



Country Energy Annual Report 2008-2009

We're investing in better ways to deliver essential services

# We're **investing** in better ways to deliver essential services

Country Energy Annual Report 2008-2009

**countryenergy**

We live here too.

**countryenergy**

We live here too.



# Safety continues to be our number one priority and our goal continues to be Australia's best essential services provider.

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31 October 2009

The Hon E Roozendaal MLC  
Treasurer  
Level 36  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

The Hon J Tripodi MP  
Minister for Finance  
Level 31  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

Dear Ministers

We are pleased to submit the Annual Report covering Country Energy's performance, operations and financial results for the year ended 30 June 2009.

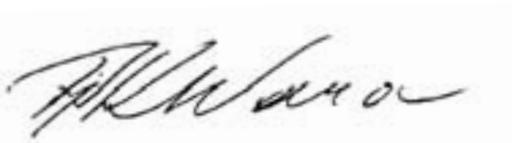
The report has been prepared in accordance with *Section 24A of the State Owned Corporations Act 1989* and the *Annual Reports (Statutory Bodies) Act 1984*.

Our focus on investing in our core essential service capabilities and finding better ways to respond to ongoing industry change has been rewarded with substantial achievements recorded in our priority areas – Safety, Service, Value and Sustainability.

We look forward to continuing to meet the expectations of our customers and shareholders well into the future.

Copies of the report will be provided to the Minister for Energy, the Minister for Water, the NSW Auditor-General and key customer and stakeholder groups.

Yours sincerely,



**Barbara Ward**  
Chairman



**Craig Murray**  
Managing Director

## Chairman's and Managing Director's Report

**“The year showed that as we commence the delivery of our five year Network Plan, we do so from a solid base having invested a record \$658 million in the network and support services in 2008-2009, and having completed 99 per cent of the year’s planned works.”**



Like many of our customers, Country Energy faced a diverse range of new challenges during the past year. From the global financial crisis to industry reform, from climate change to the emergence of 'intelligent networks', the business of delivering energy has never been more complex.

Yet our core responsibility of delivering essential services to communities across New South Wales (NSW) remains unchanged, as does our approach to discharging that responsibility, with our four key priorities remaining safety, service, value and sustainability.

A major milestone in the year was the conclusion of a long process of assessment of our Network Plan 2009-2014 by the Australian Energy Regulator (AER). The Network Plan described our short and medium term responses to customers' energy demands, to the demands of responsible infrastructure management, and to our increasing regulatory obligations.

The AER delivered its final determination in April this year, approving Country Energy's five year plan to invest almost \$4 billion in capital and a further \$2 billion on operating Australia's largest electricity network. We recognised that this major increase in network investment is funded by price increases, and we welcomed the AER's close scrutiny of our rigorous and balanced investment and operating plans.

To minimise price impacts we expanded our *energysanswers* service, which had previously focused on commercial and industrial customers, to include household customers, with a new free energy efficiency advice line – 1800 ENERGY – offering expert efficiency advice to help customers better manage their energy consumption, and reduce their energy costs.

Safety continues to be our number one priority, demonstrated through our achievement of a Lost Time Injury Frequency Rate of 1.7 – our lowest on record. We recorded 14 Lost Time Injuries in total – a number that just five years ago stood at 70. While that's an achievement that every employee can be proud of, no injury is acceptable and we continue to invigorate our health and safety programs in a drive to zero harm.

Two severe storm fronts hit the NSW North Coast on consecutive days in May 2009, damaging the electricity network in many areas, including several declared natural disaster zones. Hundreds of Country Energy field employees, both local and dispatched from across the state, worked to safely restore power in challenging conditions. We responded to over 40,000 customer calls during those events, and were pleased to call many of those customers back to confirm the restoration of their supply.

Our commitment to service saw our customer service team placed in the top 10 of the nation's 230 businesses certified to the *International Customer Service Standard* (ICSS). And independent customer research in the year showed that 91 per cent of customers who'd had recent contact with Country Energy said that we met or exceeded their service expectations.

The year showed that as we commence the delivery of our five year Network Plan, we do so from a solid base having invested a record \$658 million in the network and support services in 2008-2009, and having completed 99 per cent of the year's planned works. The ongoing value of our investment was reflected in our reliability statistics – 267 minutes off per customer against a target of 332 minutes.

During the year we also reached the half way point in construction of a new \$29 million water treatment plant that will ensure a safe and reliable water supply for residents in Broken Hill. The water treatment plant project is on time and within budget and is planned to be completed by the end of the next financial year.

At \$349.2 million, our earnings before interest and tax (EBIT) exceeded the target of \$292.7 million set in our agreement with Country Energy's shareholders. Our 'finding better ways' motto was reflected through efficiencies and innovations that delivered a reduction in operating costs of \$10 million against our 2008-2009 budget, and our overall financial performance was a significant improvement on the prior year.

We demonstrated our commitment to workforce sustainability, with the addition of another 90 apprentice lineworkers and electrical technicians in the year, and we intend to recruit an additional 300 apprentices over the next five years to support our investment program.

We also demonstrated our commitment to environmental sustainability, with a carbon reduction program delivering a two per cent reduction in emissions through employee awareness, fuel efficiencies and the procurement of better materials. Proof of our customers' growing demand for sustainability was the 16 per cent lift in the number of customers purchasing our GreenPower accredited countrygreen® renewable energy products.

Our long term commitment to sustainability is reflected in our ongoing work on 'intelligent networks' – applying digital technology to the power grid to improve reliability, to make energy efficiency simpler for customers, and to support renewables and energy storage. We continued our collaboration with IBM and a global coalition of energy network operators which together serve tens of millions of customers, and welcomed the Australian Government's announcement of a \$100 million National Energy Efficiency Initiative aimed at making Australia home to a 'smart grid'.

We've had cause to celebrate, winning a gold in the 2008 *Premier's Public Sector Awards* for our 'Powerful Skills' program, winning a Customer Service Award at the Australian Service Excellence Awards, winning a Silver Award in the Australian Corporate Responsibility Index, and a win for our apprentice team at the *E-SAFE Energy Safety and Field Expo* for the third year in a row.

Challenges generally bring out the best in people and this year we've faced many with success. Our congratulations and thanks go to all of our employees and our fellow Board members, who remain committed to making Country Energy Australia's best essential services provider.



**Barbara Ward**  
Chairman



**Craig Murray**  
Managing Director

# About Us

Country Energy is a leading Australian energy services provider owned by the NSW Government.

With annual revenue of more than \$2 billion, Country Energy is one of the nation's largest utility businesses. Our success is driven by commercial decisions that meet both local priorities and the needs of our customers, employees, stakeholders and shareholders.

Our core business is to operate a safe and reliable electricity, water and gas network service for our customers.

We operate Australia's largest electricity distribution network, extending across 95 per cent of New South Wales' land mass and into parts of Queensland, Victoria and the Australian Capital Territory. This network is unique in Australia, with medium to very low customer density and wide variations in topographical and climatic conditions.

We also provide reticulated natural gas to more than 25,000 customers in southern NSW, and water and sewerage services to 10,000 customers in far western NSW.

We offer competitive energy offers and value-added services – including renewable energy, LPG, energy efficiency advice, water management solutions and flexible payment options – to around 800,000 customers in six states and territories.

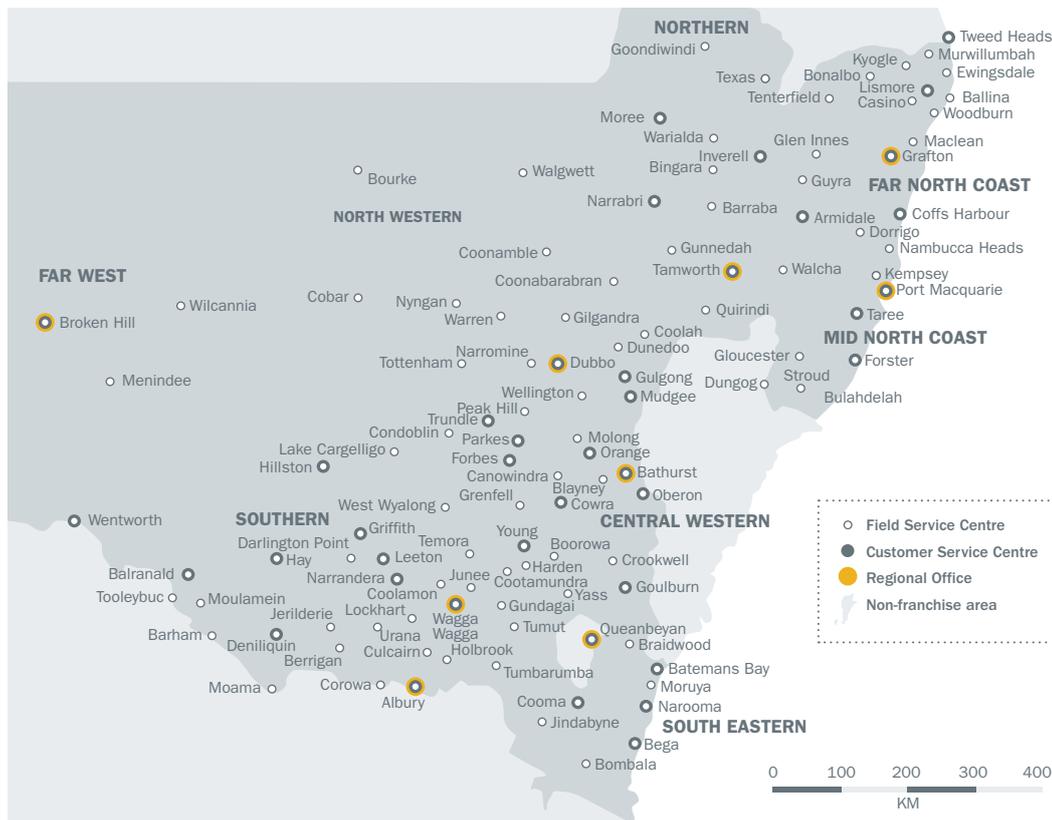
Our decentralised management structure means that our 4,200 employees live and work in local communities across eight NSW regions and are better able to respond to local needs.

Since 2001, our substantial investment in network maintenance and upgrade programs have enhanced reliability and service levels; we've achieved the best Lost Time Injury performance of any NSW electricity distributor through our focus on safety; and we've achieved broad recognition of our first class customer service, innovative approaches to employment and energy efficiency, and our commitment to local communities.

Country Energy's ambition is to be Australia's best essential services provider, and our key strategic priorities are:

- **safety** – continuing to improve employee and public safety and health
- **service** – maintaining customer service levels and meeting reliability expectations
- **value** – providing an efficient, value for money service for customers
- **sustainability** – developing a skilled and flexible workforce and protecting the environment.

## Our regional structure



## Performance Highlights

# performance

1.7

**Safety**  
Lost Time Injury  
Frequency Rate (our  
lowest on record).

99

**Safety**  
Percentage of safety  
audits (up 3% on  
last year).

95

**Service**  
Percentage of customer  
issues resolved at first  
contact.

57,000

**Sustainability**  
Number of GreenPower –  
countrygreen® customers  
(up 16%).

\$658.4m

**Value**  
Capital expenditure.

# Performance highlights

Country Energy is finding better ways to deliver essential services, because we live here too.

Our priorities	Our objectives	Key performance indicators	Our target	Our performance	
Safety – drive to zero harm	Leader in safety	Lost Time Injuries (LTIs)	18	14	
		Lost Time Injury Severity Rate (LTISR)	20	45.8	
		Lost Time Injury Frequency Rate (LTIFR)	2	1.7	
		Safety Audits	96 per cent	99 per cent	
Service – providing excellent service	Promoted in communities	Customer Promoter Score (Corporate Reputation Survey) – number of promoters minus number of detractors	25	17	
		Stakeholder Promoter Score (Community Satisfaction Survey) – number of promoters minus number of detractors	25	33	
		Corporate Reputation Survey – service meeting and exceeding customer expectations	85 per cent surveyed	86 per cent	
		Corporate Reputation Survey – reliability of supply meeting and exceeding customer expectations	85 per cent surveyed	85 per cent	
	Successful service provider	Customer first contact completion – the percentage of general enquiries issues resolved at first contact	95 per cent	95 per cent	
		Contact centre performance level – percentage of calls answered within 30 seconds	80 per cent	70.9 per cent	
	Essential services provider	Reportable public safety incidents	36	11	
		System average interruption duration index (SAIDI)	<332 minutes per customer	267 minutes per customer	
		System average interruption frequency index (SAIFI)	3.04 interruptions per customer	2.37 interruptions per customer	
		Australian Drinking Water Guidelines health breaches	0	0	
Value-strong business outcomes	Efficient business operator	<i>Operational excellence program and Finding Better Ways</i>	Implemented	\$20.85 million in savings	
		Domestic complaint resolution – percentage of complaints resolved within four days	95 per cent	95 per cent	
		The number of days taken to process and resolve customers' claims for compensation against Country Energy, (percentage resolved within 14 days).	75 per cent	76 per cent	
		Number of Ombudsman matters – percentage against industry.	7 per cent	4.2 per cent	
	Innovative network operator	Adherence to Distribution Asset Management Plan	100 per cent	99 per cent	
	Responsible financial manager	Capital expenditure	\$663 million	\$658.4 million	
		Earnings Before Interest and Tax (EBIT)	\$292.7 million	\$349.2 million	
	Sustainability – people and environment	Resourceful, rewarded people	Leave management – percentage of employees with greater than eight weeks accumulated leave	19 per cent	18 per cent
			Unscheduled sick leave	5.57 days per person	6.35 days per person
			Workforce planning – progress of the roll out of the <i>Team Leader Development Program, Existing Lineworker Program and Electrical Safety Rules Review and Testing Program</i>	50 per cent	50 per cent
Apprentice Recruitment Program			90 apprentices	90 apprentices	
An environmental leader		Carbon emissions – whole of business <i>Carbon Reduction Program</i>	58,645 tonnes of CO <sub>2</sub>	57,843 tonnes of CO <sub>2</sub> – a two per cent reduction on the previous year	
		<i>Carbon Reduction Program</i>	Implemented	Yes	
		GreenPower – countrygreen® customer numbers	Growth	16 per cent increase to 57,000	
		Environmental compliance	96 per cent	99 per cent	
		CO <sub>2</sub> emissions fleet	36,000 tonnes	29,269 tonnes	
		Percentage of water recycled (Country Water)	25 per cent	29 per cent	
	ISO 14001 certification	Maintain	Achieved		

## \$20.85m

- Amount saved through the *Operational Excellence* and *Finding Better Ways* programs

## 95%

- Domestic complaint resolution – percentage of complaints resolved within four days

## -2%

- Reduction in Carbon emissions on previous year – whole of business Carbon Reduction Program

## 29%

- Percentage of water recycled (Country Water)



# Safety Drive to zero harm.

Tristram Morris (Port Macquarie), Country Energy's second year Apprentice of the Year

# Safety

## PUTTING PEOPLE FIRST – ZERO HARM

Safety – for the public and our employees – forms the core of our strategy to be Australia's leading provider of essential services.

From the day-to-day delivery of energy and water to homes and businesses, to the security and maintenance of a network that covers 95 per cent of New South Wales' land mass, to specialist on-the-job training for our people, safety is our number one priority.

We strive to achieve an incident-free workplace by implementing our *Health & Safety Policy* to create a safe and healthy working environment, providing employees with appropriate tools and training, applying a risk management approach to our activities, products and services and integrating good health and safety practices into everything we do.

Our focus on health and safety has delivered some major achievements over the financial year, with our programs helping to achieve measurable downward trends in both public and employee safety incidents.



Field employees looking over the HIRAC before starting work.

# Achieved our lowest Lost Time Injury Frequency Rate ever of 1.7

## Health and safety achievements

- Achieved our lowest Lost Time Injury Frequency Rate ever of 1.7 – a result we're proud of, and which spurs us to make even greater improvements in our drive to zero harm.
- Continued certification to Australian Standard AS/NZS 4801:2001 *Occupational Health and Safety Management System*.
- Completed 1,327 safety and environmental process audits focusing on premises, work teams and individuals and achieved an average score of 99 per cent against a target of 96 per cent.
- Achieved a reduction in the severity of employee injuries and an improvement in early intervention and management.
- Implemented ongoing follow up initiatives for the *drive to zero harm* project through the *Safety Alliance*.
- Developed and delivered comprehensive regional safety plans across the business.
- Improved employee attendance at, and contribution to, Country Energy training sessions such as our *Corporate Induction*, *Practising Lineworker*, *Regulatory Assessment days*, and *'skilling up'* sessions.
- Raised awareness of manual handling issues throughout the business through our *Manual Handling Solutions Program*.
- Continued to deliver the *Powerful Minds* program.
- Gained increasing employee involvement in health promotion activities through the *Powerful Health Field Days* and *Pit Stop Health* program pilots.
- Achieved ongoing success with our *Powerful Apprentice Injury Prevention* program.
- Developed comprehensive public safety fact sheets, now available on our website.
- Successfully integrated the *TotalSAFE* incident management system in May 2009.
- Successfully reached five years or more without a Lost Time Injury across 85 sites, compared to 77 sites last year.

# Safety

## Lost Time Injury performance

Year	Lost Time Injuries	Lost Time Injury Severity Rate
June 2006	53	102.7
June 2007	52	80.4
June 2008	25	50.1
June 2009	14	45.8



Alan Burman, Country Energy Manager Public Safety, speaking to volunteer bush fire fighters during the Mid Murray Zone Exercise 2009, conducted by the NSW Rural Fire Service near Deniliquin.

## Occupational Health and Safety and Environmental Management System

Country Energy's *Occupational Health and Safety and Environmental Management System (OHSEMS)* provides a continuous improvement and quality management framework for all systems and activities within the organisation.

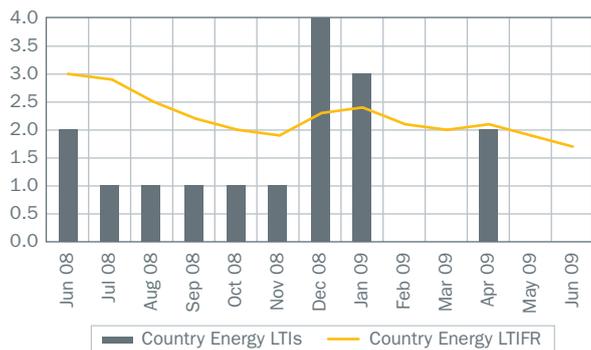
During 2008-2009 two independent surveillance audits of our OHSEMS were conducted by NCS International Pty Ltd, resulting in our continued certification to *AS/NZS 4801:2001 Occupational Health and Safety Management Systems* and *ISO 14001:2004 guideline for an Environmental Management System*.

### Creating a safe work culture

Country Energy's *Drive to Zero Harm* initiative focuses on six main areas: leadership; employees; training; policies; procedures and standards; tools and equipment; and communications.

Building on this, and on our successful *Stepping Up* program, a *Safety Alliance* initiative – aimed at utilising employee feedback to continue to drive cultural change within the organisation – was developed during the year. As part of this initiative, a review of safety incidents across Country Energy was undertaken which identified network operating incidents as a key focus area in the next year.

Country Energy Lost Time Injuries (LTIs) and Lost Time Injury Frequency Rate (LTIFR) from June 2008



Country Energy Lost Time Injury Severity Rate (LTISR) from June 2006



## Participated in 11 industry and agricultural field days

### Public safety achievements

- Provided direct face-to-face electrical safety awareness sessions to more than 1,500 people in 'at risk' groups.
- Continued distribution of '3,6,8 metre clearance' stickers for operators of high machinery in accordance with the WorkCover Code of Practice – *Working near overhead power lines*.
- Published updated public safety fact sheets on Country Energy's website, [www.countryenergy.com.au](http://www.countryenergy.com.au), providing easy access to important safety information.
- Updated a static display showing the hidden hazard caused by machinery coming in contact with overhead high voltage powerlines for use at public safety and field day events and community forums.
- Provided safety information packs to individuals and community groups involved in powerline strike incidents.
- Demonstrated possible hazards around powerlines by using a scaled down model to show potential electrical hazards.
- Participated in 11 industry and agricultural field days and attended numerous local shows and field days.
- Actively promoted the WorkCover Guide to *Working near overhead power lines* to communities across NSW.
- Provided electrical hazard awareness training to NSW Rural Fire Service, Newcastle Light Aircraft Club, RAA Balloonists and cane harvesting groups.
- Participated in 'at risk' group industry working groups to embed electrical safety into their standard work practices.

### TotalSAFE

During the year, Country Energy launched a new Occupational Health, Safety and Environment (OHS&E) support system, *TotalSAFE*, to capture safety incident and hazard reporting.

*TotalSAFE* supports all of Country Energy's OHS&E functions set out by our certified management systems. It enables simpler reporting and the tracking of every safety, health, environmental and network incident.

This new system ensures improved incident management by delivering practical monthly reports, visibility on incidents and their associated actions, electronic audit inspections and hazard management.

### Public safety – improved community safety performance

Country Energy's reportable public safety incidents fell to a low of 10 – down from 13 in the previous year – demonstrating that our public safety strategy and initiatives are working in real ways to reduce incidents.

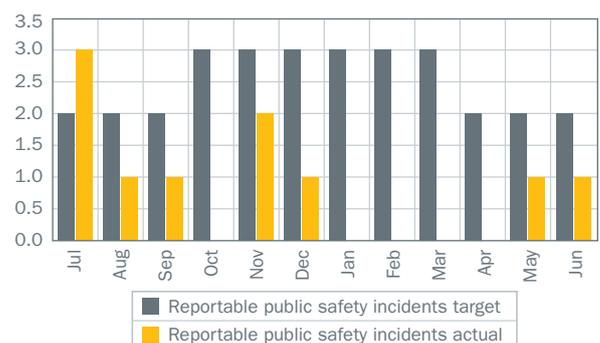
While we're proud of this achievement, we will continue to strive towards achieving a target of zero.

Our public safety strategy is aimed at identifying 'at risk' groups and working with them to provide targeted educational and practical assistance in managing electrical safety issues – we provide public safety training free of charge to the main 'at risk' groups.

### The drive to zero harm initiative



### Reportable Public Safety Incidents 2008-2009



## Safety

During the year, we worked with emergency services, earthmovers, construction workers, cotton growers, pilots, transport groups and local and state government workers. Surveys of these groups have shown 90 per cent retention of the main educational messages and information – an excellent achievement.

We increased our Public Safety resources from four to nine to assist in continuing to target key industries like agriculture, aircraft and construction operations.

### Powerful Health

*Powerful Health* is Country Energy's workplace health promotion program.

While its primary goal is to decrease the risk of injury and improve the overall health of our employees, it extends well beyond the basics of health education and addresses the four cornerstones of innovative health promotion:

- Policy interventions – such as guidelines for corporate nutrition that specify healthy catering requirements for all events and training sessions conducted within Country Energy.
- Economic interventions – providing a \$99 corporate subsidy per employee for health and fitness activities, a \$500 grant for team based sports, subsidised influenza vaccination and skin cancer screening.
- Organisational interventions – implementation and expansion of a network of employees who are nominated as *Healthy Helpers*, and who are allowed time in their workday to provide information about good health to co-workers, and promotional material and support for employees competing in community events such as the Sydney City2Surf. As part of this program, health field days were run in 15 locations across Country Energy between March and June 2009.
- Health education – regular information about health issues provided through safety points, training sessions, *Countrynet* – Country Energy's intranet – and information packs.

### Powerful Health Field Days

Country Energy's *Powerful Health Field Days* was a new initiative in 2009 to raise awareness of health issues and provide on the spot health advice, information and services to our regional and field employees.

The field days were conducted at 15 locations across regional NSW and provided employees with access to activities like fitness testing, massage, cooking demonstrations and influenza vaccinations. The events have been so successful that we will continue to run similar health field days during the next financial year.

### Powerful Apprentice Program

As part of our successful workforce sustainability program that has created almost 740 apprenticeship positions since Country Energy formed in 2001, we have developed a collaborative safety and training group program aimed at addressing apprentice injury prevention issues.

The program's effectiveness is being trialled over a four year period between 2008 and 2011, using two groups of apprentices who joined the organisation in 2008. A target group is undertaking the program in its entirety and a control group is receiving only limited exposure; and both groups are being monitored to gauge results.

Our goal is to educate our apprentices to apply safe work practices in everything they do as they learn and become qualified tradespeople and teachers of the next generation, improving overall employee safety culture in the long term.

### HealthWatch

During the year, Country Energy launched its new *HealthWatch* program – an important initiative that identifies employees who, through their work, have experienced exposure to potentially harmful substances; and promotes their long term health.

The *HealthWatch* program monitors the ongoing health of these employees to ensure an occupational disease or illness does not develop. It also enables better hazardous substance controls and work practices to be identified and put in place.



Country Energy's Lismore Area Manager, Rob Orchard, measuring his waist under the watchful eyes of North Coast Area Health Service Nutrition and Physical Activity Coordinator, Jillian Adams and Electrical Worker, Kevin Schaefer.



# Service Delivering essential services.

Lineworker, Stephen Partridge changes a streetlight bulb at Mudgee



## Service

### ESSENTIAL SERVICES PROVIDER

#### Electricity services

Country Energy's core role is to deliver reliable, efficient and safe power supplies to customers and our aim is to be Australia's best essential services provider. We are achieving this through:

- A responsive investment program matched to growth and changing consumption patterns.
- A cost-reflective maintenance and refurbishment program aimed at maintaining 'end to end' asset condition.
- Updated skills, tools and technological capability to resource these tasks and realise efficiencies.

Over the past five years Country Energy has invested around \$2 billion in its electricity network and support services – including \$658 million in the past year alone – to support growth and improve reliability.

This year we also delivered a \$275.2 million maintenance and operational works program, which included asset inspections, preventative maintenance and vegetation management.

A significant focus this year has been on working with the Australian Energy Regulator (AER) – which amongst other things is the economic regulator of most Australian network businesses – to determine the level of investment required to maintain our network, meet growth and continue to deliver better reliability in the future.

In April, Country Energy received approval from the AER to increase capital investment to almost \$4 billion for the period 1 July 2009 to 30 June 2014. Combined with operating expenditure of \$2 billion, this represents a total outlay of nearly \$6 billion over the next five years.

In June, Country Energy received approval from the Independent Pricing and Regulatory Tribunal (IPART) for an average 20.2 per cent increase in regulated retail electricity prices from 1 July 2009 (this incorporated the network increases handed down by the AER in their determination).

Our Network Asset Management Plan, which outlines our program of work for the next five years, will ensure that our networks are maintained and enhanced to meet growing demand, and integrate *Intelligent Network* initiatives that facilitate better network and customer power supply management capabilities.

Over the next five years, we plan to recruit another 300 new apprentices, in addition to qualified and support employees, to strengthen the skilled workforce we need to build and maintain our networks and resource our growing investment program.



Apprentice Lineworker, Damien Jackson tightens a nut securing a crossarm brace to a new powerpole.

**Country Energy's network investment and asset management programs are driven by the need to keep pace with growth, improve reliability, and refurbish ageing assets.**

## \$500 million will be invested in building new and refurbished zone substations

### Five year Network Asset Management Plan

#### Investment highlights

- \$500 million to construct new and refurbish existing subtransmission lines.
- \$500 million to build new and refurbish existing zone substations.
- \$500 million in ongoing vegetation management.
- \$190 million to install up to 2,750 reclosers to improve network safety and reliability.
- *Intelligent Network* – smart technology and communications will continue to be installed as part of our traditional investment mix. These improvements will result in a more intelligent network and bring our network into the digital age.

#### Customer benefits

- Back-up supplies will be provided to major townships that are currently supplied with one powerline.
- More powerlines will be provided within regional centres to allow us to restore power to customers following a supply interruption.
- Installation of many more protection devices will reduce the length of power supply interruptions and limit the number of customers affected.

#### Community benefits

- Investment in the network will continue to provide better essential services to customers, and encourage sustainable economic growth in regional NSW.
- Regional employment opportunities will be boosted as we recruit to meet the requirements of the extensive work to be completed over the next five years.

## A \$62 million upgrade project highlights our key drivers for network investment

### R.A.M.B.O – Raleigh, Macksville, Boambee

A \$62 million joint power supply upgrade project between Country Energy and TransGrid highlights our key drivers for network investment – growth, reliability and refurbishment. It also highlights our capacity to work with other organisations to deliver on major NSW electricity infrastructure projects.

The Mid North Coast is one of the fastest growing areas in regional NSW, with corresponding growth in demand for power to cater for the region's future energy needs.

TransGrid, the NSW high voltage electricity transmission network operator, is upgrading a 66,000 volt circuit operating on existing infrastructure to a second 132,000 volt circuit to increase the capacity and reliability of power supply for the Mid North Coast.

In parallel with TransGrid's network upgrade, Country Energy is constructing three new zone substations at Raleigh, Macksville and Boambee to cater for the higher voltage and improve power supply for customers:

- The \$12.6 million Raleigh zone substation was constructed on land adjacent to an existing zone substation and doubled power supply capacity in the area.
- A \$13.2 million zone substation is being built at Macksville with triple the capacity of the old Newee Creek facility it replaces. It is located closer to the industrial centre, improving supply reliability and network efficiency. The substation is planned for completion in November 2009.
- A new \$15.4 million zone substation will be built at Boambee and will provide four times additional capacity for the area – it is planned for completion in early 2010.

# Service

## Supporting network growth

Many NSW country and coastal centres are experiencing high population growth, with increasing demand on our networks in winter, driven by heating, and even higher demand in summer, driven by air conditioning.

The average annual rate of growth in peak demand per annum for the whole of our network is expected to be 3 per cent in summer and 1.8 per cent in winter. On average, this will add some 75 MW of additional summer peak load to the network each year.

## Improving network reliability

Our strategy to *find better ways* to deliver the best service and value we can to our customers includes improving network reliability.

Much of our network has been in service for decades, and it is prudent to increase the rate of replacement of key network components to maintain reliability and meet increasing customer expectations.

Network reliability is strongly influenced by its exposure to impacts from the environment, fauna and vegetation. Major causes of power supply interruptions include lightning and storm activity, and vegetation growing or being blown into mains.

Vegetation management is critical to ensuring the safe and reliable operation of Country Energy's network. During the financial year, we spent \$69.5 million on vegetation management programs, including tree trimming and aerial inspections.

## Network performance

Country Energy achieved another solid year of network performance, meeting all performance requirements set out in our licence conditions with the NSW Government.

The System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) measurements are important indicators of the level of network service we provide our customers.

Country Energy's licence conditions also require us to meet performance standards for SAIDI and SAIFI in three classes of powerline (or 'feeders') – urban, short rural and long rural.

## Network investment highlights 2008-2009

During the financial year, Country Energy undertook network upgrade and augmentation projects specifically aimed at meeting growing demand for electricity and securing reliable power supplies into the future. These projects include:

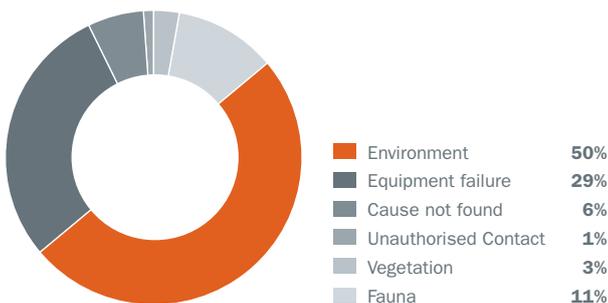
- Installing or refurbishing 15 zone substations at a cost of \$38 million to increase network capacity by 175 MVA.
- Constructing 90 kilometres of subtransmission line at a cost of \$10 million.
- Installing an additional 730 transformers (distribution substations).
- Constructing 420 kilometres of overhead powerlines.
- Constructing 117 kilometres of underground powerlines.

## Network performance 2008-2009

The overall 2008-2009 performance for SAIDI and SAIFI was:

- SAIDI – the number of minutes that an average customer is without supply – was 267 minutes against our target of 332 minutes.
- SAIFI – the average number of interruptions that a customer would experience – was 2.37 against our target of 3.04.

Percentage of unplanned interruptions 2008-2009



Team Leader Jamie Maxwell drills holes for pole pegs in a new power pole.

	Feeder category	Licence condition targets 2008-2009	Actual performance 2008-2009	Results 2008-2009	Licence condition targets 2009-2010
SAIDI	Urban	131	110	✓	128
	Short Rural	316	285	✓	308
	Long Rural	720	483	✓	710
SAIFI	Urban	1.88	1.36	✓	1.84
	Short Rural	3.12	2.58	✓	3.06
	Long Rural	4.7	3.47	✓	4.6

We have achieved significant improvements in network reliability in the last two years following investment of \$20 million to install 350 new 'reclosers' – network protection devices – which has eliminated around 6.5 minutes from our annual SAIDI result.

Our performance reflects the effectiveness of our network investment and improvement programs – especially given the high levels of storm activity during the year.

Our response to damage caused by severe storms and flooding – which resulted in a number of regions being declared natural disaster areas – highlighted the strength of our emergency response planning, and the competency and commitment of our people both in the field and behind the scenes.

We will continue to meet these targets by implementing a range of network reliability improvement programs over the next five years and, in the longer term, developing an Intelligent Network.

We've commenced a program to install up to 2,750 reclosers across the network to further improve our fault response times and service to customers. Remotely controlling these reclosers is one of our *Intelligent Network* ambitions and will enhance our ability to restore supply.

**Our response to damage caused by severe storms and flooding – which resulted in a number of regions being declared natural disaster areas – highlighted the strength of our emergency response planning, and the competency and commitment of our people both in the field and behind the scenes.**

## Service

### Weathering the storm

Country Energy experienced five major events days – where SAIDI was greater than 6.5 minutes – during the financial year. And in a first for the business, three consecutive major events days were recorded on May 20, 21 and 22, as a consequence of storms and floods on the North Coast.

Some details from the North Coast storms in May:

- Two severe storm fronts hit the NSW North Coast on consecutive days, cutting power supplies to more than 20,000 customers.
- Our supply interruption line (13 20 80) received over 40,000 calls over a three day period.
- Crews from around the state were called in to assist restoration efforts with around 400 field employees working 16 hour shifts – the maximum allowed for safety reasons.
- Numbers of control-room based Network Operators and Contact Centre employees were increased to enable field repairs to be carried out safely and to respond to customer calls.
- Contractors were brought in to clear trees that had fallen on powerlines, or were blocking roads and other access ways. When weather permitted, helicopters were used to patrol lines and locate faults inaccessible by ground vehicles.

### Light Detection and Ranging trial

Accounting for investment of more than \$500 million in the five-year Network Plan, vegetation management has been identified as a major priority for the business and a unique trial of radar technology offers the opportunity to find better ways to identify high risk vegetation areas that could cause damage to the network and interrupt supply to Country Energy customers.

The trial involved scanning vegetation using the *Light Detection and Ranging system (LIDAR)* to help maintain the quality and reliability of electricity supply.

- LIDAR is a form of radar that operates at a frequency just below infra red.
- It uses high speed laser pulses to generate three-dimensional structural data of the terrain, infrastructure and vegetation. The LIDAR unit is installed on a traditional aerial patrol helicopter, in conjunction with a precise navigation system the scanning laser surveys the vegetation canopy and its proximity to overhead powerlines, identifying vegetation encroachments on the network.
- The system has helped to create an accurate snapshot of network corridors in a relatively short space of time. This information is then used to better understand high risk areas such as bush fire prone zones, poor performing distribution feeders and radial subtransmission networks.
- The technology won't replace traditional vegetation management practice but may assist us to better prioritise and direct resources – focusing on preventative action and improving our service delivery to customers.

### Low voltage data capture

Country Energy has a fully populated high voltage geographical network model in its *Smallworld Geographical Information System (GIS)*.

During the year, a team of 20 data capture employees worked to capture the geographical location and provide a geoschematic display of our low voltage network. The members of the low voltage data capture team entered 4,230 kilometres of overhead low voltage network, 3,750 kilometres of underground network and 4,800 low voltage switches.

The next phase of the project is field verification of the data, which has commenced in Port Macquarie and is scheduled for other regional centres in the second half of 2009.

### Dial Before You Dig implementation

Country Energy has joined forces with Australia's national referral service, *Dial Before You Dig (DBYD)* to provide customers with a cost-effective information service and protect network assets.

Implementation of an automated system complies with amendments to our licence conditions, which will see Country Energy receive an increase in enquiries regarding the location of network assets.

Enquiries to the DBYD service will be sent directly to Country Energy's *Smallworld Geographic Information System (GIS)*, which searches for underground assets in the proposed excavation area and provides a reply directly back to the enquirer.

Most enquirers will receive an email reply in less than 30 minutes from receipt of the request. The response includes a location map, safety fact sheet and site specific information.

The DBYD application can be configured to manage all types of Country Energy's assets, including electricity, gas and water.

Initially, we will provide electricity network location details in our Northern Region, with other sites to be rolled out in the second half of 2009.

