serving our community
In the largest natural disaster ever faced by ENERGEX, our efforts could not have been achieved without the patience and support of the South East Queensland community. Thank you.

### IMPACT OF FLOODING

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main substations flooded</td>
<td>4</td>
</tr>
<tr>
<td>Distribution feeders tripped or isolated</td>
<td>157</td>
</tr>
<tr>
<td>Premises disconnected for repairs</td>
<td>~12,000</td>
</tr>
<tr>
<td>Total customers off supply</td>
<td>&gt;300,000</td>
</tr>
<tr>
<td>Peak number of customers off supply</td>
<td>~150,000</td>
</tr>
<tr>
<td>Calls for assistance to contact centre</td>
<td>~230,000</td>
</tr>
<tr>
<td>Main zone substation outages</td>
<td>25</td>
</tr>
</tbody>
</table>

In early January, South East Queensland experienced increasing rainfall including areas of torrential rain from 6 January. Falls on the Sunshine Coast and hinterland resulted in flooding along the Mary River and in Gympie which worsened during the weekend of 8 and 9 January.

150 millimetres of rain fell on Toowoomba in three hours. This added to the flooding already in the Mary Valley and the Brisbane Valley. More than 15,000 South East Queenslanders were left without power and ENERGEX crews worked around the clock to prepare for the worst.

The Bremer River reached a peak of 19 metres. In preparation for the flood peak, ENERGEX interrupted supply to 22,000 homes adding to a significant number of interruptions on the whole ENERGEX network.

The Brisbane River headed towards a flood peak of 4.5 metres at nine o’clock at night. To protect residents and infrastructure during the crisis, ENERGEX interrupted supply to 10 CBD buildings.

As the flood waters began to recede, ENERGEX was able to dispatch 400 crews to assist the 105,000 homes that were without power in South East Queensland. Electricity supply was restored to more than 7,500 homes on that day alone.

The restoration process continued, however, ENERGEX’s efforts to restore power to 77,000 homes continued to be hampered by street and suburbs access.

ENERGEX had restored power to almost 30,000 homes and businesses, but the task continued to be an incredible challenge. Every home had to be assessed for safety and, if necessary, the primary fuse removed before power could be restored to whole streets.

Keeping customers informed of the restoration process and providing realistic timeframes was vital. During this disaster, ENERGEX was mentioned in the media 4,874 times, produced 54 media releases, reported on 974 Australian Traffic Network radio spots and communicated 270 Twitter messages.

By this stage 19,000 homes were without power, but many thousands of these did not have their supply reconnected for weeks due to the nature of damage.

The restoration effort continued with power continuing to be reconnected to many more homes in the worst affected areas of Rocklea, Archerfield and the Lockyer Valley.

ENERGEX had by this stage restored power to all but 1,000 uninhabitable homes. Throughout this disaster crews worked tirelessly through nights, days, weeks and months following the crisis to re-establish the network and help communities rebuild South East Queensland. ENERGEX is proud that the methodical process of restoring power to homes and businesses one by one proved to be a successful approach. Not one major injury was recorded and electricity supply was restored to more than 300,000 customers during one of the worst natural disasters South East Queensland has ever seen.
The flood event that impacted South East Queensland in January 2011 will go down in history.

Chris Arnold (ENERGEX Event Manager during the floods) reflects on some positives that emerged during one of Brisbane’s most devastating weeks:

“I was working from the Newstead office on Tuesday 11 January when the decision was made to escalate the business to a ‘Code Purple’, which meant the evacuation of close to 2,000 staff from the Newstead building and the Oxley Depot.

As the evacuation was announced over the loud speaker at Newstead, we saw hundreds of staff quickly flee the building to make their way home.

That’s when the enormity of the event hit many of us: as staff became increasingly concerned about their personal situations, their loved ones and possessions at home; as the traffic outside came to a standstill; and the CBD and public transport began to shut down.

Being the Event Manager was certainly a challenge from many perspectives – balancing the community’s need for power with our need to ensure the electricity supply is safe and restored to essential infrastructure, such as hospitals, as quickly as possible.

In the days that followed, I was able to spend more time outside our Corporate Emergency Response Room with our staff. I visited our teams in the CBD, the Sumner Industrial Estate and Jindalee and was struck by their selflessness and sense of community. They truly cared about the communities they were in and wanted to be there to help. It was more than a job for them; they took ownership and felt a sense of accountability for looking after the communities they had been assigned to work in.

Similarly, the community’s response was outstanding. Each of the communities I visited were undergoing hardships but still showed support to their neighbours, their friends and our ENERGEX staff who were working in the area.

This event taught us that we need to ensure we continue to have robust emergency plans in place. We need to work out a way of translating the way we interact with each other and our customers during emergency situations into our business as usual interactions.

This event has allowed us to capture these learnings and we are now implementing them into our business as usual operations.”

In total more than 300,000 homes and businesses experienced power interruptions during the flood event. The damage to our network was like nothing we had experienced previously, and yet within three days we were able to restore around 100,000 of these customers back onto electricity supply.

This amazing restoration effort could only be achieved by working together with other key organisations including Federal, State and Local Government agencies; other Queensland and interstate electricity distributors; and our contractors.

And of course, it could not have been achieved without the patience and support of the South East Queensland community.
At ENERGEX, effective stakeholder communications and reporting are key components to our corporate social responsibility position. We aim for continual improvement through accountability, transparency and relevance of information.

The ENERGEX Annual Report provides a review of our operational and financial performance during the 2010/11 financial year against our strategies, objectives and targets as detailed in our Statement of Corporate Intent (SCI) (pages 13-16). It demonstrates that we are building and maintaining a robust and sustainable business to service the energy needs of South East Queensland, and how we plan to continue this into the future.

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

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

For further information on our stakeholder engagement processes refer to page 70.

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

In addition, each year we publish our Network Management Plan which provides greater details of our network performance and future management strategies. This report is also available on our website at www.energex.com.au.

To assist in reading our Annual Report, we have included a glossary of terms and index on pages 92-95. The report also includes our corporate governance arrangements (page 33) – the systems by which the organisation is directed and managed – as well as our risk management processes (page 29).

We welcome your comments on this report as it assists us to continually improve our reporting and meet the information needs of our stakeholders.

Feedback

Feedback can be provided via corpcomms@energex.com.au. This Annual Report and previous reports can also be accessed at www.energex.com.au or via the Corporate Communications team on 13 12 53.

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ENERGEX Limited: ABN 40 078 849 055

Enquiries

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

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

Thank you

Thank you to all the staff and colleagues who contributed to this Annual Report.
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  - Statement of Corporate Intent 2010/11
  - Our performance against our corporate key result areas, objectives and targets

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  - Our Chairman reflects on the business achievements of 2010/11
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  - An overview of our Board members
  - Corporate governance
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  - Our CEO reflects on how we are delivering on our promises to the South East Queensland community.
  - Executives’ profiles
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  - Our number one corporate value. An overview of our approach and activities to ensure the health, safety and wellbeing of our employees and our community.
  - Improving network performance
  - Details how our electricity network performed in 2010/11 and our strategies to improve future network performance and emergency response to meet customer expectations.
  - Delivering operational excellence
  - Demonstrates the systems and processes we put into place in 2010/11 to support delivery of our strategic vision.
  - Responding to customer expectations
  - Reflects on our role with customers and how we maintain relationships through effective communication and support.
  - Engaging our community
  - Focuses on our community engagement activities in 2010/11 and the initiatives we undertook to give back to the South East Queensland community.
  - Supporting our people
  - Identifies our work during the year to ensure our workforce possesses the right skills and capabilities to deliver our business requirements.
  - Delivering sustainable outcomes
  - Our 2010/11 environmental performance demonstrates our commitment to delivering sustainable outcomes and operating in a sustainable manner.
  - Additional corporate reporting
  - Includes our financial five-year summary, ministerial directions and notifications, and our travel and hospitality expenses.

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At ENERGEX, we provide network services and infrastructure to distribute electricity into the homes and businesses of more than three million people in South East Queensland.

Who we are

We are a Government Owned Corporation (GOC) with two shareholding ministers, the Minister for Finance, Natural Resources and The Arts, The Honourable Rachel Nolan MP; and the Minister for Energy and Water Utilities, The Honourable Stephen Robertson MP. For further information on our corporate governance and business structure refer to page 32.

At the core of our business are high performing total assets worth more than $9.8 billion, the expertise of around 3,900 employees and a drive to provide customers with energy solutions that are economically, socially and environmentally acceptable and sustainable. This is underpinned by technological innovation and advanced management systems which drive efficiency, quality and safety. Many of these are nationally or internationally certified or benchmarked to international standards. We also place sustainability and corporate responsibility high on our corporate agenda through contemporary environmental and social practices.

We’ve been providing electricity to Queenslanders for more than 100 years. During this time we have transformed from operating under the Brisbane City Council, the South East Queensland Electricity Board (SEQEB), and in 1995 as a Government Owned Corporation. When we changed our name to ENERGEX in 1997, it signified our entry into the emerging competitive national electricity market. In 2007, the Queensland Government sold our retail business to allow full retail competition.

Our network

The electricity supply industry in which we operate is organised like links in a chain connecting the separate elements of generation, transmission, distribution and retail (see Figure 1).
Our people

Simply put, our staff are ENERGEX. They are highly skilled and committed, with each and every member truly valued as an integral part of the ENERGEX team. We employ around 3,900 employees across a diverse skill-base of specialised roles, extending from qualified tradespeople, electrical engineers, technicians and designers, apprentices and cadets, administrators, professionals and managers. Our workforce strives to ensure South East Queensland’s electricity supply is safe, robust and reliable. Safety of our staff and the community is our number one value. We treat our team fairly and with dignity while providing excellent working conditions conducive to helping staff realise their own career goals and business objectives.

Our customers and communities

Our aim is to deliver the service expectations of our customers through high levels of network performance and customer service. Whether it’s answering a simple enquiry or connecting a large commercial organisation to the electricity network, we are committed to ensuring the lifestyle and business needs of our customers are met or exceeded.

Our long-term focus is to transform into a customer-centric organisation by providing customers with greater energy choices. Our $1.3 million annual community sponsorship program continues to support the community’s endeavours.

Our environment

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

Our business ethics

We maintain a long-standing commitment to the community to conduct and report on the affairs of the business transparently and honestly while maintaining processes that ensure our staff, at all levels, understand these responsibilities. These responsibilities are at the forefront of our business decisions to ensure they take into account social, economic and environmental sensitivities, and are set out in our Code of Conduct. Our business operations are also monitored and scrutinised by the ENERGEX Board. The Board works to ensure our commitment to stakeholders and the community are carried out within strict governance frameworks.
Our direction

In the past 10 years, the population of South East Queensland has dramatically increased with a 30 per cent growth in the number of ENERGEX customers and a consequent rise in overall energy use and demand. As a result, our electricity network’s capacity has more than doubled in this time. This population surge and the soaring electricity use, mainly due to increased domestic air conditioning, are predicted to continue.

Challenges facing the industry, which we will continue to address, include the pressure on energy costs, the impact of future new technology, changing customer and community expectations, and the responsibility to act in a sustainable manner. A key initiative we are undertaking to balance the pricing impacts with the community’s increasing expectation for a world-class power supply to meet modern-day needs involves our multi-streamed energy conservation and demand management program (page 51).

Communication objective

In 2010/11, we focused on developing our strategies, reaching our objectives and delivering on our targets. This report relates to what we achieved during the year and provides an account of our financial, operational, social and environmental performance in a way that enables comparisons to previous years. It demonstrates our vision to transform ENERGEX into a customer-centric organisation providing sustainable energy solutions.

With this report, we aim to promote our operations across South East Queensland. Our theme of ‘Serving our Community’ reflects the importance we place on providing excellent customer service in our everyday activities to achieve our strategic objectives and vision.


Vision, mission and values

Our vision

By 2015, we will transform ENERGEX into a customer-centric organisation providing sustainable energy solutions. Our skilled and capable people will see us as an employer of choice as we create new customer solutions and opportunities. We will support our customers’ 21st century lifestyle aspirations and partner with the community to build sustainable economic growth in South East Queensland. In alignment with our shareholders’ expectations, we will be a safe, efficient, environmentally sustainable and commercial organisation.

Our mission

To achieve our vision, our focus is on providing safe, economic and sustainable delivery of reliable energy solutions to our customers.

This requires the provision of progressive solutions for our customers and stakeholders to guarantee the long-term sustainability of electricity distribution in South East Queensland.

Through this focus, we aim to set a new standard of excellence in delivering customers’ energy needs.

Our values

We aim to live our corporate values every day. They underpin everything we do as a company and articulate what we see as most important. Our values express who we are and all that we aspire to be. They are the foundation for our reputation and success.

• Put safety first
• Respect and support each other
• Impress our customers
• Set a great example
• Be a team player
• Deliver balanced results
During 2010/11, we introduced PoW IP to better manage our Program of Work processes and systems.
• Restored power to more than 300,000 South East Queensland premises with no significant safety incidents following the January 2011 floods. Page 1
• Achieved a solid after tax profit of $234.7 million. Page 90
• Achieved a Corporate Responsibility Index (CRI) score of 86 per cent which is an improvement of 10.68 per cent from 2009. Page 70
• Rolled out our new Power to Perform program aimed at improving our staff performance management processes and practices through a performance focused culture. Page 78
• Introduced PoW IP, our improved Program of Work processes and systems, to better manage our resources to respond to increasing demand for electricity supply. Page 56
• Introduced the pre-apprentice program, The Positive Power Mob Program, to provide indigenous participants with exposure to our workplace culture and the necessary skills to qualify for a linesperson apprenticeship. Page 77
• Official opening of our head office at Newstead and relocation of 1,650 employees as part of our overarching property strategy. Page 86
• Delivered a record **$550 million** Summer Preparedness Plan. Page 57
• Invested **$1.22 billion** in building, operating and maintaining our network increasing network capacity by 464 MVA. Page 54
• Completed rollout of the safety training program Zero Incident Process (ZIP) with a **98 per cent** staff participation rate. Page 45
• Achieved **better than minimum** service standards for network reliability and security. Page 48
On July 1 2010, we commenced operating under the new regulatory framework under the jurisdiction of the Australian Energy Regulator (AER) Determination. The new determination runs for five years and provides the approved level of operating and capital expenditure which we are permitted to incur during the period, and the level of revenue which can be generated from the regulated distribution business.

In 2010/11, we delivered a Net Profit after Tax result of $234.7M. This result has enabled declaration of a dividend of $187.8M.

The financial year of 2010/11 represented our first year of operating under the Australian Energy Regulator (AER) distribution determination. Financial performance exceeded targets whilst being impacted by the floods across South East Queensland, with capital expenditure reduced due to the resource requirements to address flood mitigation.

Total revenue in 2010/11 increased by 18.3 per cent compared to the previous year, with the increase being largely driven by the decision of the AER, which provides a revenue stream across the five-year determination period, to provide a return on assets employed in the business, depreciation and operating expenditure.
During the 2010/11 year there was a change in the AER regulatory determination resulting from an Australian Competition Tribunal decision which entitled ENERGEX to recover further revenue amounts in the remaining years of the 2010-2015 regulatory control period, including the year commencing 1 July 2011. However, under a direction issued by the shareholding Ministers in May 2011, we will not seek to recover the additional DUOS revenue amounts ($52.3 million) for the year commencing 1 July 2011 or to recover this foregone revenue in any future period beyond 30 June 2012.

Given the exceptional circumstances of the January 2011 floods and taking into account the commercial outcomes including our broader community and social obligations, the Board approved the withholding of the cost pass through application relating to the floods. The shareholding Ministers also issued ENERGEX a direction in June 2011 not to make a cost pass through application in relation to the floods, and accordingly, we did not seek to recover the revenue for incremental costs associated with the floods (approximately $18 million).

The value of average total assets increased by 14.6 per cent across the year, while Earnings before Interest and Tax (EBIT) increased by 29.0 per cent. The combined impact of these movements saw the Return on Assets increase from 5.8 to 6.8 per cent.

The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Interest Cover ratio declined slightly from 3.0 to 2.8 as a result of borrowing costs increasing by 31.0 per cent across the year due to an increase in the volume of debt as well as the level of interest rates. The level of debt continued to grow across the year, mainly to fund the ongoing capital expenditure program.

The level of debt increased by 16.5 per cent across the year to fund the ongoing capital expenditure program. There has been an increase in the level of equity as a result of growth in the asset revaluation reserve as well as increased retained earnings generated from increased profits.

The level of capital expenditure is slightly below the previous financial year, mainly due to resources re-directed during the year to address the impact of floods across South East Queensland. The level of capital expenditure required to satisfy customer demand was also below expectations for the year.

The value of total assets continued to grow during the year with a total year-on-year growth of 13.2 per cent which is predominantly driven by the ongoing capital expenditure program.
## Statement of Corporate Intent 2010/11

### Key Results Area

#### Safety

**Objective**
ENERGEX will achieve an injury-free workplace and will develop a workplace culture where employees take personal responsibility for their safety. Safety risk will be reduced through a targeted and structured approach to safety that delivers legislative compliance and best practice business operations.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTIFR</td>
<td>2.43</td>
</tr>
<tr>
<td>CCFRS</td>
<td>2.99</td>
</tr>
</tbody>
</table>

#### People

**Objective**
ENERGEX is committed to being an employer of choice and an organisation that its employees want to be a part of. The corporation will ensure that its workforce possesses the skills and capability to deliver business requirements, supported by a high performing and customer-focused culture. It will be driven by corporate values and will promote innovation and learning. ENERGEX will work actively with staff and unions to ensure the industrial environment provides flexibility and benefits to ENERGEX and its people.

**Actual Performance**
- Staff Engagement: 65.8%

#### Financial Performance

**Objective**
ENERGEX will deliver its regulated financial targets in a sustainable manner through improved productivity and the cost-effective delivery of electricity to retailers and services to customers. ENERGEX will pursue a series of reforms and initiatives to assist it to meet the financial expectations of its shareholders, while working within the regulatory allowances provided under the Australian Energy Regulator. Non-regulated businesses that integrate with and leverage the core business will be pursued where profitable opportunities exist.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPAT ($M)</td>
<td>234.7</td>
</tr>
<tr>
<td>Statutory ROA (%)</td>
<td>6.8</td>
</tr>
</tbody>
</table>

#### Operational Excellence

**Objective**
ENERGEX will develop best practice skills, processes and systems to support delivery of its strategic vision and associated plans and initiatives. ENERGEX will deliver commitments outlined in its Network Management Plan (NMP) and Summer Preparedness Plan (SPP) to ensure the continued operation and growth of its distribution network and the satisfaction of stakeholders. ENERGEX will deliver on its legal, compliance and corporate governance obligations.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capex Plan (NMP)</td>
<td>87%</td>
</tr>
<tr>
<td>Opex Plan (NMP)</td>
<td>99%</td>
</tr>
<tr>
<td>Key Projects</td>
<td>66%</td>
</tr>
<tr>
<td>Compliance Improvement</td>
<td>Tracking to Plan</td>
</tr>
<tr>
<td>TARGET MEASURE</td>
<td>PERFORMANCE REVIEW</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| <1.5          | There were 17 Lost Time Injuries (LTIs) during the 2010/11 year compared to 7 last year, resulting in an LTIFR outcome of 2.43. Total Days Lost due to LTIs in 2010/11 amounted to 250 compared to 69 last year and more than 320 days lost in each of the previous three years. The increase from the previous year, while significant, mainly relates to minor injuries rather than severe injuries sustained in past years. | Operational Objective to 2015/16
Delivering with safety as ENERGEX’s first corporate value. 2011/12 Operational Strategies
Target zero injuries by developing a culture of personal accountability for safety at work and outside work. |
| 3.70          | The staff survey resulted in an ENERGEX EMP tally score of 65.8% (compared to 65.9% in 2009/10) against a target of 67.0%. While the target was not achieved, the maintenance of the overall staff motivation score in a year of considerable change is encouraging. | Operational Objective to 2015/16
Build a sustainable and productive workforce that delivers strong business results. 2011/12 Operational Strategies
Be prepared for the future workforce and skill requirements of ENERGEX; and Enhance our performance focused culture by embedding Power to Perform. |
| 67.0%         | ENERGEX delivered a very strong financial result for 2010/11 with Operating Profit after Tax (OPAT) being significantly above budget. The financial performance resulted from a delay in expenditure against Network Demand Management activities as well as additional returns from non-regulated activities. Lower support costs for the business resulted from prudent management of resources while borrowing costs were below budget due to the reduced capital expenditure program which resulted in a reduction in the level of debt which would otherwise have been required. | Operational Objective to 2015/16
Deliver economic value and meet shareholder commitments. 2011/12 Operational Strategies
Exercise sound commercial judgment and ‘live within our means’; and Identify opportunities for non-regulated business by leveraging our comparative advantage and customers’ needs. |
| 185.6         | ENERGEX has delivered a substantial increase in network capability comprising an additional 998 MVA of substation capacity (compared with 378MVA in 2009/10). In addition to this, the Transmission Program added 23 additional 33kV feeders and 173 11kV feeder upgrades. All network risks associated with the summer preparedness projects in 2010/11 were addressed by either project completion or implementation of contingency plans. All risks associated with project delays have been managed with no adverse impacts on customers during the period. | Operational Objective to 2015/16
Deliver operational excellence on our Program of Work and AER commitments and deliver on legal, compliance and corporate governance obligations. 2011/12 Operational Strategies
Understand opportunities for increased efficiency through economies of scale and improvements; and Deliver the Program of Work (PoW) and AER Commitments on time and on budget. |
| Key physicals delivered to NMP plan | | |
| 6.2 | | |
### Network Performance

**Objective:** ENERGEX will continue to improve network performance and emergency response to meet customer expectations for reliability and deliver on MSS. ENERGEX’s long term aspiration is to operate an intelligent connective network and provide best practice energy solutions to customers. An increasing focus on demand management activities will be pursued to enable more effective options for delivery of electricity supply.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Service Standards</td>
<td></td>
</tr>
<tr>
<td>SAIDI – CBD</td>
<td>6.05 mins</td>
</tr>
<tr>
<td>SAIDI – Urban</td>
<td>79.75 mins</td>
</tr>
<tr>
<td>SAIDI – Rural</td>
<td>201.58 mins</td>
</tr>
<tr>
<td>SAIFI – CBD</td>
<td>0.01</td>
</tr>
<tr>
<td>SAIFI – Urban</td>
<td>0.92</td>
</tr>
<tr>
<td>SAIFI – Rural</td>
<td>2.05</td>
</tr>
</tbody>
</table>

### Customers

**Objective:** ENERGEX will maintain its focus on achieving network performance outcomes and customer service improvements to meet or exceed customer expectations. ENERGEX’s long-term aspiration is to transform into a customer-centric organisation that provides customers with greater choice in how they participate in managing their energy needs. The corporation will support customers’ increased choice options through operation of an intelligent connective network and constructive relationships with key retailers. ENERGEX will work with customers through pilots and trials to ensure customer input is gained in developing the future network options.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Performance Index</td>
<td>85%</td>
</tr>
</tbody>
</table>

### Community

**Objective:** ENERGEX aims to be recognised by the community as a good corporate citizen and a leader in sustainability. ENERGEX will engage the community in the planning and delivery of its network and strives to be a ‘good neighbour’ in relation to its assets in the community.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Regard Index</td>
<td>65%</td>
</tr>
</tbody>
</table>

### Environment

**Objective:** ENERGEX will deliver commitments within its carbon reduction plan and achieve a sustainable environmental position through implementing compliance activities and business practices that minimise harm to the environment.

