008	**2009**	2008
	Note	**$M**	$M	**$M**	$M
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**2,383.3**	2,753.2	**1,389.3**	1,237.9
Payments to suppliers and employees		**(1,777.8)**	(2,167.8)	**(744.7)**	(644.1)
Interest received		**21.1**	19.1	**15.0**	13.6
Interest paid		**(210.4)**	(171.4)	**(208.2)**	(171.5)
Dividends received		**-**	-	**29.6**	3.1
Net cash from operating activities	27	**416.2**	433.1	**481.0**	439.0
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		**13.7**	57.3	**13.7**	57.3
Payments for property, plant and equipment		**(834.4)**	(840.0)	**(833.3)**	(839.9)
Payments for intangible assets		**(2.2)**	(2.9)	**(2.0)**	(2.9)
Proceeds from share buy-back by subsidiaries		**-**	-	**3.2**	-
Net cash from investing activities		**(822.9)**	(785.6)	**(818.4)**	(785.5)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**692.0**	497.0	**692.0**	498.1
Repayment of borrowings		**(5.5)**	(1.5)	**(14.8)**	(4.7)
Dividends paid		**(110.7)**	(463.0)	**(110.8)**	(463.0)
Net cash from financing activities		**575.8**	32.5	**566.4**	30.4
Net increase / (decrease) in cash and cash equivalents		**169.1**	(320.0)	**229.0**	(316.1)
Cash and cash equivalents at the beginning of the financial year		**198.3**	518.3	**98.5**	414.6
Cash and cash equivalents at the end of the financial year	6	**367.4**	198.3	**327.5**	98.5

The Cash Flow Statements are to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1:
Significant accounting policies

Ergon Energy Corporation Limited (the "Company") is a public company limited by shares and is domiciled in Australia. The consolidated financial report of the Company for the year end 30 June 2009 comprises the Company and its controlled entities (collectively referred to as the "Economic Entity") and the Economic Entity's interest in associates and jointly controlled entities.

The Company's registered office and its principal place of business are as follows:

Registered Office
22 Walker Street
Townsville, 4810

Principal Place of Business
34-46 Dalrymple Road
Garbutt Queensland 4814

The principal activities of the Economic Entity during the financial year consisted of:

– Maintenance of a electricity distribution system within the State of Queensland;
– Distribution of electricity within the State of Queensland;
– Non-competitive electricity retailing in Queensland; and
– Provision of electricity related contracting and other services.

The financial statements were authorised for issue by the Directors on 21 August 2009.

(a) Statement of compliance
The financial statements are a general purpose financial report that have been prepared in accordance with Australian Accounting Standards (including Australian equivalents to International Financial Reporting Standards (AIFRS)) and Interpretations, requirements of the *Corporations Act 2001*, provisions of the *Government Owned Corporations Act 1993* and other relevant legislation issued pursuant to that Act.

(b) Basis of preparation
The financial statements are presented in Australian dollars. The Economic Entity is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest tenth of a million dollars, or in certain cases, to the nearest thousand dollars.

Historical cost convention
The financial statements are prepared on the historical cost basis, except for the valuation of certain financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates
The preparation of financial statements in accordance with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Economic Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 to the financial statements.

Consistent accounting policies
The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Early adoption of standards
The Economic Entity elected to early adopt the following standards in the 2007 financial year:

– AASB 8 *'Operating Segments'*
– AASB *2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'*

As a result of applying the above standards, no operating segment information is disclosed in the financial statements in the current year.

(c) Basis of consolidation
A subsidiary is an entity over which the Company has the power to govern the financial and operating policies. This power generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the Company's share of the net assets of the subsidiary acquired, the difference is recognised immediately in the Income Statement.

(d) Investments in associates
Associates are all entities over which the Company has significant influence but not control. Investments in associates are initially recognised at cost by the Economic Entity and subsequently

NOTE 1:
Significant accounting policies

accounted for using the equity method. The Company's investment in associates is the cost identified on acquisition net of accumulated impairment losses.

The Economic Entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Economic Entity's share of losses in an associate equals or exceeds its interest in the associate, the Economic Entity does not recognise any further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Economic Entity and its associates are eliminated to the extent of the Economic Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Economic Entity.

(e) Jointly controlled entities
The Company has an interest in one incorporated jointly controlled entity as at the end of the financial year. The equity method of accounting is applied by the Economic Entity, as described in the Economic Entity's policy on accounting for associates.

(f) Foreign currency translation
Foreign currency transactions of the Economic Entity are translated into Australian dollars, being the functional currency and presentation currency of the Economic Entity, using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

(g) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and is net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Regulated network business
As a network service provider, the Company includes Distribution Use of System (DUOS) income in sales revenue. Where appropriate, DUOS income is eliminated upon consolidation.

The Company is subject to a revenue cap that can be earned on its regulated assets. The regulated return is recognised in accordance with the revenue cap.

Regulated network prices are determined and initially invoiced based on estimates. Actual revenue allowed by the Regulator may vary from that estimated, resulting in a direction by the Regulator to the Company to increase / (reduce) prices in the succeeding periods to recover / (refund) amounts under or over charged. Amounts recovered or refunded are recognised in the Income Statement in future periods.

1) *Non-refundable capital contributions*
   Non-refundable contributions of cash or non-current assets are recognised as revenue (up to an amount determined by the Regulator) when the network has been extended or modified consistent with the terms of the contribution. Any amounts received in excess of the capped amount are recognised in the provision for system usage charge over-recovery. The amount of the revenue and the asset recognised for non-refundable contributions of non-current assets is the fair value of the contributed assets at the date on which the Economic Entity gains control of the contribution.

2) *Contribution acknowledgment payments*
   Under direction from the shareholding Ministers, the first tranche of contestable customers in the retail electricity market received repayment of the capital payments they had previously made. These repayments were in the form of reduced network charges for specified time periods. Transmission charges and grid service revenue were both grossed up by the amount of rebates to customers so that the full amount of the costs and revenues were reported. The arrangements had been finalised as at the end of the comparative financial year.

Regulated network revenue and electricity sales revenue are disclosed as sales revenue.

(ii) Electricity retail business
1) *Electricity sales revenue to franchise customers*
   Revenue recognised is the aggregate of invoices raised, together with the estimated metered but not invoiced energy consumption.

2) *Community service obligations*
   As part of the Queensland electricity market reforms introduced in the late 1990's, the Government made a commitment that state-wide uniform retail tariffs would apply to franchise customers and that no franchise customer would be adversely affected by ongoing electricity market reforms. From the 2001/2002 year, the Queensland Government determined that a fixed gross margin, adjusted for allowed energy costs, would apply to sales of electricity to franchise customers. Payments received primarily represent the shortfall in the margin received by the Economic Entity.

(iii) Dividend revenue
Dividend revenue is recognised in the Income Statement on the date the entity's right to receive payment is established.

NOTE 1:
Significant accounting policies

(iv) Other non-regulated revenue
Non-regulated revenue comprises revenue (net of discounts and allowances) mainly from the provision of electricity-related services. Revenue for the provision of services is recognised by reference to the stage of completion of the transaction. Revenue for the sale of goods is recognised on delivery of the goods to the customer. Interest income is recognised in the Income Statement as it accrues, using the effective interest rate method.

(h) Expenses
(i) Cost of sales
Cost of sales is the accumulation of costs associated with network charges (including Transmission Use of System expenses), electricity purchases and any other costs associated with the sale of electricity.

(ii) Operating lease payments
Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

(iii) Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest expense component of finance lease payments is recognised in the Income Statement using the effective interest rate method.

(iv) Finance and related costs
Finance costs are recognised as expenses in the period in which they are incurred except where borrowings have been specifically taken to fund a constructed asset, in which case the expense is capitalised into the carrying value of the asset.

(i) Income taxes
(i) Tax equivalents
The Economic Entity is liable to make tax equivalent payments on its taxable income to the Queensland Government. Any taxation payments that it is required to make will be made pursuant to Section 155(4) of the *Government Owned Corporations Act 1993*. To date the Economic Entity has not made any tax payments since its inception because of its tax loss profile.

The Economic Entity's tax liability is administered by the Australian Taxation Office (ATO) under the National Tax Equivalent Regime (NTER). The NTER broadly utilises the provisions of the *Income Tax Assessment Act 1936* (ITAA 1936), the *Income Tax Assessment Act 1997* (ITAA 1997) and associated legislation, the NTER Manual as well as Rulings and other pronouncements by the ATO, in order to determine the tax payable by the Economic Entity (refer Note 5).The Economic Entity is not required to maintain a franking account.

(ii) Current tax payable
Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the end of the financial year and any adjustment to tax payable in respect of previous years.

Current tax payable is recognised as current tax expense except to the extent that it relates to items recognised directly in equity, in which case that portion is recognised directly in equity.

(iii) Deferred tax equivalent assets and liabilities
Deferred tax equivalent assets and liabilities are deductible or taxable temporary differences and unused tax losses and tax credits, which are recognised using the tax rates enacted or substantively enacted at the reporting date.

Temporary differences are differences between the carrying amount of an asset and liability for financial reporting purposes and their tax bases. Tax bases are determined based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that the Economic Entity is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Differences arising on the initial recognition of goodwill.

Deferred tax equivalent assets are recognised only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilised.

Movements in deferred tax equivalent assets and liabilities balances are recognised as deferred tax equivalent expenses, except to the extent they relate to:

- Items recognised directly in equity, in which case that portion is recognised in equity; and
- Acquisitions of entities or operations, in which case that portion is recognised in goodwill.

Deferred tax equivalent assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTE 1:
Significant accounting policies

(iv) Income tax equivalent expense
Income tax equivalent expense for the reporting period consists of current tax expense and deferred tax expense.

(v) Tax consolidation
The Company and its wholly-owned Australian resident subsidiaries formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity. The head entity within the tax consolidated group is Ergon Energy Corporation Limited.

Current tax expense/income, deferred tax equivalent liabilities and deferred tax equivalent assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach based on the allocation specified in the tax funding agreement.

The tax funding agreement requires a notional current and deferred tax equivalents calculation for each entity as if it were a taxpayer in its own right, except that distributions made and received arising within the tax-consolidated group are treated as having no tax consequences.

Any current tax liabilities/assets and deferred tax equivalent assets arising from unused tax losses and tax credits assumed by the head entity from the subsidiaries in the tax-consolidated group are recognised by the Company in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary.

The Company recognises deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses and tax credits assumed from subsidiaries are recognised by the head entity only.

(vi) Nature of funding arrangements and tax sharing agreements
The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity. Any tax loss or tax credit deferred tax equivalent asset assumed by the head entity, results in the recognition of an inter-entity receivable/(payable) in the separate financial statements of the members of the tax-consolidated group equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) is at call.

The head entity recognises the assumed current tax amounts as current tax liabilities/(assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities/(assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(j) Cash
Cash and cash equivalents comprise cash balances and investments in money market instruments. Bank overdrafts in the form of working capital facilities are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statements. They are highly liquid, subject to an insignificant risk of change in value and have maturity of 3 months or less at date of acquisition.

(k) Borrowings and receivables
(i) Trade and other receivables
Trade and other receivables are measured at amortised cost less provision for impaired receivables.

The recoverability of trade and other receivables is reviewed on an ongoing basis. A provision for impaired receivables is established when there is objective evidence that the Economic Entity will not be able to collect all amounts due according to the original terms of receivables and hence the receivables are impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The recoverable amount is discounted at the effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in the Income Statement.

(ii) Borrowings
Borrowings are initially recognised at fair value net of transaction costs incurred. Interest-bearing borrowings are subsequently measured on an amortised cost basis with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

NOTE 1:
Significant accounting policies

(l) Inventories
Inventories disclosed as current assets of the Company are used in the maintenance and construction of electricity supply system assets and are not for resale. Inventories that will not be available for use within 12 months of reporting date are disclosed as non-current inventory.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Energy certificates
Renewable Energy Certificates on hand are measured at fair value at the end of the financial year, adjusted for known market forces with changes in fair value recognised in the Income Statement. They are disclosed in the financial statements as other assets. These energy certificates are valued using a combination of data sources including trades executed by the Economic Entity, the Sydney Futures Exchange, ICAP and other market intelligence. The Economic Entity has sufficient market information to reliably measure the value of these certificates in accordance with the requirements of Australian Accounting Standards.

Gas Electricity Certificates on hand (including forward purchase agreements) are acquired for the Economic Entity's acquittal purposes and are measured at cost. They are disclosed in the financial statements as other assets.

(n) Property, plant and equipment
(i) Recognition and measurement
All regulated assets are measured at fair value. Items included in this category are regulated electricity supply system and other regulated plant and equipment.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Valuations are undertaken annually to ensure that the carrying value of the asset does not differ materially from that which would be determined using fair value at the reporting date.

Fair value is determined on the basis of an income approach using discounted future cash flows. The fair value of regulated electricity supply system assets was determined at 30 June 2009 utilising key assumptions that are considered reflective of those that market participants would use in valuing such assets. The income approach was used as there was no market based evidence of fair value due to the specialised nature of the regulated assets, and the items are rarely sold, except as part of a continuing business.

All other items of property, plant and equipment are measured at fair value. Non-regulated power station assets comprising isolated generation and distribution systems were subject to an independent valuation as at 31 March 2007 undertaken by Sinclair Knight Merz Pty Ltd using the Depreciated Optimised Replacement Cost methodology.

The cost of property, plant and equipment constructed by the Economic Entity includes the cost of materials, direct labour and other associated costs and, where appropriate, borrowing costs. If payment for an item of property, plant and equipment is deferred beyond normal credit terms, the difference between the cash price equivalent at the date of recognition and the total payment is recognised as interest over the period of credit.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as income in net profit or loss.

Revaluation decrements are recognised immediately in the Income Statement, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset, they are debited directly to the asset revaluation reserve.

(ii) Depreciation
Depreciation is calculated on the straight line basis by reference to the useful life of each item of property, plant and equipment, other than freehold land and easements which are not depreciated. An assessment of useful lives is performed annually. Major spare parts and standby equipment purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Major depreciation periods are:

	Measurement basis	Depreciation period
Supply systems	Fair value	7 to 60 years
Power stations	Fair value	5 to 40 years
Buildings	Fair value	40 years
Other plant and equipment	Fair value [1]	3 to 40 years

[1] Other plant and equipment of the Company is at fair value. The subsidiaries' property, plant and equipment are measured at cost which is considered to be a reasonable estimation of fair value.

(iii) Acquisition of assets
The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of the acquisition plus incidental costs directly attributable to the acquisition.

(iv) Disposal of items of property, plant and equipment
The gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds of disposals with the carrying amounts of the items. Revaluation amounts on both the asset base and the accumulated depreciation are reversed on disposal. The net gains and losses on disposals are included in the Income Statement.

NOTE 1:
Significant accounting policies

(v) Maintenance and repairs
Maintenance costs are charged as an expense as incurred. Other routine repair and minor renewal costs are also charged as expenses as incurred.

(o) Intangible assets
(i) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge or understanding is recognised in the Income Statement when incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of a new or substantially improved product and process, is capitalised if the product or process is technically and commercially feasible, the Economic Entity has sufficient resources to complete development and it can reliably measure the expenditure attributable to the intangible asset during its development.

(ii) Licences
Licences that have a finite useful life are measured at cost less accumulated amortisation on a consumed basis. Licences that have infinite useful life are carried at cost less accumulated impairment losses and are subject to impairment review on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired.

(iii) Software
Software is carried at historical cost less accumulated amortisation and accumulated impairment losses.

(iv) Other internally generated intangible assets
Internally generated intangible assets are carried at historical cost less accumulated amortisation and accumulated impairment losses. All costs directly attributable to the creation of the asset from the point when it first meets the recognition criteria are capitalised into the value of the asset.

(v) Amortisation
The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of the assets unless such assets have indefinite useful lives. Major amortisation periods are:

	Measurement basis	Amortisation period
Software	Cost	2 to 10 years
Licences	Cost	1 to 10 years
Customer contracts and relationships	Cost	3 to 10 years

(p) Investment property
Investment property comprises residential premises that are held for rental yields at balance date, are not occupied by employees of the Economic Entity and are not retained by the Economic Entity for future use as employee accommodation.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Where the Economic Entity has undertaken to dispose of residential premises at balance date, the items of investment property are classified and accounted for as held for sale assets.

Rental revenue from the leasing of investment properties is recognised on a straight-line basis in the Income Statement.

(q) Impairment of assets
Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment or more frequently if events or changes indicate that they might be impaired.

All assets which are depreciated or amortised are reviewed for events or changes in circumstances that may indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted.

An impairment loss is recognised for the amount by which the carrying amount of the asset (or cash generating unit) exceeds its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease. When an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at fair value, in which case the reversal is treated as a revaluation increase.

NOTE 1:
Significant accounting policies

(r) Non-current assets held for sale and discontinued operations
Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. An impairment loss is recognised for the write-down of an asset to fair value less costs to sell.

An operation is classified as a discontinued operation when it has been disposed of or meets the criteria to be classified as held for sale and it represents a major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively for resale.

(s) Trade and other payables
(i) Trade payables, other payables and accruals
Trade payables, other payables and accruals are recognised as a liability when the Economic Entity has a legal obligation to pay cash. Such liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(ii) Dividends payable
A liability for dividends payable is recognised in the reporting period in which the dividends are declared for the entire undistributed amount.