### Network overlays for Google Earth

We continued to expand our use of *Google Earth* during the year, with additional network data sets being exported from Smallworld GIS and made available to employees as data layers and superimposed on *Google Earth* imagery. This has significantly boosted employee productivity, enabling many enquiries which previously required a visit to the site to be answered from the office.

### Smart system

During the financial year, Country Energy found better ways to process planned work on the electricity network and enhance service levels for internal and external customers by introducing an electronic network access request system.

Known as the *Switching Request Register* (SRR), the new web-based system replaces a series of paper-based switching request forms, outage notification forms and faxes, which were inconsistent across Country Energy's eight regions.

Now, instead of following a paper trail, switching request processes can be monitored electronically, from submission through to when and how customers are notified of a power supply interruption. Users can view and update a switching request booking calendar and enter switching requests in a format that is compatible with Country Energy's distribution management system, ENMAC, which will assist in the delivery of Country Energy's capital works and maintenance programs over the next five years.

The system has significantly improved service levels and has also reduced Country Energy's paper usage by 2,000 pages per month.

### Gas services

Around 22,000 Country Energy gas customers in Wagga Wagga, Henty, Culcairn, Gundagai and Temora benefited from a \$1.7 million gas supply upgrade project during the financial year.



Fieldworkers assemble a long handled pruning saw to attend to branches fallen across powerlines.

The gate stations, similar in purpose to an electricity zone substation, transfer gas from the high pressure transmission pipeline to the lower pressure distribution pipelines. The upgrades were necessary to ensure the gate stations were able to handle the increased pressure and the 'icing' effect that occurs when the gas pressure is lowered.

The project involved testing the tolerances of the infrastructure and ensuring the water bath heaters, which stop the gas freezing, and the pressure reduction pipelines at the gate stations, could safely and reliably manage the expected pressure change.

Telemetry devices were also installed so that heater operations could be managed remotely.

## 25 per cent increase in retail load

### Natural gas achievements

- Growth of customer base to 34,000 customers – 10,000 outside our network.
- 25 per cent increase in retail load.
- A profitable new connections group established, dedicated to providing excellent customer service.

### LPG achievements

- 10 per cent increase in sales.
- 27 per cent increase in profit.

## Service

### Water services

Country Water is an operating division of Country Energy that provides essential water supply services to more than 20,800 people in Broken Hill, Menindee, Sunset Strip and Silverton in Far West NSW, and sewerage services to Broken Hill.

Country Water's core business is to provide customers with high quality, safe drinking water that is treated in line with our *Drinking Water Policy* to meet the *Australian Drinking Water Guidelines* (ADWG) which are set by the National Health and Medical Research Council and the Agriculture and Resource Management Council of Australia and New Zealand.

Since Country Water commenced operating in 2004, we've invested more than \$45 million in water and sewer infrastructure to enhance water quality, supply security, environmental compliance, water efficiency and sewerage treatment. We're also investing in the skilled workforce managing this vital infrastructure, currently employing around 90 water and sewerage planning, operations, quality and maintenance workers, including three apprentices.

### Water safety and quality

A stringent regime of testing and quality assurance ensures we meet ADWG and includes taking water samples from 38 locations including reservoirs, at the inlet and outlet of water filtration plants and from various other locations throughout our water network.

Testing is conducted by the Australian Water Quality Centre in Adelaide and the Department of Analytical Laboratories in Sydney (independent laboratories certified to the National Association Testing Authority Standards) and the results are reviewed by NSW Health.

Each year, Country Water publishes a summary of test results for samples collected over the past 12 months, outlining health and key aesthetic characteristics that have been selected in consultation with NSW Health. The results are also issued annually in a brochure sent to customers with their water accounts.

### Investing in infrastructure

Since Country Water commenced operating in 2004, we've invested more than \$45 million in water and sewer infrastructure to enhance water quality, supply security, environmental compliance, water efficiency and sewerage treatment. A number of projects are currently underway to further improve water supply, treatment and security.



Mike Schulzer and Alyson Funnell looking out over Country Water's Uمبرumberka Reservoir.

### Mica Street Water Treatment Plant replacement

In 2002, a detailed external review of our existing water treatment plant identified that more modern processes were required to adequately treat periodic poor water quality.

The review recommended constructing a new water treatment plant to meet water safety and reliability standards into the future.

In line with this recommendation, Country Water is currently constructing a new \$29 million water treatment plant in Mica Street, replacing an existing facility that was constructed in 1952 and which has almost reached the end of its useful life.

The new plant will ensure that drinking water quality for Broken Hill residents and businesses is improved in compliance with the ADWG and will ensure safe and reliable town drinking water supply for at least the next 30 years.

**Water quality test results for the financial year period indicated that drinking water quality had complied with health related guideline values, as well as the aesthetic values, in the Australian Drinking Water Guidelines.**

**Significantly, neither *Naegleria fowleri* nor *E.coli* was detected in any of the drinking water samples taken during this period.**

The new plant and processes will enable Country Water to optimise the treatment of raw water from a wide range of sources, including the Darling River.

State-of-the-art automated technology will make the new plant more operationally efficient than the existing facility, which in turn will make it significantly more cost efficient. The new plant is expected to be fully tested and commissioned in late 2010.

#### Major works undertaken during 2008-2009

**South Reticulation upgrade – \$320,000**

**Water mains renewal – \$180,000**

**Brine Disposal Pipeline – \$485,000**

**Water pumping station value replacement – \$100,000**

**Mica Street Water Treatment Plant Sedimentation Tank – \$145,000**

**Water pumping station security upgrades – \$175,000**

**Umberumberka Pumping Station environmental improvement – \$690,000**

#### Sewerage treatment

There are two waste water treatment plants in Broken Hill and sewerage is reticulated from individual properties through around 20 kilometres of rising mains and 175 kilometres of gravitation mains to 11 sewerage pumping stations in Broken Hill, and then to either the Wills Street or South Broken Hill waste water treatment plant.

Both plants utilise conventional anaerobic trickling filters and during the year Wills Street treated approximately 3 Megalitres (ML) of influent per day, and South Broken Hill treated almost 0.8 ML of influent per day.

Treated effluent water reuse accounts for approximately 50 per cent of effluent water, and around 50 per cent is discharged to the environment through evaporation ponds.

#### Effluent re-use program

Country Water supplies eight customers with treated effluent water to supplement their treated water usage. All customers have implemented an effluent agreement in consultation with Country Energy which includes an *Effluent Supply Contract* and *Off Site Effluent Water Management Plan*. During the 12 month period to September 2008, 51 per cent of effluent produced from the two sewer treatment plants was reused by customers.

#### Water consumption research

During the year an independent research company was approached to prepare an end water usage study to evaluate residential water consumption in Broken Hill. A sample group of residents were interviewed regarding their consumption patterns and behaviours, and the number of appliances and fixtures in the household.

It was found that the end water consumption activities that use the most water on a litres per capita per day basis were irrigation (129 litres) and evaporative air conditioning (205 litres), followed by showers, clothes washers and toilets. While many of these appliances have already been retrofitted in Broken Hill with water efficient models, further water savings could be achieved if programs are implemented to encourage the retrofit of efficiency products in all homes.

The study also revealed that the average summer household consumption is 99.3 kilolitres (kL) per household a day. This is well below the summer first tier water pricing allowance of 1.645 kL a day – 187.53 kL over the 114 day summer billing period.

Country Water will use this information to develop future policies and efficiency programs to reduce community water consumption.

#### Drought management activities

##### Reverse osmosis plant brine disposal

Work continued on the construction of a brine disposal pipeline from the Mica Street Water Treatment Plant to the outskirts of Broken Hill. Country Water is progressing acquisition of land required for the evaporation pans and worked with Broken Hill City Council to be granted an access licence and a test drilling site. A site survey was completed, an Environmental Impact Statement (EIS) has been conducted and a Cultural Heritage Survey was undertaken as part of the EIS.

##### Drought Management Plan

A detailed investigation into the option of railing water into Broken Hill found no alternate water supplies available and determined that it would take more than 12 months to implement a rail option due to the need to construct sidings and source rail equipment.

Our *End Use Study* was conducted as part of Country Water's *Drought Management Plan* and it found that the Broken Hill community was very water efficient with the use of water.

#### Lead Safe and Water Wise program

Country Water launched the *Lead Safe and Water Wise rebate* scheme on 1 December 2008 to encourage efficient water consumption and, at the same time, ensure exposure to lead dust is minimised. The scheme encourages customers to purchase \$150 of water wise garden products by offering a \$50 credit to their Country Energy water or electricity account.

Water wise garden products can include but are not limited to organic mulch or compost, mulch or compost bin, soil wetting or moisture agents, soil moisture or rain sensors, garden tap timers, rain water diverters, trigger nozzles, irrigation system controllers, drip watering systems, weep hoses and temporary grey water diverters.

#### H2Overhaul program

A retrofit program was developed by Country Water to address residential water wastage and provide opportunities for efficient water and energy use. As part of the program, qualified plumbers fixed leaking taps, installed flow restrictors and three star rated showerheads, cistern weights and energy efficient light globes, for only \$40.

Around 67 per cent of the uptake was by eligible pensioners who received the service for free – helping them save water and money.

#### More than 17 per cent of all residential customers participated in Country Energy's water efficiency program, H2Overhaul, with the following results:

- 3,823 leaks repaired – estimated up to 191 million litres of water saved.
- 3,697 water saving devices installed including shower heads, flow regulators, cistern weights – estimated up to 100 million litres of water saved.

## Service

### Trade waste policy

On 4 March 2008, Country Water's policy for the *Discharge of Liquid Trade Waste* was approved by the Department of Water and Energy. The Department confirmed that the policy meets the requirements of clause 37(3) of the *Water Management (Water Supply Authorities) Regulation 2004*. As required, Country Water will seek the Department's written advice for high risk discharges, which include Concurrence Classifications B and C as listed in the *Liquid Trade Waste Guidelines*.

Country Water will focus on implementing the policy in a consultation with affected customers. It is anticipated that a significant portion of trade waste customers will be exempt, or only require minor trade waste pre-treatment. We will work closely with those trade waste customers who require more robust arrangements to ensure a smooth transition to compliance with the trade waste policy.

### PROMOTED IN COMMUNITIES

#### Sponsorship

Country Energy provides sponsorship to a number of organisations across regional NSW at both a corporate and regional level.

Our sponsorship and community support programs reflect our ongoing commitment to regional investment and corporate social responsibility.

Sponsorship applications are assessed against rigorous criteria which aim to ensure that a balance of environmental, educational and cultural activities are supported.

At a corporate level, we aim to assist and facilitate communities in realising business and community development opportunities, and support a number of non-profit groups involved in community support, development and improvement projects.

In 2008-2009, our total sponsorship commitment was around \$1.9 million, and featured several major sponsorships, including:

- Local Government and Shires Association of NSW (LGSA) partnership
- *Premiers Indigenous Teaching Scholarship*
- Wollumbin Warriors Indigenous Football team
- Westpac Rescue Helicopter 'dollar for dollar' match for customer donation scheme
- *Deniliquin Ute Muster*
- 2009 NSW *Landcare Catchment Management Forum*
- Keep Australia Beautiful – Tidy Towns NSW
- 2009 *Western NSW Training Awards*
- CanAssist (Annual Branch Conference)
- *Casino Beef Week Festival*
- NSW Wine Industry Association

Our eight service delivery regions manage local sponsorship programs, which support a wide range of locally-based activities such as community festivals, local sporting and youth events, energy and water efficiency programs, environmental initiatives, and arts and cultural activities.

We prefer to provide local sponsorships rather than metropolitan marketing campaigns. Our sponsorship program leverages local customer, community and stakeholder relationships to ensure that the sponsored activities deliver the best value for money outcomes for Country Energy's customers.

#### Publications and promotion

Our customer magazines, *EnergyInsight* and *countrygreen®energy*, and our brochures, website, media releases and marketing campaigns are designed to educate the community about our range of products, essential services, operations and efficiency tips to save on energy and water bills.

Those published during the year are either available on our website, in Country Energy's Customer Service Centres or are distributed to customers as a bill insert.

#### [www.countryenergy.com.au](http://www.countryenergy.com.au)

Following redevelopment of [www.countryenergy.com.au](http://www.countryenergy.com.au) in 2007-2008, the number of visits to our website continues to increase.

**The way we are perceived by our customers will set us apart from our competitors – it is our reputation that will distinguish us.**



Children enjoying what Country Energy had on offer at the Mudgee Show.

During the year, a record number of people accessed the careers section, with high volumes of on-line applications submitted.

*StormTracker* – the most visited page on Country Energy's website – received an enhancement with a weather forecast feature proving to be a popular addition to this section.

Other key developments during the financial year included:

- Providing customers with comprehensive information on how to save money on their energy bills through energy efficiency through a new *energyanswers* section.
- Rebranding the *Efficiency Calculator* as the *energyanswers* calculator, with feature upgrades including a solar hot water option, GreenPower and the addition of more household appliances.

#### Our customer service strategy

At Country Energy, we know that our customers are the reason we exist – and our customer service goal is to 'make them a fan'.

A Country Energy fan would describe us as warm and friendly, efficient, fun, easy to do business with, trustworthy, caring, and focused on delivering the best solution for them.

Country Energy's focus on customer service is an ongoing organisational priority. We aim to embed delivery of service excellence into our culture, focusing on excellent internal service to support our frontline employees in all areas of the business.

#### SUCCESSFUL SERVICE PROVIDER

##### Measuring our service performance

As an essential service provider, it is important we measure our customers' expectations and perceptions, as well as our internal service levels.

We do this through customer consultative groups and monthly *Customer Satisfaction* and *Corporate Reputation* surveys that give an ongoing insight into how we are performing against indicators covering our operations, service and communications.

A key measure is the *Customer Promoter Score*, which measures how likely our customers are to recommend us to family and friends and is widely used by organisations across a number of industry sectors to provide performance benchmarking.

Our *Customer Promoter Score* for 2008-2009 was 17 per cent which, although below our target of 25 per cent, is high by industry standards.

**Country Energy's success in becoming Australia's best essential services provider will depend on our external customers recognising us for delivering excellent customer service.**

## Service

### Over 85 per cent of customers surveyed said that our service meets and exceeds their expectations

#### Our service achievements

- Only 4.2 per cent of complaints escalated to the Energy and Water Ombudsman of New South Wales (EWON) related to Country Energy – an industry leading result and well within our target of 7 per cent.
- Over 85 per cent of customers surveyed said that our service meets and exceeds their expectations against our target of 85 per cent.
- 91 per cent of customers with recent contact with Country Energy said that we meet and exceed their expectations for customer service.
- Exactly 85 per cent of customers surveyed said that reliability of supply meets or exceeds their expectations, against a target of 85 per cent.
- We resolved 95 per cent of general enquiries issues at the first point of contact against our measure of 95 per cent.
- We reached our target for the number of complaints being resolved within four days – 95 per cent.
- Received 861,168 calls answered on the general enquiries line – 13 23 56 – with 610,891 (or 70 per cent) answered within 30 seconds.
- Six team members graduated from the Customer Service Institute CCSM Course, with two finishing in the top 10 per cent.
- A total of 1,268 employees participated in face to face or on-line training sessions conducted by the Customer Service Training Team.
- Country Energy successfully gained accreditation to the *International Customer Service Standard (ICSS) 2003-2006* Certification, from the Customer Service Institute of Australia (CSIA).
- The Customer Services Group recertified to the *International Customer Service Standard (ICSS)* and in doing so ranked as one of Australia's top 10 performers audited by the CSIA.
- Country Energy won State and National titles for a division of a large business at the CSIA Awards.

Our *Stakeholder Promoter Score* measures the likelihood of community stakeholders, such as mayors, media, local councils and business groups, to recommend us to other organisations. This year, our score reached 33 per cent – well above our target of 25 per cent.

#### Country Support

Country Energy understands that we must deliver affordability of supply to our customers and has a *Hardship Charter* and range of supporting programs to assist customers.

Our financial hardship program, *Country Support*, continues to evolve to meet customers' needs, assisting more than 12,000 families and businesses since it began in 2002.

The program offers customers experiencing genuine financial hardship individual, tailored solutions such as access to financial counselling services and payment options to help them manage their household or business budget.

Country Energy continually reviews the program, seeking ways to improve customer access and support and ensuring that it reflects changes in economic conditions, such as the recent global financial crisis.

Over the past 12 months, Country Energy's *Country Support* advisers undertook additional training to help foster a greater understanding of the financial pressures facing customers today.

The referral process for customers was enhanced in 2009, ensuring customers receive immediate protection and enabling them to address their financial difficulties at an early stage.

The strong relationships we maintain with Community Welfare Organisations such as St Vincent De Paul and the Salvation Army guarantee a direct link between customers seeking local assistance and our *Country Support* program.

We continued to maintain low disconnections for non-payment over the last 12 months despite the financial hardship caused by the drought and global economic conditions. There were 4,377 disconnections actioned – a reduction of 275 from the previous financial year.

*Country Support* continues to be the only industry based hardship program accredited by the NSW Department of Water and Energy (DWE) to distribute Energy Account Payment Assistance (EAPA). In 2008-2009, Country Support distributed almost \$50,000 in EAPA vouchers to over 350 customers across the state.

#### **Ethnic Affairs Priority Statement**

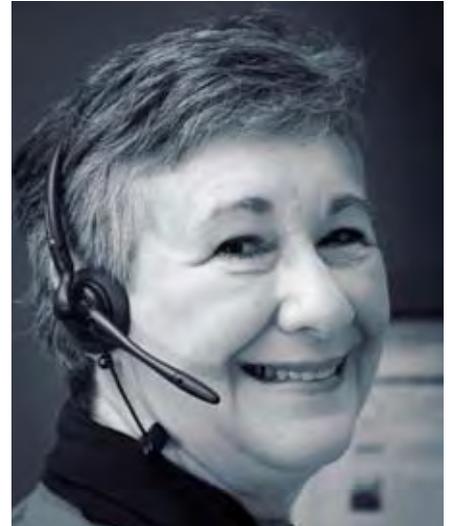
In line with the principles set out in the *Ethnic Affairs Priority Statement (EAPS)* introduced by the Community Relations Commissions, Country Energy is committed to meeting the needs of our diverse customer and employee base and all products and services are delivered with the greater needs of the community in mind.

During the year, an interpreter service was provided to enable Arabic, Chinese, Vietnamese, Italian, Greek and Spanish customers to contact Country Energy on 13 14 50.

Advertising our recruitment program in a wide range of media and strategies such as our *Indigenous Employment Strategy* and our *EEO Management Plan 2008-2012*, supports employment of culturally diverse employees.

Country Energy continues to conduct Customer Council, Regional Advisory Board and Rural Advisory Group meetings where representatives of various diverse community groups meet to review, discuss and improve upon our products and services.

Country Energy also recognises the ethnically diverse backgrounds of our employees and ensures that all support programs for employees are culturally sensitive.



**Maureen Reynolds** is a passionate energy efficiency advocate and is working as an adviser on Country Energy's energy efficiency advice line, **1800 ENERGY**.

**Country Support continues to be the only industry based hardship program accredited by the NSW Department of Water and Energy (DWE) to distribute Energy Account Payment Assistance (EAPA).**

## Service

### **energyanswers**

Country Energy developed an *energyanswers* program during the financial year to provide customers with energy efficiency advice to help them minimise impacts of price increases and manage their accounts and energy use.

### **Rural Advisory Group**

Maintaining close connections with customers and communities across the Country Energy footprint is a vital part of our consultation process.

Our Rural Advisory Group, a unique advisory board established when Country Energy formed, currently comprises 12 members who represent rural sectors across the state, including cotton farmers and irrigators, crop and grain growers, wool and primary producers, rural health, water and the Country Women's Association. Membership has been expanded as our customer numbers have increased, to ensure optimal representation of our rural communities and customers.

The group meets quarterly in locations across country and coastal NSW. In 2008-2009, members met in Queanbeyan, Sydney, Wagga Wagga and Broken Hill, receiving presentations from senior management on topical issues and acting as a sounding board for upcoming decision making and company direction. Members also use the meetings to present back to the business on current issues and challenges facing the customers and locations they represent.

The group initiated and drove a number of successful customer and community solutions in 2008-2009, including partnering with Kempsey Council to trial meter reading initiatives and consulting on education programs for customers and communities on energy efficiency.

## A free, dedicated energy efficiency advice line, known as the *energyanswers* advice line (1800 ENERGY) available to customers during business hours

### **energyanswers key elements**

- A free, dedicated energy efficiency advice line, known as the *energyanswers* advice line (1800 ENERGY) available to customers during business hours.
- An *energyanswers* guide containing simple energy efficiency tips sent to each customer as a bill insert in accounts issued from 1 July 2009.
- A dedicated online area, [www.countryenergy.com.au/energyanswers](http://www.countryenergy.com.au/energyanswers), which has been developed to be a one-stop shop for pricing, energy efficiency, and support programs including Country Support and payment options.
- Online *energyanswers* calculator will help customers understand how much energy they use, and find ways to make energy savings.
- An *energyanswers* pack, which will be sent to customers with high account queries and through the *energyanswers* advice line.
- Public education advertisements, which will provide our customers with energy efficiency information.

### Customer Council

Country Energy's Customer Council represents the social demographics, issues and challenges of our unique customer base.

In addition to providing advice and information, the group acts as a conduit between small retail customers and Country Energy, representing their needs and concerns.

The Customer Council comprises five members from various community and social sectors and operates under the Country Energy *Customer Council Charter*.

Meeting quarterly across state wide locations, the Council focuses on the core customer objectives of education and understanding and constantly looks for ways in which the business can better liaise with the community.

Initiatives for the 2008-2009 year included education programs for Community Welfare Offices, assistance in developing customer and community education programs and planning for Country Energy's first *Country Support Forum*.

### Regional Advisory Boards

Country Energy's regional management teams consult with eight Regional Advisory Boards, whose members are core community leaders from within each region. The Boards meet on a quarterly basis to discuss local issues and receive updates from the business, which they pass on to the communities they represent.

### Resolving customer complaints

Country Energy places a strong emphasis on thorough and timely resolution of customer complaints, working to address both individual and systemic issues.

We achieved a 25 per cent decrease in complaints about customer service in 2008-2009 – from 308 complaints in 2007-2008 to 231 this year – and 92.8 per cent of all claims were resolved within four business days.

We also recorded a 27 per cent decrease in customer account complaints and a 36 per cent decrease in billing complaints.

These achievements reflect the success of initiatives we put in place to improve customer service, including training to further improve communication with customers during their first point of contact and directing calls to experts in the field.

### Guarantee of service

Our *Guaranteed Customer Service Standards* (GCSS) detail the standards we will meet in the delivery of services to our customers. If we don't meet set standards, we make a payment to affected eligible customers. Country Energy works proactively to resolve issues that impact on our ability to meet our GCSS, constantly striving to improve our customer service delivery.

During the 2008-2009 year, we paid two claims for supply reliability and outage duration GCSS, down from six the previous year, demonstrating the success of our ongoing efforts to make improvements in the area.

### Energy and Water Ombudsman NSW (EWON)

The success of our efforts to resolve customer issues or complaints when they first contact Country Energy is evident in the small number of customers who escalated their complaints to EWON.

Less than 4.2 per cent of all EWON matters related to Country Energy, a significant decrease on the previous year's result of 6.6 per cent, and particularly noteworthy during a period when the Ombudsman reported a significant rise in complaints across the Industry.

To support timely, accurate and professional dealings with the EWON office, we run outreach programs for their employees, providing basic electricity training and vision of the unique network and demographic we operate in, visiting different areas of the network to experience the expanse of lines in our rural and remote communities and vegetation and weather issues in our coastal communities.

**energysanswers provides customers with simple advice on how they can save on their energy bills.**



# Value Providing strong business outcomes.

**Apprentice Lineworker, Beau Stoner** explains the operation of a regulator to beef farmer  
Alex Flanigan of Avondale, Pappinbarra

# Value

## INNOVATIVE NETWORK OPERATOR

### Intelligent Network

Country Energy is committed to finding better ways to conduct our business and provide value-for-money services for our customers.

Over the next five years, we will invest almost \$4 billion in new infrastructure and, as part of this major network upgrade, we will continue to evolve the traditional electricity distribution network into a more responsive network for the digital age – our *Intelligent Network* for the future.

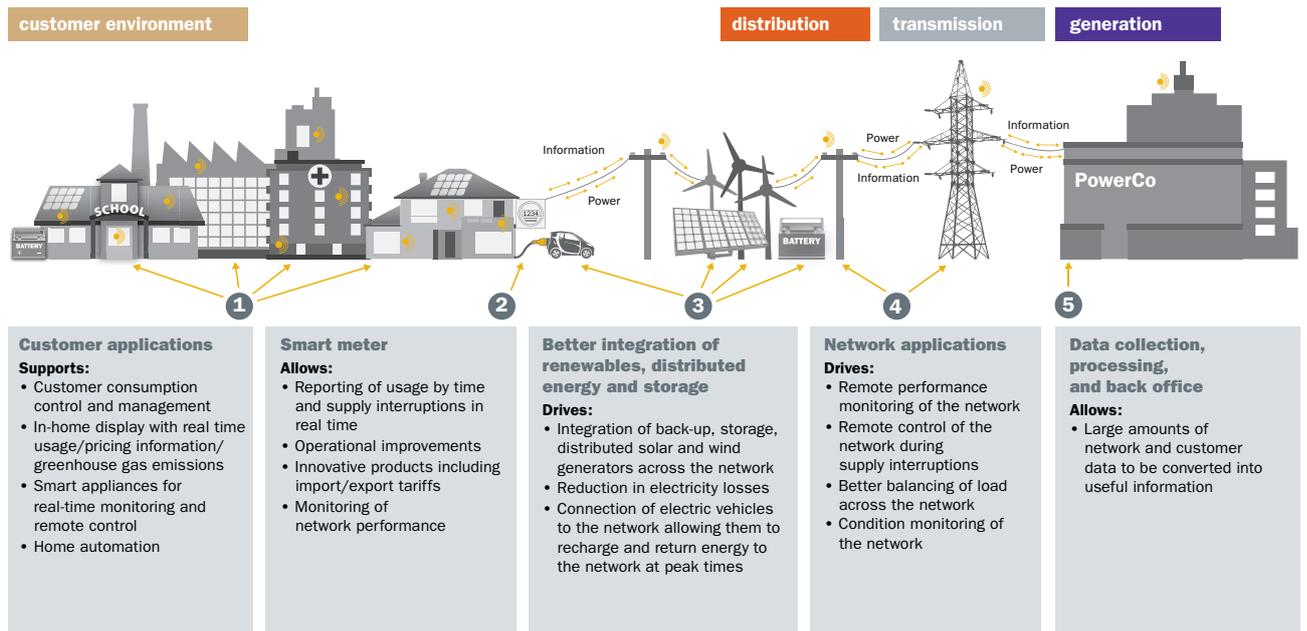
The *Intelligent Network* uses a sophisticated telecommunications system, a network-wide sensor system and smart metering to connect all points in the power network.

It involves the overlay of information technology on the electricity network to transform the one-way flow of electricity to a two-way flow of both electricity and information.

### Our 'intelligent' credentials

- In April 2008 Country Energy became Australia's first and only member of an international coalition of energy network operators. Convened by IBM this group is working collaboratively to develop Intelligent Networks supplying energy to more than 25 million people globally.
- Country Energy is also a founding member of Smart Grid Australia, a non-profit association representing a broad group of electricity network businesses, telecommunications vendors, equipment and metering manufacturers, integrators and researchers – all aiming to develop smart grid technologies.
- Country Energy has already trialed smart metering technology that allows customers to decide when they use energy and how much energy they use. We've also researched more efficient use of energy in the home, conducted trials of remote monitoring of the energy supply network and looked into the potential of broadband internet over powerlines.
- We are already building a more intelligent network as part of our five year Network Plan.

## Intelligent Network – transmission, distribution and customer environment



## Value

This two-way flow of electricity and information will create opportunities to improve network reliability, enable greater penetration of renewable generation and give customers greater control over their consumption, costs and greenhouse gas emissions.

We have evolved our *Intelligent Network* vision over the past 12 months through ongoing research, practical application of the latest technology and insights gained through our exclusive membership of the Intelligent Utility Network Coalition convened by IBM and involving energy businesses from around the globe.

The *Intelligent Network* encompasses a new way of thinking about electricity distribution, with opportunities to deliver a better service by installing smarter devices, establishing a communications network, and developing applications to capture and interpret the two-way flow of data and power across all levels of the network from generation to transmission, distribution, and the end consumer and back again.

One of these devices is called an interactive inverter. Interactive inverters support network performance and also create 'on-ramps' for renewable energy and other forms of distributed generation.

In the future, we will be introducing a number of new technologies to create an increasingly smart and more efficient network. These include:

- Wireless mesh technologies that allow Country Energy to interact with residences, offices and other community facilities providing timely information, including usage, greenhouse gas emissions, and price;
- Optical Power Ground Wire to support the associated communication network allowing data to flow (with spare fibre optic capacity which could be leased or otherwise harnessed);

- Advanced meters with which the wireless and broadband communications technologies will not only interact for information but enable automatic reconnection and disconnection without a 'truck roll' (currently required to get employees to physically visit premises to read and connect or disconnect meters);
- Distance to Fault Relays that pinpoint the location of a fault, allowing our crews to be dispatched to the immediate area, therefore reducing the length of unplanned supply interruptions; and
- Interactive inverters that create 'on-ramps' for renewable energy and other forms of distributed generation.

### Experiencing the *Intelligent Network*

During the year, we continued to showcase the potential of the *Intelligent Network* at our *Intelligent Network* Research and Demonstration Centre located in Queanbeyan, NSW.

More than 450 people, including policy makers, regulators, community groups and customers, have visited the Centre and we receive both local and international enquiries to attend the Centre.

We understand that education is equally as important as the technical components of the *Intelligent Network*, and we are developing new and innovative elements within the Centre to support this commitment.

For example, distributed generation and storage is an integral part of the *Intelligent Network*, and we plan to install a grid interactive inverter to demonstrate off grid storage of electricity and its potential to improve reliability and quality of supply for customers.



**Michael Lysaght**, General Manager Intelligent Network and Innovation, and Clinton McAlister, Group Manager Senior Development Program, discuss the *Intelligent Network* strategy.

We have also included a fully operational plug-in hybrid electric vehicle to demonstrate interaction with the Intelligent Network at the Centre. The plug-in vehicle shows how batteries can be charged during off peak times, enabling power to be used, stored, or transferred back into the electricity grid at peak times for a price.

Over time, we plan to roll out a number of whole-of-community projects designed to enhance our own understanding and practical experience of intelligent technology, as well as educate consumers, inform national policy within Australia and contribute to the global research.

Our vision is to harness all the elements – smart network devices, cutting edge communication technologies, IT applications, community education as well as energy efficiency and renewable energy sources – into a single model focused around real customer experience, while balancing service levels with costs.

#### **Australian-first field operations**

During the year, Country Energy became the first electricity distributor to trial a hand-held device that will revolutionise electrical leakage detection, making tasks easier and safer for field employees.

The GLM Mini SWER (Single Wire Earth Return) and Pole Non-Contact Voltage Detector is a pocket-sized machine specifically designed for detecting electrical leakage on SWER poles across the network.

The new tool has been designed to provide a warning when a pole has a potential dangerous leakage.

The device – an Australian first – is a result of extensive consultation with a manufacturing company which approached Country Energy in March 2007 with a prototype to test electrical leakage on SWER poles.

It has been rigorously trialled by Country Energy and tested by our Tools and PPE Committee under control conditions with test poles to prove the accuracy of the unit.

There are two types of voltage detectors to be used for safe approach – one for testing poles and the other for testing meter boxes.

In October 2009 the device will be rolled out across all Country Energy field service centres, and other Australian electricity distributors are now approaching the manufacturer to conduct their own trials with the devices.

#### **Operational Excellence program**

The Operational Excellence program was launched in June 2006 to address industry challenges and drive business improvement. Over three years, the program undertook 13 cross-divisional projects and identified \$20.9 million in business improvement savings.

During the last financial year, \$7 million in savings was identified through three projects, Uncontracted Sites, Dual Use of Power Poles and Policy 101, as well as from better than expected fleet results.



**Outage simulation** at the Country Energy Intelligent Network Research Centre in Queanbeyan.

**During the year, Country Energy became the first electricity distributor to trial a hand-held device that will revolutionise electrical leakage detection, making tasks easier and safer for field employees.**

## Value



Managing Director Craig Murray addresses the Finding Better Ways Leadership Conference.

### FINDING BETTER WAYS

The *Finding Better Ways* projects are a part of Country Energy's drive to become Australia's best essential services provider by delivering better safety, service, value and sustainability.

The project's themes are a direct outcome of issues identified by a cross-section of managers and team leaders at the *Tamworth Leadership Conference 2008* and are considered important business priorities.

Key issues, the way forward, industry changes, environmental challenges; and growing customer expectations were explored within the context of the strategy principles of Safety, Service, Value and Sustainability.

Making sure the right information is provided to the right people, with the right tools and technology was a main theme of the event, where field and office based managers combined to redefine how we do business.

The *Finding Better Ways* projects seek to improve how we do business through innovation, greater accountability, enhanced efficiencies, better utilisation of our people and their skills, and effective communication.

The *Finding Better Ways* project highlights for the financial year include:

### Smart Vehicles – review work processes and technology available to provide a safe and more efficient working environment for field based employees

- Trialled in-car navigational (GPS) devices have proved useful for day to day operations and particularly beneficial for out-of-area crews locating assets during recent storms.
- Conducted 12 Smart Vehicle Workshops with 200 field-based employees to define the high-level Smart vehicles requirements.
- Created an email address, [smart.vehicles@countryenergy.com.au](mailto:smart.vehicles@countryenergy.com.au), to receive ideas and suggestions.

### Better Workforce – to deliver consistency in training processes to develop the roles and careers of Country Energy employees

- Appointed a Group Manager Learning Development to deliver training, record and verify qualifications, and accelerate the competency program.
- Conducted a number of successful small E-Learning pilots in the training area.
- Commenced an E-learning project, with phase one due to be rolled out by December 2009, providing a corporate Learning Management System and writing tool.
- Introduced pilot E-learning training delivery strategies – the Environmental E-learning program and TotalSAFE E-Learning.

**The *Finding Better Ways* projects are a part of Country Energy's drive to become Australia's best essential services provider through the provision of better safety, service, value and sustainability.**

**Policy 101 – standardise and reduce the 3,186 documents within the policy library to no more than 101**

- Revising the policy system architecture – improving awareness of, and accessibility to, the Policy Library.
- Consolidation of policy documents – a trial is underway with two internal departments.
- Management divisions to identify policy areas for consolidation.
- Policy life cycle – improve the policy document process with the creation of new documents and improve document control.

**Better Communication – get the right information, to the right people, at the right time, so we can deliver on safety, service, value and sustainability**

- Three workshops have focused on improving our 'tools' of communication – how the business uses technology to communicate and our current internal communication structure and guidelines.
- External benchmarking and employee consultation has been conducted to ensure recommendations achieve our goal of the consistent and effective delivery of vital information.

**Innovation – harvest good ideas from employees to deliver continuous improvement and innovative outcomes**

- Engaged with other industry leaders.
- Developed a structure to capture and facilitate innovative ideas.
- Continued to work with employees in Country Energy with great ideas to facilitate their development and implementation.

**Better safety – drive to zero harm**

**Regulatory Assessment and Awareness Days**

- The Safety Alliance has initiated a number of changes to the format and intent of annual Regulatory Assessment and Awareness Days.
- The changes were well received at a pilot day held at Parkes in December 2008 and aim to maximise employee safety and awareness in a positive, hands-on learning environment.
- Feedback from participants of the pilot day has helped shape this year's Regulatory Assessment Days, the first of which was held at Ballina on 28 January.
- The new format involves practical, interactive activities, rather than focusing on classroom-based assessments on topical safety and electricity industry issues.

**Network Operating Incidents**

- A review of Country Energy's network operations commenced with a focus on improving the process of network and field operator training and assessment.



A Geographical Positioning Satellite (GPS) device being used as part of Country Energy's Smart Vehicles project.

**The *Finding Better Ways* projects seek to improve how we do business through innovation, greater accountability, enhanced efficiencies, better utilisation of our people and their skills and effective communication.**

## Value

### Driver Survivor

- The Driver Survivor pilot ran for four months, from 8 December 2008 to 27 March 2009 and received encouraging feedback from participants.
- The pilot program aimed to improve employee safety by reducing the potential for vehicle accidents caused by driver fatigue and driver error.

### Better Places – aims to reduce Country Energy's greenhouse gas emissions in a cost efficient way, and in doing so become more energy efficient

Details on the program's achievements during the year are available in the Sustainability section of this report.