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Reduction as per Carbon Reduction Management Plan</td>
<td>Tracking to Plan</td>
</tr>
</tbody>
</table>
### KEYS RESULTS AREA

**OBJECTIVE**

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Actual Performance</th>
<th>Future Challenges and Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGEX will continue to improve network performance and emergency response to meet customer expectations for reliability and deliver on MSS. ENERGEX's long term aspiration is to operate an intelligent connective network and provide best practice energy solutions to customers. An increasing focus on demand management activities will be pursued to enable more effective options for delivery of electricity supply.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Minimum Service Standards**

<table>
<thead>
<tr>
<th>Service Performance Index</th>
<th>Actual Performance</th>
<th>Future Challenges and Targets</th>
</tr>
</thead>
</table>
| >80%                      | For the 2010/11 year the Service Performance Index measured the satisfaction of customers who had actually received an ENERGEX service for the month, rather than the previous measure of a random sample of customers who may or may not have received a recent ENERGEX service. The Service Performance Index measures customer satisfaction with a broad range of service metrics and provides an aggregate indication with our service performance. | Operational Objective to 2015/16
Deliver a network that meets current needs whilst transforming to the smart network of the future. |
| >63%                      | Research indicates that the Community recognises our role in maintaining and building the network and that they see us with a primary role in providing a safe and reliable electricity supply, a primary role in power restoration following outages and storms and a key supplier of data and education for electricity safety, energy conservation and demand management. | Operational Objective to 2015/16
Maintain strong community relationships. |
| Tracking to Plan          | Carbon offsets for 2009/10 fleet and air travel emissions have now been secured. These include biosequestration through planting of native trees, Greenhouse friendly abatement credits, and Run of the River Hydroelectricity. | Operational Objective to 2015/16
Achieve a sustainable environmental position. |

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**ENERGEX** will maintain its focus on achieving network performance outcomes and customer service improvements to meet or exceed customer expectations. ENERGEX's long-term aspiration is to transform into a customer-centric organisation that provides customers with greater choice in how they participate in managing their energy needs. The corporation will support customers' increased choice options through operation of an intelligent connective network and constructive relationships with key retailers. ENERGEX will work with customers through pilots and trials to ensure customer input is gained in developing the future network options.

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**Operational Objective to 2015/16**

Deliver a network that meets current needs whilst transforming to the smart network of the future.

**2011/12 Operational Strategies**

Prepare for the future network transformation through smart network pilots and technology upgrades; and Deliver excellence in Network Performance.
Future challenges

- Perform core business functions effectively, maintain operational control and position ENERGEX as a preferred employer with a continued focus on safety, people, culture, processes and systems.
- Identify and implement opportunities to improve performance and delivery by focusing on operational excellence, step changes in economies of scale and developing additional profit streams.
- Transition to a more intelligent, capable and connective network that meets future requirements and provides improved value for customers by harnessing demand and network prices, integrating technical advances and delivering to customer choice and performance expectations.
Our people are committed to ethical and responsible decision making and we have in place a suite of governance policies to assist with these decisions.
The 2010/11 financial year has been a defining one for ENERGEX. I am proud that in a challenging environment signified by severe weather and regulatory reform, ENERGEX has still delivered a good result for our shareholders, customers, and the community in general.

The onset of wild weather in January presented significant challenges to the communities we serve and to our own network and staff. These challenges were met with an enthusiasm and commitment that, as Chairman of the company, is pleasing to see and consistent with my view of ENERGEX as a responsive and professional organisation. Most importantly, these challenges were met safely with no electrical injuries to our employees or the community. The value of this achievement can never be overstated.

During these floods, we incurred approximately $40 million in operating and capital costs. Due to growing price and cost pressure on customers coupled with the additional costs customers would bear to rebuild other major infrastructure in South East Queensland, the Board decided that ENERGEX would bear the additional costs resulting from the floods. Subsequently, the Queensland Government also gave us a direction to not pass on these costs to the community.

Despite the absorption of these costs, we still achieved a strong financial performance for the year.

Whilst our financial performance has been strong, we are mindful of our need to continue to provide our community with value for money and find meaningful ways to sustainably reduce our costs.
We are now into our second year of the current regulatory price reset, and the first reset administered by the Australian Energy Regulator (AER). The AER has recently announced a request for a number of changes to the National Electricity Rules as a result of its experiences derived from this first round of regulatory reviews, with the aim of providing further protection for consumers. While there is a fundamental need to invest in the networks to meet rising electricity demand, replace ageing assets and maintain reliability, the AER considers the rules need to be improved to ensure that consumers are paying electricity costs commensurate with the levels of service provided by companies like ENERGEX.

We have considered the AER’s position through our strategy of an optimum network investment model. This model is a three pronged approach that balances the need to expand our network to keep pace with demand, while promoting energy efficiency and demand management initiatives to reduce our peak demand, and ensuring any future network can support our ‘smart network’ vision. We believe that these initiatives will be in line with the stated policy objectives of the AER.

As part of our vision for a smarter, more efficient network and to proactively reduce the peak demand forecast, projected at a 71 per cent increase by 2020, we are taking a proactive approach by investing more than $1.13 million into our energy conservation and demand management strategy over five years.

During the year, we partnered with fellow Queensland Government-owned energy companies Ergon Energy and Powerlink to commission a survey into Queensland household energy consumption. This survey of more than 3,500 Queenslanders shows that, among other things, three out of four homes now have air conditioning, which is an increase of more than 150,000 homes in the past 12 months.

Through this survey, we can better understand the energy consumption patterns of our customers and predict future trends. This information affirms that our current planning strategies are adequate to deal with these trends while providing insight into future customer behaviour to avert peak demand issues.

Our target is to achieve real peak demand reductions over the next five years totalling 144 megawatts from current demand forecasts: the equivalent of one third of the power used on the Sunshine Coast on a normal summer’s day. By achieving better utilisation of network assets, the benefits can ultimately be passed to electricity consumers through efficient network prices.

While we still have a long way to go, our work has been recognised in the Australian Alliance to Save Energy’s Report of the 2010 Survey of Electricity Demand Management in Australia. According to the report, Queensland is leading the way in peak demand management and for 2010/11 was the largest contributor to peak demand reduction of any state for the three-year survey period, contributing more than 90 per cent of the total national reduction. More specifically, ENERGEX was recognised as providing the second highest company-contribution to the total national reduction behind Ergon Energy.

Independently of our work to reduce peak demand, South East Queenslanders have responded positively to the Federal and State Governments’ incentives to encourage renewable energy use, with significant growth in the number of solar PV systems being connected to our supply network. This unprecedented growth of more than 300 per cent has created pressure on our financial, human and technical resources, and whilst solar PVs contribute to the production of clean energy, they do nothing for offsetting peak demand and its effect on network resources.

In 2010/11, more than 70,000 solar PV systems have been connected to the ENERGEX network, which has come at a cost of more than $15 million to the company through metering and feed-in tariff charges. This has placed a significant strain on our staffing and technical resources as we try to balance the resources required to connect the systems with those required to build and maintain our electricity network. We also need to cope with an influx of electricity generated back into our network from these systems.

As we look forward, our priorities in the year ahead will be to achieve further gains from our optimum network investment model while focusing on our demand management and energy conservation strategies. By achieving this, we will be better placed to respond to issues around tariff changes, carbon tax and price pressures from the community.

External pressure to keep our costs down and to minimise our impact on future electricity price increases will drive our need to continue to invest wisely in our network while ensuring it can meet South East Queenslanders’ future needs.

Yet, through all of this, there is one constant that has, and always will be, a key focus for the company. That constant is safety. The safety of our staff and our community drives everything we do. While our safety statistics for 2010/11 are slightly higher than the previous year, we are still tracking at best practice standards and will continue to focus on improvements in the years ahead.

Finally, I want to thank our management and employees for another successful year in the face of enormous challenges. As I travel across Queensland, I am overwhelmed by the appreciation held for our ENERGEX staff from Queenslanders in all areas not just those living in South East Queensland. Through our efforts in Cyclone Yasi earlier this year, people in Far North Queensland have appreciated first hand the efficiency and helpfulness of our staff.

The challenges are sure to continue in 2011/12, but I believe we are in a position to meet them successfully at all levels. Key to this success will be the commitment of our staff coupled with well thought out company strategies that respond to our market conditions.

John Dempsey
ENERGEX Chairman
John Dempsey
Chairman, ENERGEX Limited Board
ACIS, FIPA, Grad Dip Acctg and Fin Mangt, Grad Dip Ag Econ, GAICD
In June 2008, John Dempsey was appointed Chairman after acting in the position since 1 January 2007.
John was first appointed as a non-executive Director of the ENERGEX Limited Board in July 1999. He is a member of the Board’s Audit Committee and a member of the Network and Technical Committee.
He is also a Member of the Executive Committee of the Multiple Sclerosis Society of Queensland. Formerly Deputy Mayor of the City of Cairns, he contributed to the development of the Management of the Wet Tropics World Heritage Area listing as Chairman of the Community Consultative Group.
He has had extensive experience in the Queensland rural industry and was an inaugural member of the Sugar Industry Tribunal in 1991, where he remained for six years. Until recently John conducted a public accountancy practice in Brisbane, and has more than 30 years’ experience in the field. He is an Associate of the Institute of Chartered Secretaries and also holds postgraduate diplomas in Accounting and Financial Management and in Agricultural Economics and is a Graduate of the Institute of Company Directors.

Mary Boydell
Director
BCom, FCA, MAICD
Mary Boydell was appointed a non-executive Director of the ENERGEX Limited Board in July 2005. Mary chairs the Risk and Compliance Committee and is a member of the Audit Committee.
She is a Chartered Accountant with extensive board experience in the private and public sectors combined with senior management roles in commerce and the accounting and legal professions.
Mary is currently Commissioner of the Queensland Water Commission, Chairperson of the Gladstone Area Water Board, Board Member of the CSIRO, Member of the Surat Basin Engagement Group, Director of Uniquest Pty Limited and a Director of UATC Pty Ltd. Mary has previously served as the Chairperson of the Rural Industries Research & Development Corporation, as a Director of the Australian Trade Commission (Austrade), Burnett Water Pty Ltd and BSES Limited, as a Board Member of the Queensland Bulk Water Supply Authority and as an external adviser to Board Audit Committees in the public and private sectors. She is a former Chairman and Member of the Queensland Regional Council of the Institute of Chartered Accountants in Australia.

Major General (Retired) Peter Arnison AC, CVO
Director
BEC, D Laws UQ, D Univ QUT, D Univ Griffith, D Letters USQ, D Univ SCU,
Peter Arnison was appointed a non-executive Director of the ENERGEX Limited Board in December 2004. He chairs the Network and Technical Committee and is a member of the Risk and Compliance Committee.
Peter served for 37 years in the Australian Army in a variety of Infantry command appointments, retiring as Land Commander, Australia, in June 1996.
He was appointed Queensland’s 23rd Governor, serving from July 1997 to July 2003.
He is Chancellor of Queensland University of Technology; Chairman of The Centre for Military and Veterans’ Health; Chairman of the Brisbane Airport Community Aviation Consultation Group; and a Director of the Australian Multicultural Foundation.
In 2011, Peter chaired the Brisbane City Council Flood Response Review Board.
Emeritus Professor
Mat Darveniza AO, FTSE

Director
BE, PhD, DEng, Hon DSc, FIEAust, FIEEE, LIVA

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

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


John Geldard

Director
BCom, BE, CPA FAICD

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

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

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

John is a Director of Energy Super (formerly ESI Super) and is a previous Deputy Member of the Queensland Treasury Corporation Board.
Ron Monaghan

Director
BA

Ron Monaghan was appointed a non-executive Director of the ENERGEX Limited Board in May 2008. Ron is Chairman of the Remuneration Committee and a member of the Audit Committee. Ron has extensive experience in industrial relations and is the General Secretary of the Queensland Council of Unions. Ron has previously been a Director of Intrust Super and currently holds Directorships on the Sunsuper and WorkCover Boards and is a member of the ACTU Executive.

Kerryn Newton

Director
LLM, MBA, MA, Grad Dip (Applied Finance and Investment), FAcc, APIM

Kerryn was appointed as a non-executive Director of the ENERGEX Limited Board in October 2008. She is a member of the Risk and Compliance Committee and the Remuneration Committee. Kerryn was admitted as a solicitor of the Supreme Court of Queensland in 1991 and has worked in various legal and management roles in the private and public sectors. Her roles have included extensive experience as a lawyer and advisor for the Queensland Parliament and its parliamentary committees.

Over the last decade, Kerryn has chaired the boards of numerous not-for-profit companies in the child care, aged care and housing sectors.

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

Terry Effeney

Chief Executive Officer
BE (Hons), B(Econ), MEng, GAICD, RPEQ

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

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

Terry is Deputy Chair of Energy Networks Association (ENA) and Chair of ENA’s Smart Networks Committee.
Michael Russell
Director Corporate Governance and Company Secretary
BE, MBA, Grad Dip AppCorpGov, GAICD, ACIS, MIEAust, CPEng

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

In October 2007, he was appointed as General Manager Corporate Governance and in November 2010 he became Director Corporate Governance and Company Secretary.

Michael joined the organisation when it was operating as SEQEB in 1984 and has held various engineering and management positions. In the last 12 years, his expertise in corporate governance has been developed through responsibilities that included the management of significant ENERGEX investments in a listed telecommunications company and in Ceramic Fuel Cells Limited.

Marnie White
Secretariat and Governance Manager
Company Secretary
BA, LLB, Grad Dip LP, Grad Dip App Corp Gov, ACIS

Marnie White was admitted as a solicitor in July 2000 and practiced in a national law firm before joining ENERGEX as Legal Counsel Network in 2005. She was appointed as Secretariat and Governance Manager (Assistant Company Secretary) in December 2007. In 2009, she completed the Graduate Diploma in Applied Corporate Governance through Chartered Secretaries Australia.
As a Government Owned Corporation (GOC), we report against the Corporate Governance Guidelines for Government Owned Corporations (the guidelines) issued by the Queensland Government.

The guidelines reference the ASX Corporate Governance Principles and Recommendations and provide the framework for all GOCs, including ENERGEX, to develop, implement, review and report on their corporate governance arrangements.

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

During the year, we implemented improvements to our governance framework in response to the changing legislative environment including the updated Competition and Consumer Act 2010 (Cth) (formerly called the Trade Practices Act 1974) and the Public Interest Disclosure Act 2010 (Qld).

We have responded to these legislative changes through amendments to our governance framework which has and will include the introduction of compliant processes, policy amendments and training programs for staff.

Highlights
During 2010/11, we enhanced our governance framework through:

• further expanding and updating the ENERGEX Corporate governance website to comprehensively document our governance framework
• responding to legislative change through updating our frameworks to implement application of the new Public Interest Disclosure Act 2010 (Qld) to Government Owned Corporations and the revised Competition and Consumer Act 2010 (Cth) (formerly the Trade Practices Act 1974)
• further enhancing the governance framework to support business management and decision making.

Principle 1 – Foundations of management and oversight

Board Charter

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

Board Committees

The Board has established four committees to oversee a range of specialist issues on its behalf.

Following the Board’s performance evaluation in June 2010, the Board reviewed its committee structure. Effective 1 October 2010, the Audit and Compliance Committee was renamed the Audit Committee and its responsibilities were amended to primarily oversee effectiveness of internal control, integrity and corporate assurance. The Corporate Development Committee was renamed the Risk and Compliance Committee to have oversight of risk and compliance management activities. The duties and responsibilities of the Network and Technical Committee and the Remuneration Committee remained unchanged. However, membership of each committee was also reviewed.

The register of Board Committees, including a summary of their roles and revised memberships, is set out on pages 33-34. Management has also established a number of committees to support the governance of ENERGEX and each committee’s role is defined in a Charter.
Board Handbook

Our Directors’ and Officers’ Handbook is distributed to new directors and is used as an integral part of their induction process. The Handbook defines the Board governance systems and supports directors and senior managers in their governance responsibilities. It also facilitates Board operations and self-evaluation processes.

Directors’ induction

New directors attend a structured induction session to provide them with an overview of our operations and information on the Board and Committee functions. The induction assists the directors to understand their roles and responsibilities as an ENERGEX Director and to understand our business and corporate expectations. The induction process is also relevant to new senior executives to allow them, at the earliest opportunity, to participate fully and actively in management decision making.

During 2010/11, the induction process was enhanced through the introduction of a rolling induction providing information, mentoring and training over time to suit the needs of the individual director or senior executive.

Assessing senior management performance

Power to Perform is the comprehensive and formal performance management program for all employees. The program includes individual executive performance agreements based on the achievement of well-defined Key Result Areas (KRAs) and Key Performance Indicators (KPIs) involving corporate, commercial and personal goals. For further information on Power to Perform, see Principle 8.

The Board assesses the performance of the Chief Executive Officer and oversees the assessments of Senior Executives undertaken by the Chief Executive Officer.

Principle 2 – Structure the Board to add value

Our directors

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

Our Board continually assesses the ongoing independence of each director, with reference to the materiality thresholds (relationships affecting independence status) in the ASX Corporate Governance Principles and Recommendations (2nd edition, with 2010 amendments).

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

Details of directors’ skills, experience and expertise relevant to their position are set out on pages 21-24. The terms of office held by each director at the date of this report, including the date each director’s appointment expires are set out in the Financial Report. Their attendances at Board and Committee meetings are also set out in the Financial Report.

Directors’ access to advice and training

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

Assessing Board performance

Our Board performance evaluation is completed on a biennial basis by an independent consultant (the last evaluation was completed in June 2010). The 2010 evaluation, based on a high performance Board model, showed that the Board is highly committed, cohesive and appropriately skilled to carry out its duties in an effective manner. The review identified some minor improvement opportunities in areas such as the induction process for new directors, stakeholder engagement and clarifying the role of one of the Board committees. In early 2010/11, a written report was provided to the shareholding Ministers outlining the results of the evaluation.

Following the recommendations set out in the evaluation, the Board reviewed its Board Committee structure, restructuring the “Audit and Compliance Committee” as the “Audit Committee” and the “Corporate Development Committee” as the “Risk and Compliance Committee”. The revised committees provide an improved focus on, and oversight of, assurance and risk and compliance activities in the business.
Principle 3 – Promote ethical and responsible decision making

Highlights

• We achieved a Corporate Responsibility Index score of 86 per cent (a silver award) for 2009/10 (page 70), an increase from 75.32 per cent in the previous year.

• A summary of our achievements in corporate social responsibility is set out on page 70.

Key governance policies

We are committed to ethical and responsible decision making and have in place a suite of governance policies to establish this framework. These include the Code of Conduct, Compliance Policy, Fraud Control Policy, Delegation of Authority Policy, Conflict of Interest Policy, Public Interest Disclosure Policy, Lobbying Policy, Reportable Gifts Policy and Purchasing Policy, and the ENERGEX Purchasing Manual. We also reviewed our Entertainment and Hospitality Policy to provide better guidance to staff on appropriate expenditure and to clarify alignment of the policy with the standards set by the government. These policies apply to our Board and all personnel and are advocated through a top down approach by our Board and senior management. Additional obligations of directors are set out in the ENERGEX Board Charter and the Directors’ and Officers’ Handbook.

Code of Conduct

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

The Board Charter includes a Directors’ Code of Conduct to assist the Board in its decision making process. Our advisers, consultants and contractors are expected to comply with high ethical standards aligned with the Code of Conduct. Our contracts with suppliers outline the expectations of the Code of Conduct. A summary of the main provisions of the Code of Conduct is available on our website at www.energex.com.au/about-us/we-are-energex/our-code-of-conduct.

Reporting breaches of governance policy

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

We have in place a policy setting out the requirements of the Public Interest Disclosure Act 2010 and Public Interest Disclosure Standard, which facilitate the disclosure, in the public interest, of information about any wrongdoing in the corporation and to provide protection for those who make public interest disclosures. A copy of our Public Interest Disclosure Procedure is available on our Publication Scheme website under ‘Policies’ at www.energex.com.au/about-us/right-to-information/publication-scheme.

Trading policy

As our company is government owned, no director or employee holds or trades securities in any ENERGEX Group Company. Our Conflict of Interest Policy includes a Restricted Trading Register, which supplements the legal duties which apply to directors, officers and employees relating to the misuse of information or position and insider trading laws. A summary of this policy is available on our Publication Scheme website under ‘Policies’ at www.energex.com.au/about-us/right-to-information/publication-scheme.