(t) Employee benefits
(i) Wages and salaries, annual leave, long service leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled more than 12 months after the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

For long service leave, consideration is also given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments relating to such liabilities are discounted using market yields at the reporting date on Commonwealth government bonds with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) On-costs and superannuation contributions on leave balances
On-costs, including payroll tax and workers' compensation insurance, are recognised and included in liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

On-costs are measured at their nominal amounts unless the effect of the time value of money is material. If the effect of the time value of money is material, the on-costs are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

On-costs are not employee benefits and are excluded from employee benefits expense. Provisions for on-costs are disclosed in the financial statements as other provisions.

Superannuation contributions relating to leave balances are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Superannuation contributions are disclosed as employee benefit expenses and as employee benefit liabilities.

(iii) Superannuation
The Company contributes to both defined contribution and defined benefit superannuation plans.

A defined contribution plan is a superannuation plan under which the Company pays fixed contributions. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

A defined benefit plan is a superannuation plan that defines the amount of the benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and final salary. The asset or liability recognised in the Balance Sheet in respect of defined benefit superannuation plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of the plan assets, together with adjustments for past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Commonwealth government bonds that are denominated in the currency in which the benefits will be paid, being Australian dollars and that have terms to maturity that approximate the terms of the related superannuation liability. Actuarial gains

NOTE 1:
Significant accounting policies

and losses arising from experience adjustments and changes in actuarial assumptions are recognised in equity under the direct to equity approach.

(u) Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. Where material, the increase in the provision due to the passage of time is recognised as interest expense.

(i) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

(ii) Restoration and rehabilitation
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected area.

(v) Share capital
Ordinary shares are classified as equity.

(w) Lease commitments
(i) Operating leases
Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease unless an alternative basis is more representative of the time pattern of benefits to be obtained from the leased property.

(ii) Finance leases
Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. A finance lease asset and a finance lease liability are recorded on the Balance Sheet. The lease asset and the lease liability are established at the fair value of the asset or, if lower, at the present value of minimum lease payments. Lease payments are allocated between the finance charge and the reduction of the outstanding liability over the life of the lease.

(iii) Lease incentives
Where an entity in the Economic Entity is a lessee under an operating lease, the aggregate benefit of any incentive provided by the lessor for a new or renewed lease is recognised as an adjustment to rent expense over the lease term of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of benefit from the use of the leased asset.

(x) Contingent assets and liabilities
Contingent assets are not recognised in the financial statements. Other than when required on acquisition of a business, contingent liabilities are not recognised in the financial statements. They are, however, disclosed in the notes to the financial statements, where appropriate.

(y) Government grants
Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Economic Entity will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match the grants with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the Income Statement on a straight-line basis over the expected lives of the related assets.

(z) Derivative financial instruments
(i) Hedge accounting
The Economic Entity used derivative instruments to hedge foreign exchange and interest rate exposures arising from its activities. In accordance with treasury policy, hedge accounting is applied where a designated hedge relationship exists.

Where the derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on a derivative financial instrument is recognised direct in equity as a reserve.

When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, or the forecast transaction of a non-financial asset or liability, the associated cumulative gain or loss is removed from equity and included in the initial cost of the associated asset or liability.

If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or liability, such as a debt instrument, the associated gains or losses that were recognised directly in equity are reclassified into the Income Statement in the same period during which the asset acquired or assumed affects the Income Statement.

NOTE 1:
Significant accounting policies

For cash flow hedges other than those noted above, associated cumulative gains or losses are removed from equity and recognised in the Income Statement in the same period during which the hedged forecast transaction affects the Income Statement. The ineffective part of any gain or loss is recognised immediately in the Income Statement.

Where the hedging instrument expires or is sold, terminated or exercised, or the Economic Entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedge transaction is no longer expected to occur, the cumulative unrealised gain or loss is transferred from equity immediately to the Income Statement.

(ii) Fair value accounting through the profit and loss
Derivatives are recognised at fair value at the date that a derivative contract is entered into (trade date) and is subsequently measured at fair value at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount is reported as a liability. The resulting gain or loss is recognised in the Income Statement immediately.

The following transactions are classified as derivative financial instruments and measured at fair value through the profit and loss.

1) *Derivative financial instruments held or issued for hedging franchise load*
Derivative financial instruments held or issued for hedging franchise load are recorded at their fair value. The contracts are valued using a combination of data sources including current trades executed by the Economic Entity, the Sydney Futures Exchange, ICAP and other market intelligence. The Economic Entity trades frequently in these instruments and has sufficient market information to reliably measure the value of these contracts in accordance with the requirements of Australian Accounting Standards.

2) *Power purchase agreements*
Power purchase agreements are agreements for the sale and purchase of the energy exported from a generator and of Renewable Energy Certificates and other green certificates associated with the generation of energy. Power purchase agreements held for trading purposes represent derivative financial instruments that are measured at fair value through the profit and loss.

Power purchase agreements are valued using a combination of data sources including trades executed by the Economic Entity, the Sydney Futures Exchange, ICAP and other market intelligence. The Economic Entity has sufficient market information to reliably measure the value of these agreements in accordance with the requirements of Australian Accounting Standards.

Power purchase agreements that are entered into for the Economic Entity's own use are not considered to be financial instruments and are therefore accrual accounted.

3) *Long term Energy Procurement Agreement (LEP)*
The LEP Agreement is a component of the Community Service Obligations and Energy Procurement Deed ("Deed"). Its purpose relates to the management of the risk exposure from electricity price volatility experienced by the Economic Entity on franchise load. The counterparty to the Deed is the State of Queensland and the Deed was initially due to expire on 31 December 2007. Since this date, the Economic Entity has been maintaining the existing terms based on a formal exchange of letters with the Queensland Government agreeing to the extension of Deed, including the framework already established as part of the existing LEP Agreement. The LEP Agreement consists of a tiered pricing structure with a cap and floor provision. The LEP Agreement represents a derivative financial instrument that is measured at fair value through the profit and loss.

Fair value is determined using a combination of data sources including the Deed, trades executed by the Economic Entity, the Sydney Futures Exchange, ICAP and other market intelligence.

4) *Embedded derivatives*
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. Where the embedded derivative cannot be measured separately from the host contract, the entire contract is measured at fair value through profit and loss.

(aa) Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (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 the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statements on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 1:
Significant accounting policies

(ab) Other owners' contributions
Where assets are transferred between entities of the wholly-owned group or State of Queensland controlled entities, under the directive of the owner (being the State of Queensland) and the consideration paid is not equal to the value recognised on the transferred assets, the difference is recognised as other owners' contributions.

(ac) Standards and Interpretation issued not yet effective
The Australian Accounting Standards Board (AASB) has published certain new accounting Standards and Interpretations in the current year. The Economic Entity has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations does not have a material impact on the result or disclosure of the Economic Entity in the current reporting period.

The AASB has also published certain new accounting Standards and Interpretations that are not mandatory for 30 June 2009 reporting periods and which the Economic Entity has not early adopted. The Economic Entity's assessment of the initial impact of the following Standards and Interpretations on its financial report is outlined below.

(i) *Revised AASB 123 'Borrowing Costs' and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]'*
AASB 123 and AASB 2007-6 are applicable to annual reporting periods beginning on or after 1 January 2009. On application of these standards, where borrowings have been specifically taken to construct a qualifying asset, the expense will be capitalised into the carrying value of the asset. All other borrowings will be expensed when incurred. The Economic Entity has revised its policy and revisited its definition of a qualifying asset and will capitalise interest in accordance with this policy;

(ii) *Revised AASB 101 'Presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standard arising from AASB 101'*
Revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If the Economic Entity makes a prior period adjustment or reclassifies items in the financial statements, it will need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The Economic Entity will apply the revised standard from 1 July 2009. AASB 2007-8 and AASB 2007-10 changes the term "general purpose financial report" to "general purpose financial statements" and the term "financial report" to "financial statements". The Economic Entity will apply the revised standard from 1 July 2009; and

(iii) *AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 and AASB 1038]'*
AASB 2009-2 applies to periods beginning on or after 1 January 2009 that end on or after 30 April 2009. The Amendments alter AASB 7 'Financial Instruments: Disclosures' to:

- Clarify that the existing fair value disclosure requirements in AASB 7 must be made separately for each class of financial instrument;
- Require disclosure of any change in the method for determining fair value and the reasons for the change;
- Introduce a three-level hierarchy for making fair value measurements into:
  - Quoted prices in active markets for identical assets and liabilities (Level 1);
  - Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability (Level 2); and
  - Inputs for the asset or liability that are not based on observable market data (unobservable data) (Level 3).
- Require disclosure about the relative reliability of each fair value measurement in the statement of financial position;
- Clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts; and
- Require disclosure of a maturity analysis for derivative financial liabilities.

The above disclosure requirements will result in the Economic Entity's financial instruments disclosures being enhanced to include the above requirements. The Economic Entity will apply the revised standard from 1 July 2009.

NOTE 1:
Significant accounting policies

The Economic Entity's assessment of the initial impact of the following Standards and Interpretations either do not apply to the Economic Entity or are not expected to have an impact on the financial report of the Economic Entity:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied to the financial year ending
AASB 1039 *'Concise Financial Reports' (revised)*	1 January 2009	30 June 2010
AASB 2008-1 *'Amendments to Australian Accounting Standard – Share based Payments: Vesting Conditions and Cancellations'*	1 January 2009	30 June 2010
AASB 2008-2 *'Amendments to Australian Accounting Standard – Puttable Financial Instruments and Obligations arising on Liquidation'*	1 January 2009	30 June 2010
AASB 2008-5 *'Amendments to Australian Accounting Standard arising from the Annual Improvement Process'*	1 January 2009	30 June 2010
AASB 2008-6 *'Further Amendments to Australian Accounting Standard arising from the Annual Improvement Process'*	1 July 2009	30 June 2010
AASB 2008-7 *'Amendments to Australian Accounting Standard – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'*	1 January 2009	30 June 2010
AASB 2008-8 *'Amendments to Australian Accounting Standard – Eligible Hedged Items'*	1 July 2009	30 June 2010
Revised AASB 3 *'Business Combinations', AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'*	1 July 2009	30 June 2010
Interpretation 15 *'Agreements for the Construction of Real Estate'*	1 January 2009	30 June 2010
Interpretation 16 *'Hedges of a Net Investment in a Foreign Operations'*	1 October 2008	30 June 2010
Interpretation 17 *'Distributions of Non-Cash Assets to Owners' and AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners'*	1 July 2009	30 June 2010
Interpretation 18 *'Transfers of Assets from Customers'*	Transfers of assets on or after 1 July 2009	30 June 2010
AASB 2009-4 *'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]'*	1 July 2009	30 June 2010
AASB 2009-5 *'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139'*	1 January 2010	30 June 2011
AASB 2009-6 *'Amendments to Australian Accounting Standards'*	1 January 2009	30 June 2010
AASB 2009-7 *'Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]'*	1 July 2009	30 June 2010

NOTE 2:
Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Economic Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Defined benefit superannuation fund obligations

Various actuarial assumptions are utilised in the determination of the Economic Entity's defined benefit superannuation fund obligations. These assumptions are discussed in Note 16.

(ii) Electricity financial instruments measured at fair value

The Economic Entity enters into electricity financial instruments. The Economic Entity determines fair value of these financial instruments, which includes swaps and caps using market based valuation methods. It has taken into account the conditions existing at balance date and has used its judgment in the following areas:

- Future price and volume estimation using in-house and off-the-shelf valuation models; and
- Discounting for time value of money.

(iii) Renewable Energy Certificates

Like financial instruments measured at fair value, Renewable Energy Certificates are measured at fair value. The Economic Entity determines the fair value of these certificates using market based valuation methods as outlined in Note 1. It has taken into account the conditions existing at balance date and has used its judgment in determining the fair value.

(iv) Supply system asset valuation

Due to the absence of a binding sale agreement or active market, the Economic Entity's supply system assets are carried at fair value. Fair value is estimated using an income approach based on a number of key estimates and assumptions, which are outlined in Note 11.

(b) Critical judgements in applying the Economic Entity's accounting policy

The Economic Entity has made critical judgements in applying the Economic Entity's accounting policies. Listed below are the areas where critical judgement has been applied.

(i) Employee benefits

Management has applied judgement in determining the following key assumptions used in calculating long service leave at balance date:

- Future increases in wages and salaries;
- Employee departures; and
- Periods of service.

(ii) Impairment of trade receivables

The Economic Entity recognises a provision for impaired receivables in accordance with the requirements with AASB 139 *'Financial Instruments: Recognition and Measurement'*.
In some cases, due to the high volume, low value of such trade receivables, management has exercised judgement in determining the provision for impaired trade receivables based on evidence of significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency. In addition to these indicators, the Economic Entity considers evidence of the trends of bad debts experienced within certain levels of aged receivables.

(iii) Recoverability of certain non-regulated assets

The Economic Entity owns certain non-regulated assets whose recoverability is dependant on returns from contracts with specific customers. During the year, as a result of the global financial crisis and the associated downturn in markets, some customers have publicly advised of financial pressures. At reporting date, the Economic Entity has no evidence that the contracts in place will not be honoured. Accordingly, the specific non-regulated assets have not been subject to any impairment write down.

NOTE 3:
Revenue

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
REVENUE				
Sales revenue				
Sales revenue – controlled entities	**-**	-	**970.8**	889.6
Sales revenue – other parties	**1,706.6**	1,887.9	**231.3**	236.5
Other revenue				
Community service obligations	**446.2**	585.4	**-**	-
Non-refundable capital contributions	**65.7**	38.4	**65.7**	38.4
Interest received	**21.0**	19.4	**14.8**	13.0
Interest received – controlled entities	**-**	-	**-**	0.8
Dividend income – controlled entities	**-**	-	**29.2**	29.4
Other operating revenue	**33.1**	28.7	**60.2**	54.6
Total revenue	**2,272.6**	2,559.8	**1,372.0**	1,262.3
Other income				
Net fair value gains on financial instruments at fair value through profit and loss	**-**	31.2	**-**	-
Net fair value gains on energy certificates measured at fair value through profit and loss	**-**	3.7	**-**	-
Gain on disposal of property, plant and equipment	**6.5**	3.6	**6.5**	3.6
Gain on share buy-back of a controlled entity	**-**	-	**2.5**	-
Total other income	**6.5**	38.5	**9.0**	3.6

The 2008 comparatives for the Economic Entity have been re-stated in order to report separately the net fair value gains on financial instruments at fair value through profit and loss and the net fair value gains on energy certificates measured at fair value through profit and loss.

NOTE 4:
Expenses

Profit before income tax equivalent expense includes the following specific expenses:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Cost of sales	**1,037.7**	1,419.1	**194.1**	184.8
Finance costs				
Interest paid or payable	**223.4**	180.1	**218.9**	178.0
Interest paid or payable – controlled entities	**-**	-	**0.3**	1.8
Total finance costs	**223.4**	180.1	**219.2**	179.8
Depreciation				
Supply system assets	**188.7**	158.6	**188.7**	158.6
Power station assets	**15.2**	17.4	**15.2**	11.2
Buildings	**7.6**	7.3	**7.6**	7.3
Other plant and equipment	**49.2**	47.5	**48.9**	47.0
Total depreciation	**260.7**	230.8	**260.4**	224.1
Amortisation				
Intangible assets	**8.1**	12.9	**7.0**	11.8
Total amortisation	**8.1**	12.9	**7.0**	11.8
Impairment				
Trade receivables	**9.0**	4.3	**-**	2.3
Reversal of impairments on investments in controlled entities	**-**	-	**(0.5)**	-
Total impairment	**9.0**	4.3	**(0.5)**	2.3
Loss on disposal of property, plant and equipment	**2.0**	0.2	**2.0**	0.2
Increase in provisions	**55.8**	16.0	**54.8**	14.8
Rental expense on operating leases:				
Minimum lease payments	**7.9**	6.4	**7.9**	6.4
Total rental expense on operating leases	**7.9**	6.4	**7.9**	6.4
Net fair value losses				
Net fair value losses on financial instruments measured at fair value through profit and loss	**18.3**	-	**-**	-
Net fair value losses on energy certificates measured at fair value through profit and loss	**5.2**	-	**-**	-
Total Net fair value losses	**23.5**	-	**-**	-

NOTE 5:
Taxation

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(A) INCOME TAX EQUIVALENT EXPENSE				
Deferred tax expense	**55.2**	67.1	**50.3**	53.0
Income tax equivalent expense	**55.2**	67.1	**50.3**	53.0
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (refer Note 13(a))	**(66.6)**	90.1	**(69.2)**	(34.4)
Increase/(decrease) in deferred tax liabilities (refer Note 13(b))	**121.9**	(22.1)	**119.6**	87.3
Under/(over) provision in prior years	**(0.1)**	(0.9)	**(0.1)**	0.1
Income tax expense attributable to profit from continuing operations	**55.2**	67.1	**50.3**	53.0

(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE TO PRIMA FACIE TAX PAYABLE				
Net profit from ordinary activities before income tax equivalent expense	**184.5**	230.0	**199.2**	205.0
Prima facie income tax equivalent expense on operating profit at 30% (2008: 30%)	**55.4**	69.0	**59.8**	61.5
Decrease in income tax equivalent expense:				
Dividends receivable	**-**	-	**(8.8)**	(8.8)
Deductible depreciation	**(0.4)**	(0.5)	**-**	-
Non-assessable income	**-**	(0.6)	**(0.9)**	-
Other	**-**	(0.1)	**-**	(0.1)
Increase in income tax equivalent expense				
Non-deductible expenses	**0.3**	0.2	**0.3**	0.3
	55.3	68.0	**50.4**	52.9
Under/(over) provision in prior years	**(0.1)**	(0.9)	**(0.1)**	0.1
Income tax equivalent expense	**55.2**	67.1	**50.3**	53.0

(C) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY				
Revaluation property, plant and equipment	**33.3**	45.2	**33.3**	45.2
Recognition of defined benefit surplus/(deficit)	**(27.0)**	(28.3)	**(27.0)**	(28.3)
	6.3	16.9	**6.3**	16.9

NOTE 6:
Cash and cash equivalents

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Cash at bank and on hand	**8.5**	12.5	**5.2**	6.3
Short term deposits	**358.9**	185.8	**322.3**	92.2
Total cash and cash equivalents	**367.4**	198.3	**327.5**	98.5

(A) RECONCILIATION TO CASH AT THE END OF THE FINANCIAL YEAR IN THE CASH FLOW STATEMENTS

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements:				
Cash and cash equivalents	**367.4**	198.3	**327.5**	98.5
	367.4	198.3	**327.5**	98.5

(B) INTEREST RATE RISK EXPOSURE

The Economic Entity's and the Company's exposure to interest rate risk is discussed in Note 22(b).