### DISTRIBUTION ASSET MANAGEMENT PLAN

The Distribution Asset Management Plan (DAMP) is a list of commitment areas that measures Country Energy's overall performance in managing our network. The DAMP is a metric reported directly to Country Energy's Board as one of our corporate Key Performance Indicators.

The completion of 99 per cent of this year's planned works is an excellent result, especially in the current economic climate of rising costs and a skilled labour shortage.

Our success has delivered strong business outcomes, including a positive trend in our reliability statistics; and cements our position as an innovative network operator.



Skidoo used in the South Eastern region to access the electricity network during winter.

### Distribution Asset Management Plan

Performance 2008-2009

Item	Target		Actual	
	Units	%	Units	%
Radial Subtransmission Lines (Inspect/Refurbish)	6,761	20	7,051 assets	21
Pole Inspections	345,471	20	357,712 assets	21
Backlog	12.1	20	14 full-time employees	17
Vegetation Management	1,420	10	1,303 spans	10
Reconductoring	531	10	612 kilometres	11
Sub Conductor Replacement >80% Thermal	176	10	180 projects	10
Substation Inspection and Maintenance	32,969	10	29,592 substations	9

KPI		100		99
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# Sustainability

## Our people and environment.

Apprentice Lineworker, Emmily Moylan is based at Country Energy's Dubbo Field Service Centre

# Sustainability

## RESOURCING THE FUTURE

Country Energy is committed to becoming an employer of choice through innovative approaches to the recruitment and retention of our workforce, and the development of our employees' training, skills and knowledge.

Country Energy has, and will continue, to invest in our workforce to ensure that an adequate resource pool is available to deliver our proposed works program. The long term interests of customers are served by having sustainable levels of skilled resources to enable our distribution network to be adequately maintained and upgraded.

The ongoing implementation of several employment programs is aimed at enhancing our capability to provide high quality customer service across the state. Supporting our massive network investment program, Country Energy continued its ongoing commitment to the creation of long term career opportunities for local people in regional New South Wales with the creation of 90 new apprenticeships during the year, building on the 740 apprenticeships created since 2001.

As part of Country Energy's 2008-2009 intake of 90 apprentices, eight indigenous lineworker apprentices were recruited under a Structured Training and Employment Project (STEP) Memorandum of Understanding (MoU) with the Department of Employment and Workplace Relations (DEWR).

Country Energy has an enviable success rate with more than 95 per cent of apprentices completing their trade certificates, including the 80 apprentices who successfully completed their apprenticeship during this financial year.

## Graduations

Country Energy held its inaugural apprentice graduation ceremonies in 2009 to celebrate the achievements of our apprentices who are now employed as qualified tradespeople. Around 463 apprentice graduates were acknowledged in a series of ceremonies held across the state. The ceremonies reinforced our commitment to providing jobs in regional New South Wales and recognised the hard work and dedication required to complete the theoretical and practical elements of an apprenticeship.

## Engineering Cadetships

Country Energy's Engineering Cadetship Program is designed to provide financial support and industry experience to students commencing a Bachelor of Engineering (Electrical) degree.

Cadetships are offered to students commencing first year studies or those who are currently undertaking university studies in electrical engineering, and provide career opportunities within regional New South Wales upon graduation.

With a total of 13 cadets in 2008-2009, Country Energy's Electrical Engineering Cadetship Program has proved itself to be an attractive career offer again this year, and will continue to commit to providing opportunities to develop highly skilled people in the engineering area with an additional two cadets being recruited in 2009-2010.

**Country Energy's apprentices are a valuable resource in an industry that provides an essential service to homes, farms and businesses across the state. They are the future of the industry and play an important role in enabling Country Energy to provide a safe and secure energy supply across regional NSW.**

## Country Energy's 2008-2009 Apprentice Numbers

Certificate 3 Electricity Supply Industry (Distribution Apprentices) – Lineworkers/Cablejoiners

Region	Far North Coast	Mid North Coast	South Eastern	Southern	Far West	North West	Central West	Northern	Networks
Number	44	51	30	65	15	55	30	40	0

Certificate 3 Electrotechnology Apprentices – Electricians

Region	Far North Coast	Mid North Coast	South Eastern	Southern	Far West	North West	Central West	Northern	Networks
Number	0	0	6	2	1	2	2	1	39

### Graduate Engineer program

Graduate Engineer numbers have grown over the last year with some of the brightest young university graduates being selected for the Country Energy program. We now have seven graduate engineers in our three year program experiencing all aspects of engineering in a leading energy supply business. The young engineers within the program are challenged with engineering projects and situations to apply their acquired knowledge from their Engineering Degree studies.

### TAFE NSW partnership

Country Energy's partnership with TAFE NSW continues to be crucial in providing recognition of our employees' levels of skill and knowledge, identified through our Powerful Skills program. The partnership, now in its second year, involves TAFE consultants working closely with employees in each of our regions to identify training needs and coordinate the delivery of training across TAFE NSW.

Through the partnership, we've utilised the extensive *Recognition of Prior Learning* provisions of the Australian Qualification Training Framework to provide advanced standing for employees involved. Not only has this significantly reduced our training costs, it has also reduced the time taken to achieve qualifications.

We've gained recognition of the project at state and national level by providing outlines of project activities to an Organisation for Economic Co-operation and Development (OECD) delegation and presentations to the Council of Australian Governments (COAG), the Department of Employment Education and Workplace Relations (DEEWR) and the NSW Department of Education and Training (DET).

Country Energy has also been successful in applying for a number of Federal funding opportunities, including Alternative Pathways, COAG Program funding, Reframing the Future, Australian Flexible Learning Framework and Workplace English Language and Literacy which have made a significant contribution to the overall training costs involved in up-skilling our employees. The project is assisting Country Energy in cementing our position as an industry leader in skills recognition innovation, and we plan to build our workforce capabilities further in 2009-2010.

### Senior leadership development

In partnership with Country Energy, the Macquarie Graduate School of Management (MGSM) delivered a program to support the changing educational needs of senior management in our organisation focusing on leadership, change strategy, marketing, finance and operations.

The program was rolled out in July 2008 and had an initial participant group of 17, made up of General Managers, Regional General Managers and members of the *Senior Development Program*.

One of the outcomes of the program was the high level of collaboration among the group and the quality of feedback to the Executive. The program will run again in 2009-2010.

### Practising Powerline Worker Program

During the year, a total of 885 powerline workers and electrical technicians who work on the overhead electricity distribution network took part in an initiative designed to:

- Update their skills in relation to current work practices and associated safe work methods relevant to construction, maintenance and augmentation of Country Energy's electricity distribution network.
- Participate in behavioural safety sessions designed to challenge attitudes and behaviours towards workplace safety.
- Raise awareness of the apprentice training program content to reinforce the significant role that qualified tradespersons play in mentoring apprentices.

This program was delivered through Country Energy's Training Centres in Parkes, Goulburn and Grafton and was completed in December 2008.



**Indigenous employees** at the inaugural Country Energy Apprentice Graduation at the Bob Lowe Training Centre, Grafton.



**Scott Taylor**, Zone Substation Design and Project Officer, with his award for Most Outstanding Student in his Advanced Diploma of Electrical Engineering Course at NSW TAFE North Coast Institute, Port Macquarie Campus.

# Sustainability

## New Regulatory Program

With Country Energy's focus on *drive to zero harm* a new regulatory assessment day was introduced in January 2009 to ensure greater learning opportunities for powerline workers to enhance their skills in relation to current work practices associated with:

- Neutral identification and polarity testing.
- Equipotential bonding and Low Voltage Bonding.
- HIRAC (Hazard Identification Risk Assessment and Control).

A total of 1,723 powerline workers attended one of 146 sessions held during the year. The program proved beneficial and area managers and supervisors now have greater involvement with regulatory assessment sessions with a number of changes adding value to the program.

## Skilling Up

In 2007-2008, we introduced the *Skilling Up* program to develop our frontline leaders' range of management and leadership skills. The program is provided in partnership with TAFE institutes across the state, using specialist external training providers and local TAFE institutes to deliver frontline leadership skills to 420 employees, with each of Country Energy's business units represented.

The first stage of the program delivers a Certificate IV in Business (Frontline Management) Qualification. This stage of the program will be completed by the end of 2009 for our first group of participants.

## Project management

The Country Energy *Project Management Skills Program* has been implemented to provide opportunities for employees to increase their knowledge of, and skills in, the area of project management. The program commenced in early 2008 and has been successfully embedded into 'business as usual' with employees from across the organisation involved in the varying levels of training and awareness.

## Project Management Skills Program

2008-2009

Workshop Participants	
Project Management Awareness Sessions	24
Project Fundamentals Workshop	8
Project Governance Workshop	27
Qualification Based Workshop (Cert IV, Diploma or Adv Dip level)	89
Assessment Progress	
Participants currently collecting assessment material	54
Successful assessments at AQF level 4 – Certificate IV	11
Successful assessments at AQF level 5 – Diploma	17
Successful assessments at AQF level 6 – Advance Diploma	2

A total of 148 employees have attended varying levels of workshops with 30 employees gaining formal qualifications and an additional 54 employees currently working towards a qualification.

## Country Energy's Indigenous Employment and Development Program

Country Energy's *Indigenous Employment and Development Program* aims to support our long term commitment to the development of a workforce which is representative of the communities we serve across New South Wales.

In 2008-2009, we successfully appointed eight apprentice lineworkers and five electrical workers through the efforts of our dedicated Indigenous Programs Unit and the support of our regional management teams. The majority of these apprentices were employed under our Structured Training and Employment Project Memorandum of Understanding with the Department of Education, Employment and Workplace Relations, signed in August 2007.

Following general inductions, both the electrical workers and apprentice lineworkers were provided with initial training, with our electrical workers undergoing an intensive and innovative six week workshop aimed at providing them with the best possible start on their new career path.

We continue to promote our Indigenous programs through careers workshops and expos such as the *Vibe Alive Festival* and *Deadly Days* and regularly promote opportunities with educational institutions including schools, Job Network agencies and other events including NAIDOC week and *Reconciliation Week*.

We actively seek to support worthwhile programs aimed at overcoming the disadvantage experienced by Indigenous people through sponsorships of a number of programs, events and scholarships including pre-employment workshops, *NSW Aboriginal Rugby League Knockout* and the *NSW Premier's Teacher's Scholarship* for Indigenous Education.

We have formed vital partnerships with Indigenous leaders and schools from remote and regional NSW to promote employment and development opportunities that are available to people in their local communities. We successfully continue to provide tutorial support programs across our network area to meet the needs of our Indigenous apprentices with the theoretical components of their apprenticeships.

Country Energy's *Indigenous Employee Network* continues to grow with 130 current members, aimed at providing support and mentorship for all Indigenous employees.

### Equal Employment Opportunity

Country Energy's *Equal Employment Opportunity (EEO) Management Plan 2008-2012* provides a framework for identifying and removing systemic barriers to the participation and promotion in employment of EEO groups.

In 2008-2009, the key areas of focus related to cultural change, particularly EEO/bullying and harassment awareness, policy development to improve flexible work practices and exploring opportunities for women within the business.

### Equal Employment Opportunity outcomes

Table 1. Trends in the representation of EEO target groups

Percentage of total workforce						
EEO Group	Target	2005	2006	2007	2008	2009
Women	50	21	21	21	21	<b>20</b>
Aboriginal people and Torres Strait Islanders	2	1.1	2.6	2.4	2.8	<b>2.9</b>
People whose first language was not English	20	0	1	1	0	<b>0</b>
People with a disability	12	8	10	7	2	<b>2</b>
People with a disability requiring work-related adjustment	7	2.5	2.4	2.2	0.7	<b>0.7</b>

Table 2. Trends in the distribution of EEO target groups

Distribution index						
EEO Group	Target	2005	2006	2007	2008	2009
Women	100	75	79	90	90	<b>94</b>
Aboriginal people and Torres Strait Islanders	100	67	91	69	72	<b>74</b>
People whose first language was not English	100	n/a	104	119	n/a	<b>n/a</b>
People with a disability	100	107	104	105	107	<b>106</b>
People with a disability requiring work-related adjustment	100	107	98	101	106	<b>103</b>

#### Notes to tables:

- Employee numbers are as at 30 June 2009.
- Excludes casual employees.
- A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other employees. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other employees. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.
- The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.
- Data is compiled from information volunteered by employees.

## Sustainability

### Major outcomes during the year included:

#### Fair go at work

The program focused on promoting a safe work environment by raising awareness and accountabilities regarding bullying and harassment, and managers were provided with opportunities to develop practical skills to improve their confidence and capability in managing behaviour at work.

Awareness sessions were rolled out to managers via Country Energy's Powerful Minds program, a combination of training in mental health first aid and managing EEO and bullying and harassment issues.

Helping managers further apply their learning, individually tailored development coaching was offered through Country Energy's Employee Assistance Program. Frontline managers also received practical skills training in how to manage inappropriate behaviour through the Performance Management module offered through Country Energy's Skilling Up program.

To encourage employees to raise concerns, a network of more than 70 Equity and Diversity Contact Officers was established across the business, with training completed in November 2008. This is another way that employees can obtain information and evaluate their options to resolve issues.

The roll out of awareness training to all employees commenced over this period and will continue in the next financial year.

#### Women's support network

In December 2008, a group of interested employees began exploring ideas for more structured support programs for women at Country Energy. After conducting research within and outside the business, the group proposed leveraging off Country Energy's existing Employer of Choice program.

The top four interests identified by employees were:

- Mentoring
- Skills training
- Leadership development
- Work/life balance, including managing health and stress.

Based on research results, the Steering Committee plans to facilitate mentoring and skills training opportunities for interested women over the next 12 months.

#### Employee engagement

Country Energy achieved a positive 65 per cent Engagement Score in the Country Energy Employee Engagement Survey – on the boundary of High Performance in the 2008 year – and attracted a response rate of 78 per cent.

Conducted by Hewitt Consulting, the survey invited employees to have their say about a range of business topics, and the results provided insights into the employment relationship through the eyes of Country Energy employees.

The survey focused on three key areas – the extent to which employees 'Say' great things about the business; the extent that employees believe they will 'Stay' with the organisation; and the level to which they 'Strive' on behalf of the business.

**Country Energy achieved a positive 65 per cent Engagement Score in the Country Energy Employee Engagement Survey – on the boundary of High Performance in the 2008 year.**



**Young Engineers** Adam Causley and Aaron Thompson looking over a capital works project at the Sovereign Hills subdivision near Port Macquarie.

Key areas employees identified as opportunities for improvement included change management, understanding career opportunities, improving our approach to innovation, and investigating what Senior Leadership can do to contribute to engagement.

A Steering Committee was created to oversee a number of improvement programs to identify issues and design methods to improve employee engagement across the business.

**Say**

- 81 per cent of employees would not hesitate to recommend Country Energy to a friend seeking employment.
- Given the opportunity, 73 per cent of employees tell others the great things about working here.

**Stay**

- 64 per cent of employees say it would take a lot to get them to leave Country Energy.
- 63 per cent rarely think about leaving Country Energy to work somewhere else.

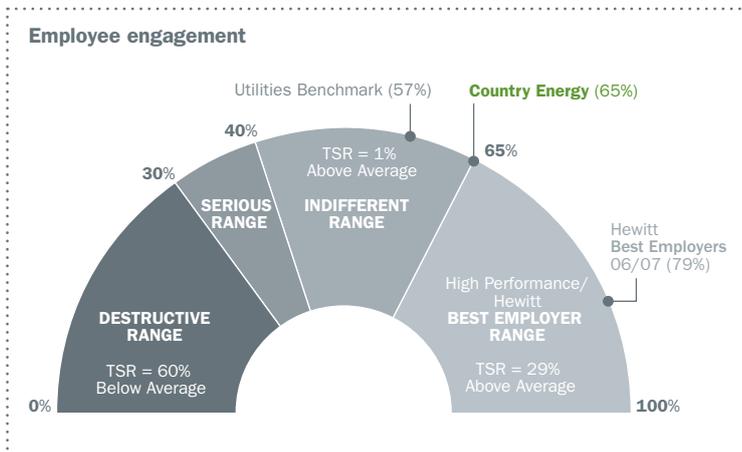
**Strive**

- 55 per cent say that Country Energy inspires them to do their best work every day.
- 49 per cent say that Country Energy motivates them to contribute more than is normally required to complete their work.

**AN ENVIRONMENTAL LEADER**

As the largest electricity network operator in Australia, with over 142 sites and around 4,200 employees, Country Energy's carbon footprint is significant. Our service corridors and facilities cover some 400,000 hectares of NSW, Victoria and Queensland. As a supplier of energy and water products and services we are responsible for both consumption of non-renewable resources, and maintenance and purchase of renewable energy generation systems.

Country Energy has made an environmental commitment to look for better ways to run our business, support our employees and deliver local essential services to regional communities across New South Wales.



# Sustainability

## Better Places

In line with one of Country Energy's core values – sustainability – Country Energy is committed to finding better ways to reduce its greenhouse gas emissions.

The *Better Places* project – one of six projects sitting under the *Finding Better Ways* umbrella – aims to take action to reduce Country Energy's greenhouse gas emissions in a cost efficient way, and in doing so become more energy efficient as an organisation.

The *Better Places* project seeks to identify and oversee implementation of opportunities to improve Country Energy workplaces, fleet and procurement activities to reduce greenhouse gas emissions.

We want to continue to live here too, and be recognised within and outside Country Energy as an environmental leader. *Better Places* has already delivered tangible results that demonstrate Country Energy's strong environmental leadership.

## Carbon Reduction Program

Measuring carbon emissions at Country Energy has entered its second year with carbon reduction targets being managed through the business' Dashboard reporting tool.

At year end, Country Energy's whole of business carbon emissions reduced by 57,843 CO<sub>2</sub>, well under our target of 58,645 CO<sub>2</sub>.

In a further drive to be an environmental leader, reduction targets for energy use, waste, travel and vehicle use have been set for each division and are reported against quarterly.

The process is extensive and measures each division's greenhouse gas emissions footprint in tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e).

We achieved a two per cent reduction in our facilities' energy emissions, or a reduction of 360 tonnes of greenhouse gas emissions, and reduced our fleet emissions, despite adding almost 60 new vehicles to the fleet with further gains expected this financial year.

Country Energy is leading the way with regular carbon performance reporting and is demonstrating its commitment to sustainable business practice with measurable carbon reductions.

## Reduced waste and increased recycling through the implementation of a waste reduction campaign

### Environmental achievements

- In the last 12 months Country Energy reduced its energy consumption by 2,983 MWh by launching an internal energy efficiency program called *energyanswers*, conducting site audits and improving energy consumption at a number of identified facilities.
- Reduced waste and increased recycling through the implementation of a waste reduction campaign as part of Country Energy's *Waste Reduction and Purchasing Policy* (WRAPP). The campaign includes initiatives such as default duplex function on all Country Energy printers which saw a 26 per cent overall reduction in paper consumption in the first six months – equating to around 300,000 sheets of paper per month. At this rate, we'll reduce printing by almost 3.5 million sheets per annum – the equivalent of taking 11 cars off the road.
- Designed and built 'greener' facilities and achieved 4.5 NABERS (National Australian Built Environment Rating System) ratings for all office buildings larger than 1,000 square metres.
- Reduced our fleet carbon emissions by 6,700 tonnes during the financial year through better purchasing practices.
- Country Energy has audited its greenhouse gas emissions since 2005, with assurance by Deloitte Touche and Tohmatsu.
- As part of the continued roll-out and monitoring of our *Carbon Reduction Program*, our performance in reducing carbon emissions across the business is reported on our Corporate Dashboard.
- During the financial year a two per cent reduction in company-wide carbon emissions was achieved through awareness programs and environmental strategies.

## Renewable energy

In addition to sourcing renewable energy and participating in greenhouse gas emission reduction programs on behalf of our customers, addressing the environmental impacts of our own operations is an important strategy for Country Energy.

Country Energy purchases renewable energy for all our sites across NSW. Employees are encouraged to reduce resource wastage by recycling where appropriate and by participating in simple programs like switching off lights when leaving offices and adopting initiatives promoted through our *energysanswers* efficiency program.

Country Energy is involved in a number of renewable energy production forms, whether as an owner operator or a contract buyer for our suite of GreenPower approved renewable energy products – countrygreen®.

## Our renewable energy credentials

- Country Energy has 20 Power Purchase Agreements (PPAs) with renewable energy generators.
- Country Energy operates 50 kW solar farms at Queanbeyan and Dubbo, a 30 kW solar farm at White Cliffs; and owns two hydro stations at Nymboida and Oaky.
- Country Energy, in partnership with Renewable Australia and Waste Management Pacific, is currently investigating the feasibility of utilising regional landfill sites for electricity generation.
- Country Energy purchased 2640 MWhs of GreenPower for our own energy consumption in the financial year.
- We have nearly 56,000 countrygreen® GreenPower customers, which is a 16 per cent increase from the same time last year.

## Country Energy's accredited GreenPower sources



## Sustainability



Electrical cables exiting the power station at the Oaky River Hydro Scheme.

### **Sustainability Advantage**

Country Energy has signed up with the NSW Department of Environment and Climate Change's *Sustainability Advantage* program, designed to help integrate sustainability best practice throughout the business.

Country Energy is the first state-owned corporation to join the program, which includes 16 of the top 200 companies on the Australian Stock Exchange (ASX).

Already the program has rated our sustainability performance – achieving two stars out of a possible five – and identified areas for improvement.

We are now undertaking a development module on vision, commitment and planning designed to assist Country Energy develop a strategic sustainability plan to drive our environmental improvements; and results will be fed back to the business.

### **Powerful partnership**

As a part of Country Energy's commitment to regional communities in New South Wales, we support the Local Government and Shires Associations (LGSA) of NSW representing all councils across the state.

Country Energy, with the support of the LGSA, undertakes an energy and water management market research study on an annual basis to assist councils in identifying opportunities to lower energy and water management costs, as well as reduce greenhouse gas emissions.

Now in its fourth year, the survey enables councils to benchmark their performance against other councils and monitor their progress annually.

Country Energy offers councils a number of energy and water management products such as energy and water audits, power factor correction, thermal imaging, pre-construction audits for new building projects and green building rating assessments through our specialist energysolutions business.

### **Green Fleet**

Innovative changes to Country Energy's small and heavy fleet management have slashed our fleet CO<sub>2</sub> emissions by more than 6,700 tonnes – an impressive achievement.

Country Energy achieved an actual result of 29,269 tonnes of CO<sub>2</sub> emissions for the 2008-2009 year, well under a target of 36,000 tonnes for the 12 month period.

The positive result was largely thanks to the introduction of Country Energy's new *Green Fleet* policy. The policy drove changes to the organisation's fleet purchasing habits and saw the use of more environmentally friendly, fuel-efficient vehicles.

Further actions, like the identification and removal of 110 surplus vehicles and a more rigorous approach to routine vehicle maintenance, made this significant result possible.

**Country Energy has signed up with the NSW Department of Environment and Climate Change's Sustainability Advantage program, designed to help integrate sustainability best practice throughout the business.**

## Country Energy will develop a heritage and conservation register (S170 register) by December 2009, building on our Heritage Asset Management Strategy.

Our ongoing commitment to purchasing Euro 4 compliant heavy fleet vehicles ensures the future efficiency of the fleet and the minimisation of CO<sub>2</sub> emissions. Euro 4 standards are used worldwide to set the benchmark for acceptable exhaust emissions and are considered to be 'industry best practice'.

### Heritage Management

Country Energy's heart is in regional New South Wales and we are proud to manage 14 Heritage listed sites in accordance with section 170 of the *Heritage Act 1977*, securing their future for years to come.

Country Energy will develop a heritage and conservation register (Section 170 register) by December 2009, building on our Heritage Asset Management Strategy that was submitted to the Heritage Branch of the NSW Department of Planning in 2008.

The register identifies sites with heritage significance and describes each site, its current and former use, and its heritage significance in accordance with NSW heritage assessment criteria.

These sites are:

- Oaky Zone Hydro-Electric Power station and Dam
- Narrabri Field Service Centre
- Former Glen Innes Power Station
- Former Tenterfield Power Station
- Former Lismore Power Station
- Mullumbimby Hydro-Electric Power Station
- Nymboida Hydro-Electric Power Station
- Prince Street Office (Northern Rivers County Council Building), Grafton
- Queen Street Cottage, Grafton
- Crago Mill, Piper Street, Bathurst
- Bentinck Street Substation, Bathurst
- Water Board Offices, Broken Hill
- Mica Street Filtration Plant and Reservoir, Broken Hill
- The Esplanade Zone Substation, Wagga Wagga

Twelve of these sites have significance under Local Environmental Plans with the remaining two – the Mullumbimby and Nymboida Hydro Electric power stations – deemed significant at a state level. The Nymboida power station is still operational today, 86 years after it was constructed.

Country Energy is currently acquiring Conservation Management Strategies and Conservation Management Plans to assist with the preservation of the historically significant items.



Specialised power pole for ospreys to safely nest.

## Our Board



**The members of our Board are responsible to the voting shareholders for the overall performance and governance of the company.**

Their responsibilities include, but are not limited to: Setting strategic direction for the business; approving and monitoring progress of major capital expenditure and financial performance of the business; and ensuring compliance with New South Wales Government policies.

**Barbara Ward** BEc, MPol Econ  
**Non-executive, Chairman**

**Current Appointment:**  
1 March 2009 – 29 February 2012

**Member of:**  
The Audit and Risk Committee  
The Safety and Environment Committee

**Craig Murray**  
**Executive, Managing Director**

**Current Appointment:**  
Concurrent with appointment  
as Managing Director

**Member of:**  
The Safety and Environment Committee

**The Hon Michael Lee**  
BSc, BE (Hons), FIE Aust  
**Non-executive, Director**

**Current Appointment:**  
1 March 2007 – 31 August 2010

**Member of:**  
The Audit and Risk Committee  
**Chairman of:**  
The Safety and Environment Committee

**Rowena Sylvester** BBus  
**Non-executive**

**Current Appointment:**  
5 February 2008 – 4 August 2010

**Chairman of:**  
The Audit and Risk Committee

**Dave Evans** BE (Hons)  
**Non-executive**

**Current Appointment:**  
24 November 2006 – 23 November 2009

**Member of:**  
The Audit and Risk Committee

**Greg McLean**  
**Non-executive, Unions NSW Nominee**

**Current Appointment:**  
14 October 2008 – 13 October 2010

**Member of:**  
The Safety and Environment Committee

## Our Executive



**Craig Murray**  
Managing Director

Member of the Board of Directors, leadership, strategy, business performance, corporate values, shareholder and stakeholder relations.



**Peter Johnson** BBus, ACIS  
Company Secretary

Corporate governance, services to the Board, ethics and security, corporate responsibility, fraud and corruption.



**John Adams** Dip (Elect Eng), BBus, FIE Aust  
Executive General Manager Retail

Retail business management, sales and marketing, national and residential sales, retail, pricing and product development.



**Gary Humphreys**  
Executive General Manager  
Infrastructure Operations

Regional field service delivery, customer service centres, community relations, water operations, distribution works.



**Col Usher** BEng (Hons), GDipBA  
Executive General Manager  
Infrastructure Strategy

Network and water strategy, intelligent network, metering services, demand management, reliability problems, maintenance strategy.



**Ken Stonestreet** BE (Hons)  
Executive General Manager  
Engineering Services

Subtransmission services, network operations and customer response, gas networks, network planning.



**Justin De Lorenzo** BCom, ACA, ASIA  
Executive General Manager  
Finance and Risk

Financial management and accounting, energy trading, risk management, insurance, credit control, treasury, continuous business improvement, corporate counsel, capital governance and security.



**Terri Benson** BBus, CPA  
Executive General Manager Corporate  
and Commercial Services

Human resources and organisational development, safety and environment, information services, property, strategic procurement, fleet.



**Bill Frewen** BA LLB  
Executive General Manager Customer  
and Corporate Affairs

Corporate strategy and business development, regulatory affairs, corporate and business strategy, revenue systems, customer services and contact centres, corporate marketing and communications, customer and government relations.

# Corporate Governance

## Executive Remuneration

At the end of 2008-2009, Country Energy employed 112 employees with total remuneration packages equal to or exceeding the NSW Senior Executive Service Level 1, compared to 91 in the previous year. This includes 18 females – four more than last year.

The following executive officers received a total remuneration package equal to or exceeding New South Wales Senior Executive Service Level 5:

- Managing Director, Craig Murray \$650,475

Craig has been in this role for the full reporting period. Each year the Board assesses the Managing Director's performance. This includes a review of performance against objectives established for Safety, Financial Performance, Stakeholder Relations, Value, and Sustainability. In 2008-2009, Craig delivered strong overall performance across all dashboard indicators.

- Executive General Manager Engineering Services, Ken Stonestreet \$394,029

Ken has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Ken delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Finance and Risk, Justin De Lorenzo \$388,500

Justin has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Justin delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Infrastructure Operations, Gary Humphreys \$384,300

Gary has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Gary delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Corporate and Commercial Services, Terri Benson \$378,000

Terri has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Terri delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Customer and Corporate Affairs, Bill Frewen \$378,000

Bill has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Bill delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Retail, John Adams \$369,957

John has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, John delivered strong overall performance across all relevant dashboard indicators.

- Executive General Manager Infrastructure Strategy, Col Ussher \$275,000

Col Ussher has been in this role since 2 March 2009. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Col delivered strong overall performance across all relevant dashboard indicators.

- Company Secretary, Peter Johnson \$231,000

Peter Johnson has been in this role for the full reporting period. Each year executive performance agreements are established and objectives set against dashboard responsibility areas as well as personal objectives. In 2008-2009, Peter delivered strong overall performance across all relevant dashboard indicators.

The executive remuneration policy for the 2008-2009 year excludes bonus and 'at risk' payments. No bonus payments were paid to any employee in relation to this reporting year.

## Establishment

Country Energy is a statutory State Owned Corporation (SOC) under the *State Owned Corporations Act 1989*, established by the *Energy Services Corporations Act 1995*.

Under this Act, the principal objectives of Country Energy are:

- (a) to be a successful business and, to this end, to:
  - I. operate at least as efficiently as any comparable businesses
  - II. maximise the net worth of the state's investment in it
  - III. exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- (b) to protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the *Protection of the Environment Administration Act 1991*
- (c) to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates
- (d) to operate efficient, safe and reliable facilities for the distribution of electricity and other forms of energy
- (e) to be an efficient and responsible supplier of electricity and other forms of energy and of services relating to the use and conservation of electricity and other forms of energy
- (f) to be a successful participant in the wholesale and retail markets for electricity and other forms of energy and for services relating to the use and conservation of electricity and other forms of energy.

A statutory SOC is declared to be an excluded matter for the purposes of section 5F of the *Corporations Act 2001* (Cth) in relation to the whole of the Corporations Law other than certain provisions relating to financial products, or as may be otherwise declared, in the Regulations under the *State Owned Corporations Act 1989*.

### Shareholders

In accordance with the provisions of the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*, Country Energy has two shareholders, each holding one share of \$1. The shareholders in 2008-2009 were the Treasurer of NSW and Minister for Finance. Shares in an energy services corporation may not be sold or otherwise disposed of, except to eligible ministers.

### Constitution

Country Energy's constitution comprises a Memorandum and Articles of Association which address areas normally covered within a Corporations Law company, including the administration of shares, general meetings, directors, chief executive officer, remuneration, meeting and administrative procedures, company secretary, dividends and indemnities of directors and officers.

### Directors' interests

Directors are required to disclose any material contract or relationship with Country Energy and to disclose all companies or other organisations with which they are professionally involved.

Details of directors' interests are maintained by the company secretary in a register which is included in the agenda of every Board meeting. The constitution provides for procedures to be followed in the event of a conflict or a perceived conflict arising between a director's interest and a matter before the Board. Where a Board member declares a conflict or perceived conflict of interest they are required to leave the meeting while the matter is considered.

### Board performance review

Country Energy's Board conducts periodic reviews of its performance by means of an internal survey. These reviews seek to identify where improvements can be made and assess the quality, timeliness and effectiveness of information made available to directors.

### Non-management meetings

The non-executive directors meet at least once a year without management in a forum intended to allow for open discussion on Board and management performance. This is in addition to consideration of the performance and remuneration of the Managing Director, which is conducted by the Board in the absence of the Managing Director.

### Directors' remuneration

Directors' remuneration is determined by the NSW Government and is currently in the form of a cash stipend without 'at risk' elements or non-cash emoluments. Country Energy makes payments to the directors in accordance with these directions under the framework of the organisation's normal payroll system. Out of pocket expenses related to attendance at meetings are reimbursed.

### Indemnities

Under the *State Owned Corporations Act 1989*, State Owned Corporations are able to indemnify their directors and officers against certain liabilities incurred in the course of their employment. The indemnity cannot be used without the approval of the voting shareholders.

Currently, all Country Energy non-executive directors, the Managing Director and other officers fitting the criteria detailed in the Treasury Policy (TPPO3-6), have been issued with a Deed of Indemnity in the form approved by shareholders.

The Deed of Indemnity provides cover against the following types of liability:

- Civil liability, but only if such liability is, or was, incurred by the indemnified party in his or her capacity as an officer acting in good faith;
- Costs and expenses incurred by the indemnified party in defending proceedings, whether civil or criminal, in which judgement is, or was, given in favour of the indemnified party, or in which the indemnified party was acquitted; and
- Costs and expenses in connection with any application in relation to a proceeding in which a court grants or granted relief to the indemnified party.

Country Energy also purchases insurance cover for directors' and officers' liability and professional indemnity.

### Directors' attendance at meetings

	Board meetings		Committee meetings	
	Eligible	Attended	Eligible	Attended
Barbara Ward	11	11	4	4
Craig Murray	11	11	4	4
The Hon. Michael Lee	11	11	4	4
Greg McLean	8	7	3	3
Rowena Sylvester	11	10	4	3
Dave Evans	11	11	4	4

# Corporate Governance

## Audit and Risk Committee

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the company and each of its subsidiaries.

In addition, the Committee will:

- Advise and report to the Board in relation to risk management policy and strategy, debt management policy and strategy, licence and legal compliance policy and strategy.
- Oversee, coordinate and appraise the quality of the audits conducted by both the company's external and internal auditors.
- Maintain, by scheduling regular meetings, open lines of communication among the Board, the internal and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities.
- Serve as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public.
- Review the adequacy of the reporting and accounting controls of the company.
- Review its Terms of Reference and performance against the Terms of Reference on an annual basis.

## Safety and Environment Committee

The primary objective of the Committee is to assist the Board of Directors in fulfilling its responsibilities relating to Occupational Health Safety and Environment practices of the company and each of its subsidiaries.

In addition, the Committee will advise and report to the Board on policy, strategy, initiatives and achievements, in relation to:

- The safety of staff, public, contractors, and accredited service providers in any area of relevance to Country Energy's activities, where reasonably under the control of Country Energy.
- The impact of Country Energy's activities on the environment, and the achievement of ecologically sustainable development.
- Any other matter considered by the Committee to be of relevance to the Committee's objectives.

## Delegations to management

A comprehensive set of delegations has been issued to the Managing Director, including the power to sub-delegate, to allow management to conduct the business of the Corporation.

Notwithstanding these delegations, specific rules have been put in place in critical areas such as energy trading, retail sales and environmental determinations to ensure the Board is directly involved in decisions above predetermined thresholds.

## Ethical standards

Policies addressing the Country Energy code of conduct, conflicts of interest, gifts, protected disclosures, privacy and other ethical standards have previously been developed and adopted by our Board. These policies have been maintained and communicated throughout the organisation, and they apply equally to the Board, management, employees and contractors.

## Governance

Country Energy has developed an overarching Governance Policy to help ensure that the organisation operates in accordance with all relevant regulations, drivers, processes and controls. Additional documents have been specifically developed for the Board and its members. These include a directors' code of conduct, board charter, directors' induction and charters for the Audit and Risk and Safety and Environment Committee.

## Fraud and corruption management

Country Energy has set high standards for ethics and probity and is committed to their application without compromise. Processes and resources have been put in place to facilitate the identification and reporting of any areas of potential risk, including provision for anonymity and protected disclosure. During the 2008-2009 year, no incidents of fraud or corrupt behaviour were recorded.

## Securing Country Energy information assets

In line with *Premiers Memorandum No. 2007-04*, outlining guidelines to meet the NSW Government's electronic information security objectives, Country Energy has achieved and continues to be audited for compliance to the *International Standard: AS/NZ ISO/IEC 27001 Information Technology - Security Techniques - Information Security Management System*. A key component of the standard is the creation and ongoing maintenance of an Information Security Management System (ISMS).

The ISMS is designed to ensure the selection of adequate and proportionate security controls that protect Country Energy's information assets. Further, it gives a high level of confidence to the Country Energy Board and Executive, stakeholders and customers that our information assets are managed securely.

Independent internationally certified external auditors regularly review and report on Country Energy's compliance with this standard as a key activity to maintain certification. This ongoing auditing and reporting are required as part of operating, monitoring, maintaining and improving our ISMS and, more importantly, to ensure that Country Energy's information assets are secure.