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

Our Board has in place the Audit Committee, comprised of independent directors, which oversees matters of financial integrity. Its duties and responsibilities are set out in its charter which is available on our Publications Scheme website under ‘About Us’ at www.energex.com.au/about-us/right-to-information/publication-scheme.

During 2010/11, the role of the Audit Committee confirmed its focus on:

• financial integrity
• assurance over business operations
• effectiveness of control framework
• ethics and integrity.

The role of Chairman of the Committee is not held by the Chairman of the Board. Membership of the committee is disclosed on page 33. Details of members’ qualifications are included in profiles on pages 21-24. Attendance at meetings is disclosed in the Financial Report.

Internal Audit

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

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External audit
In accordance with the provisions of the GOC Act, the Queensland Auditor-General is the external auditor for ENERGEX Limited and its subsidiaries. The Audit Committee reviews the performance of the external auditors on an annual basis.

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

Principle 5 – Make timely and balanced disclosure
We adopt a broad approach to disclosure. We take into consideration the obligations set out in the GOC Act, relevant policies and other legislation in order to ensure accountability to the shareholding Ministers, who are in turn accountable to Parliament. Our shareholding Ministers have access to material information concerning our company including our operations, financial performance, financial position and governance of our company and its subsidiaries. This requirement is similar to the continuous disclosure obligations which apply to listed companies under the ASX Listing Rules.

In addition to submissions on specific matters, including regular briefing notes, we provide a quarterly report to the shareholding Ministers.


Principle 6 – Respect the rights of shareholders
Reporting to our shareholders
We report in a timely manner on all issues likely to have a significant financial, operating, social or environmental impact in accordance with our obligations under legislation and government guidelines. We work cooperatively with the shareholding Ministers on these issues. Our Chairman is the principal liaison officer with the shareholding Ministers, both on a formal and informal basis, and meets regularly with the Portfolio Minister. Our CEO and certain managers and employees liaise with representatives of shareholder departments on a regular basis. Management seeks the approval of our shareholding Ministers for projects in accordance with the GOC Act and GOC policy guidelines.


Our dividend policy
Between 1 and 16 May each financial year, our Board makes a dividend recommendation to our shareholding Ministers in accordance with section 131 of the GOC Act. The 2010/11 dividend recommendation was 80 per cent of Operating Profit After Tax (OPAT) and is payable by 31 December 2011.

During the year, our shareholding Ministers approved an amendment to the ENERGEX Limited Constitution to align our dividend procedure to the amendments in the dividend rule in the Corporations Act 2001.

Our revised constitution is available on our Publication Scheme website under ‘About Us’ at www.energex.com.au/about-us/right-to-information/publication-scheme

Our staff are required to work in accordance with our Code of Conduct, which sets the standard for how we operate in accordance with business ethics, social objectives, corporate values and associated policies.
Principle 7 – Recognise and manage risk

Our risk management practices recognise and manage all risks in delivering balanced commercial outcomes.

Highlights

- We transitioned to a new Board sub-committee structure that included the newly chartered Risk and Compliance Committee. This committee is intended to uplift the Board-level oversight of risk within the company.
- Our capability to withstand severe business disruption was proven by the response to the floods across South East Queensland in January 2011. In terms of managing business continuity risks, we were able to relocate 11 critical functions from their primary workplace to designated backup locations within 24 hours. There, they continued to service the needs of our business and customers.
- Our Corporate Risk and Compliance Group delivered a tertiary-accredited training course in Fundamentals in Risk and Compliance to business unit leaders.
- We adopted the end-to-end model for managing compliance (see Figure 2).
- The Corporate Compliance Plan successfully delivered key activities and initiatives across the whole of our business in relation to the end-to-end compliance management model.
- Risk management activities were fully integrated with business planning to ensure that the context of risk management is retained throughout the course of all business decisions.
- New legislation implemented effectively, in particular, the Competition and Consumer Act 2010 (formerly called the Trade Practices Act 1974).

Risk management systems

Throughout the 2010/11 year, we continued to operate using the principles of AS/NZS ISO:31000 2009 as the guiding framework for managing risk. We utilise this Standard (together with Australian Standard AS 3806 – Compliance Programs) to manage a diverse and complex range of significant risks and enterprise-based risk management and compliance management frameworks. This standard has been implemented throughout the organisation to ensure material risks and compliance obligations are identified and appropriately managed.

The multitude of risks we manage includes network, financial, operational, people, strategic and commercial risks. Details of those risks and the type of controls in place are set out in risk registers managed by each division. Accountabilities within the Enterprise Risk Management (ERM) Framework are explained below:

(a) Our Board maintains oversight of the ERM Framework’s effectiveness through its Risk and Compliance Committee, which has oversight of:
- the risk management framework, policies, control processes and reporting mechanisms
- the compliance management framework, policies, control processes and reporting systems
- regulated business framework and controls
- non-regulated business activities and divestments.

(b) The Audit Committee provides assurance that the corporation is properly meeting its obligations in relation to:
- financial integrity
- assurance over business operations
- effectiveness of control framework
- ethics and integrity.

FIGURE 2: END-TO-END MODEL FOR MANAGING COMPLIANCE

Know obligations

- Demonstration that compliance obligations are identified and understood

Embed obligations

- Controls systems embedded into business processes to manage compliance obligations

Manage accountability

- Proactive management of compliance obligations is demonstrated

Assurance

- Adequate and effective operation of control systems is evidenced
(c) Our Executive Management Team has active risk management responsibilities. Material business risks and compliance incidents, and the effectiveness of their management, are continuously monitored and reported to the Board monthly through these channels.

(d) Our Corporate Risk and Compliance Group supports the Risk and Compliance Committee in the discharge of its governance responsibilities through the maintenance of the Enterprise Risk Management Framework and implementation of a Corporate Compliance Framework.

Internal control framework

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

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

The internal control framework is comprised of policies and procedures including compliance training and assurance processes to ensure the affairs of the organisation are being conducted in accordance with relevant legislation, regulations and codes of practice. These procedures also ensure that Executive Management and the Board are made aware, in a timely manner, of any material matters affecting our operations and the effectiveness of management of those risks.

Fraud control

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

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

Public Interest Disclosures

The Public Interest Disclosure Act 2010 commenced on 1 January 2011, reforming the Whistleblowers Protection Act 1994. Elements of the new Act apply to GOCs including ENERGEX. The Act facilitates protection for those who make public interest disclosures of information about wrongdoing in the public sector. We have established procedures to ensure that public interest disclosures are properly assessed and, when appropriate, properly investigated and dealt with. The procedures also afford protection from reprisals to persons making public interest disclosures in compliance with the Act. We support staff who notify management of inappropriate or corrupt behaviours by another employee and will take action to protect those who raise a concern in good faith.
Principle 8 – Remunerate fairly and responsibly

Highlights

- The performance management program, Power to Perform, was implemented on 1 July 2010 and has completed the first annual cycle of its application across the business.

Remuneration Committee

The Remuneration Committee of the Board oversees employee remuneration and performance policy. Membership of the committee is set out on page 33. The committee’s charter sets out the roles and responsibilities of committee members and is available on our Publication Scheme website under “About Us” at www.energex.com.au/about-us/right-to-information/publication-scheme.

Remuneration policy

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

We also have a comprehensive suite of procedures and policies to govern remuneration practices in accordance with GOC guidelines. Senior executive remuneration is disclosed in the Financial Report (in accordance with accounting rules and government guidelines). Directors’ remuneration is established independently by the shareholding Ministers and is approved by the company in a general meeting in accordance with the company’s constitution. Directors’ remuneration is disclosed in the Financial Report.

Assessing performance

To reinforce our performance-based culture, we offer an annual performance pay scheme which is linked to our KRAs and KPIs. During 2010/11, we measured progress towards the achievement of our vision and purpose through success against nine KRAs and KPIs.

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

Legislative framework

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

Safety
- Electrical Safety Act 2002 (Qld) & Electrical Safety Regulation 2002 (Qld)
- Dangerous Goods Safety Management Act 2001 (Qld)
- Workplace Health and Safety Act 1995 (Qld) & Workplace Health and Safety Regulation 2008 (Qld)

Operational
- Building and Construction Industry Payments Act 2004 (Qld)
- Competition and Consumer Act 2010 (Cth)
- Information Privacy Act 2009 (Qld) & Information Privacy Regulation 2009 (Qld)
- Integrated Planning Act 1997 (Qld)
- Land Title Act 1994 (Qld)
- Privacy Act 1988 (Cth)
- Property Law Act 1974 (Qld)
- Queensland Building Services Authority Act 1991 (Qld) & Queensland Building Services Authority Regulation 2003 (Qld)
- Right to Information Act 2009 (Qld) & Right to Information Regulation 2009 (Qld)

Regulatory
- Electricity Act 1994 (Qld) & Electricity Regulation 2006 (Qld)
- National Electricity Law as set out in the schedule to the National Electricity (South Australia) Act 1996 & Electricity – National Scheme (Queensland) Act 1997 & National Electricity (Queensland) Regulations under the National Electricity (South Australia) Act 1996
- National Electricity Rules
- Queensland Competition Authority Act 1997 (Qld) & Queensland Competition Authority Regulation 2007 (Qld)
- Queensland Electricity Industry Code

Environment
- Environmental Protection Act 1994 (Qld) & Environmental Protection Regulation 2008 (Qld) & Environmental Protection (Waste Management) Regulation 2000 (Qld)
- National Greenhouse & Energy Reporting Act 2007 (Cth)
- Nature Conservation Act 1992 (Qld)
- Sustainable Planning Act 2009 (Qld) & Sustainable Planning Regulations 2009
- Vegetation Management Act 1999 (Qld)

People
- Anti-Discrimination Act 1991 (Qld)
- Crime and Misconduct Act 2001 (Qld) & Crime and Misconduct Regulation 2005 (Qld)
- Fair Work Act 2009 (Cth) & Fair Work Regulations 2009 (Cth)
- Public Interest Disclosure Act 2010 (Qld)
- Workplace Relations Act 1996 (Cth) & the associated National Employment Standards and Award Modernisation Process

Corporate
- Corporations Act 2001 (Cth)
- Government Owned Corporations Act 1993 (Qld) & Government Owned Corporations Regulation 2004 (Qld)

Finance
- A New Tax System (Goods and Services Tax) Act 1999 (Cth)
- Income Tax Assessment Act 1936 (Cth) & Income Tax Assessment Act 1997 (Cth)
ENERGEX is a public, unlisted company with two shareholding Ministers who hold the shares on behalf of the State of Queensland. Our shareholding Ministers, as at 30 June 2011 were:

- The Hon. Rachel Nolan MP, Minister for Finance, Natural Resources and The Arts, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares
- The Hon. Stephen Robertson MP, Minister for Energy and Water Utilities, holding the remaining 50 per cent of the voting shares.

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

The CEO, CFO and Executive General Managers from each division attend the Executive Management Team meetings.

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

Refer to the Register of Boards and Committees on page 33 for details of directors and each Board and committee’s responsibilities and key governance arrangements.
## Our corporate governance framework and organisational structure

### Register of Boards and Board Committees

<table>
<thead>
<tr>
<th>MEMBERSHIP</th>
<th>KEY ACCOUNTABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENERGEX LIMITED</strong></td>
<td></td>
</tr>
<tr>
<td>• Mr John Dempsey (Chairman)</td>
<td>• Responsibilities under section 88 of the GOC Act</td>
</tr>
<tr>
<td>• Maj. Gen. Peter Arnison</td>
<td>• Provides the overall strategic direction of the corporation</td>
</tr>
<tr>
<td>• Ms Mary Boydell</td>
<td>• Approves the Statement of Corporate Intent, Corporate Plan,</td>
</tr>
<tr>
<td>• Emeritus Prof. Mat Darveniza</td>
<td>Network Management Plan and Demand Management Plan</td>
</tr>
<tr>
<td>• Mr John Geldard</td>
<td>• Oversees effective governance, leadership and management</td>
</tr>
<tr>
<td>• Mr Ron Monaghan</td>
<td>• Monitors safety, environmental and financial performance</td>
</tr>
<tr>
<td>• Ms Kerryn Newton</td>
<td>• Informs shareholding Ministers of the operations, financial performance</td>
</tr>
</tbody>
</table>

All directors, including the chairman, are independent, non-executive directors.

### SUBSIDIARY BOARDS

The subsidiary Boards are comprised of Executive Directors from the Executive Management Team (in most cases the CEO, CFO and Executive General Manager Customer Services).

• Subsidiary companies were established to manage a number of ENERGEX’s unregulated business activities.

### AUDIT COMMITTEE

Effective 1 October 2010, the Audit and Compliance Committee was renamed the Audit Committee. Its members are:

• Mr John Geldard (Committee Chair)
• Mr John Dempsey
• Mr Ron Monaghan
• Ms Mary Boydell

The role of the Committee Chairman is not held by the chairman of the ENERGEX Limited Board.

The internal and external auditors attend committee meetings by way of standing invitation.

### NETWORK AND TECHNICAL COMMITTEE

• Maj. Gen. Peter Arnison (Committee Chair)
• Emeritus Prof. Mat Darveniza
• Mr John Dempsey

Recommendations strategy and approaches to the Board on network and technical issues

• Provides oversight of ENERGEX’s approach to network standards and technological innovation
• Provides oversight of ENERGEX’s fulfilment of its commitments under the Network Management Plan to provide a reliable, safe and cost effective electricity supply.

### REMUNERATION COMMITTEE

• Mr Ron Monaghan (Committee Chair)
• Emeritus Prof. Mat Darveniza
• Ms Kerryn Newton

The Remuneration Committee provides oversight and recommendations to the Board on:

• Strategic remuneration and employment matters including Board approved policies and remuneration and workplace agreement frameworks
• The senior executive succession planning
• ENERGEX’s obligations in relation to remuneration, superannuation and employment matters under law and government policy
• Directors’ skills, induction program and performance reviews.

### RISK AND COMPLIANCE COMMITTEE

Effective 1 October 2010, the Corporate Development Committee was renamed the Risk and Compliance Committee. Its members are:

• Ms Mary Boydell (Committee Chair)
• Mr John Geldard
• Maj. Gen. Peter Arnison
• Ms Kerryn Newton

Considers and advises the Board on:

• The risk management framework, policies, control processes and reporting mechanisms
• Compliance management framework, policies, control processes and reporting systems
• Regulated business framework and controls
• Non-regulated business activities and divestments.
SIGNIFICANT MATTERS DURING 2010/11

KEY BOARD DECISIONS

- Oversight of ENERGEX’s safety and environmental performance
- Oversight of the Program of Work including the approval of network projects and procurement contracts exceeding the CEO’s delegation of authority
- Oversight of the company’s financial performance including the approval of the ENERGEX Financial Statements
- Approval of the Statement of Corporate Intent, Corporate Plan, Network Management Plan, Demand Management Plan and Summer Preparedness Plan
- Oversight of the process for the completion of, and relocation to, the Newstead office building.
- Oversight of ENERGEX’s response to the Queensland floods and Tropical Cyclone Yasi.

- Divestment of non-core assets
- Deregistration of Service Essentials Pty Ltd (the former retail billing entity, jointly owned by ENERGEX and Ergon Energy)
- Strategic management of unregulated business opportunities.

KEY GOVERNANCE ARRANGEMENTS

The attendance of the directors at meetings of the Board is presented in the Directors’ Report section in the Financial Report.

The ENERGEX Limited Board has a Constitution and Board Charter including a Directors’ Code of Conduct.

SUBSIDIARY B OARDS

Subsidiary governance aligns with the ENERGEX Limited standards.

The Risk and Compliance Committee maintains oversight of the unregulated businesses on behalf of the Board.

Where dormant and no longer required, subsidiaries have been voluntarily wound up or deregistered.

COMMITTEE RECOMMENDATIONS AND OVERSIGHT

(IN ADDITION TO STANDING COMMITTEE RESPONSIBILITIES)

Oversight of:
- The financial performance of the company
- The preparation of the ENERGEX Limited Financial Statements, including endorsement to the Board for approval
- Internal and external audit activities
- Ethical standards including the ENERGEX Code of Conduct.

Oversight of:
- Preparation of the Network Management, Demand Management and Summer Preparedness Plans
- Network operating and maintenance initiatives
- Development and application of technology strategies
- The impact of the South East Queensland floods on customers, the network and the Program of Work.

Oversight of:
- Workforce planning including the promotion of equity and diversity in ENERGEX
- Review of employment policies and frameworks aligned with legislative and GOC policy requirements
- Establishing corporate and CEO performance targets and oversight of the performance review process
- Staff survey methodology and results
- Senior executive succession planning and recruitment
- Enterprise bargaining negotiation framework and process.

Oversight of:
- Strategic review of remaining unregulated businesses including divestments and transition processes as appropriate
- Assessing the effectiveness of ENERGEX’s treasury, risk management, compliance and governance policies
- Oversight of the Enterprise Risk Management Framework, Compliance Framework, Corporate Risk Profile and reporting
- Oversight of the resilience of ENERGEX’s operations during the 2011 floods
- Oversight of the Corporate Compliance Plan and Corporate Reporting.

Committee governance:
- A Charter is in place (reviewed annually) for each committee and is available on our Publication Scheme website under ‘About Us’ at www.energex.com.au/about-us/right-to-information/publication-scheme
- Charters set out the specific duties (to provide oversight on behalf of, and recommendations to, the Board in relation to specific matters) and governance arrangements
- The Chief Executive Officer and senior executives are invited to committee meetings at the discretion of the committee
- Committees may seek assistance in carrying out their duties by engaging suitably qualified external advisers
- The qualifications of each committee member is presented in the directors’ profiles on pages 21-24, and their attendance at meetings is presented in the Directors’ Report in the Financial Report.
### ENERGEX’S EXECUTIVE MANAGEMENT OF CORPORATE RESPONSIBILITY AREAS

<table>
<thead>
<tr>
<th>CORPORATE RESPONSIBILITY INDEX AREA</th>
<th>COMMITTEE</th>
<th>CHAIR</th>
<th>KEY RESPONSIBILITIES FOR 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community and overall corporate responsibility</td>
<td>Executive Management Team</td>
<td>Terry Effeney, Chief Executive Officer</td>
<td>Oversee ENERGEX business operations Management and monitoring of material business risks and compliance incidents</td>
</tr>
<tr>
<td></td>
<td>Corporate Sponsorship Committee</td>
<td>Peter Weaver, Executive General Manager Customer Services</td>
<td>Monitoring of the ENERGEX Sponsorship Policy Approval of key sponsorships based on ENERGEX Sponsorship Policy</td>
</tr>
<tr>
<td>Environment</td>
<td>Environment Council</td>
<td>Chris Arnold, Executive General Manager Network Performance</td>
<td>Monitoring of our environment performance Development and monitoring of our Environmental Strategy and Plan</td>
</tr>
<tr>
<td></td>
<td>Energy Conservation and Demand Management (EC + DM) Steering Committee</td>
<td>Chris Arnold, Executive General Manager Network Performance</td>
<td>Monitoring EC&amp;DM Plan Development of EC&amp;DM Strategy</td>
</tr>
<tr>
<td>Human rights and workplace – employee issues</td>
<td>People Committee</td>
<td>Susan Kehoe, Executive General Manager Human Resources</td>
<td>Oversee the 2010/15 People Strategy</td>
</tr>
<tr>
<td>Marketplace – supply chain</td>
<td>Investment Review Committee</td>
<td>Terry Effeney, Chief Executive Officer</td>
<td>Review and endorse/reject project business proposals, business cases and project variations Prioritise the Business Change Portfolio</td>
</tr>
<tr>
<td></td>
<td>Financial Risk Management Committee</td>
<td>Darren Busine, Chief Financial Officer</td>
<td>Provides oversight of financial risk management across the business with specific responsibilities including monitoring financial risk management policies and procedures to determine that appropriate internal control processes have been implemented to address key risks</td>
</tr>
<tr>
<td></td>
<td>ENERGEX Community Consultation Committee</td>
<td>Peter Weaver, Executive General Manager Customer Services</td>
<td>Oversee and make recommendations for the Community Powerline Enhancement Program</td>
</tr>
<tr>
<td></td>
<td>Summer Preparedness Steering Committee</td>
<td>Chris Arnold, Executive General Manager Network Performance</td>
<td>Development of operational plans for summer preparedness</td>
</tr>
</tbody>
</table>
During 2010/11, we continued to deliver a strong financial and operational performance across our key business areas.
During the past few years, we have made a number of significant promises:

• promises to deliver value to our South East Queensland Community through on-going improvements in service, safety and reliability of the electricity supply
• promises to our regulators to operate within the financial and regulatory parameters provided
• promises to the retailers and customers to provide accurate data and keep them informed
• promises to our Shareholders to be financially responsible and deliver strong business results.

At ENERGEX we take our promises very seriously and this year I am pleased to report that we have again delivered strongly on these promises.

This was particularly evident in our response to the South East Queensland floods and just a few weeks later our deployment to North Queensland to support the Cyclone Yasi recovery efforts.

With South East Queensland already waterlogged, January saw the rains intensify bringing with it floodwaters engulfing thousands of homes and businesses and consequently, parts of the ENERGEX power network.

Over a period of two weeks, flooding cut power to more than 300,000 South East Queensland premises causing in excess of $35 million worth of damage to our power network alone.
The extent of the damage was unprecedented as was the magnitude of our response. Our staff mobilised quickly and worked around the clock for weeks cleaning, repairing and replacing power infrastructure to ensure the community could turn its attention to the recovery effort.

Just as our staff returned to their post-flood business-as-usual tasks, Category 5 system Cyclone Yasi crossed the coast south of Cairns inflicting severe damage on some of the area’s largest regional centres.

Again our crews lived up to their commitment to the community ethos and 315 of them combined with 298 of our contractor staff assisted Ergon Energy to repair hundreds of kilometres of network brought down by winds of nearly 300km/h.

Two very large incidents with two very similar outcomes. Unprecedented network damage repaired in record time with no significant power-related injuries to staff or the community. This is a great outcome but we could not have achieved it without the support and patience of our customers and community. I thank the community for their support during these events and I commend our staff on their commitment to safety.