NOTE 7:
Trade and other receivables

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Trade receivables	**271.0**	235.5	**44.5**	36.5
Provision for impairment of receivables	**(9.6)**	(4.2)	**(1.8)**	(2.2)
	261.4	231.3	**42.7**	34.3
Community service obligations	**68.1**	54.6	**-**	-
Receivables due from controlled entities	**-**	-	**127.2**	124.3
Receivables due from jointly controlled entities	**21.1**	7.9	**21.1**	7.9
GST receivable	**-**	2.5	**-**	2.5
Other receivables and prepayments	**18.0**	6.4	**5.0**	3.6
Total current trade and other receivables	**368.6**	302.7	**196.0**	172.6
NON-CURRENT				
Other receivables and prepayments	**0.4**	0.6	**0.4**	0.6
Loans to jointly controlled entities	**68.5**	67.5	**68.5**	67.5
Receivable from controlled entities – tax related	**-**	-	**13.8**	12.2
Total non-current trade and other receivables	**68.9**	68.1	**82.7**	80.3

The 2008 comparatives for current trade and other receivables have been re-classified to include GST receivable. This re-classification resulted in an increase of $2.5m in the 2008 current trade and other receivables set out in this note. A corresponding decrease has been made to the comparative figure for other assets in Note 10.

	Consolidated		The Company	
(A) NON-CANCELLABLE OPERATING LEASE RECEIVABLE COMMITMENTS				
Commitments in relation to leases contracted for at the end of the financial year but not recognised as receivables:				
not later than one year	**0.9**	0.7	**0.9**	0.7
later than one year and not later than five years	**0.2**	0.7	**0.2**	0.7
later than five years	**-**	-	**-**	-
	1.1	1.4	**1.1**	1.4

For non-cancellable sub-leases, total future minimum lease payments of $0.8m are expected to be received and are included above.

(B) IMPAIRED TRADE RECEIVABLES

An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sales determined by reference to past default experience and other relevant evidence such as significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and payment default or delinquency.

NOTE 7:
Trade and other receivables

	Gross	Impairment	Gross	Impairment
	2009	**2009**	2008	2008
	$M	**$M**	$M	$M
CONSOLIDATED – AGEING OF IMPAIRED RECEIVABLES				
Less than one month overdue	**24.3**	**1.5**	11.2	0.1
One to two months overdue	**3.8**	**1.2**	7.2	0.4
Two to three months overdue	**2.1**	**1.2**	1.2	0.2
Over three months overdue	**6.0**	**5.7**	4.4	3.5
	36.2	**9.6**	24.0	4.2
COMPANY – AGEING OF IMPAIRED RECEIVABLES				
Less than one month overdue	**5.4**	**0.1**	5.0	0.1
One to two months overdue	**0.9**	**-**	5.6	0.2
Two to three months overdue	**0.5**	**0.1**	0.5	0.1
Over three months overdue	**1.7**	**1.6**	2.1	1.8
	8.5	**1.8**	13.2	2.2

NOTE 7:
Trade and other receivables

Movements in the provision for impairment of receivables are as follows:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Carrying amount at the beginning of the financial year	**4.2**	2.1	**2.2**	0.4
Provision for impairment recognised during the financial year	**11.6**	5.1	**2.5**	2.5
Receivables written off during the financial year as uncollectible	**(3.6)**	(2.3)	**(0.4)**	(0.5)
Unused provision reversed	**(2.6)**	(0.7)	**(2.5)**	(0.2)
Carrying amount at the end of the financial year	**9.6**	4.2	**1.8**	2.2

The recognition and reversal of the provision for impaired receivables is included in Depreciation, amortisation and impairments in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

(C) PAST DUE BUT NOT IMPAIRED

As at 30 June 2009, trade receivables of $0.4 million (2008 – $9.5 million) of the Economic Entity and trade receivables of $0.4 million (2008 – $nil) of the Company were past due but not impaired. These debtors have not been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of these receivables is as follows:

Less than one month overdue	**0.3**	9.5	**0.3**	-
One to two months overdue	**0.1**	-	**0.1**	-
Two to three months overdue	**-**	-	**-**	-
Over three months overdue	**-**	-	**-**	-
	0.4	9.5	**0.4**	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Economic Entity's and the Company's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 22.

(E) FAIR VALUE AND CREDIT RISK

Components of the community service obligation receivable have been discounted to reflect the time value of money. Due to the short-term nature of the remaining current receivables, their carrying amount approximates their fair value. The fair value of non-current receivables is considered in Note 22. Refer to Note 22 for more information on the risk management policy of the Economic Entity and the credit quality of the Company's trade receivables.

NOTE 8:
Inventories

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Maintenance and construction stock, at net realisable value	**103.5**	100.0	**103.5**	100.0
Total current inventories	**103.5**	100.0	**103.5**	100.0
NON-CURRENT				
Inventories	**1.4**	-	**1.4**	-
Total non-current inventories	**1.4**	-	**1.4**	-

Inventories recognised as an expense during the financial year amounted to $55.9 million (2008: $60.6 million) for the Economic Entity and the Company.

Write-downs of inventories to net realisable value recognised as an expense during the financial year amounted to $1.4 million (2008: $1.3 million). The expense has been included in materials and services in the Income Statement.

NOTE 9:
Financial assets

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
At fair value through profit and loss				
Market trading assets	**-**	2.6	**-**	-
Long-term energy procurement	**149.0**	53.9	**-**	-
Power purchase agreement receivable	**7.5**	19.9	**-**	-
Total current financial assets	**156.5**	76.4	**-**	-
NON-CURRENT				
Investments in controlled entities – at recoverable amount	**-**	-	**2.5**	12.0
Impairment provision	**-**	-	**-**	(9.5)
Total non-current financial assets	**-**	-	**2.5**	2.5

The 2008 comparative figure for power purchase agreement receivable has been restated and has been reduced by $79.8 million. As permitted under AASB 132 the power purchase agreement payable has been offset against the receivable. The 2008 comparative figure for power purchase agreement payable was included in Note 18 and has been reduced by the same amount.

The carrying values of investments in controlled entities have been assessed by the directors as at 30 June 2009, to ensure that the values are not in excess of their expected recoverable amount.

Changes in net fair values of financial instruments at fair value through profit and loss are recorded in other income or other expense in the Income Statements.

During the current financial year, EA North Queensland Pty Ltd, Northern Electric Retail Corporation Pty Ltd, Ergon Energy Victoria Pty Ltd and Ergon Energy Gas Pty Ltd were all voluntarily de-registered with the Australian Securities and Investments Commission. Consequently, the cost of the investments in these entities and any related impairment provisions have been written out of the financial statements.

(A) RISK EXPOSURE

Information about the Economic Entity's and the Company's exposure to credit risk, foreign exchange and price risk is provided in Note 22.

(B) IMPAIRED INVESTMENTS IN CONTROLLED ENTITIES

Impairment in investment in EA North Queensland Pty Ltd	**-**	-	**-**	4.4
Impairment in investment in Ergon Energy Gas Pty Ltd	**-**	-	**-**	5.1
Total impairment provision	**-**	-	**-**	9.5

The impairment provisions recognised by the Company against the investments in EA North Queensland Pty Ltd and Ergon Energy Gas Pty Ltd reflect the difference between the net assets held by those entities at the balance sheet date and the cost of the initial investments. EA North Queensland Pty Ltd and Ergon Energy Gas Pty Ltd were de-registered during the year.

(C) RECONCILIATION OF IMPAIRMENT PROVISION

Carrying amount at the beginning of the financial year	**-**	-	**9.5**	9.5
Provisions reversed during the financial year	**-**	-	**(0.6)**	-
Provisions used during the financial year	**-**	-	**(8.9)**	-
Carrying amount at the end of the financial year	**-**	-	**-**	-

NOTE 10:
Other assets

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Energy certificates	**17.8**	22.0	**-**	-
Total current other assets	**17.8**	22.0	**-**	-

The 2008 comparatives for current other assets have been re-classified to exclude GST receivable. This re-classification resulted in a decrease of $2.5m in the 2008 current other assets set out in this note. A corresponding increase has been made to the comparative figure for trade and other receivables in Note 7.

NOTE 11:
Property, plant and equipment

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
SUPPLY SYSTEM				
At directors' valuation	**10,146.5**	9,324.0	**10,146.5**	9,324.0
Less accumulated depreciation	**(4,668.8)**	(4,538.3)	**(4,668.8)**	(4,538.3)
	5,477.7	4,785.7	**5,477.7**	4,785.7
POWER STATIONS				
At directors' valuation	**287.2**	227.5	**278.0**	218.2
Less accumulated depreciation	**(110.4)**	(100.4)	**(101.2)**	(91.1)
	176.8	127.1	**176.8**	127.1
LAND				
At directors' valuation	**109.0**	100.7	**109.0**	100.7
	109.0	100.7	**109.0**	100.7
BUILDINGS				
At directors' valuation	**178.6**	173.2	**178.6**	173.2
Less accumulated depreciation	**(97.2)**	(94.1)	**(97.2)**	(94.1)
	81.4	79.1	**81.4**	79.1
OTHER PLANT AND EQUIPMENT				
At directors' valuation	**432.8**	480.4	**432.0**	477.1
Less accumulated depreciation	**(181.3)**	(234.0)	**(180.6)**	(231.0)
	251.5	246.4	**251.4**	246.1
WORK IN PROGRESS				
At cost	**804.2**	885.7	**802.9**	885.5
Total property, plant and equipment	**6,900.6**	6,224.7	**6,899.2**	6,224.2
If property, plant and equipment were stated on a historical cost basis, the carrying amount would have been:				
Supply system	**3,799.2**	3,164.8	**3,799.2**	3,164.8
Power stations	**149.7**	105.6	**149.7**	105.6
Land	**82.9**	76.8	**82.9**	76.8
Buildings	**65.7**	63.1	**65.7**	63.1
Other plant and equipment	**209.5**	194.7	**209.5**	194.4

NOTE 11:
Property, plant and equipment

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
RECONCILIATIONS				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
SUPPLY SYSTEMS				
Gross carrying amount at the beginning of the financial year	**9,324.0**	8,657.3	**9,324.0**	8,657.3
Accumulated depreciation and impairment at the beginning of the financial year	**(4,538.3)**	(4,287.2)	**(4,538.3)**	(4,287.2)
Carrying amount at the beginning of the financial year	**4,785.7**	4,370.1	**4,785.7**	4,370.1
Transfer of assets between categories	**-**	(0.2)	**-**	(0.2)
Additions	**784.1**	436.3	**784.1**	436.3
Revaluation increments less decrements	**96.6**	138.1	**96.6**	138.1
Depreciation expense	**(188.7)**	(158.6)	**(188.7)**	(158.6)
Carrying amount at the end of the financial year	**5,477.7**	4,785.7	**5,477.7**	4,785.7
POWER STATIONS				
Gross carrying amount at the beginning of the financial year	**227.5**	206.4	**218.2**	206.4
Accumulated depreciation and impairment at the beginning of the financial year	**(100.4)**	(72.3)	**(91.1)**	(72.3)
Carrying amount at the beginning of the financial year	**127.1**	134.1	**127.1**	134.1
Transfer of assets between categories	**1.4**	1.1	**1.4**	1.1
Transfer of assets from Queensland Power Trading Corporation	**-**	6.3	**-**	-
Additions	**57.2**	4.2	**57.2**	4.3
Revaluation increments less decrements	**6.3**	(1.2)	**6.3**	(1.2)
Depreciation expense	**(15.2)**	(17.4)	**(15.2)**	(11.2)
Carrying amount at the end of the financial year	**176.8**	127.1	**176.8**	127.1
LAND				
Carrying amount at the beginning of the financial year	**100.7**	73.0	**100.7**	73.0
Transfer of assets between categories	**(0.1)**	(0.5)	**(0.1)**	(0.5)
Additions	**7.2**	24.6	**7.2**	24.6
Disposals	**(1.1)**	-	**(1.1)**	-
Revaluation increments less decrements	**2.3**	3.6	**2.3**	3.6
Carrying amount at the end of the financial year	**109.0**	100.7	**109.0**	100.7

NOTE 11:
Property, plant and equipment

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
BUILDINGS				
Gross carrying amount at the beginning of the financial year	**173.2**	158.4	**173.2**	158.4
Accumulated depreciation and impairment at the beginning of the financial year	**(94.1)**	(85.6)	**(94.1)**	(85.6)
Carrying amount at the beginning of the financial year	**79.1**	72.8	**79.1**	72.8
Transfer of assets between categories	**(1.2)**	(0.4)	**(1.2)**	(0.4)
Additions	**10.2**	10.5	**10.2**	10.5
Disposals	**(0.9)**	-	**(0.9)**	-
Revaluation increments less decrements	**1.8**	3.5	**1.8**	3.5
Depreciation expense	**(7.6)**	(7.3)	**(7.6)**	(7.3)
Carrying amount at the end of the financial year	**81.4**	79.1	**81.4**	79.1
OTHER PLANT AND EQUIPMENT				
Gross carrying amount at the beginning of the financial year	**480.4**	415.7	**477.1**	412.5
Accumulated depreciation and impairment at the beginning of the financial year	**(234.0)**	(206.2)	**(231.0)**	(203.6)
Carrying amount at the beginning of the financial year	**246.4**	209.5	**246.1**	208.9
Transfer of assets between categories	**(0.2)**	-	**(0.2)**	-
Additions	**57.2**	79.7	**57.1**	79.5
Disposals	**(6.9)**	(1.9)	**(6.9)**	(1.9)
Revaluation increments less decrements	**4.2**	6.6	**4.2**	6.6
Depreciation expense	**(49.2)**	(47.5)	**(48.9)**	(47.0)
Carrying amount at the end of the financial year	**251.5**	246.4	**251.4**	246.1
WORK IN PROGRESS				
Carrying amount at the beginning of the financial year	**885.7**	601.1	**885.5**	601.0
Transfer to property, plant and equipment and intangible assets	**(847.6)**	(536.1)	**(847.3)**	(536.1)
Additions	**766.1**	820.7	**764.7**	820.6
Carrying amount at the end of the financial year	**804.2**	885.7	**802.9**	885.5
Total property, plant and equipment	**6,900.6**	6,224.7	**6,899.2**	6,224.2

NOTE 11:
Property, plant and equipment

SUPPLY SYSTEM VALUATION

Ergon Energy's supply system assets are carried at fair value. An income based valuation was undertaken by Ergon Energy as at 30 June 2009 using the following key assumptions:

- Ergon Energy'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:
  - Ergon Energy's Corporate Plan for the remainder of the regulatory control period covered by the Queensland Competition Authority's (QCA) 2005 Final Determination on Electricity Distribution to 30 June 2010;
  - Ergon Energy's proposal to the AER for the regulatory control period 1 July 2010 to 30 June 2015;
  - The methodology outlined in the National Electricity Rules; and
  - The AER's Statement of Regulatory Intent on the Revised WACC Parameters (Distribution) for the regulatory control period July 2010 to June 2015.
- Revenue cash flows for the 2010-2015 regulatory control period assume a rate of return of 9.71%. It has also been assumed that the AER will assess regulatory value consistent with the closing regulatory value and roll forward methodology adopted for the QCA's 2005 Final Determination throughout the life of the supply system assets. It is expected that the AER will publish a final decision on Ergon Energy's Regulatory determination in April 2010. The risk that a variation could arise between the assumed rate of return and the actual return set in the AER Regulatory Determination in April 2010, is mitigated by an offsetting shift in the applicable discount rate used to determine fair value.
- Post tax cash flows have been projected over a six year term consistent with the AER's approach. Under this approach, 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 9.71%.
- Future capital expenditure and related revenues have been excluded from the cash flows. The Economic Entity assumed that the regulatory allowance for the maintenance component of operating expenditure is sufficient to maintain and operate the supply system assets until the end of their useful lives.
- The residual values of the Economic Entity's supply system assets at 30 June 2015 have been determined using the best information available to estimate future cash flows. The Economic Entity assumed that the regulator will reflect any material changes in market conditions in its determination of revenue for future regulatory periods.