## Legislative Changes

As a New South Wales State Owned Corporation, Country Energy is generally subject to the same statutory and legal requirements as other businesses, with the notable exception of the *Corporations Act 2001* (Cth). The following are the main legislative and regulatory changes made during the reporting period that impact on Country Energy as an energy services corporation in relation to gas, electricity and water.

## Commonwealth

### **Australian Energy Market Amendment (Minor Amendments) Act 2008 (Cth)**

Amends the *Australian Energy Market Act 2004* (Cth).

### **Australian Energy Market Amendment (AEMO and Other Measures) Act 2009 (Cth)**

Amends the *Australian Energy Market Act 2004* (Cth), *Renewable Energy (Electricity) Act 2000* (Cth) and the *Trade Practices Act 1974* (Cth).

### **Energy Efficiency Opportunities Amendment Regulations 2008 and 2009 (Cth)**

Amends the *Energy Efficiency Opportunities Regulations 2006* (Cth).

### **National Greenhouse and Energy Reporting Amendment Act 2008 (Cth)**

Amends the *National Greenhouse and Energy Reporting Act 2007* (Cth).

### **National Greenhouse and Energy Reporting Amendment Regulations 2009 (Cth)**

Amends the *National Greenhouse and Energy Reporting Regulations 2008* (Cth).

### **National Greenhouse and Energy Reporting (Measurement) Determination 2008**

Made under the *National Greenhouse and Energy Reporting Act 2007* (Cth) and repeals the *Determination 2007*.

### **Renewable Energy (Electricity) Amendment Regulations 2008 (Cth)**

Amends the *Renewable Energy (Electricity) Regulations 2001* (Cth).

### **Statute Law Revision Act 2008 (Cth)**

Amends the *Water Act 2007* (Cth).

### **Water Amendment Act 2008 (Cth)**

Amends the *Water Act 2007* (Cth).

### **Water Amendment Regulations 2008 (No. 1), (No. 2) and (No. 3) (Cth)**

Amends the *Water Regulations 2008* (Cth).

## New South Wales

### **Electricity (Consumer Safety) Amendment (Fees) Regulation 2008 (NSW)**

Amends the *Electricity (Consumer Safety) Regulation 2006* (NSW).

### **Energy Legislation Amendment (Infrastructure Protection) Act 2009 (NSW)**

Amends the *Electricity Supply Act 1995* (NSW) and the *Gas Supply Act 1996* (NSW).

### **Electricity Supply (Corrosion Protection) Regulation 2008 (NSW)**

Made under the *Electricity Supply Act 1995* (NSW).

### **Electricity Supply (Safety and Network Management) Regulation 2008 (NSW)**

Made under the *Electricity Supply Act 1995* (NSW).

### **Gas Supply (Safety and Network Management) Regulation 2008 (NSW)**

Made under the *Gas Supply Act 1996* (NSW) and repeals the *Gas Supply (Savings and Transitional) Regulation 1991* (NSW).

### **National Gas (New South Wales) Act 2008 (NSW)**

Adopts the National Gas Law set out in the *National Gas (South Australia) Act 2007* (SA) and subsequently amends various Acts and Resolutions.

### **Statute Law (Miscellaneous Provisions) Act 2008 (NSW)**

Amends the *Electricity (Consumer Safety) Act 2004* (NSW), *Water Industry Competition Act 2006* (NSW) and the *Water Management Act 2000* (NSW).

### **Subordinate Legislation Act 1989 (NSW)**

Repeals the *Electricity Safety (Corrosion Protection) Regulation 2003* (NSW), the *Electricity Supply (Safety and Network Management) Regulation 2002* (NSW) and *Gas Supply (Safety and Network Management) Regulation 2002* (NSW).

### **Water Industry Competition Act 2006 (NSW)**

Amends the *Energy and Utilities Administration Act 1987* (NSW), the *Fluoridation of Public Water Supplies Act 1957* (NSW), the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), the *Public Health Act 1991* (NSW), the *Water Act 1912* (NSW) and the *Water Management Act 2000* (NSW).

### **Water Industry Competition Regulations (Access to Infrastructure Services) 2007 & (General) 2008 (NSW)**

Made under the *Water Industry Competition Act 2006* (NSW).

### **Water Management Amendment Act 2008 (NSW)**

Amends the *Water Management Act 2000* (NSW) and the *Water Act 1912* (NSW).

## Australian Capital Territory

### **ACT Civil and Administrative Tribunal Legislation Amendment Act 2008 (No 2)**

Amends the *Electricity (Greenhouse Gas Emissions) Act 2004* (ACT), *Electricity (Greenhouse Gas Emissions) Regulation 2004* (ACT), *Electricity Safety Act 1971* (ACT), *Gas Safety Act 2000* (ACT), *Gas Safety Regulation 2001* (ACT), *Water and Sewerage Act 2000* (ACT) and *Water and Sewerage Regulation 2001* (ACT) and *Water Resources Act 2007* (ACT).

### **Electricity (Greenhouse Gas Emissions) Benchmark Compliance Rule 2008 (ACT)**

Made under the *Electricity (Greenhouse Gas Emissions) Act 2004* (ACT) and repeals the *Electricity (Greenhouse Gas Emissions) Benchmark Compliance Rule 2007* (ACT).

### **Electricity (Greenhouse Gas Emissions) Determination 2008 (ACT)**

Made under the *Electricity (Greenhouse Gas Emissions) Act 2004* (ACT) and repeals the *Electricity (Greenhouse Gas Emissions) Determination 2007* (ACT).

### **Electricity Feed-in (Renewable Energy Premium) Amendment Act 2009 (ACT)**

Amends the *Electricity Feed-in (Renewable Energy Premium) Act 2008* (ACT).

### **Electricity Feed-in (Renewable Energy Premium) Rate Determination 2009 (No.1) (ACT)**

Made under the *Electricity Feed-in (Renewable Energy Premium) Act 2008*.

### **Electricity Feed-in (Renewable Energy Premium) (Normal Cost of Electricity) Determination 2009 (No.1) (ACT)**

Made under the *Electricity Feed-in (Renewable Energy Premium) Act 2008*.

### **Gas Safety (Provision of Compliance Indicator and Certificate of Compliance) Code of Practice 2008 (ACT)**

Made under the *Gas Safety Act 2000* (ACT).

# Corporate Governance

## National Gas (ACT) Act 2008 (ACT)

Adopts the National Gas Law set out in the *National Gas (South Australia) 2007* (SA) and subsequently amends the various Acts and Regulations.

## Statute Law Amendment Act 2008

Amends the *Gas Safety Act 2000* (ACT).

## Utilities (Electricity Feed-in Code) Determination 2009 (ACT)

Made under the *Utilities Act 2000* (ACT) and the *Electricity Feed-in (Renewable Energy Premium) Act 2008* (ACT).

## Utilities (Electricity Retail) Licence Conditions Direction 2009 (ACT)

Made under the *Utilities Act 2000* (ACT) and repeals the *Utility (Electricity Retail) Licence Conditions Direction 2008* (No. 1).

## Utilities Exemption 2009 (No 3) (ACT)

Made under the *Utilities Act 2000* (ACT).

## Utilities (Variation of licence) Notice 2009 (No 1) (ACT)

Made under the *Utilities Act 2000* (ACT).

## Victoria

### Energy Legislation Amendment (Retail Competition and Other Matters) Act 2008 (VIC)

Amends the *Electricity Industry Act 2000* (VIC), the *Gas Industry Act 2001* (VIC), the *Gas Safety Act 1997* (VIC), the *National Electricity (Victoria Amendment Act 2007)* (VIC) and the *National Gas (Victoria) Act 2008* (VIC).

### Electricity Safety (Equipment Efficiency) Regulations 2009 (VIC)

Made under the *Electricity Safety Act 1998* (VIC) and repeals the *Electricity Safety (Equipment Efficiency) Regulations 1999* (VIC).

### Electricity Safety (Equipment) Regulations 2009 (VIC)

Made under the *Electricity Safety Act 1998* (VIC) and repeals the *Electricity Safety (Equipment) Regulations 1999* (VIC).

### Electricity Safety (Stray Current Corrosion) Regulations 2009 (VIC)

Made under the *Electricity Safety Act 1998* (VIC) and repeals the *Electricity Safety (Stray Current Corrosion) Regulations 1999* (VIC).

## Energy and Resources Legislation

### Amendment Act 2008 (VIC)

Amends the *Electricity Safety Amendment Act 2007* (VIC) and the *Pipelines Act 1998* (VIC).

### Energy Legislation Amendment (Australian Energy Market Operator) Act 2009 (VIC)

Amends various energy acts and regulations.

### Gas Industry (MSO Rules) Regulations 2009 (VIC)

Made under the *Gas Safety Act 1997* (VIC) and repeals the *Gas Industry (MSO Rules) Regulations 1999* (VIC). (Safety Case)

### Gas Safety (Gas Installation) Regulations 2008 (VIC)

Made under the *Gas Safety Act 1997* (VIC) and repeals the *Gas Safety (Gas Installation) Regulations 1999* (VIC) and the *Gas Safety (Safety Case) Regulations 1999* (VIC).

### National Electricity (Victoria) Amendment Act 2007 (VIC)

Amends the *National Electricity (Victoria) Act 2005* (VIC).

### National Gas (Victoria) Act 2008

## South Australia

### Australian Energy Market Commission Establishment (Variation) Regulations 2008 (SA)

Amends the *Australian Energy Market Commission Establishment Regulations 2005*.

### Electricity (Feed-In Scheme – Solar Systems) Amendment Act 2008 (SA)

Amends the *Electricity Act 1996* (SA).

### Electricity (General) Variation Regulations 2008 (SA)

Amends the *Electricity (General) Regulations 1997*.

### Gas Variation Regulation 2008 (SA)

Amends the *Gas Regulations 1997* (SA).

### National Electricity Amendment Rules 2008 and 2009 (SA)

Amends the *National Electricity Rules*.

### National Gas (South Australia) Act 2008 (SA)

Repeals the *Gas Pipelines (South Australia) Act 1997* (SA) and associated regulations.

### National Gas (South Australia) Regulations 2008 (SA)

Made under the *National Gas (South Australia) Act 2008* (SA).

### Statutes Amendment (Energy Efficiency Shortfalls) Act 2009 (SA)

Amends the *Electricity Act 1996* (SA) and the *Gas Act 1997* (SA).

## Queensland

### Clean Energy Act 2008 (QLD)

Amends the *Electricity Act 1994* (QLD) and the *Petroleum and Gas (Production and Safety) Act 2004* (QLD).

### Electrical Safety and Another Regulation Amendment Regulation 2008 (QLD)

Amends the *Electrical Safety Regulation 2002* (QLD).

### Electrical Safety Amendment Regulation 2008 (QLD)

Amends the *Electrical Safety Regulation 2002* (QLD).

### Electricity Amendment Regulation (No 1) 2008 (QLD)

Amends the *Electricity Regulation 2006* (QLD).

### Energy Ombudsman Amendment Regulation (No 1) 2009 (QLD)

Amends the *Energy Ombudsman Regulation 2007* (QLD).

### Greenhouse Gas Storage Act 2009 (QLD)

Amends the *Electricity Act 1994* (QLD) and the *Electricity Safety Act 2008* (QLD).

### Mines and Energy Legislation Amendment Act 2008 and 2009 (QLD)

Amends the *Electricity Act 1994* (QLD), the *Electricity – National Scheme (Queensland) Act 1997* (QLD), and the *Energy Ombudsman Act 2006* (QLD).

### Mines and Energy Legislation Amendment Regulation (No 1) 2009 and (No 3) 2008 (QLD)

Amends the *Electricity Regulation 2006* (QLD).

### National Gas (Queensland) Act 2008 (QLD)

Adopts the National Gas Law set out in the *National Gas (South Australia) Act 2007* (SA), and amends various acts and regulations.

### Revenue and Other Legislation Amendment Act (No 2) 2008 (QLD)

Amends the *Electricity Act 1994* (QLD).

### Workplace Health and Safety and Other Legislation Amendment Act 2008 (QLD)

Amends the *Electrical Safety Act 2002* (QLD).

### Freedom of Information (FOI)

During the year, six applications were received under the *Freedom of Information Act 1989* (Cth).

	2007-2008	2008-2009
Applications granted in full	2	4
Applications partially granted	4	1
Applications denied	1	0
Applications where no documents held	1	1
Applications pending	1	0

There was one internal review during the 2008-2009 financial year.

There was no involvement by the Ombudsman or the Administrative Decisions Tribunal in relation to any requests under the *FOI Act*.

No major issues arose in relation to Country Energy's annual reporting compliance under the *FOI Act*.

### Consultancies

The total amount spent on consultants during the year ended 30 June 2009 was \$0.602 million.

Of the total amount spent on consultants, \$0.209 million was capitalised and \$0.393 million expensed.

The main purpose of the engagements was to provide business, financial or legal advice.

### Judicial decisions

#### **Bonny Glen Pty Ltd v Country Energy [2009] NSWCA 26**

On appeal from the Supreme Court of New South Wales, the plaintiff, Bonny Glen, sought an order that the trial judge had erred in failing to award it damages for pure economic loss stemming from it cutting down a part of its apple orchard as a result of the loss of a windbreak, which was consequent upon a fire caused by the negligence of the defendant, Country Energy (CE).

On appeal, the Court stated that in order for economic loss to be recoverable the 'but for' test must first be satisfied. It must then be found that the defendant's breach of duty was, as a matter of common sense, a material cause of the loss. This turns on whether it was reasonable for the plaintiff to cut down the trees in question, having regard to both the interests of Bonny Glen and the interests of Country Energy. The Court stated that the requirement of reasonableness is a necessary step in proving causation but that, once proven, the question of whether the loss claimed was of a kind foreseeable by Country Energy still remained.

The Court ultimately held that, as Bonny Glen had cut down the part of the orchard in question because of concerns of the neighbour, the risk of spray drift, the resultant commission of an offence and possible prosecution and upon expert advice, all of which arose because of the lack of a windbreak, its actions were reasonable. The economic loss flowing from the cutting down of the trees was caused by the fire and thus by Country Energy's breach of duty. The Court reasoned that damage to an orchard business through loss of a windbreak is sufficiently specific and a loss that was foreseeable. As such, Bonny Glen was awarded damages for economic loss, and interest.

**There were no prosecutions under the *Occupational Health and Safety Act 2000*.**

### Credit card certification

Use of corporate credit cards is in line with Country Energy's Procedural Guideline: Credit Cards, Treasurer's directions and Premier's memoranda.

### Privacy

Country Energy complies with The National Privacy Principles which form part of the *Privacy Act 1988* (Cth) as the base line privacy standards in relation to personal information held.

Country Energy's *Privacy Policy* is available at [www.countryenergy.com.au](http://www.countryenergy.com.au)

## Corporate Governance

### Country Energy – Summary of Overseas Travel

For the Year Ended 30 June 2009

Purpose of Travel	Names of Employees	Organisation Visited	Country	Date of Departure from Australia	Date of Arrival into Australia
Supplier briefing, transformer quality assurance services, visit IBM Development Centre	Craig Murray, James Abercromby, Ken Stonestreet, Bill Frewen	ABB Transformers, IBM	Thailand, India	11 July 2008	21 July 2008
Attending business course	Bill Frewen	Harvard Business School	USA	29 August 2008	7 November 2008
Insurance underwriting presentations	Lawrence Clark	Various insurers	Switzerland, United Kingdom, Bermuda	28 August 2008	5 September 2008
Engineering training on electromagnetic fields and earthing systems, software and advanced techniques	Glen Barnes, Luke Clout	Safe Engineering Services	Canada	19 September 2008	4 October 2008
Witness type testing of procured transformers	Tom Zielinski	ABB	Vietnam	22 September 2008	1 October 2008
Frequency injection plant synchronising training	Robert Cook, Tom Fitzpatrick	Landis & Gyr, Orion NZ, Mainpower, Network Waitaki, Delta	New Zealand	1 March 2009	6 March 2009
Transformer quality assurance, visit network operations and construction facilities	Craig Murray, Peter Bereicua, Ken Stonestreet, James Abercromby	Shilin Electric, Taipei Power	China, Taiwan	22 March 2009	29 March 2009
Global Intelligent Utility Network Coalition meeting, visit IBM Global Energy and Utilities Solution Center	Col Ussher, Bill Frewen	DONG Energy, North Delhi Power Limited, Progress Energy, San Diego Gas & Electric and Southern California Gas Co, Pepco Holdings, ERDF, CPFL, Alliander, IBM	Denmark, France	6 June 2009	19 June 2009

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GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

#### Country Energy and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Country Energy (the Corporation), which comprises the balance sheets as at 30 June 2009, the income statements, statements of recognised income and expense and cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2009, and their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the Public Finance and Audit Act 1983 (the PFBA Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

#### Directors' Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the State Owned Corporations Act 1989. 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 my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

My opinion does not provide assurance:

- about the future viability of the Corporation or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PFBA Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat  
Auditor-General

7 October 2009  
SYDNEY

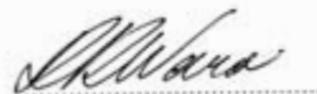
## Statement by Members of the Board

### STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41 of the Public Finance and Audit Act 1983 we state that:

1. The accompanying financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the State Owned Corporations Act 1989, applicable Accounting Standards and other mandatory professional reporting requirements.
2. The accompanying financial statements exhibit a true and fair view of the financial position of Country Energy as at 30 June 2009 and of the profit and cash flows of the corporation for the year ended 30 June 2009.
3. At the date of this statement, there are reasonable grounds to believe that Country Energy will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of Directors.



Barbara Ward  
Chairman

2 October 2009  
Dated



Craig Murray  
Managing Director

2 October 2009  
Dated

## Income Statements

For the year ended 30 June 2009

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	2	2,489,877	2,313,058	2,488,291	2,310,974
Other Income, excluding fair value movements in financial instruments	2	1,433	1,006	1,433	1,006
Finance Costs	2	(201,038)	(176,671)	(201,038)	(176,671)
Other Expenses	2	(2,122,128)	(2,055,085)	(2,125,340)	(2,057,701)
<b>Profit before income tax and fair value movements in financial instruments</b>		<b>168,144</b>	<b>82,308</b>	<b>163,346</b>	<b>77,608</b>
Income Tax on profit before income tax and fair value movements in financial instruments	3	(46,923)	(5,123)	(45,058)	(3,288)
<b>Profit before fair value movements in financial instruments</b>		<b>121,221</b>	<b>77,185</b>	<b>118,288</b>	<b>74,320</b>
Fair value gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements	2	(43,133)	(32,117)	(43,133)	(32,117)
Income Tax on gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements	3	12,940	9,635	12,940	9,635
<b>Profit for the period</b>	<b>1.22</b>	<b>91,028</b>	<b>54,703</b>	<b>88,095</b>	<b>51,838</b>

The accompanying notes form part of these Income Statements.

## Statements of Recognised Income and Expenses

For the year ended 30 June 2009

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Profit for the period</b>		<b>91,028</b>	<b>54,703</b>	<b>88,095</b>	<b>51,838</b>
Net increase in asset revaluation reserve for Land and Buildings revaluation	1.11.2	15,036	-	15,036	-
Tax effect on net increase in asset revaluation reserve for Land and Buildings revaluation		(4,511)	-	(4,511)	-
Gains/(losses) on cash flow hedges recognised directly to equity	1.6.1	(236,274)	(348,532)	(236,274)	(348,532)
(Gains)/losses transferred from the cash flow hedge reserve to cost of sales	1.6.1	46,006	13,976	46,006	13,976
(Gains)/losses transferred to/from the cash flow hedge reserve to/from net gains on remeasurement of energy purchase derivatives due to change in forecast	1.6.1	-	(2,389)	-	(2,389)
Tax effect of net changes in fair value of cash flow hedges		57,080	101,084	57,080	101,084
Superannuation actuarial gains/(losses) and changes in surplus in excess of recovery available from scheme	28	(91,578)	(41,467)	(91,578)	(41,467)
Income tax on superannuation actuarial gains/(losses) and changes in surplus in excess of recovery available from scheme		27,473	12,440	27,473	12,440
<b>Income and (expenses) recognised directly to equity</b>		<b>(186,768)</b>	<b>(264,888)</b>	<b>(186,768)</b>	<b>(264,888)</b>
<b>Total recognised income and (expenses) for the period</b>	20	<b>(95,740)</b>	<b>(210,185)</b>	<b>(98,673)</b>	<b>(213,050)</b>
<b>Summary effect of prior period adjustments</b>					
Profit for the period as reported in 2008			23,235		20,370
Change in policy – superannuation actuarial losses	1.5.1		29,027		29,027
Reinstatements from recording errors	1.22		2,441		2,441
<b>Restated profit for the period</b>			<b>54,703</b>		<b>51,838</b>

The accompanying notes form part of these Statements of Recognised Income and Expenses.

## Balance Sheets

As at 30 June 2009

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Assets</b>					
Cash and Cash Equivalents	5	13,399	20,263	13,399	20,263
Trade and Other Receivables	6	230,652	213,550	230,525	213,414
Estimated Revenue from Unread Meters	1.8.2 & 1.22	266,203	268,099	266,203	268,099
Inventories	8	24,043	22,603	24,043	22,603
Current Tax Assets	4	-	-	-	-
Intangibles – Green Certificates	19	26,781	43,590	26,781	43,590
Derivative Financial Instruments	7	68,854	251,390	68,854	251,390
Other Assets	11	-	-	56,457	56,457
<b>Total Current Assets</b>		<b>629,932</b>	<b>819,495</b>	<b>686,262</b>	<b>875,816</b>
<b>Non-current Assets</b>					
Trade and Other Receivables	6	4,462	4,816	4,462	4,816
Investments in Subsidiary Corporations	9	-	-	26,871	26,871
Available-for-sale investment	9	2,069	2,069	2,069	2,069
Investment Property	10	4,000	2,567	4,000	2,567
Property, Plant and Equipment	12	4,115,367	3,652,905	4,025,051	3,564,869
Intangible Assets	13	78,128	70,481	68,809	59,744
Deferred Tax Assets	4	139,297	88,751	139,126	88,369
Other Assets	11	1,027	1,069	1,027	1,069
<b>Total Non-current Assets</b>		<b>4,344,350</b>	<b>3,822,658</b>	<b>4,271,415</b>	<b>3,750,374</b>
<b>Total Assets</b>		<b>4,974,282</b>	<b>4,642,153</b>	<b>4,957,677</b>	<b>4,626,190</b>

The accompanying notes form part of these Balance Sheets.

## Balance Sheets (Continued)

As at 30 June 2009

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Liabilities</b>					
Trade and Other Payables	14	316,188	315,564	317,934	315,366
Deposits	15	10,644	13,222	10,644	13,222
Interest Bearing Liabilities	16	733,447	617,308	733,447	617,308
Income Tax Payable	4	80,552	9,959	80,552	9,959
Provisions – Green Certificates	19	38,645	39,769	38,645	39,769
Other Provisions	17	212,467	219,982	212,467	219,982
Derivative Financial Instruments	7	85,325	24,062	85,325	24,062
Other Liabilities	18	24,745	20,079	24,389	19,723
<b>Total Current Liabilities</b>		<b>1,502,013</b>	<b>1,259,945</b>	<b>1,503,403</b>	<b>1,259,391</b>
<b>Non-current Liabilities</b>					
Interest Bearing Liabilities	16	2,203,929	2,013,364	2,203,929	2,013,364
Deferred Tax Liabilities	4	298,476	365,661	295,785	362,979
Provisions	17	26,465	23,815	26,465	23,815
Other Liabilities	18	104,169	15,198	103,992	14,665
<b>Total Non-current Liabilities</b>		<b>2,633,039</b>	<b>2,418,038</b>	<b>2,630,171</b>	<b>2,414,823</b>
<b>Total Liabilities</b>		<b>4,135,052</b>	<b>3,677,983</b>	<b>4,133,574</b>	<b>3,674,214</b>
<b>Net Assets</b>		<b>839,230</b>	<b>964,170</b>	<b>824,103</b>	<b>951,976</b>
<b>Equity</b>					
Contributed Equity		130,485	130,485	130,485	130,485
Reserves		282,446	403,533	282,446	403,533
Retained Profits		426,299	430,152	411,172	417,958
<b>Total Equity</b>	20	<b>839,230</b>	<b>964,170</b>	<b>824,103</b>	<b>951,976</b>

The accompanying notes form part of these Balance Sheets.

## Cash Flow Statements

For the year ended 30 June 2009

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash Flows From Operating Activities</b>					
Receipts from customers		2,626,283	2,455,226	2,625,042	2,453,468
Payments to suppliers and employees	1.22	(2,119,998)	(2,047,629)	(2,124,129)	(2,051,070)
Interest received		1,412	2,755	1,412	2,755
Interest and other costs of finance paid		(176,712)	(169,725)	(176,712)	(169,725)
Income tax paid		(1,077)	(54,216)	(1,077)	(54,216)
<b>Net Operating Cash Flows</b>	22	<b>329,908</b>	<b>186,411</b>	<b>324,536</b>	<b>181,212</b>
<b>Cash Flows From Investing Activities</b>					
Payments for property, plant and equipment	1.11.5 & 1.22	(574,605)	(532,420)	(569,233)	(527,221)
Proceeds from sale of property, plant and equipment		8,829	8,111	8,829	8,111
Purchase of non-current intangible assets		(24,594)	(16,890)	(24,594)	(16,890)
<b>Net Investing Cash Flows</b>		<b>(590,370)</b>	<b>(541,199)</b>	<b>(584,998)</b>	<b>(536,000)</b>
<b>Cash Flows From Financing Activities</b>					
Proceeds from borrowings		317,000	387,299	317,000	387,299
Net community service obligations received/(paid)		254	335	254	335
Dividends paid	17	(49,100)	(51,302)	(49,100)	(51,302)
<b>Net Financing Cash Flows</b>		<b>268,154</b>	<b>336,332</b>	<b>268,154</b>	<b>336,332</b>
<b>Net increase/(decrease) in cash held</b>		<b>7,692</b>	<b>(18,456)</b>	<b>7,692</b>	<b>(18,456)</b>
Cash at the beginning of the financial year		(10,158)	8,298	(10,158)	8,298
<b>Cash at the end of the financial year</b>	22	<b>(2,466)</b>	<b>(10,158)</b>	<b>(2,466)</b>	<b>(10,158)</b>

The accompanying notes form part of these Cash Flow Statements.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial report are:

### 1.1 Reporting Entity

Country Energy (the Corporation) was formed on 1 July 2001 by the merger of three NSW electricity distributors. These distributors traded as Advance Energy, Great Southern Energy and NorthPower. On 1 July 2005 a further merger was undertaken between Country Energy and Australian Inland Energy Water Infrastructure (Australian Inland), a New South Wales state Owned Corporation.

Country Energy is incorporated under the *State Owned Corporations Act 1989*. Country Energy's capital comprises two (2) fully paid \$1.00 ordinary shares issued to the Treasurer and another Minister, the Minister for Finance. The \$2.00 share capital has been included in the amount of contributed equity disclosed in the Balance Sheet.

### 1.2 Financial Reporting Framework

The accompanying statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the *State Owned Corporations Act 1989*. The financial report has been prepared on an accrual accounting and going concern basis.

### 1.3 Statement of Compliance

The statements are in conformity with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Interpretations. The statements have adopted NSW Treasury's mandates and indicative mandates.

### 1.4 Principles of Consolidation

The consolidated financial statements of the Corporation include the financial statements of the Corporation, being the parent entity, and its controlled entities (the Group). All controlled entities are incorporated in Australia and details of holdings by the parent entity appear in note 27.

The balances and effects of transactions with the controlled entities included in the financial statements have been eliminated.

The controlled entities are NorthPower Energy Services Pty Limited and Country Energy Gas Pty Limited. NorthPower Energy Services Pty Limited did not operate during the year.

### 1.5 Accounting Policies

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied in the Group.

The accounting policies are consistent with those applied in the previous year except as outlined by 1.5.1.

#### 1.5.1 Change in Accounting Policy

In accordance with NSW Treasury policy, the entity has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss in the 'Statements of Recognised Income and Expenses'. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 *Employee Benefits*.

The change in policy has been adopted on the basis that recognition outside profit or loss provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements, based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

Recognition outside profit or loss also harmonises better with the Government Finance Statistics/Generally Accepted Accounting Principles (GAAP) comprehensive income presentation for the whole of government and general government sector, required under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. A comprehensive income presentation will also be available at the entity level from 2009/10 under AASB 101 *Presentation of Financial Statements*.

The change in accounting policy increases 2009 consolidated 'profit for the period' from \$26.923 million to \$91.028 million (\$23.235 million to \$52.262 million in 2008), by excluding from profit the superannuation actuarial loss line item of \$93.611 million (\$42.261 million in 2008) and the change in surplus in excess of recovery available from scheme of \$2.033 million gain (\$0.794 million gain in 2008), along with the associated and offsetting income tax revenue of \$27.473 million (\$12.440 million in 2008).

Both these items are now recognised in the 'Statements of Recognised Income and Expenses' rather than the 'Income Statements'. The change in surplus in excess of recovery available from the scheme was previously disclosed under Other Expenses in the Income Statements in 2008.

### 1.6 Cost Measurement

The financial report is prepared on the historical costs basis, modified to be compliant with AIFRS in the cases of:

- assets measured at fair value, being available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss, derivative financial instruments, investment property, and stated classes of property, plant and equipment.
- recognised assets and liabilities that are hedged with fair value hedges, where the carrying values are adjusted to record changes in the fair values attributable to the risks being hedged.
- property, plant and equipment whose cost was deemed to be fair value at the date of transition to AIFRS.
- loans and receivables classified as financial instruments are measured at amortised cost. Generally these are recorded as non-current assets and liabilities in the Balance Sheet and amortisation is applied if material.

#### 1.6.1 Measurement of Derivatives at Market Price

In accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, derivative assets and liabilities are recognised at fair value. The most appropriate valuation methodology for energy trading derivatives is the application of a price quoted in an active market where available. Assets and liabilities valued using this pricing methodology are described as being valued at 'Mark to Market' (MtM). The values that may be encountered using MtM methodology have a history of being highly volatile resulting in large unrealised gains and losses. This may have a material impact on the Income Statement and will have no effect on the cash flow. The consequential movements through the financial statements are largely outside the control of the Corporation's management.

All foreign currency derivatives are effective hedges and are accounted for under AASB 139 as a fair value hedge. As a fair value hedge all gains/losses for movements on fair value are immediately recognised in the profit and loss.

All commodity derivatives that are effective hedges are accounted for under AASB 139 as a cash flow hedge. As a cash flow hedge all gains and losses for movements in fair value are taken directly to the hedge revaluation reserve in equity.

All gains/losses on commodity derivatives that are ineffective hedges are taken directly to the profit and loss.

### 1.7 Impairment

In accordance with AASB 136 *Impairment of Assets* and AASB 139 impairment testing is carried out to ensure that assets are carried at no more than their recoverable amount. Impairment is applied in the following circumstances:

#### 1.7.1 Impairment – Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit and loss. For available-for-sale financial assets that are equity securities the reversal is recognised directly in equity.

#### 1.7.2 Impairment – Non-financial Assets

##### • Assessment for Impairment

Assets are assessed for any indicators that impairment may exist. If there is no indication of impairment, impairment testing is not carried out. If there is indication of impairment, the recoverable amount is estimated for the asset, or the Cash Generating Unit group of assets (CGU). If the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount of an asset is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax weighted average cost of capital (refer note 1.16). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating

unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

##### • Impairment Without Assessment

Goodwill acquired in a business combination and intangible assets with indefinite useful lives are tested for impairment annually irrespective of any indication of impairment.

#### 1.7.3 Reversals of Impairment

Impairment losses are reversed when there is an indication that impairment may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Impairment reversals are not applied to goodwill.

### 1.8 Recognition of Revenue

Revenue is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of revenue are set out below.

Revenue relating to the Corporation's core operations is classified as revenue from the sale and delivery of energy. Revenue from other business activities is classified as other revenue (refer note 2).

#### 1.8.1 Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services and is recognised when the goods are provided or when the fee in respect of services provided is receivable.

#### 1.8.2 Revenue from unread meters

Revenue from unread meters is calculated at balance date for those customers who at balance date did not have their meters read and invoiced. The calculation uses an estimate based on their historical consumption (refer note 1.9.4).

#### 1.8.3 Finance Revenue

The following transactions are recognised as finance revenue and are recorded in the Income Statement:

- Interest realised and unrealised on interest rate futures contracts (refer note 23.1.3.2).
- Interest received or receivable on futures deposits (refer note 1.9.9).
- Discount revenue applied to provisions and amortised assets.

- Net gains on valuations of interest rate futures that are classified as financial instrument 'loans and receivables'.

- Net gain on foreign currency contracts that are classified as financial instruments.

#### 1.8.4 Asset sales

Proceeds on the sale of assets are brought to account when control of the asset passes to the buyer. Net gains on the sale of assets are other income in the Income Statement. Net losses on the sale of assets are recognised as expenses in the Income Statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### 1.8.5 Capital contributions

Capital contributions are monies paid by customers, or prospective customers, seeking an augmentation of the electricity and gas distribution systems in circumstances where, in the ordinary course of events, such augmentation would not be undertaken by the Group.

Capital contributions are recognised in accordance with Interpretation 1017: *Developer and Customer Contributions for Connection to a Price Regulated Network*. Capital contributions are recorded as liabilities when they are received for an asset that is not complete and ready for use. These liabilities are recognised as revenue upon completion of the asset.

Non-current assets that are contributed to the Group by customers are recorded as capital contributions and are valued at fair value. For the purposes of the Cash Flow Statement these revenues are not recognised as cash inflows (refer note 1.11.5).

#### 1.8.6 Changes in Valuation of TCorp Investments

All New South Wales Treasury Corporation (TCorp) investments are held in TCorp's Hour Glass facility (refer note 1.9.2). In accordance with a NSW Treasury mandate, movements in the value of this facility are disclosed as revenue in the Income Statement.

### 1.9 Valuation of Current Assets

#### 1.9.1 Cash and Cash Equivalents

For the purposes of the Balance Sheet, cash assets include cash on hand and investments at call (refer note 5).

For the purposes of the Cash Flow Statement, cash includes cash assets net of bank overdraft (refer note 22).

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Significant Accounting Policies (Continued)

### 1.9.2 Investments

Surplus funds are managed in accordance with the Corporation's investment policy. The objective of the policy is to achieve maximum return within defined risk parameters. Investments are held in a managed portfolio and in the form of a deposit (refer note 23.1).

#### • TCorp Investments

Investments held in TCorp's Hour Glass Investment facility are managed and evaluated on a fair value basis in accordance with the Corporation's investment policy. These investments are designated as 'fair value through profit and loss' consistent with AASB 139 and in accordance with a NSW Treasury mandate.

#### • Other Investments

Investments are held in the form of a deposit as security for margin calls on futures trade transactions. These investments are interest bearing and are measured at fair value.

### 1.9.3 Receivables

Receivables include trade, other and intercompany debtors and prepayments.

#### • Debtors

Trade, other and intercompany debtors are measured at cost, being the original invoice amount where the effect of discounting is immaterial. Collectability of debt is assessed at balance date in accordance with AASB 139. Allowances for doubtful debts are made after assessing any evidence that trade, other and intercompany debtors are impaired. The allowances are calculated as the difference between the carrying amount of the debtor and the expected future cash flows. The allowances are disclosed in note 6 as provisions for doubtful debts.

#### • Prepayments

Prepayments are measured at cost and represent prepaid expenses that are expected to be realised within twelve months.

### 1.9.4 Estimated Revenue from Unread Meters

A current asset is recognised resulting from the estimate made for meters that are unread at balance date (refer note 1.8.2).

### 1.9.5 Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item and comprises the cost of purchase including the cost of bringing the inventories to their appropriate location. Net realisable value is the estimated selling price less the estimated cost to sell. The major components of inventories are capital stores and consumables used in the maintenance of the distribution network.

### 1.9.6 Intangible Assets

Current intangible assets relate to assets acquired from the purchase of renewable energy and are measured at cost (refer note 1.14).

### 1.9.7 Derivative Assets

Current derivative assets are recognised in the course of energy trading and debt management and are measured at fair value (refer notes 7 and 23).

### 1.9.8 Loans to Subsidiary

The Corporation has lent \$56.5 million interest free to Country Energy Gas Pty Limited. This loan is payable on demand, however due to a resolution taken by the Board of the Corporation, the loan will not place the solvency of the subsidiary in jeopardy.

The loan is recorded at cost and is disclosed as current other assets in the parent's financial report (refer note 11).

### 1.9.9 Interest Rate Futures

TCorp on behalf of the Corporation transacts all interest rate futures traded on the Sydney Futures Exchange. Where as a result of these transactions, cash is received by TCorp on behalf of the Corporation, the debt is recorded in the Corporation's balance sheet as an asset.