Our safety record is one of which we are proud while at the same time one we continue to work hard to improve. Tied closely to our safety value is the ENERGEX-wide belief that the only acceptable outcome is zero injuries.

This is a message that is accepted and resonates well within the community who see ENERGEX as a valued and trusted corporate member of the community.

In fact, our community standing received a significant boost over the summer which became evident in our recent brand tracking research showing that our community regard was at its highest level in three years.

This positive result was also reflected in our 2010/11 Corporate Responsibility Index (CRI).

The CRI closely analyses our corporate responsibility within all business operations ranging from workplace management to environmental policies and practices. Results are then compared to other organisations and a score of one to 100 is given.

This year I am pleased to announce that we had more than a 10 per cent increase on last year’s result to 86 per cent. This performance places us in the silver category which is awarded to companies that frequently demonstrate stakeholder engagement and have reliable baseline data.

It is this corporate responsibility that is directly linked to our commitment to the community that we must continue to build upon as we meet our stakeholders’ needs and expectations.

Meeting these ideals doesn’t just pertain to a high level of service.

Financial responsibility is, and will always be, a major component of the community’s expectations.

Therefore, as an organisation ultimately funded by the people of South East Queensland, we must always aim to provide exceptional service at a reasonable cost.

And this year, in the face of adversity and incomparable natural disasters, we still achieved a strong economic outcome with highlights including a Net Profit after Tax result of $234.7 million (2009/10: $185.2 million) and a 14.6 per cent growth in our total assets to $9811.9 million.

This success has been achieved as we work within our new regulatory framework outlined by the Australian Energy Regulator (AER). Through this framework, the AER has provided us with set expenditure levels over the next five years.

Still, with strong economic credentials we must continue to live within our means while delivering our commitment to be a world class distribution network.

This year, despite the obvious impacts of the floods, we delivered record numbers of upgrades to the region’s electricity network totalling more than $3 million per day.

These upgrades included construction of two new zone substations and upgraded capacity at 11 zone substations adding 464 MVA to the grid.

Delivering such a significant Program of Works and provision of energy services to the region is not only our core business; it’s a responsibility that must be provided unilaterally with minimal environmental impact.

Our focus on environmental sustainability continues to provide real benefits to our business and I am pleased to say 2010/11 has seen us again improve our environmental credentials.

Much of this can be attributed to our continued carbon offset of our fleet, enhanced sustainable business practices in the field and the relocation of more than 1,600 staff to our purpose-built Six Star Green Star headquarters in Newstead.
Very soon we will have been at our Newstead office for 12 months. In this time alone we will have cut 2,100 tonnes of our annual carbon emissions which is equivalent to removing 520 cars from the road annually while saving us $22 million in rent and operational costs over a period of 15 years.

The majority of these savings can be attributed to cutting-edge technology including active chilled beam air conditioning technology, waste management systems, automatic water harvesting and recycling and electricity producing photovoltaic cells mounted on the building’s rooftop.

As we look to the future, we have four key priorities for 2011/12. We must refocus on safety and ensure that we perform better than we did this year as we strive to achieve our no injuries goal. We must continue to deliver on our core promises which are the commitments contained in our ENERGEX scorecard.

We need to embed our current improvement projects, including our Program of Work Improvement Program (PoW IP), Power to Perform and Joint Workings and deliver the benefits from them. And we must prepare for changing customer expectations by finding ways to give customers greater choice and the ability to influence their energy consumption.

Finally I’d like to thank our staff for this year’s company-wide achievements. Our staff has always lived by ENERGEX’s organisational values and this shines through in this year’s quantifiable corporate results.

Through their continued commitment to operational excellence we have been able to, once again, deliver an exceptional service to the people of South East Queensland while meeting our shareholders’, our regulators’ and our community’s expectations.

Terry Effeney
ENERGEX Chief Executive Officer
executives’ profiles

The executive team behind ENERGEX, led by Chief Executive Officer, Terry Effeney.

Darren Busine
Chief Financial Officer
BEc, FCPA, FFin, GAICD
Areas of responsibility: Commercial and Finance, Financial Control, Performance Management, Strategic Change and Program Management, Taxation and Treasury, Corporate Governance and Risk and Compliance.

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

In 2011/12, Darren and his division will continue to deliver ENERGEX’s Business Performance Strategy focusing on identifying improved efficiencies while managing the business’ costs. A key focus of the division will be ensuring the delivery of benefits from ENERGEX’s major change and investments programs.

Susan Kehoe
Executive General Manager Human Resources
GAICD, BSocWk, BA, MBus

Susan and her team play an active role in supporting managers to make ENERGEX a great place to work and act as an advocate for its people. They are responsible for ensuring ENERGEX has the right mix of people and skills to achieve its business goals. This is done through planning, recruitment, training and development, a positive workforce culture, staff engagement and effective management of people’s performance.

In 2011/12, Susan and her division will continue providing both strategic and operational support to managers to help bring out the best in their people and to create a constructive and collaborative working environment. Some of the key projects for the division include the Power to Perform Program, Workforce Planning and the Wellness Program.

Kevin Kehl
Executive General Manager Strategy and Regulation
B Eng (Hons), Grad Cert Elect Supp Eng

The Strategy and Regulation Division provides a single focal point for coordination of ENERGEX’s corporate and regulatory strategies which ensures future business challenges are identified and managed consistently with our vision and values. It is also responsible for the identification and assessment of new business opportunities both within and external to our core activities.

In 2011/12, Kevin and his division’s focus will be on implementing pricing strategies that encourage energy efficient behaviour and maintain affordable electricity tariffs; extending the focus of strategic planning to 19 horizons; successfully co-ordinating ENERGEX’s corporate strategies to achieve balanced business outcomes; pro-actively engaging with regulators and key stakeholders to secure ENERGEX’s position within national electricity market; leveraging core business activities to maximise ENERGEX’s efficiency; and optimising the benefits from the introduction of smart network and other technology solutions.

Chris Arnold
Executive General Manager Network Performance
B Eng (Elect), Post Grad Dip Bus Management, MIE Aust, CP Eng, RPEQ, GAICD

Chris and his division are responsible for the strategies and plans which enable ENERGEX to build and maintain the network. The division maintains a focus on the future, developing plans for several years down the track. They place a high priority on understanding how population growth and changing customer needs are driving infrastructure development to keep pace with growth and proactively act in sustainable ways.

In 2011/12, a key focus for Chris and the division will be to balance the need for cost containment with the network’s growth and maintenance requirements.
**Peter Price**  
**Executive General Manager**  
**Network Programming and Procurement**  
BEng (Hons), M Eng Sc, GAICD  
A key focus for the division will be building a world’s best practice program management capability to support efficient delivery of the Program of Work and related support services. They will be working to develop and implement rolling 18 month and five-year programs to align network security and reliability requirements with delivery capability. They will also leverage these rolling programs to optimise contracts with our key materials and services suppliers. A priority will also be reducing the whole of life costs for a range of support services including fleet, training and safety equipment.  
In 2011/12, Peter and his division will focus on a number of key projects including continuing the Joint Workings project with Ergon Energy and progressing a non-regulated revenue strategy to further leverage ENERGEX core capabilities into competitive markets.

**Bill Lyon**  
**Executive General Manager**  
**Energy Delivery**  
BBus, CertMgt, AssocDipEE  
The Energy Delivery Division’s key responsibility is to provide customers’ energy needs by safely and efficiently designing, constructing, maintaining and operating ENERGEX’s network. Energy Delivery has a vast scope of work, including field operations, network customer services, transmission, and network operations. In 2011/12, Bill and his division will continue to support the implementation of the Program of Work Improvement Program while delivering ENERGEX’s Program of Work, according to program scope, cost, hours and time targets.  
In 2011/12, Bill and his division will continue to support the implementation of the Program of Work Improvement Program while delivering ENERGEX’s Program of Work, according to program scope, cost, hours and time targets.  

**Peter Weaver**  
**Executive General Manager**  
**Customer Services**  
B.Com, MBA, FAICD  
Areas of responsibility: Business Support Services, Customer Contact Centre, Corporate Communications, Customer Advocacy, Energy Market Services, Government Relations, Property Services and General Counsel (Legal).  
The Customer Services Division has three key responsibilities: the primary interface between ENERGEX and its customers and stakeholders; the provision of business, legal and commercial property services; and the control of ‘meter to cash’ processes for the calculation and collection of DUOS revenue. The division provides support services for the network and administrative functions within the business and is a key link between the designing and planning of work and the construction functions. It also plays a significant role in the energy retail market by providing retailer requested connection services, metering infrastructure and meter consumption data. This role includes the management of the retailer/Australian Energy Market Operator (AEMO) interface and the energy market settlement. In 2011/12, Peter and his division will focus on delivery of key projects including the Customer Strategy, Program of Work Data Quality Project, Connections Process Improvement, ENERGEX Corporate Property Strategy and Joint Workings.
During 2010/11, we continued to deliver a strong financial and operational performance across our business units.
Putting safety first

### WHAT WE SET OUT TO ACHIEVE THIS YEAR

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE THIS YEAR</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero LTIs and LTIFR</td>
<td>🔄 Further action required&lt;br&gt;17 LTIs and an LTIFR of 2.43 reported in 2010/11. Page 44</td>
</tr>
<tr>
<td>Continue implementation of ZIP</td>
<td>✔️ Achieved&lt;br&gt;Completed rollout of ZIP with more than 98 per cent of staff having completed training. Page 45</td>
</tr>
<tr>
<td>Deployment of our Management of Alcohol and Other Drugs Standard</td>
<td>✔️ Achieved&lt;br&gt;Standard deployed and program established for random alcohol and drugs testing. Page 45</td>
</tr>
<tr>
<td>Retain our external accreditation to AS/NZS4801 and the Electrical Safety Office requirements</td>
<td>✔️ Achieved&lt;br&gt;Retained all our safety accreditation. Page 44</td>
</tr>
<tr>
<td>Development and assessment of our Employee Wellness Program</td>
<td>✔️ Achieved&lt;br&gt;Launched several initiatives as part of this program. Page 45</td>
</tr>
<tr>
<td>Continue implementing Community Safety Strategy</td>
<td>✔️ Achieved&lt;br&gt;Updated and continued implementing our Community Safety Plan. Page 44</td>
</tr>
</tbody>
</table>

### What we want to achieve next year

- Continue to focus on reducing our LTIs and LTIFR to zero
- Reduce the risk of identified high and medium risk work activities
- Continue embedding the Zero Incident Process (ZIP) Program
- Implement the recommendations from the Fatigue Management Review and the Safety Best Practice Benchmarking Review to ensure that ENERGEX continues to be a leader in this area
- Continue the deployment of our Management of Alcohol and Other Drugs Standard to ensure safe working environments for our employees by introducing random testing for alcohol and drugs and offering support and counselling to those in need
- Seek to retain our external accreditation to AS/NZS4801 and the Electrical Safety Office requirements. Our risk management and auditing process will continue to be refined and used to accurately identify potential risks and implement appropriate measures
- Further development and assessment of our Employee Wellness Program will assist our employees reach a balanced, healthy lifestyle at work and home
- We will continue to review and progress our Community Safety Strategy and program, to achieve ongoing improvement and reduction in the likelihood of a community safety incident involving electricity occurring
Achieving key safety milestones

In 2010/11, we achieved significant safety performance milestones and continued to maintain the number of Lost Time Injuries (LTIs), Lost Time Injury Frequency Rate (LTIFR), and Lost Time Injury Severity Rate (LTISR) at industry best practice levels. These results, shown in Table 1, reaffirm the positive impact of our intervention strategies and programs in recent years. While we are still at best practice levels, our key performance indicators have increased from last year. However, the types of injuries are less severe than in the past and many of the days lost to injuries can be attributed to people with existing injuries requiring additional medical treatment. While we have not yet reached our ultimate goal of zero injuries, we are making progress.

Progress on our eSafe database also continued through ENERGEX-specific customisations and is now becoming a core tool for measuring performance and identifying safety trends. The monitoring and review functionality has been significantly improved to schedule and record safety, quality and process audits across the organisation.

Maintained external accreditation

Our safety management system retained its accreditation to AS/NZS 4801 Occupational Health and Safety Management Systems and the Electrical Safety Office requirements set out in the Electrical Safety Act 2002 (Qld). Additionally, to ensure adherence to the requirements of the legislation and safety management system, a risk-based internal auditing process was conducted. This process identified opportunities to enhance our safety performance such as improvements to site hazard management, communication processes and record keeping.

A contemporary risk management process, aligned with the requirements of AS/NZS ISO31000 Risk Management Standard, continued to be used throughout the business to accurately identify risks associated with operational activities. This process is at the forefront of contemporary risk management science and has attracted the interest of external safety and risk peers.

### TABLE 1: WORKPLACE KEY SAFETY INDICATORS

<table>
<thead>
<tr>
<th>KEY SAFETY PERFORMANCE INDICATORS</th>
<th>2008/09</th>
<th>2009/10</th>
<th>2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Injury Frequency Rate (LTIFR) – total number of lost time injuries per million hours worked during the year</td>
<td>2.34</td>
<td>1.00</td>
<td>2.43</td>
</tr>
<tr>
<td>Lost Time Injury Severity Rate (LTISR) – days lost per million hours worked in the year</td>
<td>58.20</td>
<td>9.81</td>
<td>35.81</td>
</tr>
<tr>
<td>Compensable Claims Frequency Rate Severity (CCFRS)</td>
<td>–</td>
<td>2.99</td>
<td>2.99</td>
</tr>
<tr>
<td>Lost Time Injuries (LTIs) – number of work-related injuries with: defined onset, a medical certificate of incapacity, one or more whole days lost and an accepted WorkCover claim, in the year</td>
<td>16.00</td>
<td>7.00</td>
<td>17.00</td>
</tr>
<tr>
<td>Days lost to LTIs</td>
<td>398.00</td>
<td>69.00</td>
<td>250.00</td>
</tr>
</tbody>
</table>

The safety performance of our contractors has continued to significantly improve over the last 12 months with LTIs reducing by 88 per cent to just nine LTIs for 2010/11 (2009/10: 17 LTIs and 2008/09: 34 LTIs).

This improvement in contractor safety performance has been supported by the successful implementation of the Three Tier Audit Framework, the Contractor Management Framework and our partnering approach with our contractors. These initiatives have been driven by the operational business groups within ENERGEX and will continue to remain a key focus into the future.

Maintaining a safe work environment

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

The plan provides a structured approach to reducing the risks associated with our operational activities under four key areas: high risk activities, moderate risk activities, systems and processes and behavioural safety. Now in its third year, 15 projects were implemented in 2010/11 to continue the focus on reducing these risks.

The key projects that were addressed in 2010/11 were:
- fatigue management
- load restraint for field vehicles
- motor vehicle safety
- health and wellbeing.

Remaining safe on-site

As part of our risk management framework, the on-site hazard identification and management process was reviewed and deployed to all workers. Supported by 14 generic work method statements, the safety manual and our work practices, the aim of this process is to manage on-site hazards ensuring a safe work outcome for our workers and the public.

National harmonised work health and safety legislation

During the year, we have been actively involved in the changes to align health and safety legislation across Australia. We have participated in consultation and review of the Model Work Health and Safety Bill (now the Work Health and Safety Act 2011 (Qld)), regulations and codes of practice to influence the legislation to improve safety performance in an efficient and effective manner.
Empowering to change behaviour

During the year, we completed the rollout of our cognitive behavioural safety program, the Zero Incident Process (ZIP). ZIP focuses on providing employees with the information and skills needed to make safe choices at work and become more effective within the systems and environment. It is about empowering people to take control of their personal safety. Since implementation, more than 3,750 employees (98 per cent) have attended the program.

The focus of ZIP is now changing to provide tools to managers and employees in order to continue to use the concepts that ZIP has inspired within our everyday life.

Case study

Lighten Up is a healthy lifestyle program designed by QLD Health for adults who want make improvements to their health and reduce their risk factors for chronic disease. It consists of a number of workshops covering information such as the psychology of behavioural change, nutrition, exercise, weight loss and stress management. To date, ENERGEX has had some impressive outcomes, including the testimonial below, with 100 per cent of participants indicating they would recommend the program to other ENERGEX employees.

“I was diagnosed with (and shocked at) having high blood pressure, averaging 163/95, four weeks ago on my Lighten Up initial assessment. I embarked on a change to my diet and exercise regime as well as making the necessary visits to my GP. In four weeks, I have moved that down to a more acceptable blood pressure of 117/74 (I’m now an expert on the numbers!). Four weeks of personal focus supported by the program content and some simple and sustainable changes to eating, drinking and exercise habits. The program gave me the shock and then the information to make some significant changes. I can feel the difference already and appreciate the opportunity to attend the Lighten Up program.”

One of the key components of the ZIP process involved the Personal Big 5 concept – the five most important things that motivate staff to return home safely at the end of the day. This concept really helped employees to identify the important aspects of their life within their own households, ENERGEX and their community.

Improving our health and wellbeing

We believe a healthy lifestyle and workforce not only reduces health risks and prevents injuries, but also boosts employee morale, supports our safety culture and provides customers with a continued high level of service. This year several initiatives were launched as part of our Employee Wellness Program.

These initiatives included:
- healthy choice catering menus
- Lighten Up – a lifestyle modification program designed by Queensland Health to equip participants to make healthier lifestyle choices in the areas of nutrition, physical activity and stress management
- QUIT programs – a quit smoking program
- The Global Corporate Challenge – a pedometer based health initiative
- The Biggest Loser Club – an online weight loss program
- sponsorship of sporting events
- subsidised flu vaccination program.

We also assist employees through our workplace rehabilitation program, which covers both work-related and non-work related injuries and illnesses.

Managing safety risks

Managing alcohol and other drugs in the workplace is a key safety priority. In line with our commitment to a safe working environment and to the ENERGEX Union Collective Agreement (EUCA), the Management of Alcohol and Other Drugs Standard has been formalised and an education and awareness program has been deployed to all staff focusing on the impact of alcohol and other drugs in the workplace. Supported by ENERGEX management and the Unions, a random testing program for alcohol and drugs will be implemented in 2011/12.

A review of current fatigue management practices was also completed during the year following the Brisbane floods and response to Cyclone Yasi. Expert advice was obtained from the University of Adelaide’s Centre for Sleep Research and recommendations from this report will be implemented in 2011/12.

Think safe, work safe, home safe

Quarterly corporate safety campaigns relevant to the work and home environments were rolled out throughout the year to further reinforce our safety culture. Following the natural disasters in early 2011, the focus of our safety campaigns shifted to reinforce the importance of remaining safe. Our campaign began to promote the Safe Days (days without LTIs and medically treated injuries) that had been achieved throughout the organisation rather than focusing on the number of LTIs. Our communication material was targeted at the four behaviours that most frequently contribute to incidents:
- complacency
- distraction
- speeding/rushing
- frustration.

A range of educational materials were also developed to deliver these programs.
Celebrating safety

In July 2010, safety was included as a category in the ENERGEX Excellence Awards for the first time. Employees were able to nominate for an award in Excellence in Safety Leadership or Excellence in Safety Solution. We received more than 30 nominations for the awards with Eris Bruni announced as the overall winner of the Excellence in Safety Leadership category for consistently setting the safety standard for the Slacks Creek field crews. Danica Diklic and Scott Cullen were also finalists in this category.

Educating about community safety

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

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

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

- severe weather
- Look Up and Live and Dial Before You Dig
- home electrical safety
- safetree
- kids safety
- what’s going on in your community
- rural safety
- recreation and aviation activities
- boating safety.

More information about many of these campaigns can be found on page 74.
Our electricity network is one of the fastest growing in Australia. We plan to invest in the order of $7 billion during the next five years to ensure it continues to meet the community’s expectations for a reliable electricity supply.

What we want to achieve next year

- Improve our service standards for network reliability and security, exceeding the industry minimum service standards
- Achieve the six MSS reliability targets set for 2011/12
- Continue our planned vegetation management program with a budgeted expenditure of $70.918 million
- Continue investigating the use of electric vehicles and undertake additional market analysis and modelling of user data on the network to determine its impacts
- Continue implementing new software to enhance our Distribution Management System

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE THIS YEAR</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve our Minimum Service Standards (MSS) for network reliability and security</td>
<td>✔ Achieved</td>
</tr>
<tr>
<td>Report against new Service Target Performance Incentive Scheme (STPIS)</td>
<td>✔ On Track</td>
</tr>
<tr>
<td>Undertake our planned vegetation management program</td>
<td>✔ Achieved</td>
</tr>
<tr>
<td>Continue to deliver energy efficiency and demand management initiatives as part of our Demand Management Strategy</td>
<td>✔ Achieved</td>
</tr>
<tr>
<td>Progress investigation into the use of electric vehicles</td>
<td>✔ Achieved</td>
</tr>
</tbody>
</table>

Report against new Service Target Performance Incentive Scheme (STPIS)

Introduction and reported against new STPIS standards and achieved five of the six reliability measures. Page 49

Undertake our planned vegetation management program

Continued planned vegetation management program with total expenditure of $72.71 million. Page 50

Continue to deliver energy efficiency and demand management initiatives as part of our Demand Management Strategy

Trialled targeted home and business initiatives to reduce energy demand. Page 50

Progress investigation into the use of electric vehicles

Work continued on identifying the impact of electric vehicles on our network. Page 52
Network reliability

In 2010/11, weather conditions caused unprecedented damage to homes and businesses across Queensland. Our distribution area was greatly impacted by these severe weather events, which challenged all aspects of our business operation to maintain and restore supply.

Weather events are one of the key factors affecting variance in reliability performance on the network. However, this year the variance went well beyond the normal range with events so extreme that statistically these results are not expected to be repeated in less than 100 years.

With more than 20 per cent of our customers interrupted at the peak of the January flood event, restoration to 90 per cent of our customers taking several days and rebuilding of significant parts of the network required, our overall SAIDI impact was significantly affected and in excess of 600 minutes. The system SAIDI is shown over the last five years in Graph 1. As demonstrated, the effect of major event days such as the January floods on our network in 2010/11 was almost four times as severe as the next significant year of 2008/09 which included ‘The Gap storms’.