This valuation confirmed that the carrying amount of the Economic Entity's supply system assets is not materially different from the fair value at 30 June 2009.

In prior years, the supply system valuation was based on an independent valuation undertaken by Sinclair Knight Merz via a physical valuation as at 31 December 2003. The valuation methodology was based upon depreciated optimised replacement cost, rolled forward in each successive period based on capital expenditure, depreciation and inflation.

NOTE 12:
Intangible assets

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Computer software – at cost	**33.1**	55.6	**27.3**	49.4
Less: accumulated amortisation and impairment	**(24.0)**	(46.0)	**(20.2)**	(42.6)
Net carrying value	**9.1**	9.6	**7.1**	6.8
Other intangible assets – at cost	**0.8**	0.8	**-**	-
Less: accumulated amortisation and impairment	**(0.4)**	(0.3)	**-**	-
Net carrying value	**0.4**	0.5	**-**	-
Total intangible assets	**9.5**	10.1	**7.1**	6.8
RECONCILIATIONS				
Computer software				
Cost at the beginning of the financial year	**55.6**	116.7	**49.4**	110.6
Accumulated amortisation and impairment at the beginning of the financial year	**(46.0)**	(45.4)	**(42.6)**	(43.1)
Carrying amount at the beginning of the financial year	**9.6**	71.3	**6.8**	67.5
Transfer of assets between categories	**0.1**	-	**0.1**	-
Additions – acquisitions	**7.0**	0.3	**6.8**	0.3
Additions – internally developed	**0.4**	2.6	**0.4**	2.6
Disposals	**-**	(51.8)	**-**	(51.8)
Amortisation expense	**(8.0)**	(12.8)	**(7.0)**	(11.8)
Carrying amount at the end of the financial year	**9.1**	9.6	**7.1**	6.8
OTHER INTANGIBLE ASSETS				
Cost at the beginning of the financial year	**0.8**	0.8	**-**	-
Accumulated amortisation and impairment at the beginning of the financial year	**(0.3)**	(0.2)	**-**	-
Carrying amount at the beginning of the financial year	**0.5**	0.6	**-**	-
Amortisation expense	**(0.1)**	(0.1)	**-**	-
Carrying amount at the end of the financial year	**0.4**	0.5	**-**	-
Total intangible assets	**9.5**	10.1	**7.1**	6.8

NOTE 13:
Deferred tax equivalent assets and liabilities

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(A) DEFERRED TAX EQUIVALENT ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in Income Statement:				
Provisions	**68.6**	59.0	**62.2**	52.8
Tax losses	**307.6**	256.7	**302.3**	259.4
Derivatives	**45.0**	45.3	**-**	-
Accrued expenses	**1.7**	1.5	**1.7**	1.5
Unearned revenue	**3.4**	0.8	**3.4**	0.8
Other	**1.2**	0.8	**1.9**	0.8
Defined benefit	**3.2**	-	**3.2**	-
	430.7	364.1	**374.7**	315.3
Tax losses utilised by wholly owned entities	**-**	-	**(1.9)**	(10.0)
Tax losses originating from wholly owned entities	**-**	-	**7.0**	7.3
	430.7	364.1	**379.8**	312.6
Amounts recognised directly in equity:				
Recognition of defined benefit deficit	**17.3**	-	**17.3**	-
Net deferred tax equivalent asset	**448.0**	364.1	**397.1**	312.6
(B) DEFERRED TAX EQUIVALENT LIABILITIES				
The balance comprises temporary differences attributable to:				
Amounts recognised in Income Statement:				
Property, plant and equipment	**817.1**	709.0	**818.5**	710.3
Derivatives	**85.0**	82.6	**-**	-
Accrued income	**0.9**	1.0	**0.9**	1.0
Other	**11.4**	(0.1)	**11.1**	(0.4)
	914.4	792.5	**830.5**	710.9
Amounts recognised directly in equity:				
Revaluation of property, plant and equipment	**398.0**	364.7	**398.0**	364.7
Recognition of defined benefit surplus	**-**	9.7	**-**	9.7
	398.0	374.4	**398.0**	374.4
Net deferred tax equivalent liabilities	**1,312.4**	1,166.9	**1,228.5**	1,085.3
(C) TOTAL NET DEFERRED TAX EQUIVALENT ASSET/LIABILITY				
Net deferred tax equivalent assets	**448.0**	364.1	**397.1**	312.6
Net deferred tax equivalent liabilities	**(1,312.4)**	(1,166.9)	**(1,228.5)**	(1,085.3)
Total net deferred tax equivalent liability	**(864.4)**	(802.8)	**(831.4)**	(772.7)

NOTE 14:
Trade and other payables

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Trade payables	**94.8**	91.3	**67.6**	57.6
Accrued interest and charges	**55.3**	44.3	**55.3**	44.3
Dividends payable	**116.6**	110.8	**116.6**	110.8
Electricity hedges payable	**25.7**	25.8	**-**	-
Unearned income	**12.6**	8.2	**12.0**	7.6
Other payables and accruals	**48.0**	45.9	**41.2**	39.8
Amounts payable to controlled entities	**-**	-	**3.7**	-
Total current payables	**353.0**	326.3	**296.4**	260.1
NON-CURRENT				
Other payables	**0.8**	0.5	**0.7**	0.5
Payable to controlled entities – tax related	**-**	-	**0.3**	0.3
Total non-current payables	**0.8**	0.5	**1.0**	0.8

Foreign exchange and interest rate risk

Information about the Economic Entity's and the Company's exposure to foreign currency risk and interest rate risk is provided in Note 22.

NOTE 15:
Interest bearing liabilities

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Unsecured liabilities				
Loans payable to controlled entities	**-**	-	**-**	14.6
Customer and other repayable deposits	**15.2**	20.7	**0.1**	0.2
Secured liabilities				
Finance lease liabilities	**1.8**	-	**1.8**	-
Total current interest bearing liabilities	**17.0**	20.7	**1.9**	14.8
NON-CURRENT				
Unsecured liabilities				
Queensland Treasury Corporation loans	**3,687.7**	2,995.7	**3,687.7**	2,995.7
Customer and other repayable deposits	**0.3**	0.3	**0.3**	0.3
Secured liabilities				
Finance lease liabilities	**1.9**	-	**1.9**	-
Total non-current interest bearing liabilities	**3,689.9**	2,996.0	**3,689.9**	2,996.0

The 2008 comparatives for customer security deposits have been restated. $20.4 million has been re-classified as current liabilities for certain customer security deposits where interest is paid on the deposits and credited to the customers account annually.

The 2008 comparatives for current and non-current interest bearing liabilities have been restated to exclude lease incentives. This re-classification resulted in a decrease of $0.5m and $1.9m respectively in the 2008 current and non-current interest bearing liabilities set out in this note. A corresponding increase has been made to the comparative figure for other liabilities in Note 19.

(a) Queensland Treasury Corporation loans
The market value of Queensland Treasury Corporation loans at 30 June 2009 was $3,807.1 million (2008: $2,974.0 million). The market value of the Queensland Treasury Corporation loan is the price that the bonds could be bought for at balance date as advised by Queensland Treasury Corporation.

(b) Customer and other repayable deposits
Customer and other repayable deposits include security deposits received by the Economic Entity in relation to electricity supply to certain customers. Interest is paid on the deposits and credited to the customers account annually.

(c) Finance lease liabilities
Finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The finance lease liability relates to FACOM / CMS and associated systems with a lease term of 3 years. The Company has the right to purchase directly or transfer to Sparq Solutions Pty Ltd the assets for the original value of $5,250 thousand less accumulated depreciation to the time of transfer or sale, or if at the end of the lease term, for zero value.

NOTE 15:
Interest bearing liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Not later than 1 year	**1.9**	-	**1.8**	-
Later than 1 year and not later than 5 years	**2.0**	-	**1.9**	-
Later than 5 years	**-**	-	**-**	-
Minimum future lease payments	**3.9**	-	**3.7**	-
Less future finance charges	**(0.2)**	-	**-**	-
Recognised as a liability	**3.7**	-	**3.7**	-

Where there is no difference between the Economic Entity's and the Company's finance lease disclosures, they have been presented in a combined table.

(d) Financing arrangements

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
The Economic Entity has access to the following lines of credit:				
Working capital facility				
Facility not utilised at the end of the financial year	**300.0**	250.0	**150.0**	150.0
Total facility available	**300.0**	250.0	**150.0**	150.0

The Economic Entity's working capital facility was in surplus $9.4 million and for the Company in surplus $2.4 million at the end of the financial year.

(e) Interest rate and liquidity risk
Information about the Economic Entity's and the Company's exposure to interest rate risk and liquidity risk is provided in Note 22.

NOTE 16:
Employee benefits

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
NON-CURRENT ASSETS				
Retirement benefit asset	**-**	18.4	**-**	18.4
Total non-current employee benefits asset	**-**	18.4	**-**	18.4
CURRENT LIABILITIES				
Employee benefits	**132.4**	120.3	**132.4**	120.3
Total current employee benefits liability	**132.4**	120.3	**132.4**	120.3
NON-CURRENT LIABILITIES				
Retirement benefit liability	**68.8**	-	**68.8**	-
Employment benefits	**10.1**	7.0	**10.1**	7.0
Total non-current employee benefits liability	**78.9**	7.0	**78.9**	7.0

The current provision for employee benefits for both the Economic Entity and the Company includes $85.3 million of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2008: $73.7 million).

The 2008 comparatives for employee benefits have been amended with $73.7 million of the non-current liability reclassified as a current liability.

Employees receiving performance payments

Financial Year	Aggregate at-risk performance remuneration	Total Fixed Salaries and Wages Payments	Employees Receiving Performance Payments	Employees at the end of the financial year
	$M	$M	Number	Number
2009	**3.3**	**31.9**	**223**	**4,581**
2008	3.4	27.9	213	4,399

Where there is no difference between the Economic Entity's and the Company's employee benefits disclosures, they have been presented in a combined table.

Performance Payments
Permanent non-executive employees in targeted positions may be offered a contract which enables eligibility in the at-risk performance scheme. The grant date for each employee is based on the employment contract.

To be eligible for payment, employees must have a formal performance review every six months within the performance period, based on agreed performance and behaviour targets. The at-risk performance scheme is designed to focus employees on the achievement of business performance targets.

(a) Defined benefit obligation
Entities within the Economic Entity contribute to an industry multiple employer superannuation fund, the Electricity Supply Industry 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 provides defined lump sum benefits based upon years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

The Economic Entity expects to contribute $32.3 million to its defined benefits plan in 2010.

NOTE 16:
Employee benefits

The amounts included in the balance sheet arising from the Company's obligations in respect of its defined benefits plan are as follows:

	Consolidated and the Company				
	2009	2008	2007	2006	2005
	$M	$M	$M	$M	$M
Present value of funded defined benefit obligations	**(497.3)**	(441.3)	(411.5)	(405.5)	(419.2)
Fair value of plan assets	**428.5**	459.7	526.6	477.9	409.4
Net asset/(liability) arising from defined benefit obligations	**(68.8)**	18.4	115.1	72.4	(9.8)
Experience adjustments on plan liabilities	**2.8**	(18.2)	(4.8)	2.0	(15.1)
Experience adjustments on plan assets	**(59.5)**	(81.1)	23.5	41.5	23.2

	Consolidated and the Company	
	2009	2008
	$M	$M
Movements in the present value of the defined benefit obligations are as follows:		
Opening defined benefit obligation	**441.3**	411.5
Current service cost	**19.7**	19.5
Interest cost	**22.9**	21.8
Member contributions	**6.1**	6.0
Actuarial losses/(gains)	**31.4**	13.6
Benefit payments, expenses and tax	**(24.1)**	(31.1)
Closing defined benefit obligation	**497.3**	441.3
Movements in the present value of plan assets are as follows:		
Opening fair value of plan assets	**459.7**	526.6
Expected return on asset	**28.9**	33.4
Actuarial gains/(losses)	**(59.5)**	(81.1)
Contributions by employer	**15.4**	5.9
Contributions by members	**6.1**	6.0
Benefit payments, expenses and tax	**(24.1)**	(31.1)
Other cash flow	**2.0**	-
Closing fair value of plan assets	**428.5**	459.7

NOTE 16:
Employee benefits

	Consolidated and the Company	
	2009	2008
The major categories of plan assets as a percentage of total plan assets are as follows:		
Cash	**7%**	7%
Fixed interest	**16%**	20%
Australian shares	**21%**	23%
Alternatives	**20%**	9%
International equities	**21%**	29%
Unlisted property	**15%**	12%
Total	**100%**	100%

	Consolidated and the Company	
	2009	2008
	$M	$M
Employee expenses recognised in the Income Statement are as follows:		
Current service costs	**19.7**	19.5
Interest on obligation	**22.9**	21.8
Expected return on plan assets	**(28.9)**	(33.3)
Other	**(2.0)**	-
Total expenses recognised in the Income Statement as employee expenses	**11.7**	8.0
Actual return on plan assets	**30.5**	47.7

	Consolidated and the Company	
	2009	2008
The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are:		
Discount rate at the end of the financial year	**4.7%**	5.4%
Expected return on plan assets at the end of the financial year	**6.0%**	6.5%
Future salary increases	**4.5%**	4.5%

The overall expected long-term rate of return on assets is 6.0% per annum. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

NOTE 16:
Employee benefits

(b) Deficit of defined benefit superannuation fund

Deficit

The following is a summary of the most recent financial position of the Electricity Supply Industry Superannuation Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	Last reporting date	$M
Accrued benefits	30/06/2008	643.5
Net market value of plan assets	30/06/2008	643.1
Net surplus / (deficit)	30/06/2008	(0.4)

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals. The last such assessment was made as at 30 June 2008. For the financial year ended 30 June 2009, the Company paid 5% of defined benefit members' salaries, plus an amount of $8.9 million. The Company contribution rate for defined benefit members will increase to 29.0% effective 1 July 2009.

Contribution recommendation assumptions

Contribution recommendations are based on a funding method. Under this method, future contributions are determined so that their present value is expected to be sufficient to fund the difference between:

- The value of all future benefits for existing defined benefit members; and
- The value of fund assets attributable to defined benefit members.

	Consolidated and the Company	
	2009	2008
The principal economic assumptions used in making these recommendations include:		
Expected return on plan assets in year 1	**(13.0%)**	14.0 %
Expected return on plan assets	**7.0%**	7.0 %
Future salary increases	**5.0%**	5.0 %

Nature of asset/liability

The Electricity Supply Industry Superannuation Fund (the Fund) does not impose a legal liability on the Company to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Company 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, any remaining assets are to be distributed to participating employers.

(c) Defined contribution plans

The Economic Entity makes contributions to defined contribution schemes in various superannuation funds.
The amount recognised as expense was $20.2 million for the year ended 30 June 2009 (2008: $16.3 million).

NOTE 17:
Provisions

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
System usage charge over recovery	**11.3**	18.1	**11.3**	18.1
Competitive neutrality	**4.5**	3.6	**4.5**	3.6
Employee benefit on-cost provisions	**5.5**	5.1	**5.5**	5.1
Rehabilitation	**3.3**	-	**3.3**	-
Other	**6.7**	2.6	**6.0**	1.6
Total current provisions	**31.3**	29.4	**30.6**	28.4
NON-CURRENT				
Systems usage charge over recovery	**44.4**	8.3	**44.4**	8.3
Rehabilitation	**2.1**	2.1	**-**	-
Employee benefit on-cost provisions	**0.4**	0.2	**0.4**	0.2
Total non current provisions	**46.9**	10.6	**44.8**	8.5

The current balance for other provisions for both the Economic Entity and the Company includes $4.2 million of provisions for workers compensation and payroll tax on employee benefits that are not expected to be taken within 12 months (2008: $3.8 million).

The 2008 comparatives for other provisions have been amended with $3.8 million of the non-current balance reclassified as a current liability.

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of provision, except for employee entitlements, are set out below:

	Consolidated 2009	Consolidated 2008	The Company 2009	The Company 2008
System usage charge over recovery				
Carrying amount at the beginning of the financial year	**26.4**	28.8	**26.4**	28.8
Provision made during the financial year	**27.9**	-	**27.9**	-
Provisions used during the financial year	**-**	(2.4)	**-**	(2.4)
Net Transfer	**1.4**	-	**1.4**	-
Carrying amount at the end of the financial year	**55.7**	26.4	**55.7**	26.4
Rehabilitation				
Carrying amount at the beginning of the financial year	**2.1**	-	**-**	-
Provision made during the financial year	**3.3**	-	**3.3**	-
Transfer from Queensland Power Trading Corporation	**-**	2.1	**-**	-
Carrying amount at the end of the financial year	**5.4**	2.1	**3.3**	-
Competitive neutrality				
Carrying amount at the beginning of the financial year	**3.6**	3.2	**3.6**	3.2
Provision made during the financial year	**17.2**	13.6	**17.2**	13.6
Provisions used during the financial year	**(16.3)**	(13.2)	**(16.3)**	(13.2)
Carrying amount at the end of the financial year	**4.5**	3.6	**4.5**	3.6

NOTE 17:
Provisions

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Employee benefit on-cost provisions				
Carrying amount at the beginning of the financial year	**5.3**	5.5	**5.3**	5.5
Provision made during the financial year	**0.6**	-	**0.6**	-
Provisions used during the financial year	**-**	(0.2)	**-**	(0.2)
Carrying amount at the end of the financial year	**5.9**	5.3	**5.9**	5.3
Other				
Carrying amount at the beginning of the financial year	**2.6**	4.1	**1.6**	3.2
Provision made during the financial year	**6.8**	2.4	**5.8**	1.2
Provisions used during the financial year	**(1.3)**	(3.8)	**-**	(2.7)
Provisions reversed during the financial year	**-**	(0.1)	**-**	(0.1)
Net transfer	**(1.4)**	-	**(1.4)**	-
Carrying amount at the end of the financial year	**6.7**	2.6	**6.0**	1.6

(a) System usage charge over recovery
The system usage charge over recovery provision is used to record the decrease in revenue that the Economic Entity will be able to earn in the future financial years as a result of over-recovering DUOS and capital contribution revenue in the current and prior financial years, as determined by the QCA.