### 1.10 Valuation of Non-Current Assets

#### 1.10.1 Receivables

Non-current receivables include debtors, prepayments and the balance of over funded (prepaid) superannuation.

#### • Other Debtors

Other non-current debtors are recognised when the debt due is payable in a period greater than twelve months from balance date. They are carried at amortised cost being the net present value of amounts due when the debt is payable. Collectability of debt is assessed at balance date. A provision for doubtful debts is determined after having considered the ageing of the debt and the credit risk of the debtors. The debts are a mixture of interest bearing and non interest bearing (refer note 6).

#### • Prepayments

Prepayments are measured at amortised cost and represent payments that are expected to be realised in a period longer than twelve months. Where the amortisation adjustment is not material, amortisation is not recorded (refer note 6).

#### • Over funded superannuation

Any excess between the market value and accrued benefits of defined benefit superannuation plans are recognised as non-current receivables (refer notes 1.13.5 and 28).

### 1.10.2 Available-For-Sale Investment

The Corporation has a 20% interest in a wind farm. This is classified as an available-for-sale investment in accordance with AASB 139. The investment was valued at balance date using a Discounted Cash Flow (DCF) calculation. The calculation used estimated pre tax cash flows for 10 years and applied a pre tax discount rate of 10% (refer note 1.16). The carrying value of the asset is not materially different from the supporting cash flows.

Any gains or losses arising from a change in the fair value of the asset are recognised directly into equity. Upon derecognition of the investment, the cumulative gains or losses recorded in equity are recognised in the Income Statement.

### 1.10.3 Investment Property

Investment properties are stated at fair value, which has been determined based on valuations performed by Opteon Valuers Unit Trust (Opteon) as at 30 June 2009. Opteon used a registered valuer who holds relevant professional qualifications and recent experience in the category of property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as Country Energy's investment properties. Consistent with AASB 140 *Investment Property* and in accordance with a NSW Treasury mandate changes to fair value are taken directly to the profit and loss (refer notes 2 and 10).

### 1.10.4 Investments in Subsidiaries

Shares held by the Corporation in its subsidiaries are recorded at cost and are eliminated in the consolidated financial statements.

### 1.10.5 Leased Assets

The Corporation has not entered into any finance leases. Operating leases are not capitalised and rental payments are charged against operating profit in the period in which they are incurred (refer note 24).

### 1.10.6 Other Assets

Non-current other assets are assets whose economic benefit is expected to be realised in a period longer than twelve months. These include non interest bearing repayable advances made to employees. These advances will be repaid when the employees leave the service of the Corporation. Consequently the repayment dates are not determinable and the asset has not been amortised (refer note 11).

### 1.11 Valuation of Property, Plant and Equipment

Purchased property, plant and equipment is initially recognised at acquisition cost. The cost of a new asset purchase comprises:

- Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates.
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets that are constructed by the Group (using employees, third party contractors, or a combination of both) are capitalised. These assets are typically network related, but can include the construction of other assets such as leasehold improvements and specialised plant and equipment.

The cost of these assets may include: directly purchased physical assets and associated incidental costs; labour and supervision costs; costs of design and technical assistance; internal and external plant hire costs; transfers from inventories and directly attributable overheads.

All expenditure relating to the replacement of an asset is capitalised to the extent that the asset has reached the end of its useful life or has not reached the end of its useful life but the replacement will result in an increase or improvement to the asset's current service capacity, service quality or useful life.

Property, plant and equipment is assessed annually for impairment. Where impairment exists, the carrying values of the assets are written down to their recoverable amounts. The amount of write down is recorded in the Income Statement except to the extent that an amount of write down can be offset against an amount in the asset revaluation reserve identified for a specific asset. Independent valuations are undertaken whenever there is an expectation that the carrying value would be materially different to the fair value, and in compliance with NSW Treasury mandates.

#### 1.11.1 System assets

In accordance with AASB 116 *Property, Plant and Equipment* and NSW Treasury Policy & Guideline Paper TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value* the system assets have been valued at the lower of Optimised Depreciated Replacement Cost (ODRC) or recoverable amount.

As at 30 June 2005 the system assets were valued at their recoverable amount by PricewaterhouseCoopers (PwC) using a DCF calculation.

The system assets of Australian Inland were valued as at 30 June 2005 by Carnegie Wylie & Company (CWC) Pty Ltd using a DCF methodology. The 30 June 2005 carrying values of the assets were supported by the independent valuation. Those carrying values were recorded at 1 July 2005 by Country Energy as acquisition values.

The carrying values of assets comprise the independent valuations plus movements from the dates of those valuations, being acquisitions at cost, less disposals and depreciation. The assets are recorded at fair value.

Recent changes in the operations of generation assets indicated the need to review the impairment of those assets. The generation assets CGU recoverable amount was determined by value-in-use using DCF methodology. A 10% pre tax discount rate was used in determining the recoverable amount. The generation assets CGU is impaired as disclosed in notes 2 and 12. There was no indication of impairment for the remaining system assets and there is no impairment for the period.

#### 1.11.2 Land and buildings

At 30 June 2009 land and building asset values of the Corporation were valued by Opteon using a "Fair Value" methodology. In determining their valuations Opteon have assumed that the estimated amount that the properties would exchange between a willing buyer and a willing seller reasonably represent fair value.

In accordance with the Opteon valuation the change in the carrying value of the assets has been a net increase of \$7.150 million. This has been recorded as a \$15.036 million increase in the asset revaluation reserve and \$7.886 million loss to the profit or loss for revaluation decrements in excess of previous revaluation increments.

The assets are recorded at fair value.

#### 1.11.3 Other plant and equipment

The Corporation's other non-current physical assets comprise non specialised assets with short useful lives. Examples are motor vehicles, office equipment and computer equipment. These assets are disclosed at fair value which is equivalent to their depreciated historical cost. For this class of asset depreciated historical cost is an acceptable measure of fair value because the difference between these valuations is unlikely to be material.

### 1.11.4 The assets of Country Energy Gas Pty Limited

These assets are carried at fair value and are combined with the other assets of Country Energy Gas Pty Limited to represent a CGU. This CGU is the smallest identifiable group of assets that generate identifiable cash flows.

The CGU was tested for impairment using market based valuation methodologies. The valuations supported the aggregated asset values of the CGU and the assets are not impaired.

### 1.11.5 Acquisition of Property, Plant and Equipment

The value of assets acquired during the year includes the cost of acquisition, the cost of materials, labour and an appropriate proportion of overheads.

Assets that are contributed by customers are recorded at fair value. In the Cash Flow Statement the acquisition of these assets are not recognised as purchases of property, plant and equipment (refer note 1.8.5).

### 1.11.6 Depreciation

The carrying value of property, plant and equipment is net of depreciation where applicable.

Depreciation is calculated for all items of property, plant and equipment, except freehold land, based on the estimated useful remaining life of the asset. The straight line method is used and the expense is recognised in the Income Statement.

The estimated remaining lives to the entity for each class of asset are as follows:

Buildings	1 – 40 years
Leasehold improvements	Term of lease
System assets	1 – 50 years
Other assets	1 – 20 years

Upon revaluation, accumulated depreciation of buildings is written back against the gross value of the asset, and accumulated depreciation of other assets is restated proportionately to the gross value.

### 1.12 Valuation of Intangible assets

Intangible assets, other than goodwill, are identifiable non physical assets that have been acquired or developed by the Corporation. These are recorded at amortised cost (refer note 13). The intangible assets form part of the assets of a number of CGUs.

#### 1.12.1 Franchise Setup Fees

Franchise and alliance fees relate to business undertakings with external parties. These undertakings have ceased this year. As a result the asset has now been derecognised with the resulting loss being taken directly to the profit and loss.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Significant Accounting Policies (Continued)

### 1.12.2 Natural Gas Business Licences

The licences were acquired when the former Great Southern Energy purchased the Natural Gas Business from the Council of the City of Wagga Wagga. The difference between the cost of the Natural Gas Business and the value of the total assets is the value of the intangible asset, being Distribution and Retail licences. These licences are an entitlement to distribute and retail natural gas within the Wagga Wagga region, as well as to other contestable markets.

The retail licences are combined with other assets of the Corporation's retail business to form a CGU. The CGU was tested for impairment using market based valuation methodologies. The valuations supported the aggregated asset values of the CGU and the licences are not impaired.

The distribution licence combined with other assets of Country Energy Gas Pty Limited to form a CGU (refer note 1.11.4). The CGU was tested for impairment and the licence is not impaired.

### 1.12.3 Computer Software

Computer software has been classified as an intangible asset in accordance with AASB 138: *Intangible Assets*. The component assets that are complete have a finite life and are amortised over four years. Their remaining lives have been assessed as 2.2 years.

These assets are disclosed at fair value which is equivalent to their depreciated historical cost. For this class of asset depreciated historical cost is an acceptable measure for fair value because the difference between these valuations is unlikely to be material.

### 1.12.4 Goodwill

Goodwill was acquired when the former Great Southern Energy Group purchased natural gas assets from the Australian Gas Light Company.

The goodwill represents the excess of the cost of acquisition of the gas network purchased over the fair value of the identifiable net assets acquired. The assets were newly constructed at the time of acquisition. Goodwill is recorded at cost and is tested for impairment annually. Goodwill is combined with other assets of Country Energy Gas Pty Limited to form a CGU (refer note 1.11.4). The CGU was tested for impairment and goodwill is not impaired.

## 1.13 Liabilities and Equity

### 1.13.1 Payables

Trade and other payables are recognised when the Corporation is obliged to make a future payment for the purchase of goods or services. Payables are recorded at fair value (refer note 14).

### 1.13.2 Deposits

Deposits are received as security against payment of the Corporation's billing, trading activities or use of the Corporation's assets (refer note 15). Customers and contractors pay a security against payment of the Corporation's billing or use of the Corporation's assets. Deposits are repaid when the customer's payment risk is removed or the Corporation's assets cease being used. Deposits are considered at call, are measured at cost and are not amortised.

### 1.13.3 Interest bearing liabilities

All interest bearing loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the amortisation process (refer note 16).

### 1.13.4 Employee benefits

The provision for employee benefits to wages, annual leave, sick leave and long service leave represents the amount which the Corporation has a present obligation to pay resulting from employees' services provided up to balance date.

The amounts provided have been apportioned between current and non-current provisions. The current provisions being that portion which is expected to be paid within the ensuing twelve months or where there is no unconditional right to defer settlement of the obligation (refer note 17). Non-current provisions are those amounts that are expected to be paid after twelve months and where there exists an unconditional right to defer settlement beyond twelve months.

In calculating wages and annual leave, nominal amounts have been used based on expected future remuneration.

The amounts recognised for sick leave and long service leave are calculated in accordance with Australian Accounting Standard AASB 119. Actuarial assessment of sick leave and long service leave was calculated at 31 March 2009 by Cumpston Sarjeant Pty Ltd. This was used as a basis for calculating the current year's provision by applying a methodology supplied by the actuary. Long service leave has been discounted in accordance with AASB 119 using rates attaching to Commonwealth Government securities at balance date.

Employee benefits are recorded in the Balance Sheet as current liabilities where the Corporation has no unconditional right to defer settlement.

### 1.13.5 Defined Benefit Superannuation Plans

Country Energy contributes to several defined benefit employee superannuation plans. These are the Energy Industries Superannuation Scheme Pty Limited (EISS), State Super (SS) and the Electricity Supply Industry Superannuation Fund (Qld).

Employee contributions to the plans are based on various percentages of employee gross salaries. These percentages are at the employees' discretion. The employer contributions are based on the advice of the plans' actuaries and are generally at a rate of about twice the employees' contributions.

After serving a qualifying period all member employees are entitled to defined benefits on retirement, disability or death. The defined benefits are based on years of service and final average salary.

The plans' accrued benefits are those benefits which the plans are presently obliged to pay to members of the plans at some future date. The plans' assets are those assets held at net market value to satisfy the benefit obligations. Where a plan's net assets exceed the accrued benefits, the difference is recorded as an asset in the Corporation's Balance Sheet (refer note 1.10.1). Where the accrued benefits exceed the net assets, a liability is recorded in the Corporation's Balance Sheet (refer note 1.13.10). Movements during the period in these Balance Sheet values, excluding "superannuation actuarial gains/losses" and "change in surplus in excess of recovery available from scheme", are recorded in the Income Statement. Movements related to "superannuation actuarial gains/losses" and "change in surplus in excess of recovery available from scheme" are recorded in the Statement of Recognised Income and Expenses.

The Trustees are responsible for ensuring that the plans are independently valued by suitably qualified valuers (refer note 28). The plans are funded.

### 1.13.6 Measurement of The Plans' Assets and Liabilities

A majority of the plans' assets comprise investments in Australian and overseas equities. Large movements in the value of these equities can have a material impact on the asset values of the plans. These movements can result in significant unrealised gains or losses being disclosed in the Income Statement. These gains or losses can be further affected by valuations of the plans' liabilities which in part are based on the length of time members remain in the plans. These valuations and consequential movements through the financial statements are largely outside the control of the Corporation's management.

### 1.13.7 Provisions

Liabilities are recorded as provisions, unless stated elsewhere, when there is uncertainty as to the timing or amount of future expenditure required for settlement. Provisions are discounted at a pre tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. Where the discount adjustment is not material, amortisation is not recorded (refer note 17).

### 1.13.8 Dividends

The dividend payout ratio is set out in the Statement of Corporate Intent (SCI) approved by the Corporation and the Shareholders. Where the SCI has been signed before balance date, the dividends are deemed appropriately authorised and are recognised as a liability in the Balance Sheet (refer note 17).

### 1.13.9 Derivative Liabilities

Derivative liabilities are recognised in the course of energy trading and debt management (refer notes 7 and 23).

### 1.13.10 Other liabilities

Other liabilities include prepaid revenue and under funded superannuation liability. The liabilities are classified as current or non-current, according to when their obligation for fulfilment is due.

### • Prepaid revenue

Prepaid revenue represents capital contributed revenue recorded as a liability in accordance with Interpretation 1017. The liability will be recorded in the Income Statement when the constructed asset is completed, which generally occurs within twelve months of receipt of the revenue. The liability is classified as current. It is measured at cost and is not amortised (refer note 18).

### • Under funded superannuation

A liability is recorded when the accrued benefits of the defined benefits superannuation funds exceed the net assets of the funds (refer note 1.13.5). The liabilities are classified as non-current and are recorded at the value supplied by the actuary. This value is based on a net present value.

### 1.13.11 Asset Revaluation Reserve

The asset revaluation reserve is used to record the net increments in the fair value of all non-current physical assets.

### 1.13.12 Hedge Revaluation Reserve

The hedge revaluation reserve is used to record increments and decrements in the fair value of all effective cash flow hedges in accordance with AASB 139. Movements in the hedge revaluation reserve are disclosed in the Statement of Recognised Income and Expenses.

## 1.14 Accounting for Renewable Energy

A number of schemes operate under government legislation or regulation. These schemes generate rights and obligations to supply specified targets of renewable energy. The compliance instruments related to these schemes are generically described as Green Certificates.

The Corporation generates and purchases Green Certificates in order to comply with the relevant legislation. Obligations to surrender certificates based on targets are of the nature of provisions and are disclosed in the Balance Sheet as current liabilities. These are recorded at weighted average cost. Rights held are of the nature of intangible assets and are disclosed in the Balance Sheet as current assets. These are recorded at weighted average cost. The assets and liabilities held under each scheme are acquitted annually. Assets remaining after the acquittal process are expected to be realised within twelve months after the date of acquittal. These assets are not amortised because the amortisation adjustment would not be material.

### • Renewable Energy Certificates (RECS)

This scheme operates under Federal Government legislation which requires energy retailers to source a target proportion of their electricity purchases from renewable sources. Any excess assets held after acquittal are carried forward to future years.

### • NSW Greenhouse Abatement Certificates (NGACS)

These are created by accredited abatement certificate providers who undertake eligible abatement activities in power generation, energy efficiency, and forest based carbon sequestration. Accreditation of abatement certificate providers is managed by IPART in its role as the Scheme Administrator.

### • Green Power Rights (GPRS)

This is a national voluntary scheme administered by the NSW Department of Water and Energy. The scheme accredits electricity retailers to sell electricity guaranteed to have been sourced from renewable energy. Excess assets held after annual acquittal cannot be carried forward to future years and are recorded in the Income Statement as an expense.

### • Gas Electricity Certificates (GECS)

This scheme operates under Queensland legislation and places an obligation on the Corporation to purchase specified volumes of electricity from eligible generation sources from within Queensland. Any excess assets held after annual acquittal are carried forward to future years.

### • Victorian Renewable Energy Certificates (VRECS)

This scheme operates under Victorian legislation which requires energy retailers to

source a target proportion of their electricity purchases in Victoria from renewable energy resources generated in Victoria. The scheme is administered by the Essential Services Commission (ESC). Any excess assets held after annual acquittal are carried forward to future years.

### • Victorian Energy Efficiency Certificates (VEECS)

This scheme operates under Victorian legislation which sets targets for energy savings and requires energy retailers to meet their set targets through energy efficiency activities. The scheme commenced 1 January 2009 and is administered by the ESC. Any excess assets held after annual acquittal are carried forward to future years.

Green Certificate assets and liabilities are disclosed in note 19.

## 1.15 Finance Costs

The following transactions are recognised as finance costs. These are recorded in the Income Statement in accordance with NSW Treasury's mandate:

- Interest paid or payable on interest bearing loans.
- Loan guarantee fee paid to the NSW government for the guarantee of loans (refer note 16).
- The amounts of amortisation of discounts and premiums on interest bearing loans (refer note 1.13.3).
- Discount expense applied to provisions and amortised assets (refer note 17).
- Discounts applied to financial liabilities.
- Net losses on valuations of interest rate futures classified as financial instrument 'loans and receivables'.
- Net losses on foreign currency contracts that are classified as financial instruments.

Borrowing costs are not capitalised.

## 1.16 Future Cash Flows

Country Energy prepares forecasts covering a ten year period. These forecasts are a component of the Corporation's SCI which is a ten year business plan prepared by the Corporation's management and approved by its Shareholders. The use of ten years in a business plan is consistent with the business sector that the Corporation operates in.

Where an estimate is made of future cash flows in relation to asset valuation, ten year forecasts from the SCI are extrapolated to produce cash flow projections to the end of the asset's life. The discount rate used is the weighted average cost of capital of the relevant CGU.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Significant Accounting Policies (Continued)

### 1.17 Income Tax

The Group operates within the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office (ATO) on behalf of the NSW Government.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates that are applicable at balance date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill.
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates applicable at balance date.

A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 1.17.1 Tax Consolidation

Country Energy and its 100% owned subsidiaries are a tax consolidated group (tax group). The head entity of the tax group is Country Energy.

Current income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in each member of the group's financial statements using the 'separate taxpayer within group' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of assets and liabilities in the individual tax group members' Balance Sheets and their tax values applying under tax consolidation.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses of a group member are assumed by the head entity of the group. These are recognised as amounts payable/receivable to other group members in conjunction with any tax funding arrangement amounts.

The group members recognise deferred tax assets arising from unused tax losses to the extent that it is probable that the future taxable profits of the group will be available against which the asset can be utilised. A group member assesses the recovery of its unused tax losses and tax credits only in the period in which they arise, and before assumption by the head entity in accordance with AASB 112 *Income Taxes*.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

#### 1.17.2 Tax Funding Arrangements

The head entity in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligation of members of the group in respect of tax amounts. The tax funding arrangements require payments to/ from the head entity equal to the current tax liability/assets assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the group members recognising an inter entity payable/receivable equal in amount to the tax liability/asset assumed. The inter entity payable/receivable balances are at call.

Contributions to fund the current tax liabilities are payables 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.

#### 1.17.3 Tax Sharing Agreement

The head entity in conjunction with other members of the group has entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the group members 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 the possibility of payment of any amount under this agreement is remote.

The Group has elected to consolidate for NTER purposes as part of a tax sharing arrangement which provides for the allocation of income tax expense and liabilities across the wholly owned subsidiaries and a tax funding agreement which provides intercompany funding to cover current and deferred tax balances contributed by the individual subsidiaries to the head entity.

Tax effect accounting principles are applied to the financial statements in accordance with AASB 112 (refer notes 3 and 4).

### 1.18 Goods and Services Tax

Revenue, expenses and assets (other than receivables) are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables 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 current liability in the Balance Sheet.

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

### 1.19 Electricity Purchases

The Corporation purchases electricity in the National Electricity Market (NEM) for resale to its customers. Changes in the spot market may generate adverse financial effects. In order to minimise the risk electricity trading positions are hedged. The gains and losses arising from these derivative transactions are brought to account in accordance with AASB 132 *Financial Instruments: Presentation* and AASB 139.

### 1.20 Construction Contracts

Profit is recognised on fixed price construction contracts in proportion to the progress on each contract when all of the following conditions are satisfied:

- Total contract revenues to be received and the costs to complete the contract can be reliably estimated.
  - The stage of contract completion can be reliably determined.
  - The costs attributable to the contract date can be clearly identified and can be compared with prior estimates.
- Profit is recognised on cost plus construction contracts in proportion to the progress on each contract when all of the following conditions are satisfied:
- The costs attributable to the contract to date can be clearly identified.
  - Costs to complete other than those that will be specifically reimbursable under the contract can be reliably estimated.
  - Where relevant the stage of contract completion can be reliably determined.

Any material losses on construction contracts are brought to account as soon as they are foreseeable.

### 1.21 Segment Reporting

#### • Business Segments

The Group has one reportable business segment, that being the distribution and retail of energy. Revenue from the sale and distribution of energy to external customers of \$2,340.504 million (\$2,208.392 million in 2008) disclosed at Note 2 Components of Revenue and Expenses includes \$1,073.882 million (\$1,023.440 million in 2008) with respect to the distribution of energy (network use of system income) for the 2009 financial year. This amount is 43.1% of total operating revenue (44.2% in 2008). Internal sales by the distribution component to the retail component totalled \$671.069 million (\$646.754 million in 2008).

#### • Geographical Segments

The Group operates within a single geographic segment, Australia.

### 1.22 Comparative Data

Comparatives have been reclassified where necessary to enhance comparability in respect of changes in the current year. Where prior year information was not disclosed or where it is not practical to calculate the information comparatives have been omitted.

Adjustments have been made to amounts reported in the 2008 financial report. Descriptions of the adjustments and their impact on the consolidated Income Statement, Balance Sheet, Cash Flow Statement and Statement of Recognised Income and Expenses reported in the 2008 financial report are disclosed in Note 29. The same adjustments have also been made to the Corporation's Income Statement, Balance Sheet, Cash Flow Statement and Statement of Recognised Income and Expenses reported in the 2008 financial report.

A change in accounting policy for disclosure of superannuation actuarial gains/losses (refer note 1.5.1) has resulted in a change in the format of the primary statements. The Statements of Changes in Equity has now been replaced with the Statements of Recognised Income and Expense and a note for equity in compliance with AASB 119. Any adjustments that have been made to amounts reported in the 2008 financial reports relating to items affected by this change in the presentation of the primary statements are disclosed in note 29 as if that presentation had been in effect in the 2008 financial report.

### 1.23 Presentation Currency

This financial report is presented in Australian dollars.

### 1.24 Foreign Currency

Foreign currency transactions are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

The treatment of foreign currencies that are hedged together with outstanding foreign currency balances is in accordance with AASB 132 and AASB 139 (refer note 23.1.3.1).

Foreign currency gains and losses are reported on a net basis.

### 1.25 Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated otherwise.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Significant Accounting Policies (Continued)

### 1.26 Early Adoption of Standards

At reporting date a number of Australian Accounting Standards and Interpretations have been issued by the AASB but are not yet operative. These have not been adopted early by the Corporation or its subsidiaries. The following is a list of those Standards and Interpretations. It is anticipated that although the new standards may change some existing disclosures and policies and introduce new disclosures, their application will have no material impact on the financial reports of the Group.

AASB Standards and Interpretations Affected	AASB Amendments	Application Date for the Group*
AASB 2: Share-based Payment	2008-1	1/7/2009
AASB 2: Share-based Payment	2008-2	1/7/2009
AASB 3: Business Combinations	2008-3	1/7/2009
AASB 3: Business Combinations	2008-11	1/7/2009 (a)
AASB 8: Operating Segments	2007-3	1/7/2009 (a)
AASB 101: Presentation of Financial Statements	2007-8	1/7/2009
AASB 101: Presentation of Financial Statements	2007-10	1/7/2009
AASB 123: Borrowing Costs	2007-6	1/7/2009
AASB 127: Consolidated and Separate Financial Statements	2008-3	1/7/2009
AASB 139: Financial Instruments: Recognition and Measurement	2008-8	1/7/2009
AASB 1039: Concise Financial Reports		1/7/2009
AASB 1049: Whole of Government and General Government Sector Financial Reporting	2008-9	1/7/2009 (a)
AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project		1/7/2009
AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project		1/7/2009
AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate		1/7/2009
AASB 2009-1: Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities		1/7/2009 (a)
AASB 2009-2: Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments		1/7/2009
AASB Interpretation 12: Service Concession Arrangements		1/7/2009
AASB Interpretation 15: Agreements for the Construction of Real Estate		1/7/2009
AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation		1/7/2009
AASB Interpretation 17: Distributions of Non-cash Assets to Owners	2008-13	1/7/2009
AASB Interpretation 18: Transfers of Assets from Customers		1/7/2009

\* Application date refers to the annual reporting period commencing on or after this date.

(a) Standards and Interpretations that are not yet operative and have no application to the Group.

### 1.27 Exemptions

Exemptions have been granted by the Treasurer under Section 41BA of the *Public Finance and Audit Act 1983* (PF&AA) so that the financial reporting requirements which apply are broadly consistent with the Corporations Act reporting requirements given that the entity is competing in the NEM.

The following specific disclosures are not required to be made as a result of the exemptions:

Annual Reporting Exemptions	
Budgets	s.7 (1)(a)(iii) ARSBA cl 6 ARSBR
Report of Operations	s.7 (1)(a)(iv) ARSBA
Management & Activities	Schedule 1 ARSBR
Research & Development	Schedule 1 ARSBR
Human Resources	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Land Disposal	Schedule 1 ARSBR
Consumer Response	Schedule 1 ARSBR
Payment of Accounts	Schedule 1 ARSBR
Time for Payment of Accounts	Schedule 1 ARSBR
Report on Risk Management & Insurance Activities	Schedule 1 ARSBR
Disclosure of Controlled Entities	Schedule 1 ARSBR
Investment Management Performance	cl. 13 ARSBR
Liability Management Performance	cl. 12 ARSBR

# Reference

ARSBA – Annual Reports (Statutory Bodies) Act 1984

ARSBR – Annual Reports (Statutory Bodies) Regulation 2005

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 2: Components of Revenue and Expenses

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Revenue from Continuing Operations</b>					
Sale and delivery of energy	1.22	2,340,504	2,208,392	2,338,920	2,206,662
Developer and customer contributions	1.8.5	88,329	75,213	88,327	74,859
Rental income	1.10.3	711	540	711	540
Other revenue		29,902	21,677	29,902	21,677
Net interest on futures deposits	1.8.3	29,332	5,063	29,332	5,063
Discount revenue applied to provisions and amortised assets	1.8.3	-	158	-	158
Other finance revenue	1.8.3	1,099	2,015	1,099	2,015
<b>Total Operating Revenue</b>		<b>2,489,877</b>	<b>2,313,058</b>	<b>2,488,291</b>	<b>2,310,974</b>
<b>Other Income</b>					
Net gains on disposal of property, plant and equipment	1.8.4	-	1,006	-	1,006
Change in fair value of investment properties	1.10.3	1,433	-	1,433	-
Reversal of impairment loss	1.7.3	-	-	-	-
<b>Total Other Income</b>		<b>1,433</b>	<b>1,006</b>	<b>1,433</b>	<b>1,006</b>
<b>Finance Costs</b>					
Interest Expense		200,707	176,519	200,707	176,519
Discount expense applied to provisions and amortised assets		331	152	331	152
<b>Total Finance Costs</b>	<b>1.15</b>	<b>201,038</b>	<b>176,671</b>	<b>201,038</b>	<b>176,671</b>
<b>Other Expenses</b>					
Cost of sale and delivery of energy	1.22	2,071,956	2,034,262	2,075,168	2,036,878
Cost of other revenue		33,892	20,823	33,892	20,823
Net losses on disposal of property, plant and equipment		519	-	519	-
Impairment losses on non financial assets	1.7.2	7,875	-	7,875	-
Net losses on revaluation of land and buildings	1.11.2	7,886	-	7,886	-
<b>Total Other Expenses</b>		<b>2,122,128</b>	<b>2,055,085</b>	<b>2,125,340</b>	<b>2,057,701</b>

## Note 2: Components of Revenue and Expenses (Continued)

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Fair value gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements</b>					
Net gains/(losses) on remeasurement of energy purchase derivatives (ineffective cash flow hedges)		(55,369)	(77,291)	(55,369)	(77,291)
Amortisation of premiums on energy purchases CAP contracts		22,671	32,092	22,671	32,092
Settlement of ineffective energy Contracts for Differences		(10,761)	11,388	(10,761)	11,388
Net gains/(losses) on interest rate swaps		-	1,325	-	1,325
Change in fair value of TCorp investments	1.8.6	313	582	313	582
Net gain/(loss) on foreign exchange	1.24	13	(213)	13	(213)
<b>Total Fair value gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements</b>		<b>(43,133)</b>	<b>(32,117)</b>	<b>(43,133)</b>	<b>(32,117)</b>
<b>The Income Statement includes the following items of finance expense/(income)</b>					
Interest income on bank deposits and investments at call		(1,099)	(2,015)	(1,099)	(2,015)
Discount revenue applied to provisions and amortised assets		-	(158)	-	(158)
Change in fair value of TCorp investments		(313)	(582)	(313)	(582)
Net gain on foreign exchange		(13)	-	(13)	-
<b>Finance Income</b>		<b>(1,425)</b>	<b>(2,755)</b>	<b>(1,425)</b>	<b>(2,755)</b>
Interest expense on financial liabilities measured at amortised cost		200,707	176,519	200,707	176,519
Net losses on valuation of interest rate futures		-	-	-	-
Discount expense applied to provisions and amortised assets		331	152	331	152
Net loss on foreign exchange		-	213	-	213
Impairment loss on trade and other debtors	1.7.1	1,496	1,300	1,496	1,300
<b>Finance Expense</b>		<b>202,534</b>	<b>178,184</b>	<b>202,534</b>	<b>178,184</b>
<b>Net Finance Expense/(Income)</b>		<b>201,109</b>	<b>175,429</b>	<b>201,109</b>	<b>175,429</b>
<b>The above finance expense/(income) includes the following in respect of assets/liabilities not at fair value through profit or loss</b>					
Total interest income on financial assets		(1,099)	(2,015)	(1,099)	(2,015)
Total interest expense on financial liabilities		200,707	176,519	200,707	176,519

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 2: Components of Revenue and Expenses (Continued)

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>The Income Statement includes the following items of other expense/ (income)</b>					
Amounts charged against provisions for employee benefits	17	58,665	50,626	58,665	50,626
Employee benefits expense		349,397	386,735	349,397	386,735
Depreciation of property, plant and equipment	12	161,058	148,306	157,966	145,396
Amortisation of intangible assets	13	16,940	12,723	15,522	11,305
Consultants expenses		393	1,521	393	1,521
(Amounts capitalised \$0.209 million (\$0.050 million in 2008))					
Inventories		21,957	22,472	21,957	22,472
Bad debts expense		5,128	5,013	5,128	5,013
Minimum lease payments on operating leases		7,433	7,313	7,433	7,313
Direct operating expenses that relate to income earning investment property	1.10.3	291	267	291	267
Research and development expenses		154	64	154	64
Net (gain)/loss on financial assets and liabilities at fair value through the profit or loss:					
Financial assets and liabilities designated as fair value through the profit or loss		(313)	(582)	(313)	(582)
Financial assets and liabilities held for trading		55,356	76,179	55,356	76,179
Fee expenses arising from financial assets or financial liabilities that are not at fair value through the profit or loss		3,165	2,876	3,165	2,876
Maintenance expenses:					
Employee related maintenance expenses included in employee benefits expense		72,160	66,121	71,890	65,904
Contracted labour and other (non-employee related) expenses		213,908	169,390	212,281	167,606
<b>Total maintenance expenses</b>		<b>286,068</b>	<b>235,511</b>	<b>284,171</b>	<b>233,510</b>

### Other Business Activities

Country Energy carries out a number of commercial business activities which are incidental to, associated with, or are related to the supply and delivery of energy. Individually these activities are not of significant size, nature or incidence. The aggregate of revenue from these activities of \$34.093 million (\$26.044 million in 2008), including internal sales \$4.197 million (\$4.371 million in 2008), is included in other revenue. The aggregate of expenses from these activities of \$33.740 million (\$20.922 million in 2008) is included in the cost of other revenue.

## Note 3: Income Tax Expense

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The major components of income tax expense are:					
<b>Income Statement</b>					
Current income tax					
Current income tax charge		74,258	29,989	72,381	27,964
Adjustments in respect of current income tax of previous years		(2,585)	(2,524)	(2,352)	(2,524)
Deferred income tax					
Relating to origination and reversal of temporary differences	4	(37,690)	(31,977)	(37,911)	(31,787)
<b>Income tax expense/(benefit) reported in the income statement</b>		<b>33,983</b>	<b>(4,512)</b>	<b>32,118</b>	<b>(6,347)</b>
<b>Statement of Recognised Income and Expenses</b>					
Deferred income tax related to items charged or credited directly to equity:					
Reversal of revaluation		-	(34)	-	(34)
Net gain on revaluation of plant and equipment		4,511	-	4,511	-
Net gain on revaluation of cash flow hedges		(57,080)	(101,084)	(57,080)	(101,084)
Superannuation gains/(losses)		(27,473)	(12,440)	(27,473)	(12,440)
<b>Income tax expense/(benefit) reported in equity</b>		<b>(80,042)</b>	<b>(113,558)</b>	<b>(80,042)</b>	<b>(113,558)</b>
<b>Reconciliation of tax expense to pre tax profit</b>					
Profit before income tax and fair value movements in financial instruments		168,144	82,308	163,346	77,608
Income tax at rate of 30%		50,444	24,692	49,004	23,282
Adjustment in respect of current income tax of previous years		(2,585)	(2,524)	(2,352)	(2,524)
Investment Allowance		(3,699)	-	(3,699)	-
Recognition/derecognition of temporary differences		982	-	749	-
Expenditure not allowable for income tax purposes		1,270	1,047	845	622
Income tax on change in accounting estimate of deferred tax liabilities		511	(18,092)	511	(18,092)
<b>Income Tax on profit before income tax and fair value movements in financial instruments</b>	1.22	<b>46,923</b>	<b>5,123</b>	<b>45,058</b>	<b>3,288</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 3: Income Tax Expense (Continued)

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fair value gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements		(43,133)	(32,117)	(43,133)	(32,117)
		<b>(43,133)</b>	<b>(32,117)</b>	<b>(43,133)</b>	<b>(32,117)</b>
Income tax at rate of 30%					
Income Tax on gains/(losses) in financial instruments net of amortisation of contract premiums and transitional cash settlements	1.22	(12,940)	(9,635)	(12,940)	(9,635)

## Note 4: Tax Assets and Liabilities

	Note	Consolidated Balance Sheet		Consolidated Income Statement		Corporation Balance Sheet		Corporation Income Statement	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current Tax Asset</b>									
Tax asset		-	-	-	-	-	-	-	-
<b>Total Current Tax Asset</b>	1.22	-	-	-	-	-	-	-	-
<b>Income Tax Payable</b>									
Provision for income tax		80,552	9,959			80,552	9,959		
<b>Total Income Tax Payable</b>	1.22	<b>80,552</b>	<b>9,959</b>			<b>80,552</b>	<b>9,959</b>		
<b>Deferred Tax Assets</b>									
Provisions		64,763	60,880	(3,883)	(2,758)	64,592	60,498	(4,095)	(2,546)
Green emission rights		11,593	11,837	244	(2,429)	11,593	11,837	244	(2,429)
Unearned income		2,988	3,148	160	(160)	2,988	3,148	160	(160)
Project Costs		3,146	2,212	(934)	(1,306)	3,146	2,212	(934)	(1,306)
Under funded Superannuation		31,211	4,397	659	-	31,211	4,397	659	-
Application of AASB 139		25,596	6,277	-	623	25,596	6,277	-	623
<b>Total Deferred Tax Assets</b>		<b>139,297</b>	<b>88,751</b>			<b>139,126</b>	<b>88,369</b>		
<b>Deferred Tax Liabilities</b>									
Property Plant and Equipment		224,727	236,332	(16,116)	(21,490)	222,036	233,650	(16,125)	(21,512)
Unbilled Income		49,990	49,328	661	3,951	49,990	49,328	661	3,951
Green emission rights		8,034	12,998	(4,964)	1,485	8,034	12,998	(4,964)	1,485
Over funded Superannuation		377	352	25	(550)	377	352	25	(550)
Application of AASB 139		15,348	66,651	(13,542)	(9,343)	15,348	66,651	(13,542)	(9,343)
<b>Total Deferred Tax Liabilities</b>	1.22	<b>298,476</b>	<b>365,661</b>			<b>295,785</b>	<b>362,979</b>		
<b>Total Deferred tax income/(expense)</b>	3			(37,690)	(31,977)			(37,911)	(31,787)

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 5: Cash and Cash Equivalents

		Consolidated		Corporation	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and deposits	1.9.1	1,591	1,946	1,591	1,946
Investments at Call – TCorp	1.9.2	277	264	277	264
Investments at Call – Other	1.9.2	11,531	18,053	11,531	18,053
<b>Total Cash and Cash Equivalents</b>		<b>13,399</b>	<b>20,263</b>	<b>13,399</b>	<b>20,263</b>

The Group's exposure to interest rate risk and a sensitivity analysis of financial assets and financial liabilities are disclosed in note 23.