Although the storms and flood impact on overall SAIDI was unprecedented, it did not contribute significantly to our normalised urban and rural results, as most of the impact was excluded through major event day declarations. Our normalised SAIDI figures provide a truer picture of the network’s day-to-day reliability by excluding major events predominantly caused by severe weather.

However, normalised SAIDI figures for our CBD area were affected by the floods as not all flood impacts were excluded from its calculation. To ensure the safety of residents and businesses within the CBD area, we proactively turned off supply to key CBD substations and feeders between 10 and 13 January.

Graph 1 tracks our system SAIDI since 2006/07 and demonstrates the significant impact of the major event days on our 2010/11 results.

* Note – The 2010/11 result is YTD at end of March 2011 and will be updated with the actual end of June figures when available

However, only 10 January to 12 January were classified as major event days on a whole-of-ENERGEX basis, which meant interruptions that occurred on the 13 January were included in our CBD performance figures. Despite this, in the past year we still achieved all our reliability Minimum Service Standards (MSS), as set out in Table 2.

This year also saw the commencement of our Service Target Performance Incentive Scheme (STPIS) introduced by the AER for the five-year regulatory period 2010-15. STPIS is intended to encourage distributors to maintain and improve service performance for customers and operates concurrently with our MSS obligations focusing on unplanned performance.

In the past year, we achieved five of our six reliability STPIS targets, as set out in Table 3. We did not achieve the CBD SAIDI target for reasons discussed above.

<table>
<thead>
<tr>
<th>TABLE 2: RELIABILITY PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI (mins)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SAIFI (events)</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Table 2 tracks and compares our MSS performance since 2006/07 and demonstrates how we compared in 2010/11 to our MSS targets.
This very strong result, while pleasing, is considered abnormal as it is based on a much lower storm contribution than that reflected in the targets. This is due to the majority of our adverse weather resulting in exclusions under the major event day criteria.

To meet our licence conditions and customer expectations, we continue to invest in reliability programs to improve unplanned performance including feeder upgrades, vegetation management and remotely controlled switchgear installation. Other initiatives include a stronger focus on patrolling the network immediately following momentary interruptions to help prevent possible subsequent permanent faults.

We also continue to manage the number and duration of planned outages on the network that interrupt supply to customers by coordinating and packaging work in the area and using generators where available. In spite of this, our planned outages have increased due to the significant amount of work being carried out to build and maintain the network. While we intended to carry out 8,271 planned outages during the year (2009/10: 7,776), five weeks of lost time due to the severe weather events during summer reduced our planned outages to 7,635 events.

### Improving our reliability

#### Improving our performance through STPIS

Our AER Service Target Performance Incentive Scheme (STPIS) commenced on 1 July 2010. Through the use of financial penalties and rewards, the scheme encourages electricity distributors to seek sustainable improvements in network reliability. Network reliability improvements generated under STPIS are in addition to the improvements that customers will experience from other established reliability improvement programs.

During the year, we purchased specialised imaging equipment to assist field crews find the more obscure network defects. This included optically stabilised binoculars, the latest generation of infra-red cameras, and high quality cameras equipped with geo-tagging imagery and GPS derived coordinates. This imagery can be integrated with mapping software to enable further engineering analysis.

Short term weather forecasts from a specialist meteorological service provider were also trialled during summer to indicate the probability (low, medium, and high) of lighting, hail, and high winds. These forecasts are made for a 36 hour period and are broken up into three hour time windows for Brisbane, the Gold Coast, the Sunshine Coast, and the Western area. Through these forecasts, we were able to shape our daily operational planning to take into account any possible storm threat and its effect on our workforce scheduling. The trial was successful and a contract with a specialist meteorological service provider for 36 hour storm threat forecasts has been funded for 2011/12.

| TABLE 3: RELIABILITY PERFORMANCE

<table>
<thead>
<tr>
<th>STPIS NORMALISED RELIABILITY PERFORMANCE (UNPLANNED)</th>
<th>2010/11 ACTUAL</th>
<th>2010/11 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIDI (mins)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBD</td>
<td>6.390</td>
<td>3.300</td>
</tr>
<tr>
<td>Urban</td>
<td>57.010</td>
<td>69.400</td>
</tr>
<tr>
<td>Short rural</td>
<td>142.280</td>
<td>173.200</td>
</tr>
<tr>
<td>SAIFI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CBD</td>
<td>0.011</td>
<td>0.032</td>
</tr>
<tr>
<td>Urban</td>
<td>0.836</td>
<td>1.044</td>
</tr>
<tr>
<td>Short rural</td>
<td>1.804</td>
<td>2.285</td>
</tr>
</tbody>
</table>

Table 3 compares our actual STPIS performance against our targeted performance.

Our annual helicopter patrols continued this year, inspecting around 15,000 kilometres of poles and powerlines.

The $1.2 million aerial survey of the overhead network allows for early detection of cross arm deterioration or overgrown vegetation impacting on powerlines and poles. It is one of the many ways we are keeping the electricity supply in rural and semi-rural areas safe and reliable, supplemented by vehicle and foot patrols in areas where flying is unable to be conducted. Customers were kept informed prior to helicopters patrolling their area, and in sensitive areas the flight plan was altered at the request of customers.
Managing vegetation to reduce the risk of power interruptions

Vegetation management is a major preventative strategy used to improve community safety and reduce interruptions during storms and high winds. During 2010/11 we spent more than $72 million and trimmed trees along more than 16,000 kilometres of powerlines to improve network reliability, particularly during severe weather events such as storms and strong winds. Our trimming techniques ensure we balance the aesthetic component of the trees with the responsibility to ensure a safe and reliable electricity supply.

This year we continued a collaborative approach to carry out the program, working with Brisbane City Council to combine our planned trimming efforts with their routine street tree pruning. By using the one contractor and scheduling our programs simultaneously, we have been able to deliver benefits to the community including less disruption and cost savings to both organisations.

We are also continuing to work cooperatively with other local councils through established Memoranda of Understanding to remove and replace risk trees with powerline friendly trees. This year, we invested $1 million in our largest ever tree removal and replacement program with Brisbane City Council and Gold Coast City Council.

To further reduce the risk to our network during high winds, we also invested $2.5 million into assessing and removing defective limbs and trees overhanging our electrical wires but outside our normal cutting profile.

In some instances where removal or trimming is considered undesirable by the local community, alternative solutions are being used including realignment or insulation of the overhead network and installation of photoelectric cells to reduce the network required to power our streetlights.

In addition to our planned maintenance program, we continue to undertake ad hoc trimming based on customer requests.

Our summer performance

Summer is a pivotal period for our network performance due to the increasing likelihood of storms, floods, heat and high winds.

Although relatively mild temperatures were experienced in South East Queensland this summer, the strong La Niña weather pattern presented challenges of another type. A return to the higher rainfall patterns last seen in the 1970s saw heavy flooding over much of Queensland and the South East corner of the state. The need to de-energise significant portions of the network in preparation for rising waters dramatically impacted on our network reliability statistics (see page 48).

Our Business Continuity Plans and in particular the Flood Risk Management Plan (see page 58), provided a framework for managing the January flood crisis. By utilising these plans, we were able to restore more than 90 per cent of our network by 15 January, within only a few days of the flood peak. Additionally, there were no significant electrical incidents, unlike Brisbane’s 1974 flood related injuries. Further work with various stakeholders is continuing to ensure the lessons learned from this experience can be captured for future benefit (see page 57 for more information). This includes providing information to the Queensland Floods Commission of Inquiry and monitoring any outcomes from this process.

According to the Australian Bureau of Meteorology, 2010 was Australia’s coolest year since 2001. Temperatures within South East Queensland reflected this, contributing to a lower than anticipated maximum demand of only 4,674 MW which was 39 MW less than last year. Despite this, there were significant temperature-related demand increases across the network on hotter days indicating a high latent air conditioning load present across South East Queensland.

Although the number of storms experienced this year was similar to 2009/10, the severity of the storms was greater. In addition to the floods affecting more than 300,000 homes and businesses throughout South East Queensland, we experienced 15 major weather events affecting 333,700 customers throughout the summer period. The number of storms however was down from the summers of 2007/08 and 2008/09.

Focusing our network management capabilities

In 2008, we began a project focussed on selecting and engaging a vendor to design and implement Distribution Management System (DMS) applications – consisting of hardware, software and services. Our DMS is a database model of our electricity network which is kept up to date in real time to provide network management and control capability covering the complete distribution network. At its completion, this project will provide an established platform to improve our network performance, increase automation and allow us to have more up to date information for decision making.

In March 2010, we announced GE Energy’s PowerOn software as the DMS solution for ENERGEX. In December 2010, the ENERGEX Board approved the implementation phase of the project. We have now finalised the business requirements, design, project timelines and costs. Implementation of the new DMS applications will be a key focus in 2011/12.
Creating a sustainable future network

As we look to the future, we face challenges associated with the introduction of new technology, customer choice and expectations, and the need for continued prudent network investment. To address these challenges, we are working to understand their impacts on our business through a range of pilots and trials to optimise the customer and network outcomes.

Through these initiatives, we hope to make a real difference by partnering with our customers to reduce future price rises related to network investment, while ensuring we can meet their requirements.

Reducing peak demand

In Queensland, peak demand occurs on a few hours of a few hot days a year when the energy network is very congested with people using electricity at the same time, particularly when air conditioners are switched on.

Meeting peak demand is a costly exercise due to the capital investment required to maintain sufficient capacity during these times. Approximately 13 per cent of our $8.6 billion network is built to supply a demand for energy that only occurs for fewer than 100 hours a year. The rest of the year this capacity remains unused – but still must be maintained and paid for by consumers. While we could continue to expand the network to cater for these peak times, this is not a sustainable approach for consumers or the environment.

As part of our vision for a smarter, more efficient network and to proactively reduce the peak demand forecast, projected at a 71 per cent increase by 2020, we are taking a proactive approach by investing in our energy conservation and demand management strategy. This year, significant progress was made implementing our targeted initiatives following funding assistance provided by the Queensland Government and review allowance from the Australian Energy Regulator to invest in demand management programs. These programs have made a significant impact on our peak demand, as demonstrated in the Australian Alliance to Save Energy’s Report of the 2010 Survey of Electricity Demand Management in Australia. According to the report, Queensland’s peak demand for 2010/11 was the largest contribution to peak demand reduction of any state for the three-year survey period contributing more than 90 per cent of the total national reduction.

Graph 2 demonstrates the gap between the energy growth we are building for versus the energy growth we are billing customers for.

Our target is to achieve real peak demand reductions over the next five years totalling 144 megawatts from current demand forecasts: the equivalent of one third of the power used on the Sunshine Coast on a normal summer’s day. By achieving better utilisation of network assets, the benefits can ultimately be passed to electricity consumers through efficient network prices. Graph 2 illustrates the increase in overall energy consumption across our network (energy growth) compared to the increase in demand at peak times (demand growth).

For more information about our customer strategies and initiatives to reduce demand and encourage energy efficiency, see page 63.

Peak demand

Although domestic electricity use peaks each day between 4pm and 8pm, network peak demand only occurs for a few hours on a few days each year. In fact, 13 per cent of our network capacity is only used for a few hours on a few days each year. We are working with the community to develop more sustainable solutions while maintaining a safe and reliable electricity supply.
Investigating smarter networks

We are making further progress in our long term plans for a ‘smart network’. A security and performance management plan was developed this year which led to the configuration of the security framework for our substation fibre communications network. This will provide a foundation for future investments in ‘smart networks’. The fibre network provides the capacity for future smart grid initiatives. Power quality monitoring of the network has increased to assess the impact of significant quantities of solar photovoltaic arrays currently installed on the network.

In partnership with Ergon Energy, this year we commenced detailed planning for ‘smart network’ pilots and trials which were guided by the Network Vision Outlook to 2030, a shared network vision for electricity infrastructure in Queensland. Our pilots and trials are focussed on improving power quality, reducing peak demand as well as improvements in reliability. These trials are due to be completed in 2014. The learnings from this program will be delivered over the next three years and will feed into analysis and modelling for our potential investments.

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

Planning for electric vehicles

We have identified the emergence of electric vehicles as a significant factor in the development of the electricity network for the future. In recognition of the potential for widespread adoption of electric vehicles, which provide a path toward lower emissions and less oil dependent motoring, we are working with government and industry bodies to overcome challenges and prepare the electricity infrastructure for their use in the community.

We recognise the need to be well-positioned to meet the recharging requirements for electric vehicles in the most cost effective manner while ensuring the availability, reliability and quality of supply for all network users is maintained.

This emerging electric vehicle market will, however, take many years to evolve meaning that the core questions of how many; how soon; and how they will be used and recharged, are difficult to predict. We will closely monitor the electric vehicle market over time to refine our analysis.

In 2011/12, we will continue to progress the investigation regarding the use of electric vehicles in close collaboration with government and industry. Market analysis, assessments of network impacts and strategic response options will be examined.

Allowing for embedded generation

Since its inception in 2001, the federal government has implemented a number of incentives to encourage the use of renewable energy systems to support the Mandatory Renewable Energy Target (RET). Currently, there are two separate supporting incentives in place – solar credits for newly installed solar photovoltaic (PV) systems and a rebate to eligible homeowners who replace existing electric storage hot water systems with greenhouse friendly solar hot water systems or heat pump alternatives.

Although reducing greenhouse gas generation, such measures provide challenges to our current and future network planning due to their effects on our network. One outcome is an expected reduction in Network Demand Management (NDM) capability as the number of electric element storage hot water systems decline with the uptake of replacement greenhouse efficient systems. This reduction in NDM capability is caused by many systems being installed without demand management capabilities and remaining dependent on electric supply (such as back up boosting for solar systems). In the absence of demand management capability, these systems will potentially exacerbate already serious network peak demand events. To address this, we have provided incentives to customers to encourage the connections of their solar hot water systems to control load tariffs.
At ENERGEX, we have a vision for a smarter, more efficient electricity network by 2025. Our strategy is to invest in the capacity, utilisation and reliability of our network while ensuring our systems and processes can support the delivery of this vision. Another way we are making sure that our network of today can meet the needs of South East Queenslanders tomorrow.

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest $1.36 billion on upgrades and maintenance to our electricity network</td>
<td>☢ On Track</td>
</tr>
<tr>
<td>Commence the first 11 selected projects under our Community Powerline Enhancement Program</td>
<td>✔ Achieved</td>
</tr>
<tr>
<td>Deliver the 2010/11 PoW on time and within budget</td>
<td>✔ Achieved</td>
</tr>
<tr>
<td>Continue Joint Workings project</td>
<td>✔ Achieved</td>
</tr>
</tbody>
</table>

What we want to achieve next year

- Continue promoting the Community Powerline Enhancement Program including completing the existing projects that have been identified
- Deliver the $1,110 million capital planning program for 2011/12
- Continue embedding our Program of Work Improvement Program (PoW IP) into our operating practices
- Develop and implement the 2011/12 Summer Preparedness Plan

Delivering to meet demand

Investing in our network’s capacity and reliability

We currently manage electricity assets valued at $8.63 billion (illustrated in Table 4) and have nearly 3,900 employees working towards delivering an electricity network that supports our customers’ lifestyle aspirations and sustainable economic growth. More than $1.22 billion was invested this year to build, operate and maintain the electricity network. This is the second year we have delivered improvements to our network exceeding $1 billion despite staff restrictions in January and February due to our flood and Cyclone Yasi response. To reflect these reduced man hours, capital expenditure was reduced by approximately a quarter of a million direct labour hours which were redirected to flood and Yasi rectification works.
Post these events, revised physical targets were set and have been achieved. The result of our response to these events was a reduction in our anticipated overall Program of Work expenditure from $1.36 billion to $1.2 billion. This expenditure is in line with the Program of Work spend in 2010.

This result continues to reflect the increasing demand for electricity in South East Queensland, as illustrated in Graph 3, driven by the soaring domestic use of energy intensive appliances and the continuing population surge.

$895 million was invested in our network system Capital Program, resulting in significant network improvements and increased capacity through the region. During the year we:

- commissioned two new zone substations and upgraded capacity at 11 zone substations, resulting in a 464 MVA net increase in capacity (illustrated in Graph 4)
- constructed or augmented 17 x 33,000 volt powerlines and 178 x 11,000 volt powerlines to improve reliability
- installed or replaced 520 new distribution transformers via the maximum demand program
- replaced 277 ring main units (11,000 volts) to improve safety and network reliability.

Similarly, almost $324 million was invested in our network maintenance program to improve reliability and complete customer requested work. In the past year we:

- trimmed vegetation along more than 18,850km of electricity network to maintain established clearance zones
- inspected 116,174 poles to ensure ongoing serviceability of the network
- installed 4,230 spacers on low voltage open mains and replaced 9,877 cross arms to improve safety and reduce interruptions
- replaced neutral clamps on 4,154 low voltage services to improve safety and reliability.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Overhead and Underground (km)</td>
<td>50,044</td>
<td>51,176</td>
<td>52,361</td>
<td>53,256</td>
<td>53,928</td>
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<tr>
<td>Lines – Length of Overhead (km)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>36,200</td>
<td>36,349</td>
<td>36,490</td>
<td>36,607</td>
<td>36,758</td>
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<tr>
<td>LV</td>
<td>14,720</td>
<td>14,732</td>
<td>14,736</td>
<td>14,742</td>
<td>14,751</td>
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<tr>
<td>11 kV</td>
<td>17,709</td>
<td>17,843</td>
<td>17,953</td>
<td>18,032</td>
<td>18,104</td>
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<tr>
<td>33 kV</td>
<td>2,091</td>
<td>2,136</td>
<td>2,161</td>
<td>2,175</td>
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<tr>
<td>132/110 kV</td>
<td>1,680</td>
<td>1,638</td>
<td>1,640</td>
<td>1,658</td>
<td>1,656</td>
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<tr>
<td>Cables – Length of Underground (km)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>13,844</td>
<td>14,827</td>
<td>15,871</td>
<td>16,649</td>
<td>17,170</td>
</tr>
<tr>
<td>LV</td>
<td>8,592</td>
<td>9,083</td>
<td>9,612</td>
<td>9,978</td>
<td>10,214</td>
</tr>
<tr>
<td>11 kV</td>
<td>4,207</td>
<td>4,657</td>
<td>5,099</td>
<td>5,469</td>
<td>5,700</td>
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<tr>
<td>33 kV</td>
<td>942</td>
<td>981</td>
<td>1,053</td>
<td>1,092</td>
<td>1,134</td>
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<tr>
<td>132/110 kV</td>
<td>103</td>
<td>106</td>
<td>107</td>
<td>110</td>
<td>122</td>
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<tr>
<td>Other Equipment (Qty)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulk Supply Substations</td>
<td>36</td>
<td>37</td>
<td>37</td>
<td>38</td>
<td>40</td>
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<tr>
<td>Zone Substations</td>
<td>207</td>
<td>213</td>
<td>219</td>
<td>223</td>
<td>227</td>
</tr>
<tr>
<td>Poles</td>
<td>612,638</td>
<td>622,064</td>
<td>630,259</td>
<td>638,982</td>
<td>647,648</td>
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<tr>
<td>Distribution Transformers</td>
<td>42,261</td>
<td>43,420</td>
<td>44,613</td>
<td>45,456</td>
<td>46,083</td>
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<tr>
<td>Street Lights</td>
<td>296,849</td>
<td>306,892</td>
<td>314,008</td>
<td>324,111</td>
<td>333,797</td>
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<tr>
<td>Customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>1,122,990</td>
<td>1,148,270</td>
<td>1,167,890</td>
<td>1,187,770</td>
<td>1,204,210</td>
</tr>
<tr>
<td>Other</td>
<td>107,960</td>
<td>110,670</td>
<td>110,310</td>
<td>111,305</td>
<td>111,920</td>
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<tr>
<td>Total</td>
<td>1,230,950</td>
<td>1,258,940</td>
<td>1,278,200</td>
<td>1,299,075</td>
<td>1,316,130</td>
</tr>
</tbody>
</table>

Note 1 – The increase in 132/110 kV line length in 2006/07 over previous reports is due to a data redefinition
Note 2 – Since implementation of a new customer information system in mid 2008, customer type information is no longer readily available
Note 3 – Network line data is to the end of December 2010 and is under review. Remaining network data and customer data is to the end of March 2011
Graph 3 tracks the change in South East Queensland’s energy consumption since 2006/07.

Graph 4 demonstrates the increase in our total network capacity since June 2006.