(b) Competitive neutrality
The competitive neutrality provision is used to record the liability owed to Queensland Treasury under the requirements of the Code of Practice for Government Owned Corporations' Financial Arrangements. The calculation of the provision is derived from the Economic Entity's borrowings and is intended to remove any unfair advantage obtained from borrowing at a lower interest rate than the private sector.

(c) Employee benefit on-cost provisions
The employee benefit on-cost provisions consist primarily of provisions for workers compensation and payroll tax on employee benefits.

(d) Rehabilitation
The current rehabilitation provision relates to the costs set aside to rehabilitate the Central Dalby substation site and the rehabilitation costs of the Daintree to Cooktown power line.

The non-current rehabilitation provision relates to the costs set aside to rehabilitate the Barcaldine Power Station site and the Cheepie-Barcaldine Gas Pipeline.

NOTE 18:
Financial liabilities

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
At fair value through profit and loss				
Long-term energy procurement	**149.6**	70.7	**-**	-
Environmental certificate acquittal	**12.9**	17.6	**-**	-
Total current financial liabilities	**162.5**	88.3	**-**	-

The 2008 comparative figure for power purchase agreement receivable has been restated and has been reduced by $79.8 million. As permitted under AASB 132, the power purchase agreement payable has been offset against the receivable. The 2008 comparative figure for power purchase agreement receivable was included in Note 9 and has been reduced by the same amount.

Changes in fair values of financial liabilities at fair value are recorded in other income or other expenses in the Economic Entity's Income Statement.

(a) Risk exposure
Information about the Economic Entity's and the Company's exposure to credit risk, foreign exchange, liquidity risk and price risk is provided in Note 22.

NOTE 19:
Other liabilities

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CURRENT				
Unearned capital contributions	**63.5**	92.1	**63.5**	92.1
Unclaimed monies	**0.3**	0.3	**-**	-
Lease incentives	**0.5**	0.5	**0.5**	0.5
Other	**0.3**	0.2	**0.3**	0.2
Total current other liabilities	**64.6**	93.1	**64.3**	92.8
NON-CURRENT				
Lease incentives	**1.3**	1.9	**1.3**	1.9
Total non-current other liabilities	**1.3**	1.9	**1.3**	1.9

The 2008 comparatives for current and non-current other liabilities have been restated to include lease incentives. This re-classification resulted in an increase of $0.5m and $1.9m respectively in the 2008 current and non-current other liabilities set out in this note. A corresponding decrease has been made to the comparative figure for interest bearing liabilities in Note 15.

Unearned capital contributions
Unearned capital contributions comprises funds received from developers for the Economic Entity to construct distribution substation transformers, high voltage cables and switchgear and other assets required to supply electricity to new urban residential developments. As the constructed assets are completed, unearned capital contributions are recognised as revenue.

NOTE 20:
Share capital

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
SHARE CAPITAL				
Fully paid ordinary A class shares	**-**	-	**-**	-
Fully paid ordinary B class shares	**942.4**	942.4	**942.4**	942.4
Total share capital	**942.4**	942.4	**942.4**	942.4

	Consolidated and the Company			
	2009	2008	**2009**	2008
	Shares	Shares	**$M**	$M
MOVEMENT IN SHARE CAPITAL				
Ordinary A class shares				
Carrying amount at the beginning of the financial year	**26**	26	**-**	-
Carrying amount at the end of the financial year	**26**	26	**-**	-
Ordinary B class shares				
Carrying amount at the beginning of the financial year	**1,172,151,523**	1,172,151,523	**942.4**	942.4
Carrying amount at the end of the financial year	**1,172,151,523**	1,172,151,523	**942.4**	942.4

Fully paid ordinary A class shares carry one vote per share and carry the rights to dividends. The shares have no par value.
Fully paid ordinary B class shares do not carry the right to vote but carry rights to dividends. The shares have no par value.

NOTE 21:
Other owners' contributions, reserves and retained profits

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(A) OTHER OWNERS' CONTRIBUTIONS				
Other owners' contributions	**(10.6)**	(10.6)	**(1.1)**	(1.1)
Movements:				
Other owners' contributions				
Carrying amount at the beginning of the financial year	**(10.6)**	(13.0)	**(1.1)**	(3.5)
Contribution by/(to) owners:				
Queensland Power Trading Corporation restructure	**-**	2.4	**-**	2.4
Carrying amount at the end of the financial year	**(10.6)**	(10.6)	**(1.1)**	(1.1)

The Queensland Government enacted legislation during the previous financial year to affect the transfer of the Barcaldine Power Station and associated assets and liabilities from Queensland Power Trading Corporation to the Economic Entity. Consideration was in the form of a deemed equity contribution from the Company's shareholders equal to the net value of the assets and liabilities transferred ($2.4m). No cash consideration was paid.

(B) RESERVES				
Asset revaluation reserve	**1,216.0**	1,138.2	**1,216.0**	1,138.2
Total reserves	**1,216.0**	1,138.2	**1,216.0**	1,138.2
Movements:				
Asset revaluation reserve				
Carrying amount at the beginning of the financial year	**1,138.2**	1,032.8	**1,138.2**	1,032.8
Revaluation of property, plant and equipment, net of tax	**77.8**	105.4	**77.8**	105.4
Carrying amount at the end of the financial year	**1,216.0**	1,138.2	**1,216.0**	1,138.2
(C) RETAINED PROFITS				
Retained profits	**403.4**	453.8	**289.7**	320.5
Movements:				
Carrying amount at the beginning of the financial year	**453.8**	475.5	**320.5**	352.8
Actuarial gains/(losses) on defined benefit plans recognised directly in equity, net of tax	**(63.1)**	(66.2)	**(63.1)**	(65.9)
Net profit for the financial year	**129.3**	162.9	**148.9**	152.0
Dividends	**(116.6)**	(118.4)	**(116.6)**	(118.4)
Carrying amount at the end of the financial year	**403.4**	453.8	**289.7**	320.5

The 2008 dividends constituted dividends declared from both operating activities and the repatriation of proceeds from the sale of Powerdirect Australia Pty Ltd and its controlled entities and Powerdirect Utility Services Pty Ltd. Dividends from operating activities constituted $110.8 million and dividends for the repatriation of sale proceeds represented $7.6 million.

(D) NATURE AND PURPOSE OF RESERVES

Asset revaluation reserve
The asset revaluation reserve relates to property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards.

NOTE 22:
Financial instruments and financial risk management

The Company has policies and procedures in place to control the financial risks associated with its operating activities. Exposure to credit, interest rate, price, liquidity and currency risks arises in the normal course of the Economic Entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in electricity prices, foreign exchange rates and interest rates.

Financial risk management

(a) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

The Economic Entity manages its credit risks by having established and maintained an appropriate credit review process. Furthermore, the Economic Entity minimises concentration of credit risk by undertaking transactions with a large number of retail customers and limiting credit to any individual customer.

Where it is appropriate, collateral in the form of a cash deposit is obtained from customers as a means of mitigating the risk of financial loss from defaults. At the end of the financial year, the Economic Entity held collateral of $15.1 million (2008: $20.4 million). Note 24 provides details of guarantees held by the Economic Entity. At the end of the financial year, the Company did not hold any collateral.

The Economic Entity manages its credit settlement risk associated with electricity market trading by maintaining a Wholesale Trading Credit Assessment Policy. Credit settlement risk is controlled by maintaining approved counterparty credit limits. The values of Counterparty credit limits are determined by reference to each counterparty's credit rating, as determined by a recognised credit rating agency or, if the counterparty does not have a credit rating, by reference to the results of a detailed credit analysis. Where considered appropriate, the economic entity requires counterparties who have not been rated by a credit rating agency to provide appropriate letters of credit or bank guarantees. The relevant counterparties are principally large banks and other electricity corporations.

At 30 June 2009, there were no significant concentrations of credit risk other than those disclosed below. The maximum exposure for both the Economic Entity and the Company to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Balance Sheet.

Concentrations of credit risk that arise from derivative instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentrations of credit risk on electricity derivatives are indicated in the following table by percentage of the total balance receivable from counterparties in the specified categories:

	2009	2008
Counterparty classification		
Queensland Government-owned electricity entities	**61%**	51%
Entities with a Fitch Ratings credit rating AA-	**7%**	18%
Entities with a Fitch Ratings credit rating A-	**15%**	3%
Entities with a Fitch Ratings credit rating BBB	**3%**	9%
Entities with a Fitch Ratings credit rating BB-	**-**	1%
Other entities	**14%**	18%

The above credit risk exposure does not take into account the value of any collateral or security. Receivables due from major counterparties are monitored regularly.

(b) Interest rate risk

Floating interest rate borrowings expose the Economic Entity to interest rate cash flow risk while fixed interest borrowings expose the Economic Entity to fair value interest rate risk.

The Economic Entity's income and operating cash flows are substantially independent of changes in short-term market interest rates.

The Economic Entity borrows exclusively from the Queensland Treasury Corporation (QTC). Long-term borrowings from the QTC are structured to approximate a fixed rate loan over the term of the Economic Entity's regulatory period. The interest rate charged on long-term borrowings is derived from debt instruments issued by the QTC and a competitive neutrality fee designed to remove any unfair competitive advantage obtained from borrowing at a lower interest rate than the private sector. The QTC will refinance the debt instruments used to establish the interest rate charged on the Economic Entity's existing borrowings over the next financial year in line with the commencement of the next regulatory period. Movements in book interest rates on this facility will largely reflect the prevailing interest rates at the time of the refinancing. The book interest rate will also be affected by additional borrowings and the results of active management on the debt portfolio.

Other assets and liabilities exposing the Economic Entity to interest rate cash flow risk include cash and cash equivalents (floating rate interest exposure), repayable deposits (both fixed and floating interest rate exposure), receivables from jointly controlled entities (both fixed and floating interest rate exposure) and finance leases (fixed interest rate exposure).

NOTE 22:
Financial instruments and financial risk management

Sensitivity Analysis
At 30 June 2009, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Economic Entity's net profit and equity would increase or decrease by $12.8 million (2008: $1.9 million) and the Company's net profit and equity would increase or decrease by $12.6 million (2008: $1.0 million).

The Economic Entity's and the Company's borrowings from the QTC have been classified as loans with a fixed interest rate in the following table. As discussed above, an element of these borrowings is exposed to interest rate cash flow risk. This interest rate cash flow risk has been incorporated in the preceding sensitivity analysis.

The effective interest rates on the Economic Entity's financial assets and liabilities at the balance date are detailed below.

	Floating interest rate	Fixed interest rate	Weighted average interest rate
	$M	$M	%
CONSOLIDATED			
2009			
Financial assets			
Cash and cash equivalents	**367.4**	**-**	**3.42**
Receivables due from jointly controlled entities	**14.6**	**67.6**	**7.91**
Total financial assets	**382.0**	**67.6**	
Financial liabilities			
Repayable deposits	**15.1**	**0.3**	**2.77**
Finance leases	**-**	**3.6**	**6.24**
Loans	**-**	**3,743.0**	**6.30**
Total financial liabilities	**15.1**	**3,746.9**	
2008			
Financial assets			
Cash and cash equivalents	198.3	-	8.12
Receivables due from jointly controlled entities	12.5	63.2	8.67
Total financial assets	210.8	63.2	
Financial liabilities			
Repayable deposits	20.5	0.5	5.53
Loans	-	3,040.0	6.44
Total financial liabilities	20.5	3,040.5	

NOTE 22:
Financial instruments and financial risk management

	Floating interest rate	Fixed interest rate	Weighted average interest rate
	$M	$M	%
THE COMPANY			
2009			
Financial assets			
Cash and cash equivalents	**327.5**	**-**	**3.43**
Receivables due from jointly controlled entities	**14.6**	**67.6**	**7.91**
Total financial assets	**342.1**	**67.6**	
Financial liabilities			
Repayable deposits	**-**	**0.3**	**9.91**
Finance leases	**-**	**3.6**	**6.24**
Loans	**-**	**3,743.0**	**6.30**
Total financial liabilities	**-**	**3,746.9**	
2008			
Financial assets			
Cash and cash equivalents	98.4	-	8.01
Receivables due from jointly controlled entities	12.5	63.2	8.67
Total financial assets	110.9	63.2	
Financial liabilities			
Repayable deposits	-	0.5	9.55
Loans	-	3,040.0	6.44
Loans payable to controlled entities	14.6	-	8.00
Total financial liabilities	14.6	3,040.5	

The 2008 comparatives for the effective interest rates on the Economic Entity's and the Company's financial assets and financial liabilities have been restated to exclude lease incentives.

NOTE 22:
Financial instruments and financial risk management

(c) Price risk

Electricity

Electricity price risk is the risk of an adverse financial outcome resulting from a change in the price of electricity in the National Electricity Market. This can be a change in the electricity pool price or a change in the forward price of electricity. Exposures mainly arise from positions in wholesale contracts, franchise load or power purchase agreements. Wholesale contracts relating to franchise load are generally dealt over a period of less than three years. Power purchase agreements are measured up to the end of the contract.

The Economic Entity's Board has approved a Franchise Energy Risk Policy. The Franchise Energy Risk Policy prescribes the establishment of a trading strategy which must establish clear target hedge levels of forecast electricity requirements. The development of the trading strategy is influenced by consideration of a number of operational, technical and market parameters. The trading strategy is reviewed regularly and must be approved by the Chief Executive who is advised by the Executive Risk Management Committee. Any unhedged position exposes the Economic Entity to pool price variation.

The Economic Entity uses derivative financial instruments to manage its electricity price risk, consumer variable volume risk and cash flow risk as well as hedge exposure to pool price fluctuations and against the committed and anticipated electricity purchases. The hedge contracts are designated against the forecast mass-market electricity load. The hedge contracts are valued at fair value through profit and loss – hedge accounting is not employed. The hedge portfolio consists predominantly of swaps, caps and option contract types.

The following table details the Economic Entity's sensitivity to a 10% increase and decrease in the electricity pool price with all other variables held constant.

	+10%	+10%	-10%	-10%
	2009	2008	2009	2008
	$M	$M	$M	$M
Profit / (loss) before tax	**2.4**	0.9	**(5.6)**	(7.0)
Equity	**2.4**	0.9	**(5.6)**	(7.0)

The Company does not hold any financial assets or liabilities that are exposed to electricity price risk.

Renewable Energy Certificates

The Economic Entity is required to surrender a number of Renewable Energy Certificates (RECs) dependent on the volume of electricity it has sold. REC price risk is the risk of an adverse outcome resulting from a change in the price of RECs. This can arise from a change in the current market price or forward price of RECs.

RECs are not a financial instrument. The Economic Entity's accounting policy is to measure RECs at the fair value at the balance sheet date. In addition, the Economic Entity recognises a liability for the forecasted number of RECs that it is required to surrender at the balance sheet date, which is also measured at fair value. Consequently, the Economic Entity is exposed to REC price risk to the extent that the number of RECs held is different from the forecast surrender requirements at the balance sheet date.

The Economic Entity is also exposed to REC price risk from changes in the forward price of RECs. The Economic Entity has entered into a number of power purchase agreements which include clauses for the purchase of RECs at a future date for a fixed price. Power purchase agreements are a derivative financial instrument and are measured at fair value through the profit and loss. A proportion of the overall fair value of power purchase agreements relates to the clauses to purchase RECs. This proportion is determined with reference to the forward price of RECs.

The Economic Entity's Board has approved a Franchise Energy Risk Policy. The Franchise Energy Risk Policy prescribes the establishment of a trading strategy. The development of the trading strategy is influenced by consideration of a number of operational, technical and market parameters. The trading strategy is reviewed regularly and must be approved by the Chief Executive who is advised by the Executive Risk Management Committee. The Economic Entity has sought to mitigate its REC price risk by entering into a number of power purchase agreements which include a fixed price for the purchase of RECs.

The following table details the Economic Entity's sensitivity to a 10% increase and decrease in price of RECs with all other variables held constant.

	+10%	+10%	-10%	-10%
	2009	2008	2009	2008
	$M	$M	$M	$M
Profit / (loss) before tax	**4.4**	5.4	**(4.4)**	(5.4)
Equity	**4.4**	5.4	**(4.4)**	(5.4)

The Company does not hold any financial assets or liabilities that are exposed to REC price risk.