## Note 6: Trade and Other Receivables

		Consolidated		Corporation	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Trade debtors		172,956	175,522	172,956	175,522
Provision for doubtful debts		(4,745)	(4,525)	(4,745)	(4,525)
Trade debtors, net of provision	1.9.3	168,211	170,997	168,211	170,997
Other debtors		21,065	30,667	20,938	30,531
Provision for doubtful debts		(1,441)	(1,002)	(1,441)	(1,002)
Other debtors, net of provision	1.9.3	19,624	29,665	19,497	29,529
Deposits on futures trading	1.9.9	36,410	7,090	36,410	7,090
<b>Loans and receivables</b>		<b>224,245</b>	<b>207,752</b>	<b>224,118</b>	<b>207,616</b>
Prepayments	1.9.3	6,407	5,798	6,407	5,798
<b>Total Current Trade and Other Receivables</b>		<b>230,652</b>	<b>213,550</b>	<b>230,525</b>	<b>213,414</b>
<b>Non-current</b>					
Other debtors		74	102	74	102
<b>Loans and receivables</b>		<b>74</b>	<b>102</b>	<b>74</b>	<b>102</b>
Prepayments		3,130	3,542	3,130	3,542
Over funded superannuation		1,258	1,172	1,258	1,172
<b>Total Non-Current Trade and Other Receivables</b>	1.10.1	<b>4,462</b>	<b>4,816</b>	<b>4,462</b>	<b>4,816</b>

Current other debtors consists of non energy debtors and accrued revenue. Some debt is interest bearing, however this is not material.

Non-current other debtors consists of non interest bearing debt with an average maturity of 4 years.

The Group's exposure to credit risks and impairment losses related to trade and other receivables are disclosed in note 23.

## Note 7: Derivative Financial Instruments

		Consolidated		Corporation	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Derivative Financial Assets – Current</b>					
<b>Energy Trading Derivatives</b>					
Swap Derivatives		42,510	202,889	42,510	202,889
Option Derivatives		24,904	42,284	24,904	42,284
Futures Derivatives		1,440	6,217	1,440	6,217
<b>Total Derivative Current Assets</b>	1.9.7	<b>68,854</b>	<b>251,390</b>	<b>68,854</b>	<b>251,390</b>
<b>Derivative Financial Liabilities – Current</b>					
<b>Energy Trading Derivatives</b>					
Swap Derivatives		49,751	16,034	49,751	16,034
Option Derivatives		31,367	1,326	31,367	1,326
Futures Derivatives		4,207	6,532	4,207	6,532
<b>Other Derivatives</b>					
Foreign Exchange Derivatives		-	170	-	170
<b>Total Derivative Current Liabilities</b>	1.13.9	<b>85,325</b>	<b>24,062</b>	<b>85,325</b>	<b>24,062</b>

The Group's exposure to credit, currency and interest rate risk related to derivatives is disclosed in note 23.

## Note 8: Inventories

		Consolidated		Corporation	
	Note	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Inventories – at lower of cost and net realisable value	1.9.5	24,043	22,603	24,043	22,603
<b>Total Inventories</b>		<b>24,043</b>	<b>22,603</b>	<b>24,043</b>	<b>22,603</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 9: Investments

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Available-for-sale investments</b>					
Interest in Wind farm		2,069	2,069	2,069	2,069
<b>Total Available-for-sale investments</b>	1.10.2	<b>2,069</b>	<b>2,069</b>	<b>2,069</b>	<b>2,069</b>
<b>Investments in Subsidiary Corporations</b>					
Investments in subsidiary corporations		-	-	26,871	26,871
<b>Total Investments in Subsidiary Corporations</b>	1.10.4	<b>-</b>	<b>-</b>	<b>26,871</b>	<b>26,871</b>

The Group's exposure to interest rate risk related to available-for-sale investments is disclosed in note 23.

## Note 10: Investment Property

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Opening carrying value</b>		<b>2,567</b>	<b>2,567</b>	<b>2,567</b>	<b>2,567</b>
Change in fair value to profit or loss		1,433	-	1,433	-
<b>Total Investment Property</b>	1.10.3	<b>4,000</b>	<b>2,567</b>	<b>4,000</b>	<b>2,567</b>

## Note 11: Other Assets

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Loans to subsidiaries	1.9.8	-	-	56,457	56,457
<b>Total Other Current Assets</b>		<b>-</b>	<b>-</b>	<b>56,457</b>	<b>56,457</b>
<b>Non-Current</b>					
Other assets	1.10.6	1,027	1,069	1,027	1,069
<b>Total Other Non-Current Assets</b>		<b>1,027</b>	<b>1,069</b>	<b>1,027</b>	<b>1,069</b>

The Group's exposure to interest rate risk related to other assets is disclosed in note 23.

## Note 12: Property, Plant and Equipment

	Note	Consolidated			Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
<b>System Assets:</b>						
<b>Opening carrying value</b>						
At fair value	1.22	4,097,145	3,623,599	3,989,629	3,521,282	
Accumulated depreciation		(834,159)	(734,916)	(814,679)	(718,346)	
<b>Net opening carrying value</b>		<b>3,262,986</b>	<b>2,888,683</b>	<b>3,174,950</b>	<b>2,802,936</b>	
<b>Movements</b>						
Additions	1.22	539,974	473,546	534,602	468,347	
Reclassifications from L&B – gross		9,677	-	9,677	-	
Reclassifications from L&B – accumulated depreciation		(55)	-	(55)	-	
Disposals – gross		(10)	-	(10)	-	
Disposals – accumulated depreciation		-	-	-	-	
Depreciation expense		(114,199)	(99,243)	(111,107)	(96,333)	
Impairment		(7,875)	-	(7,875)	-	
<b>Net movements</b>		<b>427,512</b>	<b>374,303</b>	<b>425,232</b>	<b>372,014</b>	
<b>Closing carrying value</b>						
At fair value		4,638,911	4,097,145	4,526,023	3,989,629	
Accumulated depreciation		(948,413)	(834,159)	(925,841)	(814,679)	
<b>Net closing carrying value</b>		<b>3,690,498</b>	<b>3,262,986</b>	<b>3,600,182</b>	<b>3,174,950</b>	
<b>Land and Buildings</b>						
<b>Opening carrying value</b>						
At fair value		163,679	150,575	163,679	150,575	
Accumulated depreciation		(6,689)	(3,884)	(6,689)	(3,884)	
<b>Net opening carrying value</b>		<b>156,990</b>	<b>146,691</b>	<b>156,990</b>	<b>146,691</b>	
<b>Movements</b>						
Additions	1.22	7,644	13,433	7,644	13,433	
Reclassification to system & plant – gross		(11,658)	-	(11,658)	-	
Reclassification to system & plant – accumulated depreciation		116	-	116	-	
Disposals – gross		(209)	(329)	(209)	(329)	
Disposals – accumulated depreciation		19	43	19	43	
Depreciation expense		(2,522)	(2,848)	(2,522)	(2,848)	
Revaluation – gross		(1,350)	-	(1,350)	-	
Revaluation – accumulated depreciation		8,500	-	8,500	-	
<b>Net movements</b>		<b>540</b>	<b>10,299</b>	<b>540</b>	<b>10,299</b>	

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 12: Property, Plant and Equipment (Continued)

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Closing carrying value</b>					
At fair value		158,106	163,679	158,106	163,679
Accumulated depreciation		(576)	(6,689)	(576)	(6,689)
<b>Net closing carrying value</b>		<b>157,530</b>	<b>156,990</b>	<b>157,530</b>	<b>156,990</b>
<b>Plant and Equipment</b>					
<b>Opening carrying value</b>					
At fair value	1.22	559,917	501,798	559,917	501,798
Accumulated depreciation		(326,988)	(291,549)	(326,988)	(291,549)
<b>Net opening carrying value</b>		<b>232,929</b>	<b>210,249</b>	<b>232,929</b>	<b>210,249</b>
<b>Movements</b>					
Additions	1.22	86,176	75,709	86,176	75,709
Reclassification from L&B – gross		1,981	-	1,981	-
Reclassification from L&B – accumulated depreciation		(61)	-	(61)	-
Disposals – gross		(63,772)	(17,590)	(63,772)	(17,590)
Disposals – accumulated depreciation		54,423	10,776	54,423	10,776
Depreciation expense		(44,337)	(46,215)	(44,337)	(46,215)
<b>Net movements</b>		<b>34,410</b>	<b>22,680</b>	<b>34,410</b>	<b>22,680</b>
<b>Closing carrying value</b>					
At fair value		584,302	559,917	584,302	559,917
Accumulated depreciation		(316,963)	(326,988)	(316,963)	(326,988)
<b>Net closing carrying value</b>		<b>267,339</b>	<b>232,929</b>	<b>267,339</b>	<b>232,929</b>
<b>Net Carrying Value of Property, Plant and Equipment</b>	1.11	<b>4,115,367</b>	<b>3,652,905</b>	<b>4,025,051</b>	<b>3,564,869</b>
<b>Historical cost of revalued assets</b>					
Carrying amount of revalued assets had they been carried under the cost model:					
System Assets		3,540,661	3,111,481	3,450,345	3,023,445
Land and Buildings		124,003	132,881	124,003	132,881

### Optimised Depreciated Replacement Cost (ODRC) of System Assets

Optimised Replacement Cost (ORC) is the theoretical estimation, using valuation techniques, of the cost to replace the entire system asset base as at balance date. The replacement cost is the minimum that it would cost to replace the existing asset with a technologically modern equivalent new asset with the same economic benefits. This cost is then to be adjusted for overdesign, overcapacity and redundant components to determined ORC. The ODRC is the ORC less accumulated depreciation reflecting the already consumed future economic benefits of the asset.

A desktop review was performed for the ODRC of the system assets for 2009.

## Note 12: Property, Plant and Equipment (Continued)

A full valuation of the system assets is intended to be performed for 2010.

	2009 \$'000
Based on the desktop review the consolidated replacement cost is:	
Gross replacement cost	12,387,792
Accumulated depreciation and impairment	(8,697,294)
<b>Recoverable amount carrying value</b>	<b>3,690,498</b>

## Note 13: Non-current Intangible Assets

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Franchise Setup Fees</b>					
<b>Opening carrying value</b>					
At cost		76	76	76	76
Accumulated amortisation		(61)	(54)	(61)	(54)
		<b>15</b>	<b>22</b>	<b>15</b>	<b>22</b>
<b>Movements</b>					
Amortisation expense		(8)	(7)	(8)	(7)
Disposals					
Gross		(76)	-	(76)	-
Accumulated amortisation		69	-	69	-
<b>Closing carrying value</b>					
At cost		-	76	-	76
Accumulated amortisation		-	(61)	-	(61)
<b>Net closing carrying value</b>	1.12.1	<b>-</b>	<b>15</b>	<b>-</b>	<b>15</b>
<b>Natural Gas Distributor and Retail licences</b>					
<b>Opening carrying value</b>					
At cost		24,826	24,826	10,638	10,638
Accumulated amortisation		(12,419)	(9,924)	(5,325)	(4,248)
		<b>12,407</b>	<b>14,902</b>	<b>5,313</b>	<b>6,390</b>
<b>Movements</b>					
Additions		-	-	-	-
Amortisation expense		(2,495)	(2,495)	(1,077)	(1,077)
<b>Closing carrying value</b>					
At cost		24,826	24,826	10,638	10,638
Accumulated amortisation		(14,914)	(12,419)	(6,402)	(5,325)
<b>Net closing carrying value</b>	1.12.2	<b>9,912</b>	<b>12,407</b>	<b>4,236</b>	<b>5,313</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 13: Non-current Intangible Assets (Continued)

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>IT software</b>					
<b>Opening carrying value</b>					
At cost		109,727	94,423	109,727	94,423
Accumulated amortisation		(55,311)	(46,293)	(55,311)	(46,293)
		54,416	48,130	54,416	48,130
<b>Movements</b>					
Additions		24,594	16,507	24,594	16,507
Disposals – gross		-	(1,203)	-	(1,203)
Disposals – accumulated amortisation		-	1,203	-	1,203
Amortisation expense		(14,437)	(10,221)	(14,437)	(10,221)
<b>Net movements</b>		<b>10,157</b>	<b>6,286</b>	<b>10,157</b>	<b>6,286</b>
<b>Closing carrying value</b>					
At cost		134,321	109,727	134,321	109,727
Accumulated amortisation		(69,748)	(55,311)	(69,748)	(55,311)
<b>Net closing carrying value</b>	1.12.3	<b>64,573</b>	<b>54,416</b>	<b>64,573</b>	<b>54,416</b>
<b>Goodwill closing carrying amount</b>	1.12.4	<b>3,643</b>	<b>3,643</b>	-	-
<b>Total Non-Current Intangible Assets</b>		<b>78,128</b>	<b>70,481</b>	<b>68,809</b>	<b>59,744</b>

### Impairment testing of goodwill

Goodwill is recorded in the Balance Sheet of the subsidiary Country Energy Gas Pty Limited (refer note 1.12.4). The recoverable amount of the CGU has been determined by a market value calculation.

## Note 14: Trade and Other Payables

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Trade creditors – unsecured	1.13.1	29,052	26,736	29,052	26,736
Other creditors – unsecured	1.13.1	32,716	30,975	32,716	30,975
Accrued interest expense		68,921	48,863	68,921	48,863
Accrued energy and transmission purchases	1.22	124,032	139,933	124,032	139,933
Accrued trade creditors	1.22	55,680	63,225	54,345	61,890
Accrued inventory purchases		2,348	3,074	2,348	3,074
Other accrued expenses		3,439	2,758	3,439	2,758
Subsidiary creditors – unsecured		-	-	3,081	1,137
<b>Total Current Trade and Other Payables</b>		<b>316,188</b>	<b>315,564</b>	<b>317,934</b>	<b>315,366</b>

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

## Note 15: Deposits

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Electricity Customers		10,592	10,943	10,592	10,943
Contractors and Others		52	2,279	52	2,279
<b>Total Current Deposits</b>	1.13.2	<b>10,644</b>	<b>13,222</b>	<b>10,644</b>	<b>13,222</b>

The Group's exposure to liquidity risk related to deposits is disclosed in note 23.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 16: Interest Bearing Liabilities

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Bank Overdraft		15,865	30,421	15,865	30,421
Loans	1.13.3	717,582	586,887	717,582	586,887
<b>Total Current Interest Bearing Liabilities</b>		<b>733,447</b>	<b>617,308</b>	<b>733,447</b>	<b>617,308</b>
<b>Non-current</b>					
Loans	1.13.3	2,203,929	2,013,364	2,203,929	2,013,364
<b>Total Non-Current Interest Bearing Liabilities</b>		<b>2,203,929</b>	<b>2,013,364</b>	<b>2,203,929</b>	<b>2,013,364</b>
<b>Due to be repaid:</b>					
Not later than one year		733,447	617,308	733,447	617,308
Later than one year but not later than two years		443,848	295,331	443,848	295,331
Later than two years but not later than three years		560,327	431,741	560,327	431,741
Later than three years but not later than four years		107,996	385,999	107,996	385,999
Later than four years but not later than five years		-	500	-	500
Later than five years		1,091,758	899,793	1,091,758	899,793
<b>Total Interest Bearing Liabilities</b>		<b>2,937,376</b>	<b>2,630,672</b>	<b>2,937,376</b>	<b>2,630,672</b>

All loans are guaranteed by the NSW Government.

The Group's exposure to liquidity and interest rate risk related to interest bearing liabilities is disclosed in note 23.

## Note 17: Other Provisions

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Dividends	1.13.8	29,200	49,100	29,200	49,100
Employee benefits	1.13.4	180,193	164,090	180,193	154,090
Provision for environmental rectification		1,153	3,919	1,153	3,919
Provision for system asset rectification		-	90	-	90
Other provisions		1,921	2,783	1,921	2,783
<b>Total Current Provisions</b>		<b>212,467</b>	<b>219,982</b>	<b>212,467</b>	<b>219,982</b>
<b>Non-current</b>					
Employee benefits	1.13.4	23,912	21,260	23,912	21,260
Provision for environmental rectification		2,553	2,555	2,553	2,555
<b>Total Non-Current Provisions</b>		<b>26,465</b>	<b>23,815</b>	<b>26,465</b>	<b>23,815</b>

Movement in Provisions	Dividends	Employee Benefits	Environmental Rectification	Asset Rectification	Other	Total
	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000	2009 \$'000
Opening balance	49,100	185,350	6,474	90	2,783	243,797
Additional provision	29,200	58,665	925	-	-	88,790
Utilised during the period	(49,100)	(39,910)	(3,860)	(4)	(862)	(93,736)
Provisions reversed during the period	-	-	-	(86)	-	(86)
Unwinding discount	-	-	167	-	-	167
<b>Closing balance</b>	<b>29,200</b>	<b>204,105</b>	<b>3,706</b>	<b>-</b>	<b>1,921</b>	<b>238,932</b>

### Provision for Environmental Rectification

Provisions for environmental rectification work are expected to be settled by 2010 and 2020. In respect of the obligations to be settled by 2010 the effect of the time value of money has been deemed to be immaterial and no discounting has been applied. Where settlement is expected by 2020 discounting has been applied using the market yield on Commonwealth government bonds with a comparable period as specified by NSW Treasury Circular NSW TC 06/16. The rate used is 5.275%.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 18: Other Liabilities

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Current</b>					
Other Financial Liabilities	1.13.10	366	362	10	6
Prepaid Capital Contributions	1.8.5	24,379	19,717	24,379	19,717
<b>Total Other Current Liabilities</b>		<b>24,745</b>	<b>20,079</b>	<b>24,389</b>	<b>19,723</b>
<b>Non-Current</b>					
Under Funded Superannuation Liability	1.13.10	103,992	14,657	103,992	14,657
Other Financial Liabilities	1.13.10	177	541	-	8
<b>Total Other Non-Current Liabilities</b>		<b>104,169</b>	<b>15,198</b>	<b>103,992</b>	<b>14,665</b>

The Group's exposure to liquidity and interest rate risk related to other financial liabilities and loan to subsidiary is disclosed in note 23.

## Note 19: Green Certificates

	Note	Consolidated		Corporation	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Green Certificate Current Intangible Assets</b>					
Renewable Energy Certificates (RECS)		14,088	20,319	14,088	20,319
NSW Greenhouse Abatement Certificates (NGACS)		10,757	19,535	10,757	19,535
Green Power Rights (GPRS)		754	1,984	754	1,984
Gas Electricity Certificates (GECS)		1,106	1,752	1,106	1,752
Victorian Renewable Energy Certificates (VRECS)		31	-	31	-
Victorian Energy Efficiency Certificates (VEECS)		45	-	45	-
<b>Total Green Certificate Current Intangible Assets</b>	1.14	<b>26,781</b>	<b>43,590</b>	<b>26,781</b>	<b>43,590</b>
<b>Green Certificate Current Liabilities</b>					
Renewable Energy Certificates (RECS)		17,964	13,496	17,964	13,496
NSW Greenhouse Abatement Certificates (NGACS)		17,418	21,137	17,418	21,137
Green Power Rights (GPRS)		754	1,984	754	1,984
Gas Electricity Certificates (GECS)		1,152	3,152	1,152	3,152
Victorian Renewable Energy Certificates (VRECS)		711	-	711	-
Victorian Energy Efficiency Certificates (VEECS)		646	-	646	-
<b>Total Green Certificate Current Liability</b>	1.14	<b>38,645</b>	<b>39,769</b>	<b>38,645</b>	<b>39,769</b>

## Note 19: Green Certificates (Continued)

Movement in Provisions	RECS	NGACS	GPRS	GECS	VRECS	VEECS	TOTAL
	2009 \$'000						
Opening balance	13,496	21,137	1,984	3,152	-	-	39,769
Additional provision	32,543	33,087	546	(111)	1,214	646	67,925
Utilised during the year	(28,075)	(36,806)	(1,776)	(1,889)	(503)	-	(69,049)
<b>Closing balance</b>	<b>17,964</b>	<b>17,418</b>	<b>754</b>	<b>1,152</b>	<b>711</b>	<b>646</b>	<b>38,645</b>

## Note 20: Equity

### Reconciliation of movement in Equity

Consolidated	Contributed Equity	Asset Revaluation Reserve	Hedge Revaluation Reserve	Retained Profits	Total Equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	130,485	276,882	362,604	453,450	1,223,421
Total recognised income and expense	-	-	(235,861)	25,676	(210,185)
Asset revaluation reserve balances of disposed assets transferred to retained profits	-	(92)	-	126	34
Dividends provided and paid	1.13.8	-	-	(49,100)	(49,100)
<b>Balance at 30 June 2008</b>	<b>1.22</b>	<b>130,485</b>	<b>276,790</b>	<b>430,152</b>	<b>964,170</b>
Balance at 1 July 2008	130,485	276,790	126,743	430,152	964,170
Total recognised income and expense	-	10,525	(133,188)	26,923	(95,740)
Asset revaluation reserve balances of disposed assets transferred to retained profits	-	1,576	-	(1,576)	-
Dividends provided and paid	1.13.8	-	-	(29,200)	(29,200)
<b>Balance at 30 June 2009</b>		<b>130,485</b>	<b>288,891</b>	<b>(6,445)</b>	<b>839,230</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 20: Equity (Continued)

### Reconciliation of movement in Equity

Corporation	Note	Contributed Equity	Asset Revaluation Reserve	Hedge Revaluation Reserve	Retained Profits	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007		130,485	276,882	362,604	444,121	1,214,092
Total recognised income and expense		-	-	(235,861)	22,811	(213,050)
Asset revaluation reserve balances of disposed assets transferred to retained profits		-	(92)	-	126	34
Dividends provided and paid	1.13.8	-	-	-	(49,100)	(49,100)
<b>Balance at 30 June 2008</b>	<b>1.22</b>	<b>130,485</b>	<b>276,790</b>	<b>126,743</b>	<b>417,958</b>	<b>951,976</b>
Balance at 1 July 2008		130,485	276,790	126,743	417,958	951,976
Total recognised income and expense		-	10,525	(133,188)	23,990	(98,673)
Asset revaluation reserve balances of disposed assets transferred to retained profits		-	1,576	-	(1,576)	-
Dividends provided and paid	1.13.8	-	-	-	(29,200)	(29,200)
<b>Balance at 30 June 2009</b>		<b>130,485</b>	<b>288,891</b>	<b>(6,445)</b>	<b>411,172</b>	<b>824,103</b>

The Asset Revaluation Reserve comprises increments and decrements resulting from revaluations of land and buildings \$35.827 million (\$23.725 million in 2008), and system assets \$253.065 million (\$253.065 million in 2008).

## Note 21: Finance Facilities

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>At balance date the Corporation had access to the following finance facilities:</b>				
Bank overdraft	15,000	15,000	15,000	15,000
Lines of credit	293,150	556,300	293,150	556,300
Loans	3,167,092	2,760,732	3,167,092	2,760,732
Lease facilities	-	-	-	-
<b>Total available finance facilities</b>	<b>3,475,242</b>	<b>3,332,032</b>	<b>3,475,242</b>	<b>3,332,032</b>
<b>At balance date the unused amounts of those facilities listed above were:</b>				
Bank overdraft	15,000	15,000	15,000	15,000
Lines of credit	210,588	82,869	210,588	82,869
Loans	245,581	160,482	245,581	160,482
Lease facilities	-	-	-	-
<b>Total unused finance facilities</b>	<b>471,169</b>	<b>258,351</b>	<b>471,169</b>	<b>258,351</b>

Finance facilities are reviewed and approved on an annual basis by NSW Treasury. The facilities are subject to the provisions of the Public Authorities (Financial Arrangements) Act 1987.

## Note 22: Notes to the Cash Flow Statements

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Components of Cash</b>				
Cash on Hand	1,591	1,946	1,591	1,946
Cash at Bank/(Overdraft)	(15,865)	(30,421)	(15,865)	(30,421)
Investment securities	11,808	18,317	11,808	18,317
	(2,466)	(10,158)	(2,466)	(10,158)
<b>(b) Reconciliation of operating profit after income tax expense to cash provided by operating activities</b>				
Profit for the period	91,028	54,703	88,095	51,838
Non cash items:				
Gifted Assets	(57,823)	(30,904)	(57,823)	(30,904)
Depreciation	161,058	148,306	157,966	145,396
Amortisation	16,940	12,723	15,522	11,305
Impairment of non-financial assets	7,875	-	7,875	-
Net losses on revaluation of land and buildings	7,886	-	7,886	-
Net gain on fair value of investment property	(1,433)	-	(1,433)	-
Prepaid superannuation	(2,327)	1,835	(2,327)	1,835
Items classified as investing/finance activities:				
(Profit)/loss on sale of property, plant and equipment	519	(1,006)	519	(1,006)
Net Community Service Obligation expense	(254)	(335)	(254)	(335)
Deferred Interest	4,261	750	4,261	750
Changes in assets and liabilities:				
(Increase)/decrease in unread meters	1,896	(25,197)	1,896	(25,197)
(Increase)/decrease in receivables	(19,046)	(3,713)	(17,112)	(2,606)
(Increase)/decrease in inventories	(2,600)	(1,171)	(2,600)	(1,171)
(Increase)/decrease in green certificate assets/(liabilities)	15,684	3,198	15,684	3,198
(Increase)/decrease in operating non-current receivables	439	709	439	709
(Increase)/decrease in other operating non-current assets	42	62	42	62
(Increase)/decrease in energy trading derivative assets/(liabilities)	110,783	154,123	110,783	154,123
(Increase)/decrease in borrowing derivative assets/(liabilities)	-	(2,077)	-	(2,077)
Increase/(decrease) in operating payables	2,564	20,439	2,566	20,780
Increase/(decrease) in customer deposits	(2,578)	415	(2,578)	415
Increase/(decrease) in provisions	85,631	(20,107)	85,631	(20,107)
Increase/(decrease) in deferred taxes payable	(94,769)	(133,460)	(94,990)	(133,270)
Increase/(decrease) in other operating liabilities	4,132	7,118	4,488	7,474
<b>Net cash provided by operating activities</b>	<b>329,908</b>	<b>186,411</b>	<b>324,536</b>	<b>181,212</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments

### 23.1 Financial Risk Management Objectives

The Group and Corporation are exposed to credit, liquidity and market risk through their use of financial instruments. Information about these risks and their objectives, processes and policies in managing these risks follows.

The Corporation's treasury and energy trading functions provide services to the business, coordinate access to domestic financial markets, enter into wholesale market contracts in the National Electricity Market and manage the financial risk relating to operations of the Corporation. The Corporation does not enter into or trade in financial instruments for speculative purposes. The use of financial derivatives is governed by the Corporation's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits are reviewed annually by the internal auditors and by the Middle Office on a continuous basis with any breaches reported to the Board of Directors.

The Corporation's principal financial instruments other than derivatives comprise borrowings, cash and investments. The main purpose of these financial instruments is to finance the Corporation's operations. The Corporation has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The Corporation also enters into derivative transactions to hedge its exposure to fluctuations in interest rates, foreign exchange rates and commodity prices.

Borrowings are interest bearing loans which are actively managed under a risk management agreement with TCorp. Other financial assets and financial liabilities are not readily traded on organised markets in standardised form.

Derivative financial instruments are used to hedge the Corporation's exposure to changes in interest rates, foreign exchange rates and commodity prices from its activities. The instruments are in the form of: interest rate swaps, interest rate futures contracts, forward foreign exchange contracts and forward commodity price contracts. These derivative financial instruments are not held for speculative or trading purposes, however there are some derivatives that do not qualify for hedge accounting and are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement except where the instrument is subject to cash flow hedge accounting principles whereby the unrealised gains and losses are recognised in equity. Upon realisation all gains and losses are recognised in the Income Statement.

Accounting policies in relation to financial instruments including the basis of recognition and measurement have not materially changed from last year.

## Note 23: Financial Instruments (Continued)

The Group and Corporations financial instrument categories at the reporting date was:

Financial Assets	Category	Note	Carrying Amount			
			Consolidated		Corporation	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash and Deposits	N/A	5	1,591	1,946	1,591	1,946
Investments TCorp	At fair value through profit and loss – designated	5	277	264	277	264
Investments Other	N/A	5	11,531	18,053	11,531	18,053
Receivables	Loans and receivables (at amortised cost)	6	224,319	207,854	224,192	207,718
Estimated Revenue from Unread Meters	Loans and receivables (at amortised cost)		266,203	268,099	266,203	268,099
Derivative Financial Instruments	At fair value through profit and loss – classified as held for trading	7	68,854	251,390	68,854	251,390
Available-for-sale Investments	Available-for-sale financial asset (at fair value)	9	2,069	2,069	2,069	2,069
Loan to subsidiaries	Loans and receivables (at amortised cost)	11	-	-	56,457	56,457
			<b>574,844</b>	<b>749,675</b>	<b>631,174</b>	<b>805,996</b>

Financial Liabilities	Category	Note	Carrying Amount			
			Consolidated		Corporation	
			2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payables	Financial Liabilities measured at amortised cost	14	316,188	315,564	317,934	315,366
Deposits	Financial Liabilities measured at amortised cost	15	10,644	13,222	10,644	13,222
Borrowings	Financial Liabilities measured at amortised cost	16	2,937,376	2,630,672	2,937,376	2,630,672
Derivative Financial Instruments	At fair value through profit and loss – classified as held for trading	7	85,325	24,062	85,325	24,062
Other Liabilities	Financial Liabilities measured at amortised cost	18	543	903	10	14
			<b>3,350,076</b>	<b>2,984,423</b>	<b>3,351,289</b>	<b>2,983,336</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

### 23.1.1 Credit Risk

Credit risk represents the expected loss that would be recognised if counterparties failed to meet their financial obligations.

#### Trade and Other Receivables

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in Australia.

The credit risk of these financial assets which have been recognised on the Balance Sheet is reflected in the carrying amount net of any provision for doubtful debts.

Corporation policy requires credit evaluations be performed on customers requiring credit over certain amounts when specified circumstances exist.

The Group's maximum credit exposure for trade receivables at reporting date is geographically wholly within Australia.

The Corporation minimises the credit risk by requiring security, including cash, bank guarantees and director's guarantees, in certain circumstances against payment of the Corporation's billing activities or use of the Corporation's assets. Customers and contractors pay a security against payment of the Corporation's billing or use of the Corporation's assets. Deposits are repaid when the customer's payment risk is removed or the Corporation's assets cease being used. The carrying value of the deposits held are disclosed in note 15.

The Group and Corporation's maximum credit exposure for trade receivables at the reporting date by type of customer was:

	Carrying Amount			
	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Small Customers	90,434	85,906	90,434	85,906
Large Customers	44,659	58,240	44,659	58,240
Network	27,619	24,314	27,619	24,314
Other	25,197	32,304	25,070	32,168
	<b>187,909</b>	<b>200,764</b>	<b>187,782</b>	<b>200,628</b>

#### Estimated Revenue from Unread Meters

Estimated Revenue from Unread Meters is calculated with reference to those customers who, at balance date, did not have their meters read and invoiced. The calculation uses an estimate based on their historical consumption.

The Group and Corporation maximum credit exposure for estimated revenue from unread meters is \$266.203 million (\$268.099 million in 2008).

#### Investments

The majority of the Corporation's credit exposure is with government owned entities or other counterparties with an investment grade credit rating. Therefore, any change in fair value due to credit risk would be immaterial.

#### Derivatives

The Group's credit risk framework incorporates exposure limits based on duration and replacement cost of transactions that are relative to the counterparties' credit rating. Over the counter (OTC) transactions are executed under International Swaps and Derivatives Association Inc (ISDA) Master Agreements with netting arrangements on cash flows to further minimise any losses given a default event. The Group enters into derivative contracts with both government and non government enterprises.

Foreign exchange contracts are subject to credit risk in relation to the relevant counterparties which are principally large banks. The maximum credit risk exposure on foreign exchange contracts is the positive fair value of the contract.

Corporation policy establishes that 100% of contracted exposures to foreign exchange movements with a value of Australian \$50,000 or greater must be hedged. All Foreign Exchange hedges are transacted through TCorp.

The carrying amount of the Group's financial assets represent the maximum credit exposure.

## Note 23: Financial Instruments (Continued)

### 23.1.1.1 Credit Risk – Impairment Losses

The ageing of the past due financial assets at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
<b>Consolidated and Corporation</b>				
Past due 0-30 days	38,804	371	44,354	153
Past due 31-60 days	7,976	534	11,714	107
Past due 61-90 days	9,031	521	6,345	153
Past due 91-120 days	2,925	312	4,842	292
Past due 121 days and over	12,282	4,394	10,194	4,809

The movement in the provision for doubtful debts during the year was as follows:

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance	5,527	5,239	5,527	5,239
Amounts written off during the year	(837)	(1,012)	(837)	(1,012)
Impairment loss recognised	1,496	1,300	1,496	1,300
<b>Closing Balance</b>	<b>6,186</b>	<b>5,527</b>	<b>6,186</b>	<b>5,527</b>

The Group assesses impairment on an individual basis when that asset is material in size and shows an indication of impairment, or are unique in their characteristics. Large Customer debtors and Sundry debtors that are material and show an indication of impairment, and all Network debtors are assessed for impairment individually. Generally all Small Customer debtors are assessed collectively as they are deemed individually immaterial in size. At balance date the Group and Corporation's balance for the provision for doubtful debts includes \$2.965 million (\$3.173 million for 2008) for individual receivables deemed to be impaired.

The provision for doubtful debts balance at reporting date for individually assessed receivables is determined by a risk rating process which takes into consideration various risk factors. Collectively assessed receivables provision for doubtful debts balance is determined by historical experience based on ageing write off averages.

The provision for doubtful debt accounts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the receivable directly unless otherwise provided.

Based on historical default rates, the Group believes that there is no material impairment allowance necessary in respect of receivables not past due.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

### 23.1.2 Liquidity Risk

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due.

The Corporation's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and investment holdings in conjunction with interest bearing liabilities.

The Corporation's policy establishes prudential limits on the amount of debt that can mature in a 12 month period. The policy sets out that not more than 30% of its borrowings should mature in any 12 month period. At 30 June 2009 24.6% of the Corporation's debt will mature in less than one year (22.6% in 2008).

Details of the Corporation's finance facilities and the unused portion is disclosed in note 21.

During the current and prior years, there were no defaults or breaches on any loans payable. No financial assets have been pledged as collateral.