**TABLE 5: TOP 20 PROJECTS IN 2010/11**

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>PROJECT DESCRIPTION</th>
<th>$ SPEND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bundall to Molendinar</td>
<td>Establish 2 x 110kV underground circuits</td>
<td>30,116,105</td>
</tr>
<tr>
<td>Griffin</td>
<td>Establish 110/33kV bulk supply substation</td>
<td>26,881,581</td>
</tr>
<tr>
<td>South Pine to Hayes Inlet</td>
<td>Establish 110kV double circuit overhead feeders with one feeder energised at 33kV</td>
<td>25,826,450</td>
</tr>
<tr>
<td>Airport Link Northern Busway</td>
<td>Service relocations</td>
<td>12,811,779</td>
</tr>
<tr>
<td>Burpengary</td>
<td>Establish two module 33/11kV substation</td>
<td>10,864,813</td>
</tr>
<tr>
<td>Tennyson to St Lucia</td>
<td>Establish 33kV underground feeders and decommission two existing feeders</td>
<td>10,554,195</td>
</tr>
<tr>
<td>Adelaide Street, Brisbane</td>
<td>Acquire land for substation site</td>
<td>9,950,112</td>
</tr>
<tr>
<td>Woodridge</td>
<td>Rebuild 33/11kV zone substation</td>
<td>9,021,648</td>
</tr>
<tr>
<td>Whiteside</td>
<td>Establish 33/11kV modular substation</td>
<td>8,982,024</td>
</tr>
<tr>
<td>Buranda</td>
<td>Establish 33/11kV zone substation</td>
<td>8,620,305</td>
</tr>
<tr>
<td>Airport Link</td>
<td>Establish operational supply to Airport Link</td>
<td>8,140,871</td>
</tr>
<tr>
<td>Paddy Gully</td>
<td>Establish a 33kV zone substation</td>
<td>7,734,226</td>
</tr>
<tr>
<td>Gympie North</td>
<td>Establish a 33/11kV zone substation</td>
<td>7,471,763</td>
</tr>
<tr>
<td>Brisbane CBD</td>
<td>Longterm provision for conduits – stage 1</td>
<td>7,259,274</td>
</tr>
<tr>
<td>Ebbw Vale to Moggill</td>
<td>Establish new 33kV feeder</td>
<td>7,110,874</td>
</tr>
<tr>
<td>Murrarie</td>
<td>Establish 33/11kV Doboy Zone Substation</td>
<td>6,832,428</td>
</tr>
<tr>
<td>Middle Ridge to Postmans Ridge</td>
<td>Establish 2nd 110kV feeder utilising Powerlink’s spare 275kV Circuit</td>
<td>6,546,716</td>
</tr>
<tr>
<td>Beerwah</td>
<td>Upgrade of bulk and zone substation</td>
<td>6,359,431</td>
</tr>
<tr>
<td>Wamuran</td>
<td>Establish 33/11kV zone substation</td>
<td>6,044,715</td>
</tr>
<tr>
<td>Lytton</td>
<td>Install 3rd 110/33kV transformer</td>
<td>6,033,636</td>
</tr>
</tbody>
</table>

These projects have been chosen based on their costs within the 2010/11 financial year.
Case study

The $91 million SunCoast Power Project is the most expensive integrated electricity project ever undertaken by ENERGEX on the Sunshine Coast. The project will pave the way for a complete overhaul of the electricity network on the Sunshine Coast, allowing ENERGEX to deliver a robust and dependable electricity network to homes and businesses now and into the future.

Construction will commence in late 2011 and involves the installation of a double circuit 132,000 Volt (132kV) overhead powerline from Palmwoods east to Pacific Paradise, the construction of a switching station at Eudlo, a new substation at Pacific Paradise and an upgrade to ENERGEX’s existing substation at Jones Road, Maroochydore. Once completed in 2014, more than 325,000 Sunshine Coast residents and visitors will benefit from improved reliability and quality of power supply.

The SunCoast Power Project is necessary to meet the rising demand for electricity in one of the country’s fastest growing areas. Since 2006, ENERGEX has engaged with the local community who were key in determining a route that will provide the best social, economic and environmental outcomes.

Supporting infrastructure growth in South East Queensland

In addition to distributing electricity to homes and businesses, we also provide support for large corporate and government projects. Recent government action on infrastructure investment has added to the demand for electricity in South East Queensland.

Key projects we supported throughout 2010/11 and will continue to support in the coming year include the Legacy Way Tunnel, Airport Link Northern Busway and Airport Roundabout projects and the Gold Coast Rapid Transit project. These projects generally require the provision of a reliable supply of electricity for both the construction and operation phases. In addition, these projects may require the existing network to be relocated to facilitate project construction. All of this work is done while ensuring a continual safe and reliable supply of electricity to the homes and businesses in the surrounding areas.

Looking to the future, we will be involved in upcoming South East Queensland infrastructure projects including the $8.2 billion Cross River Rail Tunnel and the next stage of the Northern Busway project.

Improving how we design and build assets

Improving our program of work

Our Program of Work Improvement Program (PoW IP) continued throughout 2010/11 with a focus on finalising the solution design phase and completing the initial phase of deployment. The improvement program was initiated to address the increasing demand for electricity and strengthen our ability to meet supply requirements in the future through efficient and effective use of existing resources.

This year, we have deployed new processes, measures and tools to more than 700 people in the business focused on improving how we plan, program and deliver our Program of Work. Working together across divisions using the new processes and tools will help us meet our AER expectations and achieve a sustainable and balanced business into the future.

In June 2011, PoW IP will enter a new phase and the focus will be to ‘stabilise and improve’ and ‘embed and sustain’ the new Program of Work framework. This will involve identifying immediate improvement opportunities and driving consistent application across the various functions and geographies within our business as well as embedding the changes to ensure maximum benefits are realised.
Enhancing the look of our assets

We have established a five-year $40 million powerline improvement scheme, in conjunction with local councils, designed to improve the look of electricity supplies in areas with significant community benefit. Called the Community Powerline Enhancement Program (CPEP), the project’s main focus is undergounding or bundling existing powerlines in sensitive locations such as major street shopping precincts, sensitive environmental and heritage areas, locations with significant vegetation, high pedestrian or vehicular areas, and in communities abutting bays, rivers and coastlines.

The program commenced in July 2010 and to date we have received 17 project proposals valued at $20.4 million from six Council areas. Of these 17 projects, one project is now complete, 11 projects are underway and three are proposed for 2012/13. The plan focuses on lower voltage electricity lines up to 11,000 volts.

This project is part of a larger five-year $100 million program to underground existing and future assets as identified by Local Councils and the community.

Planning for the unexpected

Preparing for summer 2010/11

Severe weather events including storms, floods, extended periods of high temperatures and high winds can cause significant damage to any power network. In preparation for the 2010/11 summer season, we invested more than $550 million through our Summer Preparedness Plan to improve the resilience of the network and our response to severe weather events.

The 2010/11 plan focused on four major areas of service delivery:

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

Within these areas of service delivery, specific targets were established and achieved prior to summer. These included:

- increasing major substation capacity by more than 700MVA
- upgrades to more than 180 x 11 kV feeders
- upgrades to more than 520 distribution transformers
- vegetation management and trimming of more than 16,500km of the distribution and transmission network
- inspections to more than 12,000 system component (such as poles)
- pre storm aerial patrols of more than 450 x 11kV and 33kV feeders
- replacement of more than 8,000 timber crossarms following system inspections.

While our summer response plan could not have predicted the severe weather events that affected South East Queensland throughout 2010/11, our Business Continuity Plans and Flood Risk Management Plan provided a framework for managing the January 2011 flood crisis. These plans were important in their contribution to the efficiency of the flood preparation and response (see page 50 for more information on our summer performance).

Improving our summer response

We are now identifying opportunities to improve our processes by conducting a full review of the flood events to identify improvements to our current systems and processes.

We have already identified a number of areas where there is opportunity for improvement. Some of these relate to our internal processes while others relate to issues affecting the wider community, like the location of CBD electricity distribution assets.

During the next 12 months, work will continue to:

- revisit our processes for determining the best location of future assets to ensure assets are placed well above Q100 levels
- review our current Flood Plan and make it publicly available
- update our current database to include contact details and substation/switching access point for each of our CBD sites and work with companies located within these facilities to ensure their business continuity plans including damage to electrical equipment
- review our emergency communication protocols with stakeholders
- review our electrical connection process and ensure protocols are in place for generator deployment.
Managing our flood risks

As part of our ongoing and proactive Summer Preparedness Program, we developed a Flood Risk Management Plan in 2010 in response to the incoming La Nina weather system. The Flood Plan applied to Brisbane and Ipswich. A Gympie specific Flood Plan had been in operation since 1995/96 because the Mary River in Gympie is prone to flooding.

The key objectives of our Flood Plan are:

• safety at all times to the public, employees and other emergency services employees
• a coordinated response to an emergency
• speedy restoration of adequate supply to customers
• timely restoration of the network to normal operating conditions
• resumption of normal operations as quickly as possible.

The Flood Plan also contains a detailed plan for our communication internally, with Emergency Services (including the Police, SES and local disaster coordinators), and with the public during a flood event.

During the flood events, our Flood Plan assisted us to:

• identify which assets were at risk of inundation
• develop asset management procedures based on this risk
• coordinate our network operations’ response
• liaise effectively with other stakeholders
• determine how and what information needed to be provided to customers related to flood risks and public safety.

In preparation for the next summer season, we intend to have the Flood Plan endorsed as part of our Summer Preparedness Plan and to have high level information about the plan publicly available to allow our customers to plan their own Business Continuity Plans or Disaster Recovery Plans.

Identifying internal efficiencies

Focusing on our core business

We continue to assess our core business and in 2010/11 completed the asset sale of Varnsdorf Pty Ltd, a co-generation business based in Victoria, and entered agreements to sell two small power stations at landfill gas sites in Victoria. Through divestment of these non-core assets, we can continue to focus on our core business of delivering reliable electricity to South East Queenslanders in a safe and sustainable manner.

Producing results by working together

During the year, we continued working together with Ergon Energy to implement the benefits identified by our Joint Workings program. The program commenced in 2007 and after extensive research and consultation, identified a number of areas in which closer cooperation could deliver significant benefits to both businesses and our customers.

Key areas of progress in 2010/11 included in condition monitoring which identifies appropriate methods and strategies for monitoring, analysing and assessing the condition of our network assets; in substation design to improve safety and quality, reduce cost and construction time on site; in our corrective and preventive maintenance areas to ensure a consistent approach across the two companies; and in our procurement and logistic areas through inventory holding optimisation, reductions in inventory returns and economies of scale through joint purchasing. Additionally, joint manuals were developed in defect classification, plant rating, public lighting and connections and metering.

Joint Workings continues to be accomplished through one off collaborations, joint technical committees, centres of excellence and formal sharing processes. Each of the approaches has fitted the needs of the project and enabled its success.

Next year, the project team will enter phase three focusing on ten new initiatives to provide further benefits and savings to both businesses.

Improving our decision making capabilities

The aim of our Performance Management (EPM) Program is to deliver a single source of truth for data, via a data warehouse, and a consolidated reporting platform, through a data model and intelligent reporting engine with drill down capability.

EPM will improve our corporate performance and business decision making capability by providing improved information accessibility, transparency, consistency and quality.

During the year, we completed the first phase of this project which identified the systems and processes required to support the EPMs rollout and sustained use throughout the business.

It is scheduled for completion in 2014.
responding to customer expectations

We strive to maintain open, honest and regular communication with our customers to ensure we proactively understand and respond to their energy-related choices.

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
</table>
| Continue to provide information and advocate information on energy efficiency initiatives | ✔ Achieved
Continue to promote energy efficiency through targeted programs for homes and businesses. Page 63 |
| Continue customer attitude and behaviour tracking | ✔ Achieved
Consistently strong customer satisfaction levels with corporate reputation again rating near the top 10 per cent of utilities. Page 60 |
| Execute the Auto Guaranteed Service Level (GSL) Project | ✔ Achieved
Project completed and delivered the changes required to fulfil amendments to the Queensland Electricity Industry Code. Page 62 |
| Trial the Rewards Based Tariff (RBT) initiative in late 2011 | ✔ Achieved
In partnership with Ergon Energy, this year we commenced a two year trial into RBT to investigate the impact of theoretical electricity pricing structures. Page 66 |

What we want to achieve next year

- Establish additional Energy Conservation Communities within the Ipswich Council area and further expansion within the Moreton Bay and Sunshine Coast Council area
- Establish an Energy Information Centre in conjunction with Ergon Energy to provide end users with quality information about Demand Management and Energy Conservation
- Continue tracking customer attitudes and behaviour
- Continue trialling the Rewards Based Tariff (RBT) initiative in 2011/12
- Establish systems and process changes required to comply with NECF legislative package from 1 July 2012
- Review existing network tariffs to align with the proposed Queensland Government tariff changes
- Continue developing and implementing our Customer Service Standards
Award winning customer service

In July 2010, our Customer Contact Group was again recognised for its award winning service at the Australian Teleservices Association Awards, taking out Australian Teleprofessional of the Year and Queensland Contact Centre Champion of the Year. The awards recognise achievements of the highest level within the call centre industry. Our five-year consecutive state and national success demonstrates the quality of service, support and customer care provided to the community.

In total, we responded to 1,136,777 customer enquiries via telephone, email, letter and fax (2009/10: 897,954 enquiries). We answered almost 74 per cent of calls to our general enquiries number within 20 seconds (excluding the flood and storm event period). Our Contact Group received more than 563,000 loss of supply calls (2009/10: more than 436,000) and more than 43,000 emergency calls (2009/10: more than 43,000).

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

Sharing information in emergencies

Throughout the devastating weather effects of January 2011, we continued to provide information to affected residents through an array of mediums.

Over the course of these events, the ENERGEX Customer Contact Group received nearly 180,000 emergency and Loss of Supply telephone calls with customers waiting less than 20 seconds on average to be answered.

In addition to these calls we provided proactive communication to residents through more than 54 media releases, three Courier Mail advertisements and 974 Australian Traffic Network radio spots culminating in 4,874 media mentions throughout the period.

Utilising social media, we also provided 270 twitter messages to more than 2,300 of our twitter followers and a new webpage was developed specifically for flood information.

We also deployed a mobile communication centre across the worst affected areas providing information, electricity to mobile telephones and food and water to residents.

Immediately following the flood events, ENERGEX was called upon to assist in managing calls for Ergon Energy in the wake of Tropical Cyclone Yasi. Over a seven-day period, ENERGEX staff answered over 1,400 Loss of Supply calls with an average speed of answer of 23 seconds.

Customer satisfaction remains high

We engage an independent research company to assess customer satisfaction, perceptions regarding our delivery of service to customers who have direct contact with us and the community’s perception of ENERGEX acting as a ‘good corporate citizen’. This research assists us to understand and improve our performance and service delivery. Graph 5 demonstrates our consistently strong customer satisfaction levels over the past three years, with corporate reputation again rating near the top 10 per cent of utilities. The graph also highlights customers who have had direct contact with us have a significantly higher perception of our performance than the general community. Understanding what our customers expect now and in the future plays a significant part in our strategic planning.

Graph 5 compares our performance in corporate reputation and service performance since 2008. Our corporate reputation benchmarks (as determined by the worldwide marketing research company, TNS) are:

- 63%: Top 10% utilities
- 51%: Top 33% utilities
- 43%: Mean utilities

*Note – Benchmarking applies to corporate reputation index only. The questions used to derive results between corporate reputation and service performance vary slightly; however it does indicate direct contact leads to a higher engagement score with customers.
Encouraging a customer-centric organisation

In 2010/11, our customer care program continued to focus on developing, encouraging and recognising excellent customer service within ENERGEX. This year saw an increased emphasis on contractor training sessions and customer service training for new apprentices with 429 contractors and 76 new apprentices attending courses to better manage their daily interactions with our customers and the South East Queensland community.

Feedback gathered from staff who attended these sessions and from our customers has directly led to the development of a ‘Damage to Property’ feedback card. These cards are used by field staff and contractors to provide customers with the process and contact details to rectify any damage that may have been inadvertently caused to customer property by ENERGEX during the course of our activities. The card overcomes difficulties advising customers if they are not present at the time of the damage and the issue cannot be discussed directly. The aim of this card is to ensure that adequate communication with the customer occurs following damage to property and will ultimately lead to improved service.

Recognising excellent customer service is a key focus of the customer care program. During the year, we relaunched our customer care recognition scheme rebranding it the ENERGEX Excellence Awards. This new program expands on our original customer care awards program by introducing a number of new award categories recognising excellent staff performance in the areas of safety, innovation, environment, projects and performance.

More than 650 staff and contractors received an Excellence Award nomination in 2010 and a selection of representatives from each category attended the Inaugural Excellence Awards ceremony in May 2011. In total, 29 category finalists were recognised on the night with 17 awarded an Excellence Award.

A new Chairman’s Award was also launched at the event for ‘recognition of consistent excellence and outstanding demonstration of the ENERGEX values.’ This was awarded to Alex Blauw, Project Manager and winner of the Project Champion Award for his outstanding professionalism, attention to detail and assistance with a number of key zone substation projects.

Recognising our top suppliers

Providing a customer-focused service requires effective assistance from a range of external organisations that supply us with service. We rely on around 400 contracted suppliers of goods and services to assist us with everything from building and maintaining the network to supplying photocopy paper. The ENERGEX Supplier Quality Awards have been running for more than 20 years and recognise outstanding achievement by our suppliers and contractors. This year, eight suppliers received quality awards across the seven categories.

Guaranteeing good service

The Queensland Electricity Industry Code (the Code) specifies Guaranteed Service Levels (GSLs) that we must provide in relation to the timeliness of service received by small customers. We are required to pay a financial rebate (detailed in Table 6) to the customer if the following service standards are not met:

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

ENERGEX Chairman John Dempsey presents the inaugural Chairman’s Award to Alex Blauw.
In a review of the GSL program by the Queensland Competition Authority (QCA), three major changes to the Code were implemented on 1 July 2010:

• three month time limit for customers to lodge a claim
• one month time limit for processing claims
• all seven types of GSLs will be identified and paid automatically.

To meet these new requirements, an Auto GSL project was established in November 2009 to ensure the timely implementation of these changes. Through this project, we delivered the people, process and information technology changes required to fulfil these amendments to the Code while working closely with Ergon Energy to ensure a consistent joint approach.

The QCA deems electricity distributors accountable for the administration of the GSL program regardless of whether the error was caused by the distributor or retailer. In the 2010/11 financial year, a total of 7,077 GSL claims were paid as displayed in Table 6. Customer service related issues generated 6,712 GSL claims and reliability matters initiated the remaining 365. All claims have been apportioned between the relevant stakeholders with 6,947 attributed to ENERGEX and 130 to the retailers.

Maintaining consistent customer communication

Customer Service Standards Program

During the year, we established a Customer Service Standards Program to review our interactions with customers in our everyday business activities. Since the introduction of Full Retail Contestability (FRC) and the sale of our retail arm, our environment has changed and, until now, there has not been a holistic review of the impact of that change on interactions with our customers.

We need to make sure that our services are the right services based on our role as a distribution service provider, and that our customers and staff understand what services we provide and how we provide them.

The Customer Service Standard Program identifies:

• what customer services we should be performing
• how the services should be performed
• who is accountable for delivery of those services
• what is the commercial impact of the standards.

Following an initial review, we have developed, and are implementing, customer standards for more than 70 identified customer interactions. Customer standards will assist us to continue to serve our customers in a way that is consistent, economical and meets our customers’ and shareholders’ expectations. This program is scheduled to continue into 2012.

### TABLE 6: GSL CLAIMS PAID BY CATEGORY AND ENTITY SOURCE

<table>
<thead>
<tr>
<th>GSL EVENT</th>
<th>TOTAL GSL CLAIMS PAID</th>
<th>ENERGEX RELATED</th>
<th>RETAILER RELATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability – interruption duration</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Reliability – interruption frequency</td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Total Reliability</td>
<td>2</td>
<td>365</td>
<td>2</td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New connection</td>
<td>138</td>
<td>240</td>
<td>137</td>
</tr>
<tr>
<td>Wrongful disconnection</td>
<td>293</td>
<td>317</td>
<td>162</td>
</tr>
<tr>
<td>Failure to reconnect</td>
<td>482</td>
<td>183</td>
<td>289</td>
</tr>
<tr>
<td>Hot water complaint – failure to attend</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Missed scheduled appointment</td>
<td>15</td>
<td>1303</td>
<td>15</td>
</tr>
<tr>
<td>Planned interruption – Business</td>
<td>2</td>
<td>404</td>
<td>2</td>
</tr>
<tr>
<td>Planned interruption – Residential</td>
<td>26</td>
<td>4264</td>
<td>26</td>
</tr>
<tr>
<td>Total Customer Service</td>
<td>956</td>
<td>6712</td>
<td>631</td>
</tr>
<tr>
<td>GSL TOTAL</td>
<td>958</td>
<td>7077</td>
<td>633</td>
</tr>
</tbody>
</table>
During the floods, we were regularly asked by our customers for information about retaining the services of a qualified electrician.

We coordinated with the Master Electricians Australia (MEA) to advise customers through the media and during our onsite work about the best way to retain an electrician’s service. In addition, we informed the MEA of any multiple disconnections in one area so they could arrange to have electricians available for customers in need of services. Finally, a recommended fee of $200 was negotiated with the MEA members for a mandatory basic inspection service to flood-affected customers.

By coordinating with the MEA, we were able to assist customers with a seamless reconnection process.

**Electrical Contractor Stakeholder Management**

The Electrical Contractor Stakeholder Management team continued to maintain strong working relationships with electrical contractors; recognising the importance of an efficient and coordinated approach to the delivery of customer connection services.

The existing Electrical Work Request (EWR) Web Portal, our key online communication tool for electrical contractors, is now widely used by electrical contractors. This offers an efficient way for electricians to manage their work and customer enquiries by providing them with the ability to track jobs online and receive updates on application and connection progress directly to their mobile phones, emails and through web access. Since its implementation, more than 119,000 EWRs have been submitted via the web portal by electrical contractors.

During the year, almost 88 per cent of EWRs were submitted electronically and 12 per cent submitted via fax.

Workload in connections continues to grow rapidly, with the number of EWRs received increasing from the monthly average of 9,481 in 2010 to an average of more than 13,000 in 2011. This is largely due to the increased uptake of solar photovoltaic installations (see page 83 for more information).

During the January floods, communication of power restoration arrangements with electrical contractors was vital to ensure customers were re-energised as quickly and as safely as possible. In conjunction with the Master Electricians Australia, we added instructions to our website for electrical contractors, detailing what processes needed to be followed to get supply restored to flood-affected residents. This was done to streamline efficiencies during the flood crisis and subsequent recovery phase. In normal circumstances, we also require a request from the customer’s retailer for reconnections, but this was bypassed due to the extraordinary circumstances.

**Maintaining effective relationships with the retailers**

We maintain regular contact with retailers, including quarterly interstate visits to discuss the major issues being faced by ENERGEX and retailers, and periodic teleconferences to actively engage retailers in proposed process changes. A satisfaction survey is also conducted annually to gauge retailers’ opinions on our performance. In the latest survey, we scored 84 per cent (2009/10: 66 per cent), well above our target satisfaction level of 65 per cent.

Following the sale of the three retail arms of the New South Wales government’s state-owned electricity companies to Origin and TRUenergy, which occurred on 1 March 2011, we worked with the impacted companies to ensure a seamless transition for any South East Queensland-based retailers and customers.