NOTE 22:
Financial instruments and financial risk management

(d) Liquidity risk

Liquidity risk is the risk that the Economic Entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Economic Entity aims to maintain flexibility in funding by keeping committed credit lines available. Available lines of funding are disclosed in Note 15.

Liquidity risk associated with electricity market trading is controlled by National Electricity Market Management Company Limited whereby all market participants are required to deliver irrevocable bank guarantees as security for timely settlement.

These guarantees are held for and on behalf of all participants thereby limiting exposure to liquidity risk.

Where entities within the Economic Entity enter into contracts external to the regulated market, such contracts are limited in terms of exposure and value. The contracts are entered into with only those counterparties that have an appropriate credit rating as determined by a recognised credit rating agency. All contracts contain credit limit clauses.

Under the funding arrangements entered into between the Company and QTC, the Company seeks approval from QTC for funding requirements for the coming year on an annual basis. These approved borrowings form part of the Government Owned Corporations borrowing programme undertaken by the State of Queensland. For the 2009/10 year, the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be needed to maintain liquidity and/or meet operational requirements, approval for additional funds must be sought from QTC.

NOTE 22:
Financial instruments and financial risk management

The tables below disclose the Economic Entity's and the Company's financial liabilities, including derivative financial instruments, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. The maturities of derivative financial instruments are calculated on the basis that derivatives will be settled on a gross basis. The Economic Entity's and the Company's borrowings from the QTC have interest only in perpetuity repayment profiles. The principal component of QTC borrowings are included in the over 5 year's time band with no interest included in respect of this facility for the period over 5 years.

	Less than 1 year	1 to 5 years	Over 5 years	Total Contractual cash flows	Carrying Amount
	$M	$M	$M	$M	$M
CONSOLIDATED					
2009					
Derivative financial instruments	**59.3**	**98.7**	**-**	**158.0**	**151.9**
Non-interest bearing	**274.0**	**0.7**	**-**	**274.7**	**274.7**
Variable rate	**15.1**	**-**	**-**	**15.1**	**15.1**
Fixed rate	**238.0**	**945.8**	**3,823.3**	**5,007.1**	**3,747.0**
Total	**586.4**	**1,045.2**	**3,823.3**	**5,454.9**	**4,188.7**
2008					
Derivative financial instruments	87.0	4.8	-	91.8	88.3
Non-interest bearing	273.5	-	-	273.5	273.5
Variable rate	20.4	-	-	20.4	20.4
Fixed rate	193.1	772.8	3,043.9	4,009.8	3,040.5
Total	574.0	777.6	3,043.9	4,395.5	3,422.7
THE COMPANY					
2009					
Non-interest bearing	**213.3**	**0.7**	**0.3**	**214.3**	**214.3**
Variable rate	**-**	**-**	**-**	**-**	**-**
Fixed rate	**238.0**	**945.8**	**3,823.3**	**5,007.1**	**3,692.6**
Total	**451.3**	**946.5**	**3,823.6**	**5,221.4**	**3,906.9**
2008					
Non-interest bearing	208.2	-	-	208.2	208.2
Variable rate	14.6	-	-	14.6	14.6
Fixed rate	193.1	772.8	3,043.9	4,009.8	3,040.5
Total	415.9	772.8	3,043.9	4,232.6	3,263.3

The 2008 comparatives for the Economic Entity have been restated. The contractual undiscounted cash flows for derivative financial instruments are now a separate classification. In addition, the contractual undiscounted cash flows have been reduced by $84.4m dollars and the carrying amount by $79.8m in respect of power purchase agreements (see Note 18).

NOTE 22:
Financial instruments and financial risk management

(e) Foreign currency risk

The Economic Entity's trading operations are based in Australia and consequently it is not exposed to significant foreign currency risk. The Economic Entity does, however, purchase a limited number of component parts with the purchase price denominated in a foreign currency. The Economic Entity has a policy to hedge foreign exchange risk using forward exchange contracts transacted with QTC. The Economic Entity classifies forward exchange contracts that hedge forecasted transactions as cash flow hedges and states them at fair value.

In order to protect against exchange rate movements, the Economic Entity entered into a limited number of forward exchange contracts in the current financial year. These contracts matured during the current financial year and there were no outstanding forward exchange contracts at 30 June 2009.

The only entity within the Economic Entity exposed to foreign currency risk is Ergon Energy Corporation Limited (The Company).

(f) Fair value

The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

The carrying amounts of financial assets and financial liabilities are not materially different from their estimated net fair values at the end of the financial year, unless otherwise stated.

Financial assets and liabilities not fair value accounted and classified as non-current are discounted to determine the fair value using a risk free interest rate where the impact of discounting is considered material.

(g) Capital management

The Economic Entity manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Economic Entity's overall strategy remains unchanged from 2008.

The capital structure of the Economic Entity consists of borrowings disclosed in Note 15 and equity comprising issued capital, owners' contributions, reserves and retained earnings disclosed in Notes 20 and 21.

The Economic Entity borrows exclusively from the QTC. The facility provided by the QTC has an interest only in perpetuity repayment profile. The cost of debt is derived from debt instruments issued by the QTC and a competitive neutrality fee designed to remove any unfair competitive advantage obtained from borrowing at a lower interest rate than the private sector.

The Company's Board approves benchmarks within which debt financing must be managed. The QTC manages debt financing, including new debt raising and the re-financing of existing borrowings, on behalf of the Economic Entity. QTC borrows in advance of requirements to ensure Queensland public sector entities have ready access to funding when required and also to reduce the risk associated with re-financing maturing loans. The Economic Entity's existing borrowings will be refinanced in the next financial year in line with the commencement of the next regulatory period.

The Economic Entity is required to maintain minimum financial ratios under QTC's lending terms and conditions. The Economic Entity must maintain an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) Interest Coverage of greater than or equal to 1.5 times, except where the Total Debt to Total Capital is greater than 70% in which case the EBITDA Interest Coverage must be equal to or greater than 2.0 times.

Operating cash flows are used to maintain and expand the Economic Entity's operating assets, as well as to make the routine outflows of dividends and repayment of maturing debt. The Economic Entity's policy is to borrow centrally to meet anticipated funding requirements.

The Economic Entity monitors capital on the basis of monthly key financial ratios for gearing, interest cover and return on equity. At 30 June 2009 and 30 June 2008 these key financial ratios were as follows:

	Consolidated		The Company	
	2009	2008	**2009**	2008
Gearing ratio	**73.4%**	68.4%	**75.0%**	70.4%
Interest cover (times)	**3.1**	3.7	**3.1**	3.5
Return on equity	**5.1%**	6.6%	**6.1%**	6.4%

NOTE 23:
Commitments

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
CAPITAL AND OTHER EXPENDITURE COMMITMENTS				
Estimated capital and other expenditure contracted for at the end of the financial year but not recognised as liabilities is as follows:				
Not later than one year	**162.7**	130.8	**159.5**	127.5
Later than one year but not later than five years	**15.6**	36.5	**6.2**	28.3
Later than five years	**2.0**	3.7	**-**	-
	180.3	171.0	**165.7**	155.8
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:				
Not later than one year	**5.9**	5.8	**5.9**	5.8
Later than one year but not later than five years	**11.1**	13.5	**11.1**	13.5
Later than five years	**1.0**	1.1	**1.0**	1.1
	18.0	20.4	**18.0**	20.4

The Economic Entity leases various office, workshop and storage space under non-cancellable operating leases expiring within one to seventeen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are re-negotiated.

The Economic Entity's significant leasing arrangements have terms of renewal of two and three years and escalation clauses of 4% per annum. There is one significant leasing arrangement in place which does not contain a renewal option.

LOAN COMMITMENTS				
Commitments for future loans with QTC at a fixed average rate of Nil (2008: 6.95%) are as follows:				
Not later than one year	**-**	374.0	**-**	374.0
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	374.0	**-**	374.0

NOTE 24:
Contingencies

(a) Legal claims

A number of common law claims are pending against entities within the Economic Entity. In each case, a writ has been served and the entity is at various stages of defending the actions. Liability is not admitted and all claims will be defended. The total amount of these claims is $2.7 million (2008: $3.4 million). These claims are disclosed on a gross basis and exclude possible reimbursement through insurance recoveries.

(b) Guarantees

Bank guarantees amounting to $0.4 million (2008: $0.6 million) have been issued to various parties in connection with the Company's contracting services operations. These guarantees are supported by counter indemnities to QTC from the Company totalling $2.5 million (2008: $2.5 million).

In order to participate in the electricity market, entities within the Economic Entity were required to deliver acceptable security as collateral for their obligations arising as a consequence of normal trading. Security, in the form of payment guarantees totalling $120 million (2008: $250.0 million), has been issued by QTC to the National Electricity Market Management Company Limited. These guarantees are supported by counter indemnities to QTC from the Company totalling $350 million (2008: $350.0 million).

The Company has provided an unconditional guarantee to its subsidiary Ergon Energy Queensland Pty Ltd (EEQ) to enable EEQ to operate as an Australian Financial Services Licensed entity pursuant to Australian Securities and Investments Commission's requirements.

(c) Guarantees held

The Economic Entity holds bank guarantees from customers totalling $138.6 million (2008: $165.7 million) relating to the construction of capital assets for energy customers.

(d) Environmental liabilities

The Economic Entity provides for all known environmental liabilities. While the directors believe that, based upon current information, its current provisioning for environmental rehabilitation is appropriate, there can be no assurance that material provisions will not be required because of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

(e) Investment allowance

There are a number of complex technical issues that need to be resolved in relation to the eligibility of regulated businesses to claim the investment available under the *Tax Laws Amendment (Small Business and General Business Tax Break) Act 2009* which received Royal Assent on 22 May 2009. Ergon Energy is in the process of preparing a private ruling request to the NTER so that it has more certainty around these complex technical issues. As a result, only a small investment allowance claim has been recognised at 30 June 2009. Until such time that the private ruling is received it is impractical to estimate the full financial effect of any revised claim.

NOTE 25:
Consolidated entities

	Country of incorporation	Percentage Interest Held by the Economic Entity[1]	
		2009	2008
The Company:			
Ergon Energy Corporation Limited	Australia		
Controlled Entities:			
Ergon Energy Queensland Pty Ltd	Australia	100%	100%
Ergon Energy Telecommunications Pty Ltd	Australia	100%	100%
Deregistered Entities[2]:			
EA North Queensland Pty Ltd	Australia	0%	100%
Ergon Energy Gas Pty Ltd	Australia	0%	100%
Ergon Energy (Victoria) Pty Ltd	Australia	0%	100%
Northern Electricity Retail Corporation Pty Ltd	Australia	0%	100%

[1] The proportion of ownership interest is equal to the proportion of voting power held.

[2] During the financial year, the Australian Securities and Investments Commission approved the voluntary deregistration of four controlled entities. The consolidated financial statements include the operations of the deregistered entities up until deregistration.

Subsidiaries' purpose, management structure and results

Subsidiary Name	Purpose	Directors
Ergon Energy Queensland Pty Ltd	To provide non-competitive electricity retailing in regional Queensland.	Ian McLeod Jim Chisholm Gregory Evans Justin Fitzgerald
Ergon Energy Telecommunications Pty Ltd	To offer high-speed data capacity as a licensed telecommunications carrier.	John Bird Ralph Craven Wayne Myers

The Company provides management services to its subsidiaries. Accordingly, Ergon Energy Queensland Pty Ltd and Ergon Energy Telecommunications Pty Ltd do not have their own management structures.

The Economic Entity's consolidated results include the following:

Subsidiary Name	Revenues	Profit/(loss)	Total assets	Total liabilities
	$M	$M	$M	$M
2009				
Ergon Energy Queensland Pty Ltd	**1,934.5**	**10.8**	**516.3**	**409.6**
Ergon Energy Telecommunications Pty Ltd	**9.4**	**1.7**	**5.2**	**5.2**

NOTE 26:
Investments accounted for using the equity method

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Shares in associates	**-**	-	**-**	-
Shares in jointly controlled entities	**-**	-	**-**	-
	-	-	**-**	-
Reconciliation				
Balance at the beginning of the financial year	**-**	0.2	**-**	-
Share of net assets taken directly to equity	**-**	(0.2)	**-**	-
Balance at the end of the financial year	**-**	-	**-**	-

The Economic Entity has not recognised losses relating to Service Essentials Pty Ltd totalling $0.1 million (2008: $0.1 million) and actuarial losses on defined benefits plans relating to SPARQ Solutions Pty Ltd totalling $2.1 million (2008: $0.6 million).

Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are carried by the Company at their recoverable amount.

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
The Economic Entity's share of associate's and equity accounted jointly controlled entities' expenditure commitments are:				
Capital expenditure commitments	**0.3**	0.6	**-**	-
Lease commitments	**7.6**	2.4	**-**	-
Other expenditure commitments	**7.7**	18.9	**-**	-
	15.6	21.9	**-**	-

NOTE 26:
Investments accounted for using the equity method

Name of the company	Principal activities	Country of incorporation	Reporting date	Ownership interest	
				2009	2008
Associates					
Service Essentials Pty Ltd	Billing, meter reading and payment management services	Australia	30 June	**10%**	10%
Jointly controlled entities					
SPARQ Solutions Pty Ltd	Information technology services	Australia	30 June	**50%**	50%
Quest Asset Holdings Pty Ltd	Asset owner information technology	Australia	30 June	**0%**	50%

Significant influence over Service Essentials Pty Ltd is maintained, despite holding only 10% of the issued capital, due to the Economic Entity's ability to appoint two board members to the five-person board of directors.

During the financial year, the Australian Securities and Investments Commission approved the voluntary deregistration of Quest Asset Holdings Pty Ltd.

During the previous financial year the Boards of Service Essentials Pty Ltd, ENERGEX Limited and Ergon Energy Corporation Limited agreed to wind down Service Essentials Pty Ltd and transition the service functions back into the respective holding companies.
The transition of the functions provided previously by Service Essentials Pty Ltd occurred during the 2008 financial year and Service Essentials Pty Ltd ceased trading.

	Revenues	Profit/(loss)	Share of net profit/(loss) recognised	Total assets	Total liabilities	Net assets/ (liabilities)	Share of net assets equity accounted
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
2009							
Associates	**(0.3)**	**-**	**-**	**-**	**1.1**	**(1.1)**	**-**
Jointly controlled entities	**116.4**	**-**	**-**	**222.3**	**226.5**	**(4.2)**	**-**
	116.1	**-**	**-**	**222.3**	**227.6**	**(5.3)**	**-**
2008							
Associates	51.5	(0.9)	-	0.6	1.4	(0.8)	-
Jointly controlled entities	109.4	-	-	227.6	228.7	(1.1)	-
	160.9	(0.9)	-	228.2	230.1	(1.9)	-

NOTE 27:
Notes to cashflow statements

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Reconciliation of profit after income tax equivalent to the net cash flows provided by/(used in) operating activities				
Profit after income tax equivalent expense	**129.3**	162.9	**148.9**	152.0
Non-cash flows in profit:				
Depreciation, amortisation and impairment	**277.7**	243.7	**267.5**	235.9
Asset write-off	**-**	0.1	**-**	0.1
Net gain/loss on disposal of property, plant and equipment	**(4.8)**	(3.4)	**(4.8)**	(3.4)
Changes in employee benefit and other provisions	**53.5**	1.3	**53.9**	1.1
Other non-cash flow items	**12.0**	(48.0)	**(18.7)**	(51.9)
Changes in assets and liabilities:				
Trade and other receivables	**(80.5)**	106.5	**(23.2)**	(9.4)
Inventory	**(6.3)**	(10.0)	**(6.3)**	(10.3)
Other assets	**1.0**	13.4	**(1.0)**	10.1
Trade and other payables	**13.1**	(157.6)	**18.6**	2.5
Other liabilities	**(40.4)**	40.2	**(12.6)**	32.2
Net deferred income tax equivalent liability	**61.6**	84.0	**58.7**	80.1
Net cash flow provided by operating activities	**416.2**	433.1	**481.0**	439.0

NOTE 28:
Key management personnel disclosures

(a) Details of directors

The directors of the Company during the financial period ended 30 June 2009 were:

Ralph Craven	Chairman / Non-Executive Director	Appointed 1 October 2008
Keith Hilless	Chairman / Non-Executive Director	Resigned 30 September 2008
John Bird	Deputy Chairman / Non-Executive Director	Appointed Deputy Chairman 5 December 2008
Susan Forrester	Non-Executive Director	Appointed 1 October 2008
Anthony (Tony) Mooney	Non-Executive Director	Appointed 1 October 2008
Wayne Myers	Non-Executive Director	
Helen Stanton	Non-Executive Director	
Terri Hamilton	Non-Executive Director	Resigned 30 June 2009
Andrew Robertson	Non-Executive Director	Resigned 30 September 2008
Barry Taylor	Deputy Chairman / Non-Executive Director	Resigned 30 September 2008

Ralph Craven and Tony Mooney have been appointed until 30 September 2011.
All other directors have been appointed until 30 September 2010.

NOTE 28:
Key management personnel disclosures

(b) Compensation - directors

Directors' emoluments are set by State Government regulation, with other fees and allowances determined on the basis of meetings attended and expenditure incurred in performing their roles as directors of the Company.

The non-executive directors of the Company do not participate in any variable reward or 'at-risk' plan.

Amounts disclosed for remuneration of key management personnel exclude insurance premiums paid by the Company in respect of directors' liability and officers' liability insurance contracts.