The contractual maturities of financial liabilities, including estimated interest payments, were as follows:

Consolidated 2009	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Non derivative financial liabilities</b>					
Unsecured Bank Overdraft	15,865	15,865	15,865	-	-
Unsecured Short Term Borrowings	717,582	862,024	862,024	-	-
Unsecured Long Term Borrowings	2,203,929	2,759,936	-	1,466,095	1,293,841
Payables	316,188	316,188	316,188	-	-
Customer deposits	10,644	10,644	10,644	-	-
Call Loans on Interest Rate Futures trading	-	-	-	-	-
Other	543	543	366	177	-
<b>Derivative financial liabilities</b>					
Energy Trading Swap/Option derivatives	81,118	81,118	27,948	53,170	-
Energy Trading Futures derivatives	4,207	4,207	4,034	173	-
Interest Rate Swaps	-	-	-	-	-
Foreign Exchange Derivatives	-	-	-	-	-
	<b>3,350,076</b>	<b>4,050,525</b>	<b>1,237,069</b>	<b>1,519,615</b>	<b>1,293,841</b>

## Note 23: Financial Instruments (Continued)

Consolidated 2008	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Non derivative financial liabilities</b>					
Unsecured Bank Overdraft	30,421	30,421	30,421	-	-
Unsecured Short Term Borrowings	586,887	715,437	715,437	-	-
Unsecured Long Term Borrowings	2,013,364	2,558,529	-	1,444,864	1,113,665
Payables	315,564	315,564	315,564	-	-
Customer deposits	13,222	13,222	13,222	-	-
Call Loans on Interest Rate Futures trading	6	6	6	-	-
Other	897	897	356	541	-
<b>Derivative financial liabilities</b>					
Energy Trading Swap/Option derivatives	17,360	17,360	15,095	2,265	-
Energy Trading Futures derivatives	6,532	6,532	5,024	1,508	-
Interest Rate Swaps	-	-	-	-	-
Foreign Exchange Derivatives	170	170	170	-	-
	<b>2,984,423</b>	<b>3,658,138</b>	<b>1,095,295</b>	<b>1,449,178</b>	<b>1,113,665</b>

Corporation 2009	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Non derivative financial liabilities</b>					
Unsecured Bank Overdraft	15,865	15,865	15,865	-	-
Unsecured Short Term Borrowings	717,582	862,024	862,024	-	-
Unsecured Long Term Borrowings	2,203,929	2,759,936	-	1,466,095	1,293,841
Payables	317,934	317,934	317,934	-	-
Customer deposits	10,644	10,644	10,644	-	-
Call Loans on Interest Rate Futures trading	-	-	-	-	-
Other	10	10	10	-	-
<b>Derivative financial liabilities</b>					
Energy Trading Swap/Option derivatives	81,118	81,118	27,948	53,170	-
Energy Trading Futures derivatives	4,207	4,207	4,034	173	-
Interest Rate Swaps	-	-	-	-	-
Foreign Exchange Derivatives	-	-	-	-	-
	<b>3,351,289</b>	<b>4,051,738</b>	<b>1,238,459</b>	<b>1,519,438</b>	<b>1,293,841</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

Corporation 2008	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Non derivative financial liabilities</b>					
Unsecured Bank Overdraft	30,421	30,421	30,421	-	-
Unsecured Short Term Borrowings	586,887	715,437	715,437	-	-
Unsecured Long Term Borrowings	2,013,364	2,558,529	-	1,444,864	1,113,665
Payables	315,366	315,366	315,366	-	-
Customer deposits	13,222	13,222	13,222	-	-
Call Loans on Interest Rate Futures trading	6	6	6	-	-
Other	8	8	-	8	-
<b>Derivative financial liabilities</b>					
Energy Trading Swap/Option derivatives	17,360	17,360	15,095	2,265	-
Energy Trading Futures derivatives	6,532	6,532	5,024	1,508	-
Interest Rate Swaps	-	-	-	-	-
Foreign Exchange Derivatives	170	170	170	-	-
	<b>2,983,336</b>	<b>3,657,051</b>	<b>1,094,741</b>	<b>1,448,645</b>	<b>1,113,665</b>

Expected cash flows and profit and loss impact associated with derivatives that are cash flow hedges are materially the same and are as follows:

Consolidated and Corporation 2009 Inflow/(Outflow)	Carrying amount \$'000	Expected cash flow and profit & loss impact \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Energy Trading Swap/Option derivatives</b>					
Assets	38,522	38,522	31,504	7,018	-
Liabilities	(44,961)	(44,961)	(19,884)	(25,077)	-
<b>Energy Trading Futures derivatives</b>					
Assets	1,440	1,440	144	1,296	-
Liabilities	(4,207)	(4,207)	(4,034)	(173)	-
	<b>(9,206)</b>	<b>(9,206)</b>	<b>7,730</b>	<b>(16,936)</b>	<b>-</b>

Consolidated and Corporation 2008 Inflow/(Outflow)	Carrying amount \$'000	Expected cash flow and profit & loss impact \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Energy Trading Swap/Option derivatives</b>					
Assets	195,879	195,879	92,649	103,230	-
Liabilities	(14,503)	(14,503)	(12,686)	(1,817)	-
<b>Energy Trading Futures derivatives</b>					
Assets	6,217	6,217	2,757	3,460	-
Liabilities	(6,532)	(6,532)	(5,024)	(1,508)	-
	<b>181,061</b>	<b>181,061</b>	<b>77,696</b>	<b>103,365</b>	<b>-</b>

## Note 23: Financial Instruments (Continued)

### 23.1.3 Market Risk

Market risk relates to the effect that changes in market prices, such as foreign exchange rates, interest rates and commodity prices would have on the Group's income and the value of its portfolio.

The Group utilises various instruments including financial derivatives in managing its risks. The use of derivatives in risk minimisation may result in the generation of financial liabilities.

#### 23.1.3.1 Currency risk

The Corporation enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments for goods and services which are exposed to fluctuations in foreign currencies.

The Corporation's policy is to enter into forward foreign exchange contracts to hedge 100% of foreign currency risk where the contract value exceeds Australian \$50,000. All Foreign Exchange hedges are transacted through TCorp.

At balance date, for both current and prior year, there is no material exposure to any foreign currency net of estimated purchases and forward exchange contracts.

#### Sensitivity analysis

A 10 percent strengthening of the Australian dollar at balance date would have an immaterial effect on profit and loss.

#### 23.1.3.2 Cash Flow Interest Rate Risk

The Corporation enters into contracts to manage cash flow risks associated with the interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

The Corporation's debt portfolio is comprised of a mixture of fixed and variable rate borrowings with a range of maturities over a number of years. The balance and composition of the portfolio is governed by a Corporation policy document which establishes prudential limits on the amount of debt that can mature in a given financial period. The policy establishes that no more than 30% of the face value of the core portfolio can mature in any 12 month period. The core debt portfolio must maintain a modified duration of 2.8 to 3.2 years. The policy also limits the type of instruments that can be obtained.

TCorp manages interest rate risk exposures applicable to specific borrowings of Country Energy in accordance with a debt portfolio mandate agreed between the two parties. TCorp receives a fee for this service, which includes a performance component where TCorp is able to add value by achieving a reduction in the Corporation's debt costs against an agreed benchmark. TCorp uses derivatives, primarily interest rate futures, to establish short term (tactical) and longer term (strategic) positions within agreed tolerance limits to manage portfolio duration and maturity profiles. At reporting date the carrying value of borrowings and derivatives (net of funds held at call) managed by TCorp stood at \$2,885.184 million (2008: \$2,593.166 million).

The interest rate profile of the Group's interest bearing financial instruments excluding the Hour Glass facility at the balance date was:

	Carrying Value	
	2009 \$'000	2008 \$'000
<b>Fixed rate instruments</b>		
Financial assets	1	5
Financial liabilities	(2,450,563)	(1,963,364)
	<b>(2,450,562)</b>	<b>(1,963,359)</b>
<b>Variable rate instruments</b>		
Financial assets	12,747	21,283
Financial liabilities	(486,812)	(667,308)
	<b>(474,065)</b>	<b>(646,025)</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

### Interest Rate Swaps

Interest rate swap transactions entered into by the Corporation exchange variable and fixed interest payment obligations to protect the fair value of long term borrowings from the risk of fluctuating interest rates. Variable and fixed interest rate debt is held and swap contracts are entered into to receive interest at both variable and fixed rates.

The Corporation's policy prescribes the instruments that can be transacted, having regard to legislative requirements and the potential risk faced by both the Corporation and those inherent in the instrument.

There were no interest rate swap contracts at 30 June 2009 or 30 June 2008.

### Interest Rate Futures Contracts

Interest rate risk arises from an exposure to future movements in interest rates and Futures Contracts are undertaken in order to hedge against that risk. Futures Contracts seek to position the Corporation's debt portfolio at a point where our debt managers believe interest rates will move.

The details of interest rate futures are listed in the following table:

	Notional Principal		Market Value Unrealised Gains/(Losses)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
SFE 90 Day Bill Futures	130,000	1,025,000	(6)	(436)
SFE 3 Year Bond Futures	-	(45,400)	-	287
SFE 10 Year Bond Futures	6,500	(148,300)	(35)	2,816
	<b>136,500</b>	<b>831,300</b>	<b>(41)</b>	<b>2,667</b>

### Interest costs sensitivity analysis

The Group does not account for any fixed rate financial instruments at fair value through the profit or loss, and the Group does not designate derivatives (interest rate swaps and interest rate futures) as hedging instruments under a fair value accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A decrease (increase) of one percentage point in interest rates on variable rate financial instruments at reporting date would have increased (decreased) the profit and loss by the amounts shown below. No amounts are taken directly to equity. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

	Consolidated and Corporation	
	2009 \$'000	2008 \$'000
Variable rate instruments	4,741	6,460
Interest rate swaps and futures	821	(9,346)
	<b>5,562</b>	<b>(2,886)</b>

### Hour Glass Investment Facility

The Corporation holds units in the Hour Glass investment cash facility. The cash facility investment sectors are cash and money market instruments with an investment horizon of up to 2 years.

The unit price of the facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for that facility. Unit prices are calculated and published daily.

TCorp as trustee for the above facility is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. Up until April 2007 TCorp as trustee had appointed external managers to manage the performance and the risks of the facility in accordance with a mandate agreed by the parties. From April 2007 TCorp commenced acting as manager. A significant portion of the administration of the facility is outsourced to an external custodian.

### Hour Glass investment sensitivity analysis

An increase (decrease) of one percentage point in unit price at reporting date would have an immaterial effect on profit and loss.

## Note 23: Financial Instruments (Continued)

### 23.1.3.3 Price Risk

The Corporation enters into wholesale market contracts to minimise exposure to fluctuations in wholesale market electricity prices. The Corporation's policy is to manage its exposure in line with forecast volumes of committed retail customers.

For its regulated customer base load the Corporation operates under the Electricity Tariff Equalisation Fund (EETF) administered by New South Wales Treasury. Under the EETF, the Corporation pays a set price for its electricity purchases and is not exposed to Spot price variation. Going forward the Corporation will have increasing price risk from its regulated load if the EETF is discontinued, which is currently set to expire 30 June 2010.

For its customer base not covered by EETF the Corporation's policy is to actively manage the exposure arising from its forecast committed load. In doing so the Corporation has entered various derivative contracts (bought and sold swaps, options and futures) with individual market participants. Any misalignment between its hedge position and committed sales position exposes the Corporation to market risk. The Corporation's policy is that the exposure and the consequent market risk are managed within Board approved risk limits such as Value at Risk (VaR) and Earnings at Risk (EaR).

As some of the instruments used to manage risk can be settled by cash rather than by physical delivery of the underlying commodity they are classified as financial instruments in accordance with Australian Accounting Standards AASB 132 and AASB 139. These contracts are taken for the purposes of managing the risks associated with retail sales. The realised and unrealised gains and losses relating to these contracts are measured and recorded in accordance with the Corporation's accounting policies. On settlement the contracted price is compared to the spot price on that date and the price differential is applied to the contracted quantity. A net amount is paid or received by the entity.

At balance date the Corporation's electricity derivative contracts generated a net unrealised loss of \$9.206 million (\$181.061 million gain in 2008) in the hedge revaluation reserve. As these contracts are held for the purpose of hedging contracted mass market customer sales and contracted commercial and industrial customer load no ultimate net gain/loss is expected upon realisation. The market value of derivative assets and liabilities are measured utilising prices sourced from observable market quotations including the Australian Financial Markets Association (AFMA) and brokers. These price estimates are based on limited volume contracts and are therefore not necessarily representative of independent market price valuations for the larger volume contracts entered into by the Corporation, for which there are no readily available market price valuations.

All contracts are due to be settled within 14 years of the reporting date.

The Corporation also enters into futures contracts to buy or sell electricity at specified rates at a future date. These contracts are settled with cash. They are recorded at fair value which is a market based valuation.

### Sensitivity analysis

The Group bases its sensitivity analysis on a VaR calculation. The objective of VaR is to estimate the potential decline in portfolio MtM over the next 28 days within pre determined confidence levels. It is a measure of the sensitivity of the portfolio to changes in the forward contract market. The methodology involves simulating movements in the forward contract market, based on historical data, and revaluing the portfolio's MtM. VaR is measured as the difference between the median MtM outcome (P50) and the 5th percentile MtM outcome (P95). A higher VaR indicates that the value of the portfolio is more susceptible to movements in the forward contract market. VaR has inherent limitations as the measure is based on historical data which may not be representative of future outcomes and excludes extreme events, that is those results outside the 5th percentile.

The Group and Corporation sensitivity as at 30 June is as follows:

	2009		2008	
	VaR \$'000	Limit \$'000	Limit Usage %	VaR \$'000
Total portfolio	5,940	45,000	13	8,620

VaR is reported exclusive of Regulated load and the EETF hedge.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

### 23.2 Fair Values

The fair value of financial assets and liabilities are determined as follows:

#### Financial Assets

##### Cash and deposits

The nominal value of cash and deposits approximate their fair value.

##### Investments in TCorp

The fair value is determined by reference to their quoted unit price of each facility. The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for that facility.

##### Investments Other

The nominal cost approximates their fair value.

##### Receivables

The fair value of receivable is estimated to be the present value of the future cash flows discounted at the original effective interest rate.

##### Estimated Revenue from Unread Meters

The fair value of receivable is estimated to be the present value of the future cash flows discounted at the original effective interest rate.

##### Derivative Financial Instruments

The fair value of commodity swaps and futures are based on observable market quotations (refer note 23.1.3.3).

The fair values of commodity option contracts which are regularly traded are determined based on the most recent available transaction prices for the same instruments.

The fair values of forward foreign exchange contracts are determined using quoted forward exchange rates at the balance sheet date.

##### Available-for-sale investments

The fair value is estimated to be the present value of the future cash flows discounted at the weighted average cost of capital.

##### Loan to subsidiaries

The nominal cost approximate their fair value.

#### Financial Liabilities

##### Payables

The fair value is estimated to be the present value of the future cash flows discounted at the market interest rate.

##### Customer deposits

The fair value is estimated to be the present value of the future cash flows discounted at the market interest rate.

##### Borrowings

The fair value is the estimated market value.

##### Derivative Financial Instruments

The fair value of commodity swaps and futures are based on observable market quotations (refer note 23.1.3.3).

The fair values of commodity option contracts which are regularly traded are determined based on the most recent available transaction prices for the same instruments.

The fair value of interest rate swaps is estimated to be the present value of the future cash flows discounted at the market interest rate.

##### Call Loans on Interest Rate Futures trading

The fair value is estimated to be the present value of the future cash flows of the instruments.

##### Other

The fair value is estimated to be the present value of the future cash flows discounted at the market interest rate.

## Note 23: Financial Instruments (Continued)

Set out below is a comparison by category of carrying amounts and fair values of all the financial assets and liabilities recognised in the financial statements.

	Carrying Amount		Fair Value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Consolidated</b>				
<b>Financial Assets</b>				
Cash and Deposits	1,591	1,946	1,591	1,946
Investments TCorp	277	264	277	264
Investments Other	11,531	18,053	11,531	18,053
Receivables	224,319	207,854	224,319	207,854
Estimated Revenue from Unread Meters	266,203	268,099	266,203	268,099
Derivative Financial Instruments	68,854	251,390	68,854	251,390
Available-for-sale Investments	2,069	2,069	2,069	2,069
Loan to subsidiaries	-	-	-	-
	<b>574,844</b>	<b>749,675</b>		
<b>Financial Liabilities</b>				
Payables	316,188	315,564	316,188	315,564
Deposits	10,644	13,222	10,644	13,222
Borrowings	2,937,376	2,630,672	2,980,106	2,559,706
Derivative Financial Instruments	85,325	24,062	85,325	24,062
Other Liabilities	543	903	543	903
	<b>3,350,076</b>	<b>2,984,423</b>		

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 23: Financial Instruments (Continued)

	Carrying Amount		Fair Value	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Corporation</b>				
<b>Financial Assets</b>				
Cash and Deposits	1,591	1,946	1,591	1,946
Investments TCorp	277	264	277	264
Investments Other	11,531	18,053	11,531	18,053
Receivables	224,192	207,718	224,192	207,718
Estimated Revenue from Unread Meters	266,203	268,099	266,203	268,099
Derivative Financial Instruments	68,854	251,390	68,854	251,390
Available-for-sale Investments	2,069	2,069	2,069	2,069
Loan to subsidiaries	56,457	56,457	56,457	56,457
	<b>631,174</b>	<b>805,996</b>		
<b>Financial Liabilities</b>				
Payables	317,934	315,366	317,934	315,366
Deposits	10,644	13,222	10,644	13,222
Borrowings	2,937,376	2,630,672	2,980,106	2,559,706
Derivative Financial Instruments	85,325	24,062	85,325	24,062
Other Liabilities	10	14	10	14
	<b>3,351,289</b>	<b>2,983,336</b>		

### 23.3 Capital Management

The Group's objective is to maintain a capital base that enables the entity to continue as a going concern. This objective is met in ensuring that the investor and creditor confidence is maintained whilst meeting its regulatory requirements.

Capital can be directly adjusted through adjustments in dividend payout ratio, capital injection and/or return of capital subject to shareholder approval.

The Board monitors its capital through reporting of gearing and interest cover ratios. Gearing is defined as interest bearing liabilities divided by interest bearing liabilities plus equity. Interest cover is defined as funds from operations divided by net interest costs.

There were no changes in the Corporation's approach to capital management during the financial year.

	2009		2008	
	Actual	Target	Actual	Target
Gearing (%)	77.7%	76.4%	73.0%	72.7%
Interest Cover (times)	1.8	1.3	1.3	1.8

## Note 24: Commitments

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(a) Capital expenditure commitments</b>				
Estimated capital expenditure contracted for at balance date but not provided for				
– not later than one year	38,110	35,609	38,110	35,609
– later than one year and not later than five years	2,426	1,102	2,426	1,102
	<b>40,536</b>	<b>36,711</b>	<b>40,536</b>	<b>36,711</b>
<b>Capital expenditure commitments include input tax credits</b>	<b>3,685</b>	<b>3,337</b>	<b>3,685</b>	<b>3,337</b>
<b>(b) Operating expenditure commitments excluding leases</b>				
Estimated operating expenditure contracted for at balance date but not provided for				
– payable not later than one year	16,751	5,088	16,453	4,775
– later than one year and not later than five years	16,208	9,985	14,833	8,610
– later than five years	1,100	1,375	-	-
	<b>34,059</b>	<b>16,448</b>	<b>31,286</b>	<b>13,385</b>
<b>Operating expenditure commitments include input tax credits</b>	<b>3,096</b>	<b>1,495</b>	<b>2,844</b>	<b>1,217</b>
<b>(c) Operating lease (equipment) expenditure commitments (refer note 1.10.5)</b>				
– not later than one year	355	363	355	363
– later than one year and not later than five years	69	424	69	424
	<b>424</b>	<b>787</b>	<b>424</b>	<b>787</b>
<b>Equipment lease expenditure commitments include input tax credits</b>	<b>39</b>	<b>72</b>	<b>39</b>	<b>72</b>
<b>(d) Operating lease (property) expenditure commitments (refer notes 1.10.5)</b>				
– not later than one year	7,361	7,421	7,361	7,421
– later than one year and not later than five years	11,448	15,730	11,448	15,730
– later than five years	1,963	1,686	1,963	1,686
	<b>20,772</b>	<b>24,837</b>	<b>20,772</b>	<b>24,837</b>
<b>Property lease expenditure commitments include input tax credits</b>	<b>1,871</b>	<b>2,258</b>	<b>1,871</b>	<b>2,258</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 24: Commitments (Continued)

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>(e) Operating lease (property) revenue commitments (refer note 1.10.5)</b>				
– not later than one year	1,341	1,206	1,341	1,206
– later than one year and not later than five years	1,642	1,187	1,642	1,187
– later than five years	1,080	976	1,080	976
	<b>4,063</b>	<b>3,369</b>	<b>4,063</b>	<b>3,369</b>
<b>(f) Green Certificate purchase commitments</b>				
– not later than one year	33,833	29,323	33,833	29,323
– later than one year and not later than five years	29,402	53,440	29,402	53,440
– later than five years	-	-	-	-
	<b>63,235</b>	<b>82,763</b>	<b>63,235</b>	<b>82,763</b>

There are two non-cancellable equipment leases referred to in section (c) above. There are currently no leases for computer equipment. The majority of the leases have no contingent rentals, renewal options, conditions or restrictions. Minimum lease payments total \$0.424 million (\$0.512 million in 2008), including input tax credits of \$0.039 million (\$0.047 million in 2008).

There are 384 non-cancellable property leases referred to in (d) above. The majority of the leases have contingent rentals either based on CPI or some other increment, and renewal options between one and five years. Minimum lease payments total \$7.823 million (\$7.678 million in 2008) including input tax credits of \$0.704 million (\$0.698 million in 2008). There are no conditions or restrictions.

Additional to the group noted above, there are five leases with five year plus five year renewal options. Minimum lease payments are \$12.831million (\$17.159 million in 2008), including input tax credits of \$1.167 million (\$1.560 million in 2008). Minimum lease payments upon renewal, will be based on the market value applying at the time. The lease may be assigned in part or in whole, and sublet in part or in whole, with the consent of the lessor.

There are 249 property leases referred to in (e) above. The majority of the leases have contingent rentals either based on CPI or some other increment, and renewal options between one and five years. Minimum lease receipts total \$4.063 million (\$3.369 million in 2008) including input tax credits of \$0.355 million (\$0.292 million in 2008). There are no conditions or restrictions.

There are 72 green certificate contracts referred to in (f) above.

## Note 25: Auditors' Remuneration

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Remuneration received, or due and receivable, by the auditor of the economic entity for:				
– An audit or review of the financial statements	424	442	403	420
Remuneration received, or due and receivable, by auditors, other than of the auditor of the economic entity for:				
– An audit or review of the financial statements	42	45	42	45

## Note 26: Key Management Personnel Compensation

	Consolidated		Corporation	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short term employee benefits	3,267	3,159	3,267	3,159
Post employment benefits	253	240	253	240
Other long term benefits	131	115	131	115
Termination benefits	-	599	-	599
<b>Total</b>	<b>3,651</b>	<b>4,113</b>	<b>3,651</b>	<b>4,113</b>

Key management personnel comprise members of the Board of Directors and the Corporation's Executive General Managers.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 27: Related Parties

### Directors

The names of persons holding the position of Director of Country Energy during the financial year are:

Barbara Ward, Chairman  
 Craig Murray, Managing Director  
 The Hon. Michael Lee  
 Dave Evans  
 Rowena Sylvester  
 Greg McLean (appointed 14 October 2008)

Some Directors of Country Energy are also Directors of other companies or have a substantial interest in other companies or entities that may have had transactions with Country Energy during the year. A Register of Directors' interests is confirmed and noted at each meeting of the Board. During the year no Directors declared material interests in any matters discussed at the meetings.

### Wholly-owned Group

The Country Energy Group consists of Country Energy and its wholly-owned subsidiaries, NorthPower Energy Services Pty Limited and Country Energy Gas Pty Limited. All entities are incorporated in Australia.

### Shares and Interest Held

Entity	Shares Held	Interest
Country Energy	2 Ordinary shares – \$1 each	
NorthPower Energy Services Pty Limited	2 Ordinary shares – \$1 each	100%
Country Energy Gas Pty Limited	26,870,593 Ordinary shares – \$1 each	100%

### Other Related Parties

Country Energy has an interest in a wind farm. Details are set out in note 1.10.2.

### Transactions and outstanding balances between Country Energy and Country Energy Gas Pty Limited

The parent administers the subsidiary's business operations. This includes recording and receiving sales revenue. The parent also operates, maintains and constructs the gas assets, and pays the subsidiary's expenses.

### Country Energy Gas Pty Limited Sales

Sales for the year that were passed through the intercompany account were \$11.590 million (\$10.971 million in 2008) and \$10.349 million (\$9.213 million in 2008) of these were to the parent.

### Country Energy Gas Pty Limited administrative, operating and asset maintenance costs

Transactions recorded for administration, operating and maintenance costs were \$6.218 million (\$5.772 million in 2008).

### Country Energy Gas Pty Limited asset construction

Transactions recorded for asset construction were \$5.372 million (\$5.199 million in 2008).

### Country Energy Gas Pty Limited income tax

The subsidiary is a member of a tax consolidated group (refer note 1.17). The subsidiary's tax balances were recorded in the intercompany account. These were \$1.644 million during the period (\$2.025 million in 2008).

### Balances outstanding with the parent

The outstanding balance between the parent and subsidiary is \$3.081 million (\$1.137 million in 2008). This is disclosed in note 14 with the parent being a net debtor to the subsidiary. The major components of the balance are tax balances (\$2.724 million) ((\$1.080 million) in 2008), sales, administration, operating, maintenance and construction costs \$5.805 million (\$2.217 million in 2008). The subsidiary's debt is unsecured.

There is a further balance of \$56.457 million (\$56.457 million in 2008) between the parent and the subsidiary being the loan disclosed in note 11.

### Transactions and outstanding balances between Country Energy and NorthPower Energy Services Pty Limited

There were no transactions between the parent and the subsidiary during the year. There were no material balances outstanding between the parent and subsidiary.

## Note 28: Superannuation Plans

### General description of the type of plan

The Energy Industries Superannuation Scheme – Division B  
 The Energy Industries Superannuation Scheme – Division C  
 The Energy Industries Superannuation Scheme – Division D  
 State Authorities Superannuation Scheme (SASS)  
 State Superannuation Scheme (SSS)  
 State Authorities Non Contributory Superannuation Scheme (SANCS)  
 Electricity Supply Industry Superannuation Fund (Qld) (ESISF)

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

### Accounting policy for recognition of actuarial gains/losses

In 2008/09, NSW Treasury mandated a change in policy for all NSW public sector agencies to recognise actuarial gains and losses immediately outside profit and loss in the year in which they occur. Previously actuarial gains and losses were recognised in profit or loss. This change in policy has been applied retrospectively, in accordance with NSW Treasury Circular NSWTC 09/01.

	2009 \$'000	2008 \$'000
Employer contributions paid in relation to the defined contribution plan	28,652	24,411

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

### Reconciliation of the present value of the defined benefit obligation

	Defined benefit obligation at start of year		Current service cost		Interest cost		Contribution by scheme participants		Actuarial (gains)/losses		Benefits paid		Defined benefit obligation at end of year	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Energy Industries Superannuation Scheme (EISS)	399,321	396,274	13,596	20,339	26,310	25,409	5,304	5,208	(7,681)	(26,066)	(24,625)	(21,843)	412,225	399,321
State Superannuation Scheme (SSS)	519	508	12	11	33	31	7	6	145	8	(43)	(45)	673	519
State Authorities Non-Contributory Superannuation Scheme (SANCS)	674	628	35	34	42	39	-	-	32	(28)	(75)	1	708	674
State Authorities Superannuation Scheme (SASS)	6,758	6,854	157	160	430	426	93	88	(51)	(522)	(664)	(248)	6,723	6,758
Electricity Supply Industry Superannuation Fund (Qld) (ESISF)	1,265	1,265	37	-	72	-	10	-	184	-	(16)	-	1,552	1,265
	<b>408,537</b>	<b>405,529</b>	<b>13,837</b>	<b>20,544</b>	<b>26,887</b>	<b>25,905</b>	<b>5,414</b>	<b>5,302</b>	<b>(7,371)</b>	<b>(26,608)</b>	<b>(25,423)</b>	<b>(22,135)</b>	<b>421,881</b>	<b>408,537</b>

### Reconciliation of the fair value of scheme assets

	Fair value of scheme assets at start of year		Expected return on scheme assets		Actuarial gains/(losses)		Employer contributions		Contributions by scheme participants		Benefits paid		Fair value of scheme assets at end of year	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	384,664	424,824	29,487	31,585	(98,561)	(67,126)	12,430	12,017	5,304	5,207	(24,625)	(21,843)	308,699	384,664
SSS	848	943	68	73	(144)	(129)	-	-	7	6	(43)	(45)	736	848
SANCS	715	763	57	60	(122)	(109)	-	-	-	-	(75)	1	575	715
SASS	10,125	10,911	807	841	(1,845)	(1,505)	57	38	94	89	(664)	(249)	8,574	10,125
ESISF	1,389	1,389	75	-	(310)	-	71	-	10	-	(16)	-	1,219	1,389
	<b>397,741</b>	<b>438,830</b>	<b>30,494</b>	<b>32,559</b>	<b>(100,982)</b>	<b>(68,869)</b>	<b>12,558</b>	<b>12,055</b>	<b>5,415</b>	<b>5,302</b>	<b>(25,423)</b>	<b>(22,136)</b>	<b>319,803</b>	<b>397,741</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

### Reconciliation of assets and liabilities recognised in the balance sheet

	Defined benefit obligation at end of year		Fair value of scheme assets at end of year		Surplus in excess of recovery available from scheme		Net (Asset)/Liability recognised in balance sheet at end of year	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	412,225	399,321	(308,699)	(384,664)	-	-	103,526	14,657
SSS	673	519	(736)	(848)	22	237	(41)	(92)
SANCS	708	674	(575)	(715)	-	30	133	(11)
SASS	6,723	6,758	(8,574)	(10,125)	634	2,422	(1,217)	(945)
ESISF	1,552	1,265	(1,219)	(1,389)	-	-	333	(124)
	<b>421,881</b>	<b>408,537</b>	<b>(319,803)</b>	<b>(397,741)</b>	<b>656</b>	<b>2,689</b>	<b>102,734</b>	<b>13,485</b>

### Expenses recognised in Income Statement

	Current service cost		Interest cost		Expected return on scheme assets		Expenses/(Income) recognised	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	13,596	20,339	26,310	25,409	(29,487)	(31,585)	10,419	14,163
SSS	12	11	33	31	(68)	(73)	(23)	(31)
SANCS	35	34	42	39	(57)	(60)	20	13
SASS	156	160	430	426	(807)	(841)	(221)	(255)
ESISF	37	-	72	-	(75)	-	34	-
	<b>13,836</b>	<b>20,544</b>	<b>26,887</b>	<b>25,905</b>	<b>(30,494)</b>	<b>(32,559)</b>	<b>10,229</b>	<b>13,890</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

### Expenses recognised in Statement of Recognised Income and Expense

	Actuarial losses/(gains) recognised in year		Change in surplus in excess of recovery available from Scheme		Expenses/(Income) recognised	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	90,880	41,060	-	-	90,880	41,060
SSS	289	137	(215)	(91)	74	46
SANCS	154	81	(30)	(72)	124	9
SASS	1,794	983	(1,788)	(631)	6	352
ESISF	494	-	-	-	494	-
	<b>93,611</b>	<b>42,261</b>	<b>(2,033)</b>	<b>(794)</b>	<b>91,578</b>	<b>41,467</b>

The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Income and Expense since 1 July 2004 is \$113.132m.

Before 1 July 2004 and the adoption of AEIFRS, it is not practical to determine the cumulative actuarial gains/losses as if the new policy had always been applied, given that the actuarial gains and losses were not separately identified and accumulated, and the superannuation expense was calculated on a different basis.

### Scheme assets

The percentage invested in each asset class at the balance sheet date

	Australian equities		Overseas equities		Australian fixed interest securities		Overseas fixed interest securities		Property		Cash		Other	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	34%	38%	33%	34%	9%	11%	7%	6%	6%	3%	6%	6%	5%	2%
SSS	32%	32%	26%	25%	6%	7%	5%	8%	10%	11%	8%	6%	13%	11%
SANCS	32%	32%	26%	25%	6%	7%	5%	8%	10%	11%	8%	6%	13%	11%
SASS	32%	32%	26%	25%	6%	7%	5%	8%	10%	11%	8%	6%	13%	11%
ESISF	21%	0%	21%	0%	16%	0%	0%	0%	15%	0%	7%	0%	20%	0%

### Fair value of scheme assets

All EISS, SSS, SANCS, SASS, & ESISF scheme assets are invested by the trustees at arm's length through independent managers.

### Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

### Actual return on scheme assets

	2009 \$'000	2008 \$'000
EISS	(67,231)	39,593
SSS	(83)	58
SANCS	(65)	49
SASS	(953)	695
ESISF	(110)	-
	<b>(68,442)</b>	<b>40,395</b>

### Valuation method and principal actuarial assumptions at balance date

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

	EISS		SSS, SANCS, and SASS		ESISF	
	2009 %	2008 %	2009 %	2008 %	2009 %	2008 %
Discount Rate	5.4%	6.2%	5.6%	6.6%	4.4%	0.0%
Expected return on plan assets	7.8%	8.3% on pension liabilities. 7.3% on other liabilities.	8.1%	8.3% on pension liabilities. 7.3% on other liabilities.	6.0%	0.0%
Expected salary increases	4.0%	6.0% pa until June 2009; 4.0% pa thereafter	3.5%	3.5%	4.5%	0.0%
Expected rate of CPI increase	2.5%	2.5%	2.5%	2.5%	3.0%	0.0%

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# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

	Present value of defined benefit obligation		Fair Value of scheme assets		(Surplus)/Deficit in scheme		Experience Adjustments – Scheme liabilities		Experience Adjustments – Scheme assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	412,225	399,321	(308,699)	(384,664)	103,526	14,657	(7,681)	(26,065)	98,561	67,125
SSS	673	519	(736)	(848)	(63)	(329)	145	8	144	129
SANCS	708	674	(575)	(715)	133	(41)	33	(28)	122	109
SASS	6,723	6,758	(8,574)	(10,125)	(1,851)	(3,367)	(51)	(522)	1,845	1,505
ESISF	1,552	1,265	(1,219)	(1,389)	333	(124)	184	-	310	-
	<b>421,881</b>	<b>408,537</b>	<b>(319,803)</b>	<b>(397,741)</b>	<b>102,078</b>	<b>10,796</b>	<b>(7,370)</b>	<b>(26,607)</b>	<b>100,982</b>	<b>68,868</b>

### Expected contributions during annual reporting period beginning after the reporting date

	2009 \$'000	2008 \$'000
EISS	22,856	10,322
SSS	-	10
SANCS	36	38
SASS	-	167
ESISF	130	-
	<b>23,022</b>	<b>10,537</b>

### Summary of schemes financial positions in accordance with AAS25 “Financial Reporting by Superannuation Plans”

	Accrued Benefits		Net Market Value of Scheme Assets		Net (surplus)/deficit	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
EISS	353,753	377,957	(308,700)	(384,664)	45,053	(6,707)
SSS	457	479	(736)	(848)	(279)	(369)
SANCS	654	676	(574)	(715)	80	(39)
SASS	6,034	6,639	(8,573)	(10,124)	(2,539)	(3,485)
ESISF	2,423	1,265	(2,294)	(1,389)	129	(124)
	<b>363,321</b>	<b>387,016</b>	<b>(320,877)</b>	<b>(397,740)</b>	<b>42,444</b>	<b>(10,724)</b>

The AAS 25 surplus or deficit will vary from the AASB 119 net asset or net liability due to use of an expected rate of return under AAS 25 while a long-term government bond rate is used under AASB 119.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 28: Superannuation Plans (Continued)

### Recommended contribution rates for the Defined Benefit Schemes are:

Fund	EISS Division B	EISS Division C	EISS Division D	SASS	SANCS	SSS	ESISF (Qld)
Contribution Recommendations	Multiple of member contributions	% Member Salary	Multiple of member contributions	Multiple of member contributions	% Member Salary	Multiple of member contributions	% Member Salary
Rate	1.9	2.50%	1.64	0	0	0	54.00%

In relation to EISS the actuary has recommended an additional contribution of \$12.325m per year for a period of 5 years.

In relation to the contribution recommendations for EISS, SASS, SANCS, SSS, and ESISF, the method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the costs to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted to make funding recommendations are:

Weighted - Average Assumptions - EISS	2009	2008
Expected rate of return on Fund Assets	7.0%	7.0%
Expected salary increase rate	6.0% pa until June 2009; 4.0% pa thereafter	6.0% pa until June 2009; 4.0% pa thereafter
Expected rate of CPI increase	2.5%	2.5%

Weighted - Average Assumptions - SASS, SANCS, & SSS	2009	2008
Expected rate of return on Fund Assets	8.3% on pension liabilities. 7.3% on other liabilities.	7.7% on pension liabilities. 7.0% on other liabilities.
Expected salary increase rate	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

Weighted - Average Assumptions - ESI QLD	2009
Expected rate of return on Fund Assets	7.0%
Expected salary increase rate	5.0%
Expected rate of CPI increase	3.0%

In relation to the nature of the asset/liability generated from EISS, SASS, SANCS, SSS, and ESISF, if a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation. In relation to ESI QLD there is no legal liability to cover any deficit that exists in the fund.

The components of the amounts disclosed in the Income Statement are as follows:

	2009 \$'000	2008 \$'000
Contribution valuation adjustment	(2,327)	1,835
Superannuation cost	41,978	36,553
	<b>39,651</b>	<b>38,388</b>

## Note 29: Changes in Accounting Policy and Prior Period Adjustments

Adjustments have been made to the information reported in the 2008 financial report (note 1.22). The details of the adjustments are as follows:

According with NSW Treasury policy, the entity has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside of profit or loss in the 'statement of recognised income and expense'. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 Employee Benefits (note 1.5.1).