Origin and AGL continue to be the largest electricity retailers operating in our distribution area, with approximately 62 per cent (up from 57 per cent in 2009/10 due in part to the New South Wales purchase) and 25 per cent (down from 29 per cent in 2009/10) of customers respectively. TRUenergy is the next largest retailer with approximately six per cent of customers. Customer transfer activity remains high although there has been a slight drop off from January 2011.

On 1 February 2011, new credit support provisions were enacted in the form of a guideline issued by the QCA. The guideline outlines when we may request credit support from a retailer which is dependent on the network charges payable by the retailer and the retailer’s credit rating and payment history. The guideline replaces the provisions that existed in the Standard Coordination Agreement between ENERGEX and retailers. Although the guideline differs from the previous SCA provisions, it does align with the methodology that will be applied nationally under the National Energy Customer Framework (see page 66 for more information).

**Providing energy efficient advice**

**Encouraging off-peak use**

Connecting hot water systems to off-peak tariffs, where electricity is provided for limited hours per day at a discounted rate, is an excellent way to reduce a customer’s power bill while assisting us to better manage our peak electricity load. However, a declining customer base for connections of hot water systems to an off-peak tariff meant only four per cent of new hot water installations were utilising the off-peak connection.

During the year, a project was formed to raise customer awareness of off-peak tariffs through an advertising campaign, participation in the Brisbane Home Show and the offering of a $100 rebate for hot water systems that connect to off-peak.
In addition, industry engagement was carried out with hot water manufacturers, electricians and plumbers, training authorities and our field staff to engender their support for off-peak connections. Early indications suggest since the start of this program in September 2010 there has been a positive increase in customer connections to the off-peak tariff (April 2011: 5.8 per cent).

Promoting energy conservation and demand management in the home

As part of our energy conservation and demand management program, we have been working at the grass roots level with households, community groups, local councils and the State Government to promote awareness and practical cost-effective solutions to energy conservation and demand management in the home.

Through initiatives such as the ‘Cool Change’ and ‘Energy Conservation Communities’ programs, we have actively engaged with more than 5,000 households and various community stakeholders in Brisbane, Gold Coast, Redlands, Sunshine Coast and Moreton Bay Council areas to deliver a package of services and products that are helping combat peak demand on the electricity network and promote the more sustainable use of energy.

Services and products offered currently include the installation of demand management technology on air-conditioners and pool filtration systems in the home enabling these appliances to be cycled. In addition, rebates have also been offered to assist households in converting their pools and greenhouse efficient hot water systems to off-peak tariffs, helping households not only combat peak demand but receive cheaper power when operating these appliances.

Participation in these residential programs is voluntary and based on individual household circumstances. Next year, we hope to expand our residential energy conservation and demand management programs into new communities in Ipswich and the Moreton Bay area to improve utilisation on critical parts of the our network.

In addition to working with households, we have been working with local councils, community groups and schools in promoting understanding and awareness of energy conservation and demand management in the community. Schools and community groups have also benefited from the program directly with nearly $180,000 worth of grants being made available through local energy conservation community benefit funds.

As we continue to work with industry and governments in developing new solutions to demand management and energy conservation, it is expected that active resident participation and community engagement will continue to expand, building on the success established in 2010/11.
Encouraging businesses to conserve energy

Our Commercial and Industrial Initiative involves working with business consumers to offer financial incentives to undertake Energy Conservation and Demand Management (EC&DM) based projects to reduce peak demand on our network.

The initiative aims to identify the most cost-effective technology solutions, commercial models, and develop and demonstrate expertise to proactively implement these solutions.

We directly engage potential consumers for the program including approved suppliers of EC&DM services. Options typically include energy efficient lighting, heating, ventilation and cooling; distributed generation including customer generation, cogeneration and tri-generation; fuel switching, load shifting and load curtailment.

During the past year, contracts with consumers to secure 26MW of peak load reduction have been entered into with feasibility studies commenced at more than 44 other sites and in excess of 60 additional consumers being made aware of the initiative.

Responding to regulatory and market forces

We have identified a range of important regulatory and market changes that will impact on our customers within the next two to three years.

National market developments

We are actively contributing to the continued development of the regulatory framework. We have strong engagement with policy and regulatory agencies on a range of issues including the Retail Tariff Review, the development of the National Energy Customer Framework (NECF), consultation on the Regulatory Investment Test for Distribution (RIT-D) and in the merits review application on the gamma decision in response to the Australian Energy Regulator’s (AER) final determination.

Retail Tariff review

In May 2011, Queensland’s Minister for Energy and Water Utilities, The Hon. Stephen Robertson, announced changes to the retail tariff structure in Queensland. These changes will see the existing residential flat rate tariff (Tariff 11) replaced with alternate structures that provide customers with incentives to manage their usage and cost.

We are reviewing existing network tariffs to align with the proposed changes and will be working closely with the Queensland Government, the Queensland Competition Authority (QCA) and our industry partners on this tariff reform.
Trialling rewards based tariffs

In partnership with Ergon Energy, this year we began trials into Rewards Based Tariffs (RBT) to trial the impact of theoretical electricity pricing structures. The trial is being carried out over two financial years (2010/11 and 2011/12) and involves approximately 3,500 consumers in selected suburbs throughout Cairns, Toowoomba and Brisbane. This trial seeks to identify whether volunteers across the state are willing and able to respond to, and benefit from, electricity prices that differ depending on the time of day and peak periods.

The tariffs under investigation encourage users to carefully consider how to limit their electricity consumption during peak periods and offer incentives to shift discretionary usage into low price periods. Three types of tariffs are being tested throughout the trial including a time varying tariff (incorporating a dynamic peak price and a time-of-use price), and a maximum demand (capacity based) tariff, specifically targeting high demand days. The trial does not change the way consumers are billed by retailers, rather consumers receive performance statements that provide feedback on their performance based on the trial’s theoretical electricity prices. Consumers are encouraged to respond to these theoretical trial prices through reward incentives.

The Rewards Based Tariffs initiative aims to assist us in gaining an understanding of customer acceptance and behaviour towards tariffs of this nature, highlight the challenges faced by consumers in responding to new pricing structures and develop our understanding of the effectiveness of such tariffs in reducing peak demand. These learnings will feed into shaping future initiatives and government tariff policy.

The National Energy Customer Framework

The National Energy Customer Framework (NECF) represents the most significant change for us in our interactions with customers, retailers, regulators and market institutions since the introduction of Full Retail Competition (FRC) in 2007.

Established following discussions by the Ministerial Council on Energy, the NECF involves the harmonisation of state-based regulatory frameworks (excluding retail price regulation and community service obligations) for the retail energy market and energy distribution sector into a single set of national rules. The focus of the NECF is on providing a regulatory framework for the relationship between energy customers and the energy retailers and distributors that supply them and includes a range of energy-specific consumer protections.

The majority of the new regulatory obligations arising from the NECF legislative package is expected to take effect in Queensland from 1 July 2012.

We are now focusing on the application of our new regulatory requirements and ensuring the necessary system and process changes. We will also be engaging with relevant stakeholders including electrical contractors and consumer groups to ensure compliance by 1 July 2012.
engaging our community

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve our Community Regard Index (CRI) score from 2009</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td></td>
<td>Achieved a CRI score of 86 per cent, an improvement of 10.68 per cent from 2009. Page 70</td>
</tr>
<tr>
<td>Support the community through our 2010/11 sponsorship program</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td></td>
<td>Continued to provide around $1.35 million in funding and support to South East Queensland communities. Page 71</td>
</tr>
<tr>
<td>Complete the trial of new stakeholder engagement database and assess its effectiveness</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td></td>
<td>Completed trialling of our SUGAR database program with additional training required prior to its organisation-wide implementation. Page 69</td>
</tr>
<tr>
<td>Update our Community Consultation Manual</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td></td>
<td>Updates to the manual included a community engagement policy, a standard Terms of Reference document for the establishment of community reference groups, and the redefining of our community engagement processes for major projects. Page 69</td>
</tr>
<tr>
<td>Launch the new ENERGEX website</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td></td>
<td>Redesigned and relaunched website in May 2011 to provide greater avenues for information sharing across the site. Page 68</td>
</tr>
</tbody>
</table>

**What we want to achieve next year**

- Continue supporting the community through our 2011/12 community partnership program focusing on local community initiatives, safety, education, and sustainability
- Commission the London Benchmarking Group Australia New Zealand to review our community partnership portfolio. The Group boasts 52 members and provides approaches and valuations for a range of community contributions and an international standard for measuring and benchmarking corporate community investment
- Continue monitoring and updating our stakeholder management strategy to reflect changing business requirements
- Continue trialling our new Community Benefits Fund which focuses on investing in the neighbouring communities which may be impacted by specific major projects
- Maintain our commitment to transparent corporate reporting through the CRI initiative

*We continue to* consult, inform and engage with our local communities to maintain a strong link between ENERGEX and the South East Queensland community.
Working in our communities

Identifying the optimum tools and processes for engaging with our local communities has been a key focus in 2010/11.

Expanding our communication channels

This year we further expanded our social communication channels and are now actively involved in online forums including Whirlpool, a leading Australian internet and technology discussion forum. We engage with the community through social networking channels including Facebook, Twitter and YouTube.

Our website (www.energex.com.au) was also redesigned and relaunched in May 2011 to provide greater avenues for information sharing across the site. In adherence to W3C Web Content Accessibility Guidelines, Version 2.0, Level AA, the site uses assistive technology compatibility (such as screen readers for visually impaired users) and can be listened to using BrouseAloud.

Key benefits of the new site include:

• energy demand indicator showing South East Queensland’s current electricity usage
• links to connect with our social networking channels
• social sharing tools to help the community spread our messages
• ability to register for ENERGEX updates and alerts
• new weather centre featuring local weather information and lightning tracker.

This two-way dialogue provides a platform for discussions, ideas generation and feedback – all designed to enhance the customer’s experience and engagement.

Communicating network maintenance, upgrades and safety

We continued to keep the community informed of key upgrades to their electricity supply via flyers, stakeholder letters and advertising of more than 200 capital works projects.

In addition, nearly 500 media releases were distributed with 20 per cent of these relating to safety during this summer’s wild weather and flooding.

Consulting on major infrastructure

We are continuing to ramp up our community consultation activities across South East Queensland, in line with our major projects under the Community Infrastructure Designation (CID) process.

Our consultation efforts are part of our commitment to delivering our infrastructure program in line with community needs.

This year alone, we participated in more than 10 activities; 141 community, stakeholder and landowner meetings; and distributed more than 26 types of communication relating to several major infrastructure projects to ensure the public is adequately informed.

Communities had input into the design process, for example, negotiating the specific location of power poles and also assisted in revegetation and landscape designs.

We also engaged other key stakeholders including elected representatives, local councils, other infrastructure providers, and organised groups to ensure that all affected parties were involved from an early stage and common goals were achieved.
Our Community Consultation Manual was reviewed during the year to ensure it reflects current community engagement trends. Updates to the manual included producing a community engagement policy to ensure a consistent approach to consultation throughout the business, establishing a standard Terms of Reference document for the establishment of community reference groups, and the redefining of our community engagement processes for major projects.

**Focusing on our stakeholder relationships**

During the year, our Stakeholder Management Strategy was updated to reflect a more diverse approach to stakeholder engagement. Through this update, we have identified opportunities for shared assets and knowledge across stakeholder organisations and new tools for engaging stakeholders.

As illustrated in Table 7 and Table 8, a range of engagement tools were used throughout the year to ensure stakeholders are regularly engaged.

Initial trials, involving 52 ENERGEX staff, to implement a new stakeholder engagement database were reviewed in early 2011. This new database enables users across the organisation to record and access data including discussions, outcomes and feedback from any engagement on an ongoing basis. The review focused on the usability of the database across the organisation with results suggesting the need for greater staff training prior to its organisation-wide implementation.

This year we also continued our ENERGEX Community Consultation Committee (ECCC) bringing together representatives of local government, industry, planners, state government and social justice organisations. The ECCC enables a platform for discussion and provides on-going advice to the company on current community issues, concerns and expectations, taking on board the range of opinions, needs and expectations. In addition, the committee oversees and approves the Community Powerline Enhancement Program (see page 57 for more information).
## Stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Key Methods of Engagement During 2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government stakeholders</strong></td>
<td><strong>Shareholding Ministers</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Government departments and councils</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Regulators – QCA, AER, Energy and Water Ombudsman Queensland</strong></td>
</tr>
<tr>
<td><strong>Business customers</strong></td>
<td><strong>Electricity retailers</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Electricity transmission distributor and electricity generators, Powerlink</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Suppliers and contractors</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Large customers</strong></td>
</tr>
<tr>
<td><strong>Community stakeholders</strong></td>
<td><strong>Customers and community, including environmental groups</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Our employees</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Media</strong></td>
</tr>
</tbody>
</table>

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

### Being socially responsible

Currently, we use two programs to measure and improve our corporate responsibility performance in line with the business strategy – the Corporate Responsibility Index (CRI) and the Global Reporting Initiative (GRI).

This year we achieved a CRI score of 86 per cent, an improvement of 10.68 per cent from the previous year. This score places us in the silver category which is awarded to companies that frequently demonstrate stakeholder engagement and have reliable baseline data. Our CRI submission is assessed by an international, independent United Kingdom based organisation, Business in the Community. Through significant improvement in our policies, directions and systems to recognise and manage key areas of corporate responsibility, community, environment, marketplace and workplace management, we were able to substantially improve our CRI results. This progress in corporate responsibility practices can largely be attributed to the Corporate Sustainability and Responsibility Working Group comprising representatives from all areas of the business who work hard to recommend and monitor improvements throughout the organisation.

<table>
<thead>
<tr>
<th>Year</th>
<th>CRI Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>58.58</td>
</tr>
<tr>
<td>2009</td>
<td>75.32</td>
</tr>
<tr>
<td>2011</td>
<td>86*</td>
</tr>
</tbody>
</table>

*(Business in the Community administers the program)*
Supporting the community

Throughout 2010/11, our sponsorship program continued to provide funding and support to South East Queensland communities with an investment of approximately $1.35 million. Our sponsorship policy was reviewed in 2010 and updated to reflect our commitment to sustainability.

We focus our investments towards targeted initiatives around local communities, safety, education and environment/energy efficiency, as listed in Table 9. The distribution of our funds to each area is demonstrated in Graph 6.

The policy is closely monitored by our Sponsorship Committee led by our Chief Executive Officer and consisting of senior managers from across the business. The committee meets every second month to discuss key sponsorship proposals and monitors existing sponsorships and budgets to ensure their effectiveness.

We continue to encourage our hubs and operational staff in different regions of South East Queensland to assist with sponsorship of local community groups and charitable organisations. Some of these have included the Make a Wish Foundation, Sunshine Coast Health Foundation, St Johns Ambulance and the Ipswich Hospital Foundation.

**ENERGEX staff donate to the Premier’s flood appeal**

During the year, ENERGEX and our staff donated $151,676 towards the Premier’s Flood Relief Appeal. Of the total donation, our staff donated $75,838 from their own households which was then matched dollar for dollar by ENERGEX. As an organisation, we were very proud to present this donation on behalf of our staff, many of whom were personally affected by the flood crisis.

In response to our increasing focus on promoting sustainable living, we launched our newest community partnership initiative in March 2011, the ENERGEX Environment and Sustainability Fund. Funded through the sale of our scrap metal and other materials, South East Queensland community groups can apply for a grant from an allocated $150,000 per year. The first round of grants was released in March and totalled $50,000. This was awarded to five community groups

- Corinda State High School
- Maroochy Waterwatch
- SEQ Catchments
- Moreton Bay Koala Rescue
- Kumbartcho Festival.

The next round of submissions for the fund, worth a total of $100,000, will be awarded in October 2011.
**TABLE 9: SPONSORSHIP ACTIVITIES FOR 2010/11**

<table>
<thead>
<tr>
<th>LOCAL COMMUNITY INITIATIVES</th>
<th>SAFETY</th>
<th>EDUCATION</th>
<th>ENERGY EFFICIENCY/ENVIRONMENT</th>
<th>ENERGY CONSERVATION AND COMMUNITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lord Mayor's Community Trust</td>
<td>Queensland Cancer Council: SunSmart Day – raising awareness and funds to fight skin cancer</td>
<td>Bright Futures program – sponsoring high school students’ attendance at Committee for the Economic Development of Australia (CEDA) forums</td>
<td>SEQ Catchments</td>
<td>Cleveland State School</td>
</tr>
<tr>
<td>Ipswich Festival</td>
<td>Rural Fire Service</td>
<td>Queensland Museum – ENERGEX Playasaurus Place</td>
<td>ENERGEX Junior Landcare activity days</td>
<td>Birkdale State School</td>
</tr>
<tr>
<td>Dingo Creek Festival – supporting SIDS and KIDS Queensland</td>
<td>Sunshine Coast Helicopter Rescue Service</td>
<td>Queensland University of Technology</td>
<td>Premier's Sustainability Awards</td>
<td>Star of the Sea Catholic Primary School</td>
</tr>
<tr>
<td>St Vincent De Paul</td>
<td>Volunteer Marine Rescue</td>
<td>Queensland Arboriculture Association</td>
<td>Lord Mayor's Business Awards</td>
<td>Buderim Mountain State School</td>
</tr>
<tr>
<td>Royal Queensland Show 2010 Brisbane EKKA</td>
<td>State Emergency Service</td>
<td>International River Foundation (Bremer River Forum)</td>
<td></td>
<td>Mountain Creek State School</td>
</tr>
<tr>
<td>The Starlight Foundation</td>
<td>Sunshine Coast Helicopter Rescue Service</td>
<td></td>
<td></td>
<td>RSPCA Noosa/Sunshine Coast Branch</td>
</tr>
<tr>
<td>Sunshine Coast Health Foundation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Give Me 5 for Kids)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 9 outlines our key sponsorships worth more than $5,000.
Supporting energy efficient ideas

In support of our energy conservation community (ECC) program, see page 64, we have provided more than $125,000 in funding for sustainability projects commissioned by local schools and community groups within the Redlands and Sunshine Coast areas.

The ECC program, which is a joint venture between ENERGEX, the Queensland Government’s Office of Clean Energy and the relevant local Council, was established to encourage residents to help the environment and minimise electricity consumption in periods of peak demand.

Energy efficiency was a key criteria for the funding with successful projects including new kitchen appliances, heat reduction window tinting, lighting and sound equipment and solar powered lighting installation.

Supporting our future leaders

Education is one of our key support areas and we have developed a close affiliation with the Queensland University of Technology (QUT).

Last year, we established a three-year $25,000 scholarship for electrical engineering students. In addition to the scholarship itself, we also offer paid vacation employment to the recipient to assist in their work experience requirements.

We also provide support to the Monique Cramer Memorial Fund. The fund supports an annual award for a female student studying engineering at the Queensland University of Technology – the Monique Cramer Memorial Award.

In 2010, we began donating to the Low Income Support Scheme operating within QUT’s Built Environment and Engineering Faculty. This scheme provides assistance to low income students via text book vouchers and a textbook loan scheme.

Case study

Queensland SunSmart Day is an annual event hosted by Cancer Council Queensland to encourage all Queenslanders to get involved in raising funds and awareness for the fight against skin cancer. In 2010, the event was held on Friday 18 November ahead of National Skin Cancer Action Week.

ENERGEX has been the event’s major sponsor since it began in 2009. The first Queensland SunSmart Day raised more than $30,000 for Cancer Council Queensland’s work in skin cancer research, prevention and early detection programs and patient support services.

Over 200 supporters hosted an activity on Queensland SunSmart Day 2010. These included child care centres, schools, businesses, and community groups. The highest fundraising school was Amberley District State School who received a $1,000 cheque from ENERGEX to use towards SunSmart initiatives.

As part of the initiative, Cancer Council Queensland delivered 11 SunSmart community talks to ENERGEX staff at their workplaces around the Brisbane region in November 2010.

Attending university can be an expensive experience. To assist with these costs, we are supporting QUT’s Built Environment and Engineering Faculty’s Low Income Support Scheme which is providing textbook loans and vouchers to low income students. Since its inception in 2009, more than 100 students have benefited from the scheme.

Being from a low income background means everything (mostly financially related) becomes hard for you. You have to find a way to pay for those much needed expensive text books; and for most of us there is no other solution to this than begging longer hours at work to earn a little more just to help cover these expensive costs... Thanks to the text book loan scheme, it helps us with the load of worrying about paying for those expensive text books, freeing us from those long hours we could’ve been spending at work and concentrate more on our studies.

We really appreciate this much needed help.

2nd Year Electrical Engineering Student
Educating the community

Through the success of our Community Speakers Program, we are continuing to strengthen our presence in the local community.

We have ENERGEX industry experts who present to a range of audiences from school children and community groups to businesses and local councils on numerous subjects including: the history of electricity and changes to the industry, electrical safety, energy efficiency, renewable energy, work in the community, ENERGEX and the environment, safetree, ENERGEX helicopter patrols and careers in the electricity industry.

Our approach to educating customers about the dangers of fallen powerlines during storms through use of real storm footage continued during the year. This campaign, which highlights the ‘real dangers’ of summer storms and fallen powerlines, was awarded the 2010 Australian Community Awards private sector category recognising emergency management initiatives that help to build safer communities across Australia. Its continued success to warn residents about the dangers of fallen powerlines is evident with newly-designed post campaign research in March 2011 indicating 79 per cent of South East Queensland residents are aware of the safety campaign and can demonstrate a clear recall of the campaign’s key messages.

In its second year, our peak demand education campaign continues to provide an excellent avenue for encouraging the community to help us reduce the demand on electricity during peak times with research showing 8 in 10 respondents aware of the concept of peak demand. This supports several targeted initiatives and trials to help us achieve a smarter, more sustainable network.