In accordance with Ministerial Guidelines, details of compensation provided to directors in office during the financial period ended 30 June 2009 by the Economic Entity and the Company, are as follows:

DIRECTOR	Short term benefits				Post employment benefits		Total	
	Directors' fees		Committee fees		Superannuation			
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Ralph Craven[1]	**54**	-	**12**	-	**6**	-	**72**	-
Keith Hilless[2]	**18**	70	**47[4]**	11	**6**	7	**71**	88
John Bird	**33**	27	**12**	9	**4**	3	**49**	39
Susan Forrester[1]	**21**	-	**3**	-	**2**	-	**26**	-
Tony Mooney[1]	**22**	-	**6**	-	**2**	-	**30**	-
Wayne Myers	**28**	27	**11**	8	**3**	3	**42**	38
Helen Stanton	**28**	27	**8**	4	**3**	3	**39**	34
Terri Hamilton[3]	**28**	27	**8**	5	**3**	3	**39**	35
Andrew Robertson[2]	**7**	27	**1**	3	**1**	3	**9**	33
Barry Taylor[2]	**7**	27	**2**	9	**1**	3	**10**	39
Total compensation	**246**	232	**110**	49	**31**	25	**387**	306

[1] Ralph Craven, Susan Forrester and Tony Mooney were appointed as directors of the Company on 1 October 2008.
[2] Keith Hilless, Andrew Robertson and Barry Taylor resigned as directors of the Company on 30 September 2008.
[3] Terri Hamilton resigned as director of the Company on 30 June 2009.
[4] Included in this number is an amount for Committee fees which were paid during the year but relate to meetings held between 1 July 2002 and 30 September 2008.

No further fees were paid to directors, other than the amounts disclosed in the table.

The total of all amounts paid or payable, directly or indirectly, from the respective entities of which they are a director, or from any related party, to all the directors of each entity in the Economic Entity was $387 thousand (2008: $306 thousand). The above amounts exclude the value of insurance premiums made for the directors' indemnity.

NOTE 28:
Key management personnel disclosures

(c) Compensation - Executives

The People Committee recommends executive remuneration to the Board as part of an annual review. Input is sought from industry and market surveys (as deemed suitable by the shareholding Ministers) when determining the level of remuneration for these positions. Final approval is then required from the Board, ensuring that remuneration arrangements for the executives are appropriate. The shareholding Ministers are notified of the details.

A Total Fixed Remuneration (TFR) concept for the structure of executive remuneration is utilised. While the total cost of an Executive's remuneration package is capped, the executive then has the flexibility to decide the composition of the total fixed remuneration, which could include cash salary, motor vehicle, car park and additional superannuation, plus any FBT incurred.

No other non-cash benefits are provided to executives as the TFR concept captures various benefits structured within a total cost rather than a base salary plus benefits approach.

Executive staff members are eligible for an 'at risk' or variable component that is directly linked to both the overall performance of the corporation and their individual efforts against a range of key indicators, for example financial, operational and customer excellence, people development, risk management and growth. The Board sets the initial 'target' goals, from the annual Statement of Corporate Intent. Any 'at risk' payment is contingent upon the Board's assessment of the Company's overall performance.

Performance payments may not exceed a maximum of 15% of the individual's TFR figure.

Most Executives are engaged on an outer limit contract for a period of 3 years. Three Executives are engaged on tenured contracts.

Separation entitlements for all Executives are subject to the normal terms and conditions of their contracts with the Company.

For Executives engaged on tenured contracts prior to 2005, where separation is due to redundancy, a termination payment is made comprising all entitlements accrued under the contract. The severance entitlement also includes a redundancy payment equivalent to 2 weeks of TFR per continuous year of service in excess of two (2) years service up to a maximum of 26 weeks. This entitlement lapses if an offer of alternative employment is received from a Queensland Government entity covered by the *Electricity Act 1994* for which the Executive's competencies and vocational abilities are suited prior to termination of the Executives employment with the company.

For Executives engaged on an outer limit contract, where the Executive's employment terminates on the termination date, in circumstances where Ergon Energy has not offered the Executive further employment beyond the termination date, Ergon Energy will pay the Executive a severance payment equal to 12 weeks of the TFR. Where Ergon Energy terminates the Executive's employment prior to the termination date otherwise than for unsatisfactory performance, misconduct or incapacity, the Executive is entitled to a termination payment equal to the greater of:

(a) 13 weeks salary; or

(b) 2 weeks salary per year of continuous service with Ergon Energy up to a maximum 52 weeks salary; and

A separation payment, equal to the greater of:

(a) 13 weeks TFR; or

(b) A sum equal to 20% of the TFR that the Executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

NOTE 28:
Key management personnel disclosures

EXECUTIVE	Short term benefits		Post employment benefits	Other long-term benefits	Termination benefits	Total
	Salary and fees [1] $'000	Non monetary $'000	Superannuation $'000	$'000	$'000	$'000
Chief Executive [2]						
2009	**739[12,13]**	**-**	**19**	**65[13]**	**-**	**823**
2008	328	-	22	22	-	372
Chief Executive [3]						
2009	**-**	**-**	**-**	**-**	**-**	**-**
2008	138	3	16	4	753	914
Chief Operating Officer – Energy Services[4]						
2009	**289**	**-**	**21**	**11**	**-**	**321**
2008	189	-	11	7	-	207
Chief Operating Officer – Energy Services[5]						
2009	**-**	**-**	**-**	**-**	**-**	**-**
2008	128	-	14	9	-	151
Chief Financial Officer[6]						
2009	**306**	**5**	**27**	**15**	**-**	**353**
2008	214	5	15	16	-	250
Chief Financial Officer[7]						
2009	**-**	**-**	**-**	**-**	**-**	**-**
2008	92	3	9	2	13	119
Executive General Manager – Employee and Shared Services						
2009	**249**	**5**	**23**	**14**	**-**	**291**
2008	243	5	23	11	-	282
Company Secretary and General Counsel[8]						
2009	**273**	**2**	**24**	**6**	**-**	**305**
2008	120	1	10	3	-	134
Company Secretary and General Counsel[9]						
2009	-	-	-	-	-	-
2008	104	-	9	2	-	115
Executive General Manager – Customer Service[10]						
2009	**192**	**-**	**17**	**10**	**-**	**219**
2008	-	-	-	-	-	-
Acting Executive General Manager – Customer Service[11]						
2009	**32**	**-**	**2**	**1**	**-**	**35**
2008	188	-	15	6	-	209
Executive General Manager – Corporate Sustainability and Innovation						
2009	**232**	**5**	**24**	**20**	**-**	**281**
2008	210	5	23	16	-	254
Executive General Manager – Customer and Stakeholder Engagement						
2009	**216**	**5**	**22**	**12**	**-**	**255**
2008	214	5	21	9	-	249
Total Compensation – Executives						
2009	**2,528**	**22**	**179**	**154**	**-**	**2,883**
2008	2,168	27	188	107	766	3,256

[1] Officers may also earn performance based, risk incentive bonuses that are disclosed in aggregate in Note 15 and are not shown in this table.
[2] Officer was acting in the position from 22 October 2007 and was appointed on 22 February 2008.
[3] Officer held the position until 31 October 2007.
[4] Officer has been acting in the position since 29 October 2007.
[5] The officer held the position until 21 October 2007.
[6] Officer was in acting capacity from 29 October 2007 and was appointed on 19 December 2007.
[7] The officer held the position until 26 October 2007.
[8] Officer has held the position since 14 January 2008.
[9] Officer was in acting capacity from 22 June 2007 until 11 January 2008.
[10] Officer has held the position since 1 September 2008.
[11] Officer was in acting capacity from 19 December 2006 until 31 August 2008.
[12] The TFR package for this officer was agreed on 26 September 2008 and back-dated to the appointment date of 22 February 2008. As a result, the current year's salary and fees figure includes approximately four months of backdated pay relating to the prior year.
[13] Balance includes the effect of the Officer's increase in hourly salary rate on existing annual and long service leave balances at the beginning of the year.

NOTE 28:
Key management personnel disclosures

d) Compensation disclosures by category:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Short-term benefits	**2,906**	2,476	**3,442**	2,476
Post-employment benefits	**210**	213	**210**	213
Other long-term benefits	**154**	107	**154**	107
Termination benefits	**-**	766	**-**	766
	3,270	3,562	**3,806**	3,562

(e) Transactions with related parties of key management personnel

Key management personnel of the Economic Entity and of its related parties or their related parties conduct transactions with entities within the Economic Entity on terms and conditions 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.

All transactions with key management personnel or related parties that occurred during the financial year are trivial or domestic in nature, apart from those noted below. The related party disclosures are those in connection with Ergon Energy Corporation Limited and its controlled entities.

Ian McLeod, Mal Leech, Anthony Bellas and Darren Busine were executives of the Company and directors of SPARQ Solutions Pty Ltd, a jointly controlled entity during the financial year. Anthony Bellas resigned as a director on 31 October 2007. Darren Busine resigned as a director on 26 October 2007. They did not receive any remuneration for their positions as directors of this entity. During the year SPARQ Solutions Pty Ltd provided services and recoveries to the wholly owned group to the value of $63,077 thousand (2008: $56,264 thousand) and received services and recoveries from the wholly owned group of $129,085 thousand (2008: $135,077 thousand). In addition the Company sold assets to SPARQ Solutions Pty Ltd during the year totalling $nil (2008: $51,761 thousand) at a profit / (loss) of $nil (2008: $nil).

Greg Evans and Justin Fitzgerald were executives of the Company and directors of Service Essentials Pty Ltd, an associate company during the financial year. Greg Evans was appointed director on 29 November 2007. No remuneration was received for their positions from this entity. During the financial year, Service Essentials Pty Ltd provided services to the wholly owned group to the value of $nil (2008: $18,289 thousand) and received services from the wholly owned group to the value of $nil (2008: $4,860 thousand). Refer Note 29 for a description of the transactions.

Justin Fitzgerald, an executive of the Company, is a director of Electricity Credit Union Limited. During the financial year the Electricity Credit Union Limited provided services to the wholly owned group to the value of $124 thousand (2008: $115 thousand).

A number of directors are the directors of organisations that are franchise customers of Ergon Energy Queensland Pty Ltd.

(f) Loans to key management personnel

The Economic Entity has not made any loans to key management personnel in either the current or the prior year.

NOTE 29:
Related party transactions

In addition to those transactions disclosed in Notes 3 and 4, the Company provided business management, financial and corporate services and customer care administration services, (including retail products and services administration) to a controlled entity. All services were undertaken on normal commercial terms and conditions.

Amounts due and receivable from related parties in the wholly owned group are as set out in the respective notes to the financial statements.

Entities subject to common control

The Company is a Queensland Government Owned Corporation, with all shares held by shareholding Ministers on behalf of the State of Queensland. All State of Queensland controlled entities meet the definition of other related parties of Ergon Energy Corporation Limited.

Transactions with State of Queensland controlled entities

The Economic Entity transacts with other State of Queensland controlled entities. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions.

Details of material related party transactions and balances, as reported in the Income Statements and Balance Sheets, are disclosed below:

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Revenue				
Community Service Obligations and LEP revenue	**446,217**	618,424	**-**	-
Construction and DUOS revenue from ENERGEX Limited	**22,754**	14,961	**22,754**	14,961
Pensioner rebate revenue from Department of Communities	**23,409**	20,487	**-**	-
Maintenance revenue received from Powerlink	**40,300**	32,538	**39,181**	32,538
Maintenance revenue received from CS Energy Ltd	**8,181**	7,525	**8,181**	7,525
Interest received on deposits with QTC	**13,068**	12,152	**7,984**	8,840
Maintenance revenue received from Qld Rail	**2,925**	2,699	**2,925**	2,699
Expenses				
Transmission, maintenance and rental costs paid to Powerlink	**201,090**	182,553	**201,090**	182,553
Maintenance and DUOS costs paid to ENERGEX	**5,290**	3,127	**5,290**	3,127
Interest on QTC borrowings (includes administration fees).	**200,274**	165,011	**199,964**	164,155
Competitive neutrality fee paid to Queensland Treasury	**16,652**	13,615	**16,652**	13,615
Electricity trading with State of Queensland controlled entities	**155,443**	85,623	**-**	-
Derivative transactions with State of Queensland controlled entity counterparties	**9,957**	14,513	**-**	-
Assets				
Deposits held with QTC	**358,882**	186,060	**322,319**	92,368
Community Service Obligations amounts receivable	**68,078**	54,616	**-**	-
Trade receivable from Powerlink	**5,754**	3,636	**5,754**	3,636
Trade receivable from ENERGEX Limited	**7,452**	1,923	**7,452**	1,923

NOTE 29:
Related party transactions

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Liabilities				
Accrued interest and fees payable to QTC	**55,244**	44,315	**55,244**	44,315
Transmission costs payable to Powerlink	**16,539**	15,534	**16,539**	15,534
Community Ambulance Cover Levy payable to Office of State Revenue	**3,283**	2,964	**-**	-
Dividends payable to Queensland Treasury	**116,633**	110,778	**116,633**	110,778
Long term borrowings from QTC	**3,687,729**	2,995,729	**3,687,729**	2,995,729
Accrued competitive neutrality fee payable to Queensland Treasury	**4,481**	3,610	**4,481**	3,610

Transactions with jointly controlled entities and associates

Aggregate amounts brought to account in relation to transactions with jointly controlled entities and associates:

Purchase of billing, meter reading and payment management services from an associate	**-**	18,289	**-**	-
Purchase of information technology and telecommunications solutions and services from a jointly controlled entity	**63,077**	56,264	**63,077**	56,264
Recovery of employee expenses and other service costs from a jointly controlled entity and an associate	**129,085**	139,937	**129,085**	136,174

The wholly owned group has advanced unsecured loans to jointly controlled entities and associates. The loans are interest bearing with rates between 5.07% and 9.60% (2008:6.71% and 9.625%). The amounts outstanding at balance date were $68,478 thousand (2008: $75,734 thousand).

Amounts due and receivable from jointly controlled entities and associates are as set out in the respective notes to the financial statements.

Transactions with other related parties

During the year, the Economic Entity paid contributions of $34,762 thousand (2008: $21,802 thousand) to defined benefit and accumulation superannuation plans on behalf of employees.

Ultimate parent entity

The ultimate parent entity within the Economic Entity is Ergon Energy Corporation Limited.

Ownership interests in related parties

Interests in the following classes of related parties are set out in the following notes:

- Consolidated entities – Note 25
- Associates and jointly controlled entities – Note 26

NOTE 30:
Auditor's remuneration

	Consolidated		The Company	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Remuneration for audit and review of the financial reports of the Company or any entity in the Economic Entity:				
Auditor-General of Queensland				
Audit services				
Audit and review of financial reports	**712**	610	**590**	543
Audit and review of regulatory reports	**71**	87	**71**	85
Other audit services	**22**	-	**-**	-
	805	697	**661**	628

The 2009 amounts include $82 thousand (2008:$55 thousand) which relate to the prior year audit.

NOTE 31:
Subsequent events

No events of a material nature have occurred since the end of the financial year that significantly affected or may significantly affect the operations of the Economic Entity.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. The financial statements and associated notes, set out on pages 22 to 87:

(i) Comply with the Australian Accounting Standards and Interpretations;

(ii) Are in accordance with the *Corporations Act 2001*; and

(iii) Give a true and fair view of the financial position of the Economic Entity and of the Company as at 30 June 2009 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Made in accordance with a resolution, made in Brisbane, by the Directors.

Dr R Craven
Chairman
21 August 2009

INDEPENDENT AUDITOR'S REPORT

To the Members of Ergon Energy Corporation Limited and its Controlled Entities,

Matters relating to the Electronic Presentation of the Audited Financial Report
The auditor's report relates to the financial report of Ergon Energy Corporation Limited and its controlled Entities for the financial year ended 30 June 2009 included on Ergon Energy Corporation Limited's web site. The directors are responsible for the integrity of the Ergon Energy Corporation Limited's web site. I have not been engaged to report on the integrity of the Ergon Energy Corporation Limited's web site. 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 Ergon Energy Corporation Limited, to confirm the information included in the audited financial report presented on this web site.

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 Ergon Energy Corporation Limited and its controlled Entities, which comprises the balance sheet as at 30 June 2009 and the income statements, statements of recognised income and expense 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 the 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 is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977.*

The audit was conducted in accordance with *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 judgment, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the audit 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.

INDEPENDENT AUDITOR'S REPORT CONT.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence
The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO 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.

Auditor's Opinion
In my opinion, the financial report of Ergon Energy Corporation Limited and its controlled Entities 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 2009 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.*

Timothy Biggs
(as Delegate of the Auditor-General of Queensland)
21 August 2009 Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Ergon Energy Corporation Limited,

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

Independence Declaration

As lead auditor for the audit of Ergon Energy Corporation Limited for the year ended 30 June 2009, 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.

Timothy Biggs
(as Delegate of the Auditor-General of Queensland)
21 August 2009 Brisbane

STATEMENT OF AFFAIRS

Ergon Energy services around 650,000 customers across its vast service area. The organisation has a total asset base of approximately $8 billion and around 4,500 employees to deliver on our purpose: 'to enhance the economic and lifestyle aspirations of our customers through sustainable energy solutions'. The principal affairs of the Ergon Energy group are as an electricity distributor and a 'non-competing' electricity retailer. (Annual Stakeholder Report pg 4)

To deliver on our purpose, we consult broadly with our customers and the community. We believe a high degree of openness and effective two-way communications are essential for ensuring the decisions we make are customer driven. This engagement program is described in our Corporate Governance Statement (pgs 9-11). In addition, Ergon Energy reports publicly on our operations in a number of ways.