Recording errors have been identified in the 2008 financial statements. The comparatives have been restated to disclose the financial data as if the errors had not occurred. The nature of the errors are as follows:

- A detailed review of the unread meters accrual identified an error in the calculation of revenue accruals in 2008 and prior years. The errors related to the incorrect alignment of customer meter data between billings and purchases. The correction of this error has resulted in the increase in unread meters accrual directly affecting retained profits.
- Capital expenditure that should have been expensed in prior years. The correction has resulted in a decrease in Property, Plant & Equipment directly effecting retained profits.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 29: Changes in Accounting Policy and Prior Period Adjustments (Continued)

The impact of adjustments a) and b) on the consolidated balances reported in the 2008 financial report (after adjustments for the change in accounting policy, refer to note 1.5.1) is as follows:

	Adjusted 2008 Balance	Adjustments (a) Incr/(decr)	Adjustments (b) Incr/(decr)	Adjusted 2008 Balance
	\$'000	\$'000	\$'000	\$'000
<b>Income Statements</b>				
Revenue	2,307,967	5,091	-	2,313,058
Other Expenses	(2,053,481)	(2,749)	(4,353)	(2,055,085)
Income Tax on profit before income tax and fair value movements in financial instruments	(4,077)	(2,352)	1,306	(5,123)
<b>Statements of Recognised Income and Expenses</b>				
Profit for the Period	52,262	5,488	(3,047)	54,703
<b>Balance Sheets</b>				
Estimated Revenue from Unread Meters	234,785	33,314	-	268,099
Current Tax Assets	28,437	(28,437)	-	-
Property, Plant and Equipment	3,660,278	-	(7,313)	3,652,905
Deferred Tax Assets	86,539	-	2,212	88,751
Trade and Other Payable	310,009	5,555	-	315,564
Income Tax Payable	-	9,959	-	9,959
Deferred Tax Liabilities	395,729	(30,068)	-	365,661
Retained Profits	415,882	19,431	(5,161)	430,152
<b>Cash Flow Statements</b>				
Payments to suppliers and employees	(2,043,276)	-	(4,353)	(2,047,629)
Payments for property, plant and equipment	(536,773)	-	4,353	(532,420)

The same adjustments have also been made to the Corporation's income statement, statement of recognised income and expenses, balance sheet and cash flow statement reported in the 2008 financial report.

## Note 30: Contingent Liabilities

There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

## Note 31: Electricity Sector Reforms

On 10 September 2009, the NSW Government released its Energy Reform Transaction Strategy, which adopted a "dual track" process involving a trade sale and a potential Initial Public Offering of selected assets. The Government's reforms include maintaining public ownership of existing power stations and electricity transmission and distribution networks; transferring the electricity retailing operations of EnergyAustralia, Integral Energy and Country Energy to the private sector; selling a number of potential development sites for new power stations; and contracting to the private sector the right to sell electricity produced by the State-owned generators, namely Delta Electricity, Macquarie Generation and Eraring Energy (the Gentrader model).

For information purposes, revenue derived from components of the retail business which are subject to the reform proposal in 2009 totalled \$2,084.636 million (\$1,971.470 million in 2008). A reliable estimate of the financial effect on total retail expenditure and net assets is unable to be provided at this point due to uncertainty regarding the structure of the proposed transfer.

## Note 32: Events Subsequent To Balance Date

The financial report of Country Energy for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 2 October 2009.

There are no known other events that would impact on the state of affairs of the economic entity or have a material impact on these statements.

END OF AUDITED FINANCIAL STATEMENTS



GPO BOX 12  
Sydney NSW 2001

### INDEPENDENT AUDITOR'S REPORT

Country Energy Gas Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Country Energy Gas Pty Limited (the Company), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Company as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 418 of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005
- complies with International Financial Reporting Standards as disclosed in Note 1.2.

My opinion should be read in conjunction with the rest of this report.

#### The Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A. 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. In Note 1.2, the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report complies with International Financial Reporting Standards.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

My opinion does not provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achtenstraat  
Auditor-General

7 October 2009  
SYDNEY

## Statement by Members of the Board

### STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41 of the Public Finance and Audit Act 1983 we state that:

1. The accompanying financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the State Owned Corporations Act 1989, applicable Accounting Standards and other mandatory professional reporting requirements.
2. The accompanying financial statements exhibit a true and fair view of the financial position of Country Energy Gas Pty Limited as at 30 June 2009 and of the profit and cash flows of the corporation for the year ended 30 June 2009.
3. At the date of this statement, there are reasonable grounds to believe that Country Energy Gas Pty Limited will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of Directors.

Barbara Ward  
Chairman

2 October 2009  
Dated

Craig Murray  
Managing Director

2 October 2009  
Dated

## Income Statement

For the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Continuing Operations</b>			
Revenue	2	11,937	11,296
Expenses	2	(7,138)	(6,596)
<b>Profit from Continuing Operations before Income Tax</b>		<b>4,799</b>	<b>4,700</b>
Income Tax Expense	3	(1,865)	(1,835)
<b>Profit from Continuing Operations after Income Tax</b>		<b>2,934</b>	<b>2,865</b>
Net profit result attributable to members of the parent entity		2,934	2,865
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>2,934</b>	<b>2,865</b>

The Income Statement is to be read in conjunction with the notes to and forming part of the financial report.

## Balance Sheet

As at 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Current Assets</b>			
Trade and Other Receivables	4	3,208	1,273
<b>Total Current Assets</b>		<b>3,208</b>	<b>1,273</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5	90,316	88,036
Intangible Assets and Goodwill	6	9,318	10,736
Deferred Tax Assets	7	171	383
Total Non-Current Assets		99,805	99,155
<b>Total Assets</b>		<b>103,013</b>	<b>100,428</b>
<b>Current Liabilities</b>			
Trade and Other Payables	8	1,332	1,334
Other Financial Liabilities	9	56,813	56,813
<b>Total Current Liabilities</b>		<b>58,145</b>	<b>58,147</b>
<b>Non-Current Liabilities</b>			
Other Financial Liabilities	9	178	534
Deferred Tax Liability	7	2,691	2,682
Total Non-Current Liabilities		2,869	3,216
<b>Total Liabilities</b>		<b>61,014</b>	<b>61,363</b>
<b>Net Assets</b>		<b>41,999</b>	<b>39,065</b>
<b>Equity</b>			
Contributed equity		26,871	26,871
Retained profits		15,128	12,194
Total Parent Entity Interest		41,999	39,065
<b>Total Equity</b>		<b>41,999</b>	<b>39,065</b>

The accompanying notes form part of this Balance Sheet.

## Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 \$'000	2008 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		11,590	10,971
Payment to suppliers		(6,218)	(5,772)
<b>Net cash flows from operating activities</b>	10	<b>5,372</b>	<b>5,199</b>
<b>Cash Flows from Investing Activities</b>			
Payments for system assets		(5,372)	(5,199)
<b>Net cash outflows from investing activities</b>		<b>(5,372)</b>	<b>(5,199)</b>
Net cash flows from financing activities		-	-
<b>Net Increase/(Decrease) in Cash Held</b>		<b>-</b>	<b>-</b>
Cash at the beginning of the financial year		-	-
<b>Cash at the end of the financial year</b>		<b>-</b>	<b>-</b>

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report.

## Statement of Changes in Equity

For the year ended 30 June 2009

	2009 \$'000	2008 \$'000
<b>Contributed Equity</b>		
Closing balance	26,871	26,871
<b>Retained Profits</b>		
Opening balance	12,194	9,329
<b>Movement:</b>		
Net Profit From Continuing Operations Attributable to Members of the Parent Entity	2,934	2,865
<b>Retained Profits Closing Balance</b>	<b>15,128</b>	<b>12,194</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies

### 1.1 Reporting Entity

Country Energy Gas Pty Limited (the Company) is a registered Company incorporated in NSW. The Company has a share capital of twenty six million eight hundred and seventy thousand five hundred and ninety three (26,870,593) ordinary shares of \$1.00 each. These shares are issued to Country Energy (the parent), a NSW State Owned Corporation incorporated under the *State Owned Corporations Act 1989*.

The Company was formerly named Great Southern Energy Gas Networks Pty Ltd and became a member of the Country Energy Group when its parent, Great Southern Energy, was merged with Advance Energy and NorthPower on 1 July 2001.

### 1.2 Financial Reporting Framework and Statement of Compliance

The accompanying statements are a general purpose financial report which has been prepared in accordance with the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the *State Owned Corporations Act 1989*. The financial statements have been prepared on an accrual accounting basis in accordance with these Acts and Regulation. The statements are in conformity with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Interpretations. The Financial Report complies with International Financial Reporting Standards (IFRS). The statements are also prepared consistent with NSW Treasury's mandates and indicative mandates.

The financial statements have been prepared in accordance with the historical cost convention, except where otherwise indicated, and do not take account of changes in the general purchasing power of the dollar except where stated. The going concern basis has been applied in the preparation of the financial statements. The ability of the Company to operate as a going concern is dependent upon continued economic support from the parent entity and its continuing guarantee of repayment of the loan described at note 1.12.3.

### 1.3 Accounting Policies

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These accounting policies have been consistently applied in the Country Energy Group and are consistent with those applied in the previous year.

### 1.4 Financial Instruments

Financial instruments give rise to positions that are a financial asset of either the Company or its counterparty and a financial liability (or equity instrument) of the other party. The Company does not undertake any derivative transactions.

### 1.5 Cost Measurement

The financial report is prepared on the historical cost basis, modified to be compliant with AIFRS in the cases of:

- Property, plant and equipment whose cost was deemed to be fair value at the date of transition to AIFRS.
- Loans and receivables classified as financial instruments are measured at amortised cost. Generally these are recorded as non-current assets and liabilities in the Balance Sheet and amortisation is applied if material.

### 1.6 Impairment

In accordance with AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement*, impairment testing is carried out to ensure that assets are carried at no more than their recoverable amount. Impairment is applied in the following circumstances:

#### 1.6.1 Impairment – Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the profit and loss.

### 1.6.2 Impairment – Non-financial Assets

#### • Assessment for Impairment

Assets are assessed for any indicators that impairment may exist. If there is no indication of impairment, impairment testing is not carried out. If there is indication of impairment the recoverable amount is estimated for the asset or the cash generating unit group of assets (CGU). If the carrying values exceed the estimated recoverable amount the assets or CGUs are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax weighted average cost of capital. For an asset that does not generate largely independent cash inflows the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in the Income Statement.

#### • Impairment without Assessment

Goodwill acquired in a business combination and intangible assets with indefinite useful lives are tested for impairment irrespective of any indication of impairment.

#### 1.6.3 Assets that form a CGU

The combined assets of the Company represent a CGU. This CGU is the smallest identifiable group of assets that generate identifiable cash flows.

The CGU was tested for impairment using market based valuation methodologies. The valuations support the aggregated asset values of the CGU.

### 1.7 Industry and Segment Reporting

The Company operates in a single business segment being the distribution and retail of energy, and within one geographical sector, Australia.

### 1.8 Revenue recognition

All revenue is recognised as revenue from continuing operations for the purposes of the Income Statement.

Sales revenue comprises revenue earned from the provision of products or services and is recognised when the goods are provided.

### 1.9 Valuation of Current Assets – Receivables

Trade and other receivables are measured at cost being the amounts due. The collectability of debts is assessed at balance date in accordance with AASB 139. The amounts owed by the parent comprise transactions arising from a contracted provision of resources by the parent to assist the Company in operating its assets and carrying out its functions (refer note 4).

### 1.10 Valuation of Property, Plant and Equipment

All property, plant and equipment assets were of the one class being a natural gas system network asset. AASB 116 *Property, Plant and Equipment* requires independent valuations to be undertaken whenever it is perceived that the carrying value would be materially different to the fair value. The NSW Treasurer has provided Country Energy with an exemption from Treasury Policy Paper TPP 07-1 (*Valuation of Physical Non-Current Assets at Fair Value*), which requires Country Energy to conduct an independent external valuation of its natural gas system network assets at least every five years. The exemption applies only for the reporting year ended 30 June 2009. These assets are carried at fair value and form part of the CGU (refer note 1.6.3). The natural gas system assets are not impaired.

#### 1.10.1 Asset acquisition

The value of assets acquired during the year includes the cost of acquisition, the cost of materials, labour and an appropriate proportion of overheads.

#### 1.10.2 Depreciation

The components of the asset excluding land are depreciated at rates based on their estimated remaining lives of 9 to 44 years. Depreciation expense was applied using the straight line method.

### 1.11 Valuation of Intangible Assets

Intangible assets, other than goodwill are identifiable non physical assets that have been acquired by the Company. These are recorded at amortised cost. The intangible assets including goodwill form part of a CGU (refer note 1.6.3). The intangible assets are not impaired.

#### 1.11.1 Natural Gas Distribution Licence

The licence was initially acquired when Great Southern Energy (former parent) purchased the natural gas distribution business from the Council of the City of Wagga Wagga. The Company subsequently purchased the business from the parent. The acquisition involved the paying of a premium over the value of the assets. The premium is in recognition of the future benefits that will accrue in addition to the value of the identifiable assets. The difference

between the cost of the natural gas distribution business and the value of the natural gas distribution assets is the value of the intangible asset being the distribution licence (refer note 6). The licence has a remaining life of four years.

#### 1.11.2 Goodwill

Goodwill was acquired when the former Great Southern Energy Group (refer note 1.1) purchased natural gas assets from the Australian Gas Light Company.

The goodwill represents the excess of the cost of acquisition of the gas network purchased over the fair value of the identifiable net assets acquired. The assets were newly constructed at the time of acquisition. Goodwill is recorded at cost and is tested for impairment annually (refer notes 1.6.2 and 6).

### 1.12 Liabilities

#### 1.12.1 Payables

Trade and other payables are recognised when there is an obligation to make future payments for the purchase of goods and services supplied as at balance date. These obligations are due within the next twelve months. Payables are recorded at fair value. Payables include accrued expenses (refer note 8).

#### 1.12.2 Unearned Revenue

In 2001 a development grant was received from the Australian Government for the installation of gas networks on behalf of a customer. The obligation to repay the grant is satisfied by applying agreed amounts to the customer's energy bill.

The liability is classified as a financial instrument and has a remaining life of 1.5 years. It is measured at amortised cost, however amortisation has not been recorded because it is not material (refer note 9).

#### 1.12.3 Loan from Parent Company

Country Energy has lent the Company \$56.5 million interest free. Due to resolutions taken by the Board of Country Energy the loan is payable on demand and a demand for payment will not be made if it would place in jeopardy the solvency of the Company (refer notes 9 and 11).

### 1.13 Income Tax

The Company is a member of a tax consolidated group and operates within the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office on behalf of the NSW Government.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates that are applicable at balance date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill.
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates applicable at balance date.

A deferred tax asset is recognised to the extent that it is probable that the future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 1.13.1 Tax Consolidation

The Company is a wholly owned subsidiary within a tax consolidated group with Country Energy as the head entity.

Current income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences are recognised in the entity's financial statements using the 'separate taxpayer within group' approach. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of assets and liabilities in the entity's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities/assets and deferred tax assets arising from unused tax losses of the Company are assumed by the head entity of the tax consolidated group. These are recognised as amounts payable/receivable to other members of the group in conjunction with any tax funding arrangement amounts.

The Company recognises deferred tax assets arising from unused tax losses to the extent that it is probable that the future taxable profits of the tax consolidated group will be available against which the asset can be utilised. The Company assesses the recovery of its unused tax losses and tax credits only in the period in which they arise and before assumption by the head entity in accordance with AASB 112 *Income Taxes*.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only (refer note 14).

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies (Continued)

### 1.13.2 Tax Funding Arrangements

The Company in conjunction with other members of the tax consolidated group has entered into a tax funding arrangement which sets out the funding obligation of members of the group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/assets assumed by the head entity and any tax loss deferred tax asset assumed by the head entity resulting in the Company recognising an inter entity payable/receivable equal in amount to the tax liability/asset assumed. The inter entity payable/receivable balances are at call.

Contributions to fund the current tax liabilities are payables 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.

### 1.13.3 Tax Sharing Agreement

The Company in conjunction with other members of the tax consolidated group has entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the members of the group 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 this agreement is remote.

### 1.14 Goods and Services Tax

Revenue, expenses and assets (other than receivables) 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 as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

### 1.15 Comparative data

Comparatives have been reclassified where necessary to enhance comparability in respect of changes in the current year. Where prior year information was not disclosed or where it is not practical to calculate the information comparatives have been omitted. Where this has occurred references have been made accordingly throughout the financial statements.

### 1.16 Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

### 1.17 Early Adoption of Standards

At reporting date a number of Australian Accounting Standards have been issued by the AASB but are not yet operative. These have not been adopted early by the Company. These Standards have been assessed for their possible impact on the financial report, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

## Note 2: Components of Revenue and Expenses

	2009 \$'000	2008 \$'000
<b>Continuing operations</b>		
Sales revenue	11,934	10,943
Developer and Customer Contributions	3	353
<b>Total revenue from continuing operations</b>	<b>11,937</b>	<b>11,296</b>
Cost of delivery of gas	7,138	6,596
<b>Total expenses relating to continuing operations</b>	<b>7,138</b>	<b>6,596</b>
<b>Expense items included in total expenses relating to continuing operations</b>		
Depreciation of property, plant and equipment	3,092	2,910
Amortisation of intangible assets	1,418	1,419
<b>Maintenance expenses:</b>		
Employee related maintenance expenses included in employee benefits expense	270	217
Contracted labour and other (non-employee related) expenses	1,627	1,784
<b>Total maintenance expenses</b>	<b>1,897</b>	<b>2,001</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 3: Income Tax Expense

	Note	2009 \$'000	2008 \$'000
The major components of income tax expense are:			
<b>Income Statement</b>			
<b>Current income tax</b>			
Current income tax charge		1,877	2,025
Adjustments in respect of current income tax of previous years		(233)	-
<b>Deferred income tax</b>			
Relating to origination and reversal of temporary differences	7	221	(190)
<b>Income tax expense reported in the income statement</b>		<b>1,865</b>	<b>1,835</b>
<b>Reconciliation of tax expense to pre-tax profit</b>			
Profit from Continuing Operations before Income Tax		4,799	4,700
<b>Income tax at rate of 30%</b>		<b>1,440</b>	<b>1,410</b>
Adjustment in respect of current income tax of previous years		(233)	-
Expenditure not allowable for income tax purposes		425	425
Recognition/derecognition of temporary differences		233	-
		<b>1,865</b>	<b>1,835</b>
<b>Income tax expense reported in the income statement</b>		<b>1,865</b>	<b>1,835</b>

## Note 4: Trade and Other Receivables

	Note	2009 \$'000	2008 \$'000
<b>Current</b>			
Other debtors		127	136
Parent entity debtor – unsecured	14	3,081	1,137
<b>Total Current Trade and Other Receivables</b>	<b>11</b>	<b>3,208</b>	<b>1,273</b>

## Note 5: Property, Plant and Equipment

	Note	2009 \$'000	2008 \$'000
<b>System Assets</b>			
<b>Opening carrying value</b>			
At fair value		107,520	102,321
Accumulated depreciation		(19,484)	(16,574)
<b>Net opening carrying value</b>		<b>88,036</b>	<b>85,747</b>
<b>Movements</b>			
Additions		5,372	5,199
Depreciation expense		(3,092)	(2,910)
<b>Net movements</b>		<b>2,280</b>	<b>2,289</b>
<b>Closing carrying value</b>			
At fair value		112,892	107,520
Accumulated depreciation		(22,576)	(19,484)
<b>Net closing carrying value</b>	<b>1.10</b>	<b>90,316</b>	<b>88,036</b>

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 6: Intangible Assets and Goodwill

Natural Gas Distribution Licence	Note	2009 \$'000	2008 \$'000
<b>Opening carrying value</b>			
At cost		14,188	14,188
Accumulated amortisation		(7,095)	(5,676)
		<b>7,093</b>	<b>8,512</b>
<b>Movements</b>			
Amortisation expense		(1,418)	(1,419)
<b>Closing carrying value</b>			
At cost		14,188	14,188
Accumulated amortisation		(8,513)	(7,095)
<b>Net closing carrying value</b>	1.11.1	<b>5,675</b>	<b>7,093</b>
<b>Goodwill at closing carrying amount</b>	1.11.2	<b>3,643</b>	<b>3,643</b>
<b>Total Intangibles</b>		<b>9,318</b>	<b>10,736</b>

## Note 7: Deferred Taxes

	Note	Balance Sheet		Income Statement	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Deferred Tax Assets</b>					
Expense accruals		171	383	212	(212)
<b>Total deferred income tax asset</b>		<b>171</b>	<b>383</b>		
<b>Deferred Tax Liabilities</b>					
Depreciation		2,691	2,682	9	22
<b>Total deferred income tax liability</b>		<b>2,691</b>	<b>2,682</b>		
<b>Deferred tax income/(expense)</b>	3			<b>221</b>	<b>(190)</b>

## Note 8: Trade and Other Payables

	Note	2009 \$'000	2008 \$'000
<b>Current</b>			
Accrued expenses		1,332	1,334
<b>Total Current Trade and Other Payables</b>	1.12.1 & 11	<b>1,332</b>	<b>1,334</b>

## Note 9: Other Financial Liabilities

	Note	2009 \$'000	2008 \$'000
<b>Current</b>			
Unearned revenue	1.12.2	356	356
Loan from parent entity	1.12.3 & 14	56,457	56,457
<b>Total Current Other Financial Liabilities</b>		<b>56,813</b>	<b>56,813</b>
<b>Non-Current</b>			
Unearned revenue	1.12.2	178	534
<b>Total Non-Current Other Financial Liabilities</b>		<b>178</b>	<b>534</b>

The entity's exposure to liquidity risk related to other liabilities is disclosed in note 11.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 10: Cash Flow Disclosures

### (a) Cash

The economic entity's cash receipts and cash payments were deposited and withdrawn respectively from the loan account with the parent entity.

### (b) Financing facilities

There were no financing facilities available as at 30 June 2009 (nil in 2008).

### (c) Reconciliation of operating profit after income tax expense to cash provided by operating activities

	2009 \$'000 Inflows/ (Outflows)	2008 \$'000 Inflows/ (Outflows)
<b>Profit from ordinary activities after income tax expense</b>	2,934	2,865
Add/(less) non-cash items recognised in expenses/revenue		
Depreciation	3,092	2,910
Amortisation	1,418	1,419
Changes in assets and liabilities		
Increase/(Decrease) in current liabilities	(2)	(342)
(Increase)/Decrease in current assets	(1,935)	(1,107)
Increase/(Decrease) in non-current liabilities	(356)	(356)
(Increase)/Decrease in tax assets and (tax liabilities)	221	(190)
<b>Net cash provided by operating activities</b>	<b>5,372</b>	<b>5,199</b>

## Note 11: Financial Instruments

The entity's principal financial instrument is a loan from its parent entity. It has other immaterial financial instruments including receivables, payables and other financial liabilities.

The data disclosed is based on AIFRS accounting policies.

Accounting policies in relation to financial instruments including the basis of recognition and measurement have not materially changed from last year.

The entity's financial instrument categories at the reporting date were:

			Carrying Amount	
Financial Assets	Category	Note	2009 \$'000	2008 \$'000
Receivables	Loans and receivables (at amortised cost)	4	3,208	1,273
<b>Total Financial Assets</b>			<b>3,208</b>	<b>1,273</b>
			Carrying Amount	
Financial Liabilities	Category	Note	2009 \$'000	2008 \$'000
Payables	Financial liabilities measured at amortised cost	8	1,332	1,334
Related entity	Financial liabilities measured at amortised cost	9	56,457	56,457
Other Financial Liabilities	Financial liabilities measured at amortised cost	9	534	890
<b>Total Financial Liabilities</b>			<b>58,323</b>	<b>58,681</b>

Financial assets and financial liabilities are disclosed at cost or amortised cost. These values approximate the fair value of those assets and liabilities.

### (a) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their financial obligations.

The carrying amount of the entity's financial assets represent the maximum credit exposure.

There are no material past due financial assets. The company believes there is no material impairment allowance necessary in respect of its financial assets.

### (b) Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations when they fall due.

The entity is not subject to any material liquidity risk as the only material lender will not demand payment if it would place in jeopardy the solvency of the entity (refer note 1.12.3).

All material financial liabilities are either due within twelve months or are on demand.

### (c) Market Risk

Market risk relates to the effect that changes in market prices, such as interest rates and commodity prices would have on the entity's income and the value of its portfolio.

#### – Interest Rate Risk

The entity is not subject to interest rate risk because its financial instruments are primarily financial liabilities relating to non-interest bearing transactions with the parent entity.

#### – Price Risk

The entity operates a gas networks business of which its pricing risk relates to the network transport charge.

For the regulated network base, the price path is set by an independent regulator every five years under an Access Arrangement.

For the unregulated network base the price is approved by the parent entity Board. Prices are set consistent with the processes used for the regulated network. The unregulated network price setting can be returned to a regulated environment in the event of a successful application by a stakeholder to the National Competition Council if they consider terms and conditions of the Transportation Agreement are unreasonable.

### (d) Capital Management

The entity is wholly owned by Country Energy and is consolidated within the Country Energy Group. Capital is managed at a Country Energy consolidated group level.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 12: Commitments

	2009 \$'000	2008 \$'000
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at balance date but not provided for:		
– not later than one year	-	-
	-	-
<b>Capital expenditure commitments include input tax credits</b>	-	-
<b>Operating expenditure commitments excluding leases</b>		
Estimated operating expenditure contracted for at balance date but not provided for:		
– payable not later than one year	298	313
– later than one year and not later than five years	1,375	1,375
– later than five years	1,100	1,375
	2,773	3,063
<b>Operating expenditure commitments include input tax credits credits</b>	<b>252</b>	<b>278</b>

## Note 13: Auditor's Remuneration

	2009 \$'000	2008 \$'000
Remuneration received, or due and receivable, by the auditor of the economic entity for an audit or review of the financial statements.	19	20
	19	20

## Note 14: Related Parties

### Directors

The names of persons holding the position of Director of Country Energy Gas Pty Ltd during the financial year are:

Barbara Ward, Chairman  
Craig Murray, Managing Director  
Ken Stonestreet

### Key Management Personnel

The Directors carry out their responsibilities on behalf of the parent. Compensation is remunerated by the parent. The Company does not employ staff.

### Transactions and outstanding balances between Country Energy Gas Pty Limited and Country Energy

The parent administers the Company's business operations. This includes recording and receiving sales revenue. The parent also operates, maintains and constructs the gas assets and pays the Company's expenses.

### Country Energy Gas Pty Limited Sales

Sales for the year that were passed through the intercompany account were \$11.590 million (\$10.971 million in 2008) and \$10.349 million (\$9.213 million in 2008) of these were to the parent.

### Country Energy Gas Pty Limited administrative, operating and asset maintenance costs

Transactions recorded for administration, operating and maintenance costs were \$6.218 million (\$5.772 million in 2008).

### Country Energy Gas Pty Limited asset construction.

Transactions recorded for asset construction were \$5.372 million (\$5.199 million in 2008).

### Country Energy Gas Pty Limited income tax

The Company is a member of a tax consolidated group (refer note 1.13). The Company's tax balances were recorded in the intercompany account. These were \$1.644 million during the period (\$2.025 million in 2008).

### Balances outstanding with the parent

The outstanding balance between the Company and the parent is \$3.081 million (\$1.137 million in 2008). This is disclosed in note 4 with the parent being a debtor to the Company. The major components of the balance are tax balances (\$2.724 million) ((\$1.080 million) in 2008), sales, administration, operating, maintenance and construction costs \$5.805 million (\$2.217 million in 2008). This Company's receivable is unsecured.

There is a further balance of \$56.457 million (\$56.457 million in 2008) between the Company and the parent being the loan disclosed in note 9.

## Note 15: Contingent Liabilities

There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

## Note 16: Events Subsequent to Balance Date

The financial report of Country Energy Gas Pty Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 2 October 2009.

There are no known events that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

END OF AUDITED FINANCIAL STATEMENTS



GPO BOX 12  
Sydney NSW 2001

**INDEPENDENT AUDITOR'S REPORT**  
NorthPower Energy Services Pty Limited

To Members of the New South Wales Parliament

I have audited the accompanying financial report of NorthPower Energy Services Pty Limited (the Company), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

**Auditor's Opinion**

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Company as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005
- complies with International Financial Reporting Standards as disclosed in Note 1.2.

My opinion should be read in conjunction with the rest of this report.

**The Director's Responsibility for the Financial Report**

The director of the Company is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A. 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. In Note 1.2, the director also states, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial report complies with International Financial Reporting Standards.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company'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 Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial report.

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

My opinion does not provide assurance:

- about the future viability of the Company,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

**Independence**

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Peter Achtenstraat  
Auditor-General

7 October 2009  
SYDNEY

## Statement by Members of the Board

### STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41 of the Public Finance and Audit Act 1983 we state that:

1. The accompanying financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the State Owned Corporations Act 1989, applicable Accounting Standards and other mandatory professional reporting requirements.
2. The accompanying financial statements exhibit a true and fair view of the financial position of NorthPower Energy Services Pty Limited as at 30 June 2009 and of the profit and cash flows of the corporation for the year ended 30 June 2009.
3. At the date of this statement, there are reasonable grounds to believe that NorthPower Energy Services Pty Limited will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of Directors.

Peter Johnson  
Director / Secretary

2 October 2009  
Dated

## Income Statement

For the year ended 30 June 2009

There were no amounts recognised in the Income Statement during the current or comparative periods.

## Balance Sheet

As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Non-Current Assets</b>			
Other	2	2	2
Total Non-Current Assets		2	2
<b>Total Assets</b>		<b>2</b>	<b>2</b>
<b>Net Assets</b>		<b>2</b>	<b>2</b>
<b>Equity</b>			
Contributed equity		2	2
Total Parent Entity Interest		2	2
<b>Total Equity</b>		<b>2</b>	<b>2</b>

The accompanying notes form part of this Balance Sheet.

## Cash Flow Statement

For the year ended 30 June 2009

There were no movements of cash or cash equivalents during the current or comparative periods.

## Statement of Changes in Equity

For the year ended 30 June 2009

	2009 \$	2008 \$
Contributed Equity	2	2
<b>Contributed Equity Closing Balance</b>	<b>2</b>	<b>2</b>

There were no movements recorded in equity during the current or comparative periods.

# Notes to the Financial Statements

For the year ended 30 June 2009

## Note 1: Statement of Significant Accounting Policies

### 1.1 Reporting Entity

NorthPower Energy Services Pty Limited is a registered Company incorporated in Victoria. The Company is incorporated with a share capital of two (2) ordinary shares of \$1.00 each. These shares are issued to Country Energy (the parent), a NSW State Owned Corporation incorporated under the *State Owned Corporations Act 1989*.

### 1.2 Financial Reporting Framework and Statement of Compliance

The accompanying statements are a general purpose financial report which has been prepared in accordance with the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the *State Owned Corporations Act 1989*. The financial statements have been prepared on an accrual accounting, going concern basis in accordance with these Acts and Regulation, and are in conformity with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Financial Report complies with International Financial Reporting Standards (IFRS).

The financial statements have been prepared in accordance with the historical cost convention except where otherwise indicated.

### 1.3 Changes in Accounting Policies

The accounting policies are consistent with those applied in the previous year.

### 1.4 Operating Activities

There were no operating activities carried out for the twelve months to 30 June 2009.

### 1.5 Financial Instruments

Financial instruments give rise to positions that are a financial asset of either the Company or its counterparty and a financial liability (or equity instrument) of the other party.

The only financial instrument recorded is a two dollar (\$2) loan by the Company to the parent. This is disclosed in notes 2 and 3. The loan is recorded at cost and has not been amortised.

### 1.6 Rounding of Amounts

The closing balance of net assets and equity is two dollars (\$2). To ensure full disclosure all amounts in the financial statements have been disclosed in whole dollars.

### 1.7 Income Tax

The Company operates within the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office on behalf of the NSW Government.

The Company is a wholly owned subsidiary within a tax consolidated group with Country Energy as the head entity.

There were no income tax related transactions recorded during the period.

### 1.8 Early Adoption of Standards

At reporting date a number of Australian Accounting Standards have been issued by the AASB but are not yet operative. These have not been adopted early by the Company. These Standards have been assessed for their possible impact on the financial report, if any, in the period of their initial application. The assessment concluded that there will be no material impact.

## Note 2: Other Assets

	2009	2008
	\$	\$
<b>Non-Current</b>		
Loan to parent entity	2	2
<b>Total Non-Current Other Assets</b>	<b>2</b>	<b>2</b>

## Note 3: Financial Instruments

### Financial Asset

	Note	Non-Interest Bearing		Balance Sheet	
		2009	2008	2009	2008
		\$	\$	\$	\$
Related entity	1.5	2	2	2	2
<b>Total Financial Assets</b>		<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

The fair value of the financial asset is equal to its carrying value and is not past due.

### Financial Risk Management

The Corporation has no material credit, liquidity or market risk through the use of financial instruments.

## Note 4: Auditor's Remuneration

	2009	2008
	\$	\$
Remuneration received, or due and receivable, by the auditor of the economic entity for an audit or review of the financial statements.	1,500	1,500
	<b>1,500</b>	<b>1,500</b>

Audit fees were paid by the parent on behalf of the Company. These were not recorded in the Company's Income Statement for the current or comparative period.

## Notes to the Financial Statements

For the year ended 30 June 2009

### Note 5: Related Parties

---

#### Directors

The name of the person holding the position of director of NorthPower Energy Services Pty Limited during the financial year was:

Peter Johnson

#### Key Management Personnel

The director carries out his responsibilities on behalf of the parent. Compensation is paid by the parent. The Company does not employ staff.

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### Note 6: Contingent Liabilities

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There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

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### Note 7: Events Subsequent to Balance Date

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The financial report of NorthPower Energy Services Pty Limited for the year ended 30 June 2009 was authorised for issue by the Director on 2 October 2009.

There are no known events that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

END OF AUDITED FINANCIAL STATEMENTS

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## Customer Service Centres

8.30am to 5pm, Monday to Friday

<b>Albury</b> 621 Dean Street	<b>Goulburn</b> 148 Auburn Street	<b>Oberon</b> 157 Oberon Street
<b>Armidale*</b> Galloway Street	<b>Grafton</b> 17 Prince Street	<b>Orange</b> 187 Summer Street
<b>Balranald</b> 92 Market Street	<b>Griffith</b> 310 Banna Avenue	<b>Parkes</b> Cnr Church and Clarinda Streets
<b>Batemans Bay</b> Shop 7, Bay Centre Plaza Orient Street	<b>Gulgong</b> 102 Herbert Street	<b>Port Macquarie</b> 8 Buller Street
<b>Bathurst</b> 151-153 George Street	<b>Hay</b> 81 Lachlan Street	<b>Queanbeyan</b> Ground Floor, City Link Plaza 30 Morisset Street
<b>Bega</b> 219-221 Carp Street	<b>Hillston</b> 151 High Street	<b>Tamworth</b> Electra Street
<b>Broken Hill</b> 13 Chloride Street	<b>Inverell*</b> Burtenshaws Road	<b>Taree*</b> Whitbread Street
<b>Coffs Harbour*</b> 102 Thompsons Road	<b>Leeton</b> 19 Pine Avenue	<b>Trundle</b> Forbes Street
<b>Cooma</b> 138 Sharp Street	<b>Lismore</b> 81-83 Molesworth Street	<b>Tweed Heads</b> 39 Sunshine Avenue
<b>Cowra</b> Shop 12, Calare Building Kendal Street	<b>Moree</b> 223 Balo Street	<b>Wagga Wagga</b> 2/209 Baylis Street
<b>Deniliquin</b> 26 Napier Street	<b>Mudgee</b> 102 Church Street	<b>Wentworth</b> 24-26 Darling Street
<b>Dubbo</b> 168 Macquarie Street	<b>Narooma</b> Unit M2, Narooma Plaza Princes Highway	<b>Young</b> 53 Boorowa Street
<b>Forbes</b> 91 Lachlan Street	<b>Narrabri*</b> 1 Logan Street	
<b>Forster</b> 16 Breese Parade	<b>Narrandera</b> 113 East Street	

\* Payment facilities unavailable

## Contacts

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General enquiries: **13 23 56**

Supply interruptions: **13 20 80**

Interpreter services: **13 14 50**

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**Website:**

[www.countryenergy.com.au](http://www.countryenergy.com.au)

[www.countrywater.com.au](http://www.countrywater.com.au)

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Queanbeyan NSW 2620

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**Freedom of Information Officer (FOI): 13 23 56**

**Annual Report 2008-2009**

This report was produced at a cost of \$71,830

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**For copies of the report:**

Visit [www.countryenergy.com.au](http://www.countryenergy.com.au)

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Photography by Rob Smith,

Country Energy

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