In accordance with the requirements of the *Government Owned Corporations Act 1993*, our annual reporting suite is tabled in parliament for public access. We also distribute the report widely, make it available online, and provide it on request to all interested parties. This year, we also once again published our Network Management Plan and Summer Preparedness Plan online.

In addition to these information sources and community feedback mechanisms, during 2008/09 we had an obligation under the *Freedom of Information (FOI) Act 1992* to provide the community with access to information held by us as a government agency. Ergon Energy received seven completed applications for information under the *Freedom of Information Act 1992*.

Since July 2009, we have transitioned to the *Right to Information (RTI) Act 2009*. This Act enables us to provide information to our stakeholders, unless the release of the information is not in the public interest.

Ergon Energy holds files, documents, and instructions, for example, in relation to most facets of its operations. Some of the major categories of documents include:

- agenda and minutes of meetings
- computer information systems
- contracts and associated documents
- financial reports
- maps, plans and diagrams
- policy documents.

In many cases, it may be possible to give informal access to requested documentation on site or provide copies of the relevant information. However, for various reasons, including personal privacy, some documents may not be made available without a formal application under the *RTI Act*.

Applications or written requests for access to documents or information held by Ergon Energy under the *RTI Act* should be directed to the Right to Information/Privacy Officer at our Brisbane office, Ergon Energy, PO Box 15107 City East QLD 4002. Application for amendments to documents concerning the applicant's personal affairs should again be directed, along with the particulars considered inaccurate, incomplete, out-of-date or misleading, to our Right to Information/Privacy Officer at our Brisbane office.

No application fee is charged for access to documents that concern the applicant's personal affairs. Applicants who seek access to documents that are not related to their own personal affairs must pay an application fee of $38.00 at the time of the application. The *RTI Act* prescribes charges for the reasonable costs incurred by Ergon Energy in photocopying or otherwise preparing documents for viewing. A schedule of charges is contained in the Right to Information Regulation 2009. All documents provided are covered by copyright and cannot be reproduced without the written permission of Ergon Energy or the copyright owner.

GLOBAL REPORTING INITIATIVE INDEX

This index assists readers locate responses to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the GRI Electric Utility Sector Supplement. To ensure the content of our annual reporting suite is succinct and relevant to our stakeholders and our operating environment, we are selective in choosing which indicators to address and to what depth. However, we are committed to the GRI guidelines as a vital reporting tool for us, which also enhances the quality and comparability of reporting globally.

Our level of disclosure is indicated is indicated by ● for Fully Reported and ◖ for Partially Reported and ○ for Not Reported/Applicable.

The page numbers refer to the Annual Stakeholder Report, if the online symbol @ that relates to this document is not shown.

G3 SUSTAINABILITY REPORTING GUIDELINES:

Reference and indicator type	Element or indicator	Section title	Pg	
Strategy and Analysis				
1.1	Statement from the most senior decision-maker of the organisation (CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy.	Chairman's Message Chief Executive's Report	8-11	●
1.2	Description of key impacts, risks and opportunities.	About Our Report Chairman's Message Chief Executive's Report	2, 8-11	●
Organisational Profile				
2.1	Name of the organisation.	About Ergon Energy	2	●
2.2	Primary brands, products and/or services.	About Ergon Energy	2	●
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Corporate Governance Statement	@ 2-3	●
2.4	Location of organisation's headquarters.	About Ergon Ergon Energy Key Service Centres	3, inside back cover	●
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	(Not applicable)		○
2.6	Nature of ownership and legal form.	About Ergon Energy	2	●
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	About Ergon Energy	2	●
2.8	Scale of the reporting organisation.	About Ergon Energy		●
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Economic Performance and Governance Corporate Governance Statement Directors' Report	58 @ 8 @ 19	●
2.10	Awards received in the reporting period.	Various	6, inside back cover	◖
Report Parameters				
Report Scope/Profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	About Our Report – fiscal	2	●
3.2	Date of most recent previous report (if any).	Published October 2008		●
3.3	Reporting cycle (annual, biennial, etc.).	About Our Report – annual	2	●

Reference and indicator type	Element or indicator	Section title	Pg	
Report Scope/Profile *cont.*				
3.4	Contact point for questions regarding the report or its contents.	About Our Report	2	●
3.5	Process for defining report content.	About Our Report Corporate Governance Statement	2 @ 9-11	●
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	About Our Report	2	●
3.7	State any specific limitations on the scope or boundary of the report.	(Not applicable)		○
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	(Not applicable)		○
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Economic Performance and Governance Performance Measures	57 60	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (eg. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Economic Performance and Governance	57	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	(Not applicable)		○
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report.	GRI Element and Indicator Index		●
Assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider.	Corporate Governance Statement	@ 11	◐
Governance, Commitments and Engagement				
Governance				
4.1	Governance structure of the organisation, including committees under the highest governing body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Governance Statement	@ 2-13	●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance Statement	@ 3	●
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/ or non-executive members.	Corporate Governance Statement	@ 3	●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance Statement Statement of Affairs	@ 9-10 @ 92	●
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organisation's performance (including environmental and social performance).	Corporate Governance Statement Financial Report	@ 3	●
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance Statement	@ 84	●
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	Corporate Governance Statement	@ 3	●
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	About Ergon Energy Environmental Performance Economic Performance and Governance Corporate Governance Statement	2, 45, 55, @ 7	●

Reference and indicator type	Element or indicator	Section title	Pg	
Governance *cont.*				
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate Governance Statement	@ 2-13	●
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance Statement	@ 3	●
Commitments to external initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	(Not reported)		○
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Various	22, 28, 55	●
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation.	(Not reported)		○
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organisation.	About Our Report Corporate Governance Statement	2, @ 9-11	●
4.15	Basis for identification and selection of stakeholders with whom to engage.	Corporate Governance Statement	@ 9	●
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Corporate Governance Statement	@ 9	●
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	About Our Report Review of Operations Corporate Governance Statement	2, 18-59, @ 9-11	●
Economic Performance Indicators				
Direct Economic Impacts				
Economic Performance				
EC1 Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Customer and Community Economic Performance and Governance	22-23, 55-57	●
EC2 Core	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Climate Change Response	50-53	●
EC3 Core	Coverage of the organisation's defined benefit pension plan obligations.	Financial Report	@ 84	●
EC4 Core	Financial assistance received from government.	Economic Performance and Governance Financial Report		●
Market Presence				
EC5 Additional	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	(Not reported)		○
EC6 Core	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operations.	Economic Performance and Governance	55	◖
EC7 Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Our People	40	◖
Indirect economic Impacts				
EC8 Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Customer and Community Asset and Network Performance Works Management and Deliver y	22-23, 25-29, 30-33	●

Reference and indicator type	Element or indicator	Section title	Pg	
Indirect economic Impacts *cont.*				
EC9 Additional	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Customer and Community Economic Performance and Governance	19-20, 22-23, 55	●
Environmental				
Materials				
EN1 Core	Materials used by weight or volume.	Environmental Performance	46-47	◐
EN2 Core	Percentage of materials used that are recycled input materials.	Environmental Performance	46-47	◐
Energy				
EN3 Core	Direct energy consumption by primary energy source.	Climate Change Response	54	◐
EN4 Core	Indirect energy consumption by primary source.	Climate Change Response	54	◐
EN5 Additional	Energy saved due to conservation and efficiency improvements.	Climate Change Response	54	●
EN6 Additional	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Climate Change Response	51-53	●
EN7 Additional	Initiatives to reduce indirect energy consumption and reductions achieved.	Assets and Network Performance Climate Change Response	27-29, 50-54	●
Water				
EN8 Core	Total water withdrawal by source.	(Not applicable)		○
EN9 Additional	Water sources significantly affected by withdrawal of water.	(Not applicable)		○
EN10 Additional	Percentage and total volume of water recycled and reused	Environmental Performance	47	◐
Biodiversity				
EN11 Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Environmental Performance	48	◐
EN12 Core	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Environmental Performance	48	◐
EN13 Additional	Habitats protected or restored.	Environmental Performance	48	◐
EN14 Additional	Strategies, current actions, and future plans for managing impacts on biodiversity.	Environmental Performance	48	◐
EN15 Additional	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	(Not reported)		○
Emissions, Effluents and Waste				
EN16 Core	Total direct and indirect greenhouse gas emissions by weight.	Climate Change Response	54	◐
EN17 Core	Other relevant indirect greenhouse gas emissions by weight.	Climate Change Response	54	◐
EN18 Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Climate Change Response	54	●
EN19 Core	Emissions of ozone-depleting substances by weight.	(Not reported)		○
EN20 Core	NO, SO, and other significant air emissions by type and weight.	(Not reported)		○
EN21 Core	Total water discharge by quality and destination.	(Not reported)		○
EN22 Core	Total weight of waste by type and disposal method.	(Not reported)		○

Reference and indicator type	Element or indicator	Section title	Pg	
Emissions, Effluents and Waste *cont*.				
EN23 Core	Total number and volume of significant spills.	(Not reported)		○
EN24 Additional	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally.	(Not reported)		○
EN25 Additional	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	(Not applicable)		○
Products and Services				
EN26 Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Environmental Performance Climate Change Response	45-49, 50-54	●
EN27 Core	Percentage of products sold and their packaging materials that are reclaimed by category.	(Not applicable)		○
Compliance				
EN28 Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Corporate Governance Statement	@ 12-13	●
Transport				
EN29 Additional	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	(Not reported)		○
Overall				
EN30 Additional	Total environmental protection expenditures and investments by type.	(Not reported)		○
Social Performance Indicators				
Labour Practices and Decent Work				
Employment				
LA1 Core	Total workforce by employment type, employment contract, and region.	Our People	40	●
LA2 Core	Total number and rate of employee turnover by age group, gender and region.	Our People	40	◐
LA3 Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	(Not reported)		○
Labour/Management Relations				
LA4 Core	Percentage of employees covered by collective bargaining agreements.	(Not reported)		○
LA5 Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	(Not reported)		○
Occupational Health and Safety				
LA6 Additional	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	(Not reported)		○
LA7 Core	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Health and Safety	42	●
LA8 Core	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Health and Safety	42-44	●
LA9 Additional	Health and safety topics covered in formal agreements with trade unions.	(Not reported)		○
Training and Education				
LA10 Core	Average hours of training per year per employee by employee category.	(Not reported – However, $ are in Our People	39	◐
LA11 Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our People	39-41	●
LA12 Additional	Percentage of employees receiving regular performance and career development review.	Our People Financial Reports	37 @ 82	●

Reference and indicator type	Element or indicator	Section title	Pg	
Diversity and Equal Opportunity				
LA13 Core	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	The Board of Directors The Executive Management Team Our People	14-17, 39-40	●
LA14 Additional	Ratio of basic salary of men to women by employee category	(Not reported)		○
Human Rights				
Investment and Procurement Practices				
HR1 Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	(Not reported)		○
HR2 Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	(Not reported)		○
HR3 Additional	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	(Not reported)		○
Non-discrimination				
HR4 Core	Total number of incidents of discrimination and actions taken.	(Not reported)		○
Freedom of Association and Collective Bargaining				
HR5 Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	(Not applicable)		○
Child Labour				
HR6 Core	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	(Not applicable)		○
Forced and Compulsory Labour				
HR7 Core	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	(Not applicable)		○
Security Practices				
HR8 Additional	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	(Not applicable)		○
Indigenous Rights				
HR9 Additional	Total number of incidents of violations involving rights of indigenous people and actions taken.	(Not reported)		○
Society				
Community				
SO1 Core	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Customer and Community	22	●
Corruption				
SO2 Core	Percentage and total number of business units analysed for risks related to corruption.	(Not reported)		○
SO3 Core	Percentage of employees trained in organisation's anti-corruption policies and procedures.	(Not reported)		○
SO4 Core	Actions taken in response to incidents of corruption.	(Not applicable)		○
Public Policy				
SO5 Core	Public policy positions and participation in public policy development and lobbying.	(Not reported)		○
SO6 Additional	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	(No contributions)		●

Reference and indicator type	Element or indicator	Section title	Pg	
Anti-Competitive Behaviour				
SO7 Additional	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	(No legal actions)		●
Compliance				
SO8 Core	Monetary value of significant fines and total number of monetary sanctions for non-compliance with laws and regulations.	Corporate Governance Statement	@ 12-13	●
Product Responsibility				
Customer Health and Safety				
PR1 Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	(Not reported)		○
PR2 Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	(Not reported)		○
Product and Service Labelling				
PR3 Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	(Not reported)		○
PR4 Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	(Not reported)		○
PR5 Additional	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Customer and Community	20-21	●
Marketing Communications				
PR6 Additional	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Corporate Governance Statement	@ 13	●
PR7 Additional	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Corporate Governance Statement	@ 13	●
Customer Privacy				
PR8 Core	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Corporate Governance Statement	@ 13	●
Compliance				
PR9 Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Customer and Community	22	●

ELECTRIC UTILITY SECTOR SUPPLEMENT:

Reference	Indicator	Section title	Page	
Organisational Profile				
EU1	Installed capacity (MW), broken down by energy source and by country or regulatory regime.	(Not reported)		○
EU2	Number of residential, industrial and commercial customer accounts.	About Ergon Energy	4-5	◐
EU3	Length of transmission and distribution lines by voltage.	About Ergon Energy	5	●
EU4	Allocation of CO2 emissions permits, broken down by country or regulatory regime.	(Not applicable)		○
Economic				
Availability and Reliability				
EU5	Planning to ensure short and long-term electricity availability and reliability.	Assets and Network Performance Works Management and Delivery Corporate Governance Statement	25-29, 30-33, @ 8	●

Reference and indicator type	Element or indicator	Section title	Pg	
Demand-Side Management				
EU6	Demand-side management programs including residential, commercial and industrial programs.	Assets and Network Performance	27-29	●
Research and Development				
EU7	Research and development activity aimed at providing reliable and affordable electricity and promoting sustainable development.	Asset and Network Performance	27-29	●
Plant Decommissioning				
EU8	Provisions for decommissioning of nuclear power sites.	(Not applicable)		○
Availability and Reliability				
EU9	Planned capacity (MW) against projected electricity demand over the long term, broken down by energy source and country or regulatory regime.	Assets and Network Performance	27	◐
Demand-Side Management (indicators)				
EU10	Estimated capacity (MW) saved through demand-side management programs.	Assets and Network Performance	27-29	◐
EU11	Estimated energy (MWh) saved through demand-side management programs, broken down by residential, commercial and industrial customers.	(Not reported)		○
System Efficiency				
EU12	Average generation efficiency by energy source and by country or regulatory regime.	(Not reported)		○
EU13	Transmission and distribution efficiency.	(Not reported)		○
Environmental				
Biodiversity				
EU14	Biodiversity of replacement habitats compared to the biodiversity of the areas that are being replaced.	(Not reported)		○
Social				
Employment				
EU15	Processes to ensure retention and renewal of skilled workforce.	Our People	37	●
EU16	Total subcontracted workforce.	Corporate Governance Statement		●
EU17	Percentage of contractors and subcontractors that have undergone relevant health and safety training.	(Not reported)		○
Society				
Community				
EU18	Participatory decision making processes with stakeholders and outcomes of engagement.	Corporate Governance Statement	@ 9-11	●
EU19	Approach to managing the impacts of involuntary displacement.	(Not applicable)		○
Disaster/Emergency Planning and Response				
EU20	Contingency planning measures and disaster/emergency management plan and training programs, and recovery/restoration plans.	Asset and Network Performance	25-26	●
Community				
EU21	Number of people displaced by new or expansion projects related to generation facilities and transmission lines, broken down by physical and economic displacement.	(Not applicable)		○
Product Responsibility				
Access				
EU22	Programs, including those in partnership with government, to improve or maintain access to electricity services.	Customer and Community		●
Provision of Information				
EU23	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity services.	Customers and Community	19-20	●
EU24	Number of injuries and fatalities to the public involving company assets, including legal judgements, settlements and pending legal cases of diseases.	Health and Safety	43-44	●
EU25	Average plant availability factor by energy source and by country or regulatory regime.	(Not reported)		○

ENVIRONMENTAL PRODUCTION INFORMATION

carbon neutral | sustainable forest | recycled | australian made

The cover of this report is printed on **Greenhouse Friendly™** ENVI **Recycled Super Smooth** Carbon Neutral Paper.

carbon neutral | sustainable forest | australian made

The internal pages of this report are printed on **Greenhouse Friendly™** ENVI **Silk** Carbon Neutral Paper.

GOVERNANCE AND ANNUAL FINANCIAL REPORT 2008/09

Customer Service
13 10 46
7.00am – 6.30pm
Monday to Friday

Faults Only
13 22 96
24 hours a day
7 days a week

Life-Threatening Emergencies Only
000 or 13 16 70
24 hours a day
7 days a week

Office of the Customer Advocate
Customer Advocate
PO Box 15107 Brisbane QLD 4002

Ergon Energy Corporation Limited
ABN 50 087 646 062
Ergon Energy Queensland Pty Ltd
ABN 11 121 177 802

ergon.com.au

everything in our power

ERGON ENERGY