As well as our website, consultation and engagement activities, and targeted sponsorships, another key education tool used is our popular Switched On website for kids. More than 294,000 site visits have been recorded this year with registered members from all over South East Queensland receiving the e-newsletter.
supporting our people

What we set out to achieve this year

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE THIS YEAR</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Execute year one of our three-year Power to Perform program</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td>Continue to invest in people leadership and training</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td>Continue to be an employer of choice</td>
<td>✅ Achieved</td>
</tr>
<tr>
<td>Maintain a high level of employee motivation</td>
<td>✅ Achieved</td>
</tr>
</tbody>
</table>

Our people are key to our success. They are instrumental in our ability to serve and respond to our stakeholders, our customers and our regulators.

Building the workforce for the future

This year, we continued to deliver on our people strategy to build a sustainable, adaptable and engaged workforce. This will ensure we have the people, skills, culture and performance required to deliver our business objectives now and in the future.

We are a significant employer in the South East Queensland region, employing 3,892 people as at 30 June 2011 (2010: 3,849). While our workforce is diverse, the majority of our employees are employed in the areas of administrative/clerical, professional managerial and technical serviceperson (see Table 10 for complete listings) and across 31 sites throughout South East Queensland.

This year we recruited 283 new staff (2009/10: 240) with almost one third of these apprentices. This reflects the need to expand our skill and knowledge base to keep pace with our customers’ lifestyle aspirations and changing environment.

What we want to achieve next year

- Continue implementing our three-year Power to Perform program
- Finalise our Enterprise Bargaining Agreement 2011
- Continue implementing the ENERGEX Workforce Planning Framework

We recognise flexible working arrangements deliver benefits to the organisation and our employees. We have policies in place to facilitate home-based work, job share, and part time employment. Within our workforce, 3.5 per cent of our staff are employed part time (2009/10: 3.5 per cent).

To ensure we have the right workforce balance and skills, we have developed a whole of ENERGEX Workforce Planning Framework. This allows us to analyse workforce need and resource availability in terms of numbers and skill requirements across the business and to connect separate strategic workforce initiatives under a single umbrella.

In 2011/12, the focus will be on analysing the workforce gaps and risks and developing strategies to position ENERGEX to ‘live within our means’ for the remainder of the current AER period and to prepare for the next.
Developing our employees’ capabilities

In 2010/11, we continued to invest in a range of development programs including apprenticeships, para-professional cadetships, graduate development and staff development. These programs assist to develop our employees’ skills, knowledge and experience.

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

EsiTrain is also covered by the ENERGEX certification of ISO 9001, ISO 1400 and AS4801. Over the past three years, we have continued our focus on high quality internal training deliveries supported by government funding for apprentice training. Simultaneously, we have been working to drive down our direct costs through initiatives such as EsiLearn, our online training platform, and growing external revenue.

These successes were reached despite flood damage in early 2011 which reduced capacity at the Rocklea technical training facility to 50 per cent. Damage to the facility is currently being repaired with civil and electrical works to improve the pole yard completed in June 2011 and a new building to replace flooded rooms due to be finalised in September 2011.

This year more than 115,536 student contact hours (a measure of training delivery) was given through EsiTrain (2009/10: 136,691 hours).

Our graduate programs are designed to attract recent engineering, business and finance university graduates. Graduates are able to rotate through relevant departments, applying their studies and also learning about different facets of our business. All participants receive personal development and mentoring from our senior employees. There are currently 22 participants in the engineer development program, four in the business program, and four in the finance program (2009/10: 33 graduates).

We currently have 367 apprentices employed in the following trades: electrical fitter mechanics, overhead linespersons and cable jointers (2009/10: 338 apprentices). We have six para-professional cadetship programs running with two programs due to graduate this financial year. Cadetships combine study and on-the-job training, providing participants with TAFE training to gain an Advanced Diploma of Electrical Engineering, which helps to build capability in these employees to fill future para-professional roles across the organisation.
A new program being piloted is ENERGEX’s Positive Power Mob Program that has been developed by ENERGEX in conjunction with the Department of Employment, Economic Development and Innovation – Indigenous Initiatives Division, the Queensland Council of Unions and the Electrical Trades Union of Australia, to provide opportunities for Indigenous Australians seeking electrical apprenticeships.

This year, 16 Aboriginal and Torres Strait Islander people have commenced this pre-employment training program that aims to provide them with the skills necessary to gain and complete a linesperson apprenticeship with ENERGEX.

The program consists of an 18-week course of theoretical and practical training provided by a community organisation called The Spot Community Services and the Metropolitan South Institute of TAFE. The course will provide participants with exposure to ENERGEX’s workplace culture, provide tuition in numeracy and literacy skills and will equip program participants to pass the apprenticeship entrance exam.

Other topics of study include, but are not limited to, resume training, interviewing skills, financial management skills, learner’s permit training and goal setting skills.

Participants will graduate from the program with a Certificate II in Skills for Work and Training in early July 2011.

During the training, participants will be given the opportunity to apply for the mid-year intake of Apprentice Linespersons with ENERGEX. On completion of the pilot program, the 18 week course will be reviewed and if deemed successful will be part of our ongoing apprenticeship recruitment process.

The program was completed successfully in June 2011, with six participants commencing as Apprentice Linespersons. A further three have commenced in Power Worker roles with ENERGEX. Other participants achieved career outcomes with other employers including one as an apprentice carpenter and another gaining a traineeship in the mining industry.

An award winning apprenticeship program

The Federal Minister’s Awards for Excellence (MAE) is an annual event that recognises and rewards organisations and individuals who make an outstanding contribution towards the training of Australian apprentices.
After receiving the ‘runners up’ award in both 2008 and 2009, ENERGEX was awarded the 2010 Minister’s Award for Excellence – Employers of Australian Apprentices. The applications were evaluated on their ability to demonstrate excellent standards of training and support for employees in the workplace, as well as the processes and programs that were initiated by businesses to provide positive outcomes for both the employer and Australian apprentices. The award stands testament to our highly successful apprenticeship program.

The Honourable Teresa Gambaro MP, Federal Member for Brisbane sent us a congratulatory letter commending the remarkable achievement. “ENERGEX now offers one of the country’s most sought after apprenticeships,” wrote Ms Gambaro.

Building effective leaders

Our leadership development programs continue to evolve and gain momentum in the business. Over the past year, 507 training spaces were filled on ENERGEX leadership development programs.

All leadership programs continue to embed our values and leadership capabilities and have received outstanding feedback from both participants and suppliers throughout 2011.

This year a program for new and aspiring leaders and individual coaching for members of the senior leadership team was introduced. Continuation of the successful Executive Development Program, run in partnership with Mt Eliza (Melbourne University Business School) has also been a key focus.

Power to perform

Power to Perform is ultimately about improving our performance through our people. It is a key component of our business platform and will help us to continue to build a performance-aware workforce. An improved workforce means that we are better able to achieve our objectives and targets and continue to provide a safe and reliable electricity supply for our community.

Powering performance

Power to Perform – our performance management framework – continues to encourage a performance focused workforce with the skills, productivity and flexibility to deliver strong business results.

The program is designed to:

- clarify performance objectives and link these with organisational business plans
- facilitate feedback through appraisal of individuals against achievement of these objectives
- recognise and reward performance.

This occurs through setting performance objectives, completing mid and final year reviews, and undertaking performance pay determinations.

In its first implementation year, Power to Perform has increased the company’s focus on performance with our leaders and employees working collaboratively according to agreed standards towards a common goal.

The new framework has facilitated uplifts in performance by individuals and the business by providing employees with the guidance, coaching and feedback they need to develop their skills and perform to the best of their ability.
Active Travel Committee
The Active Travel Committee is a group of ENERGEX staff who have volunteered to help promote a wider range of environmentally friendly and healthy transport options across ENERGEX. This initiative aims at improving the health and well being of our community through our staff. The Committee promotes walking, running and cycling to work as an alternative to driving and campaigns to improve public transport options for staff. During the transition to Newstead, the Active Travel Committee assisted staff with planning their new journey through ensuring that staff were kept up to date with transport developments.

Listening to our staff
Results from the 2011 staff survey indicated our employees’ motivation levels remained stable with more than 3,100 staff responding to our annual survey, representing a response rate of 79 per cent (2009/10: 85 per cent).

Hinds Workforce Research use the Employee Motivation and Performance Index (EMPI) to measure employee interest, satisfaction and commitment at work. The survey results indicated an overall tally score of 65.8 out of 100 (2009/10: 65.87), placing ENERGEX in the ‘Low High Performance Range’ of scores.

As in the previous year, the results from the 2011 staff survey will be used in RODA (Receive, Own, Discuss, Act) conversations. The RODA workshops provide a forum for staff and managers to determine the required actions needed based on local level survey results and feedback.

Actions from the previous staff survey, which are continuing into the coming year, included implementing Power to Perform, developing clear membership and expectations of the Senior Leadership Team, continuing to invest in leadership development activities and introducing new internal communication tools.

Throughout the year, employees are also able to voice their concerns or complaints through an independent disclosure line operated by an external company and overseen by Internal Audit. While employees are encouraged to discuss issues with their supervisor, manager, executive general manager or Internal Audit, the confidential disclosure line is available to report suspected fraud and unethical or illegal matters. Its aim is to enhance the existing fraud and compliance frameworks and support our Code of Conduct.

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

We track diversity in our workplace by measuring the gender balance and people from minority groups employed1. We ask all new employees to complete an Equal Employment Census in line with requirements of the Equal Employment Opportunity in Public Employment Act 1992. Provision of this information is at the employee’s discretion, so collection of this information is limited to those employee’s who elect to participate in the census. However, in an industry which has traditionally been dominated by males, in 2010/11 our ratio of female to male employees is slightly above the industry median at 1:3.8 as at 30 June 2011.

In addition to a complaint handling system, which includes both informal and formal procedures, we employ specialised Employee Contact Officers who are available to provide information to employees in their attempts to resolve EEO matters informally. Employees may also access our Employee Assistance Program (EAP) for confidential and professional support. The EAP provides assistance through short-term professional counselling and consulting for employees and members of their immediate families who face problems of a personal, family-related or employment nature.

Informing our people of their responsibilities
We continue to implement an employee relations strategy that informs managers and employees of the requirements, responsibilities and processes necessary for a professional employee relations environment. Examples of its success include:

- ENERGEX Drug and Alcohol Policy – As part of our ENERGEX Union Collective Agreement (EUCA) 2008, parties agreed to the joint development of the Management of Alcohol and Other Drugs Standard. During the last two years, we have worked collaboratively with the Unions to develop a policy that meets business and safety needs while also being supported by our employees
- Corporate Property Strategy – We have developed a long term strategy to improve our property portfolio. To do this in an effective way, we are involving employees and unions in the development of individual projects including the successful relocation of large numbers of staff to the new office building at Newstead
- Program of Work Improvement Project (PoW IP) – PoW IP is a cross-divisional initiative targeted to achieve a more efficient and effective Program of Work (PoW) that continues to deliver safe, efficient and reliable energy to our customers. We were able to reach agreement with the Unions on some concerns around employment conditions through a Memorandum of Understanding to allow the project to progress uninterrupted.

1 For further information regarding our workforce profile please refer to our latest Sustainability Report at www.energex.com.au/about-us/corporate-reports
Communicating with our staff

In 2010, we commissioned external consultants to carry out a communication audit to assess staff satisfaction with internal communication and to develop recommendations to ensure our internal communication function was aligned with best practice. We also wanted to establish profiles of staff communication preferences and needs, and to review and measure the effectiveness of existing communication processes, channels and tools.

The audit findings identified areas of communication strengths and opportunities for improvement and change. On almost all measures, the satisfaction with communication among office staff alone would put ENERGEX into a high-performance category compared with other Australian organisations. However, the results for field staff (our “off line” audience) were typically well below the Australian average indicating that specific needs of field staff were not being met.

Despite the strong overall satisfaction with communication, there were distinct pockets of dissatisfaction and clear opportunities for improvements to increase the relevance, value and timeliness of communication. Seven key areas of focus have been identified as important to improve employees’ overall satisfaction levels with our internal communication and to align the internal communication function with best practice.

Seven key areas of focus have been identified as important to improve employees’ overall satisfaction levels with our internal communication and to align the internal communication function with best practice.

1. Ensure tighter governance around communication practices to improve flow, timeliness, cut through and consistency of messages
2. Develop targeted strategies to support leadership communication
3. Address field staff communication issues to improve engagement
4. Improve audience segmentation, message tailoring and clarity across all channels and tools
5. Improve cross-divisional understanding
6. Pursue technology innovation and upgrades, including intranet modernisation
7. Improve staff understanding of our business strategy and their role in achieving it.

The focus this year, in terms of leadership communication, has been on developing a communication plan for the executive management team as a whole, and on introducing a suite of new tools that will enable them to communicate more directly with employees and in more consistent and compelling ways.

Another focus area was the introduction of a new information design system and supporting templates to provide improved segmentation, tailoring and clarity of messages. The new system, which is in its infancy, helps to reduce excessive communications by directing information depending on the priority of the message and the needs of target audiences.

Intranet modernisation was also an important focus area in 2010/11. In the age of social networking and user generated content, it is critical that we have a solid intranet platform that can support growth into these areas.

Results from our 2011 staff survey indicate our employee motivation levels remain stable and in the “Low High Performance Range” for Australian companies.
delivering **sustainable** outcomes

<table>
<thead>
<tr>
<th>WHAT WE SET OUT TO ACHIEVE THIS YEAR</th>
<th>HOW WE PERFORMED</th>
</tr>
</thead>
</table>
| Deliver and implement the revised Carbon Management Plan | ✔ Achieved  
We have exceeded our target with an overall decrease of 12 per cent. Page 87 |
| Advocate embedded renewable energy sources including an expansion of our solar photovoltaic program | ✔ Achieved  
Continued to facilitate these connections. Page 83 |
| Continue environmental training sessions throughout ENERGEX | ✔ Achieved  
Updated training course with 95 per cent of staff having completed the course. Page 83 |
| Maintain certification of our Environmental Management System against the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001) | ✔ Achieved  
Continue to maintain certification against ISO 14001. Page 84 |
| Continue to reduce greenhouse gas emissions against our 2006/07 benchmark level | ✔ Achieved  
Achieved an overall decrease of 12 per cent on our 2006/07 baseline emissions. Page 87 |

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**This year, we continued to**

promote energy conservation through targeted initiatives and trials, implemented strategies to reduce our own environmental footprint and worked with key bodies across South East Queensland to progress in environmental best practice.

**What we want to achieve next year**

- Continue to reduce our carbon footprint by reducing our carbon emissions in line with the Queensland Government’s five per cent reduction target
- Work with the Queensland Government and other industry professionals to develop a sustainable solution to meet increased demand for solar PV installations
- Continue work on our Corporate Property Strategy including gaining approval for key sustainable office designs
- Continue implementing our Environment Strategy with particular focus on our offset strategies
Delivering a consistent approach to environmental management

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

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

The strategy is supported by our Environment Policy, our Corporate Sustainability Policy, Environmental Offsets Policy, Carbon Management Plan, Procurement Policy, and the Environment Operational Plan which states our performance indicators as set out in the Statement of Corporate Intent (page 15).

Offsetting our emissions

Since joining the Australian Government’s Greenhouse Challenge in 1996, we have planted almost 300,000 native trees to offset our carbon emissions. In 2010/11, to offset our 2009/10 fleet and air travel carbon emissions, we purchased at a total cost of $163,000:

- greenhouse friendly abatement credits through Ecofund (5000t CO₂-e)
- Run of the River Hydroelectricity through Ecofund (6000t CO₂-e)
- biosequestration through planting of native trees with Noosa Landcare (8,500t CO₂-e).

These indigenous native plants have the additional benefit of providing wildlife corridors, habitat, increased water quality and other ecosystem services.

This scheme allows the abatement certificate providers to carry out activities on our behalf which decrease greenhouse gases. Refer to Table 11 on page 88 to view a summary of our greenhouse gas emissions.

Working towards sustainability in procurement

Our procurement strategy focuses on ensuring a balance between environmental, ethical and value outcomes. In line with the Queensland State Procurement Policy, we are progressively integrating sustainability into our procurement of goods, services and construction. To achieve this, we have established environmental, ethical and social considerations within our procurement decision matrix. We consider:

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

We have a dedicated team to examine the ‘end to end’ recovery of materials with a view to identifying opportunities to recover and recycle, thereby improving end of use management and optimising sustainability. In accordance with the ENERGEX Corporate Sustainability Policy, environmental management requirements are included in all of our contracts with suppliers ensuring the sustainability criteria related to key performance indicators are progressively implemented as procurement activities are undertaken.

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

This year marked the 20th Anniversary of our Supplier Quality Awards, an opportunity to recognise the exceptional achievements of our suppliers. Kennedy’s Classic Aged Timber Pty Ltd was announced winner of our ‘Innovations in Sustainability’ Supplier Award for their work in recycling our old poles and cross arms to sell as recycled timber. This process has been extended to shorter length poles, further reducing the amount of waste that would otherwise go to landfill and reducing our carbon dioxide emissions. As an organisation, we are proud to partner with a company that embeds sustainability as a serious part of their business framework and promotes their vision to help organisations achieve sustainable outcomes for all stakeholders and reduce their carbon footprint.
Graph 7: Installed Solar PV Capacity

Graph 7 represents the increase in energy from installed solar PV systems on our electricity network since September 2008.

Requests from customers to connect and meter new solar photovoltaic (PV) Power systems tripled to more than 70,000.

Building environmental awareness among our people

The ENERGEX Environmental Awareness Training Course was updated this year and supplemented by an online format called EsiLearn. The course provides our employees with a better understanding of the environment and our responsibilities in the field and office with 95 per cent of staff having completed the online training.

A group of enthusiastic staff also formed the Newstead Environment Awareness Team, aka the Green Team, to raise sustainability awareness in our new six star office building. This team was responsible for promoting innovative practices to reduce our footprint – in the workplace and home. From promoting re-usable stationery, encouraging bin audits and recycling and sending useful information via emails, the Green Team looks at all levels and areas where action can be taken to protect the environment.

This year we formalised the Corporate Responsibility Working Group formed by representatives from all areas of the business to implement and monitor improvements in corporate responsibility, and the Sustainability Working Group to oversee the sustainability framework and strategy. Our second Global Reporting Initiative (GRI) based Sustainability Report (for 2009/10) was published earlier this year.

Environment is one of the Key Result Areas of our 2010/11 Business Plan and its supporting initiatives include our Carbon Management Plan, Corporate Sustainability Framework, Environment Communication Plan and Climate Change.

Supporting embedded renewable energy sources

Over the last year, residents in South East Queensland continued to embrace the use of roof-top and small-scale solar photovoltaic (PV) power systems. The number of requests from customers to connect and meter new systems continued to rise almost exponentially with 2010/11 seeing the number of systems in use increase triple to more than 70,000, and 6,000 megawatt-hours of energy provided by rooftop solar PV systems.

We continued to facilitate these connections despite the huge increase in the number of applications.

With the growth in the number, size and type of small-scale renewable energy sources continuing at an unprecedented rate, we continue to work actively with government, solar photovoltaic installers and clean energy organisations to address network and commercial challenges that come with the rapid growth in the take-up of embedded generation. Our goal is to maintain a customer friendly connection process and recognised benefits for all energy customers.
Case study
To reduce the environmental impact of the Hays Inlet to South Pine 110kV sub-transmission line duplication project, ENERGEX committed to retaining any remaining bushland on the Murrumba Downs easement that didn’t pose an electrical safety risk once the new powerline was upgraded and fully operational.

The bushland area provides a habitat and movement corridor for a variety of wildlife (including koalas, gliders, possums and birds), scenic amenity and forms part of an existing powerline easement that had significant public use for recreational purposes.

Prior to vegetation clearing:
• 40 nesting boxes were installed to compensate for the loss of habitat for sugar/squirrel gliders, micro bats, possums, parrots/lorikeets/rosettas and feather tail gliders
• 10 koala refuge poles were installed to provide safe passage for koalas moving from the river through the easement
• one of the most significant hollow-bearing trees on the easement was retained as a stag tree to provide natural habitat for sugar gliders, brush-tailed possums, scaly-breasted lorikeets and other hollow-dependent species.

All trees that were removed as part of the project are being offset at a ratio of five trees for every one removed in accordance with Queensland State Government policy.

ENERGEX is committed to continually improving the ways we construct and operate our infrastructure.

Adapting to climate change
We are working with Ergon Energy on a Network Adaptation Plan involving a range of initiatives to ensure climate adaptation matters are incorporated into our business planning and operation.

This has involved:
• use of climate change modelling predictions (temperature, rainfall, humidity etc) in asset life planning processes
• including carbon cost forecasts in asset life planning processes
• tailoring research and development expenditure to focus on technologies that are more applicable to a carbon constrained economy
• modifying existing business processes to ensure climate change becomes a part of normal business planning in preparation for the phasing out of the Adaptation Working Group.

Working with industry and government
During 2010/11 we worked with key stakeholders to deliver our energy conservation and demand management programs as detailed on page 64. These programs included Cool Change, Energy Conservation Communities, Rewards Based Tariffs and the Commercial and Industrial program.

Delivering on our environmental responsibilities in the workplace
Our Environmental Management System continues to remain certified against the 2004 version of the Australian New Zealand Standard Environmental Systems – Requirements with Guidance for Use (ISO 14001). The Environment Strategy also ensures we continue to reduce the risk of environmental incidents caused by us or any of our service providers. The effectiveness of this strategy was proven again this year with no infringement notices received in 2010/11.
Offsetting our new distribution assets

When designing and constructing our new electricity distribution assets, vegetation clearance may be required to build and maintain the asset. During 2010/11 we adopted several important pre-offset strategies in accordance with the Queensland Government’s offsetting objectives. These objectives require greater consideration of route selection and design solutions to minimise habitat disturbance, vegetation removal and offset areas required.

These strategies included:

- temporarily relocating marine vegetation then re-instating it post construction in a marine area identified by the Queensland Government’s Department of Primary Industry and Fisheries as being of very high conservation value
- establishing a non-standard clearing profile to protect a viable native vegetation buffer and koala movement corridor.

In addition to offsetting our assets, we proactively sponsor and participate in the Community Sponsorship Program at the SEQ Water North Pine dam site. Through this program more than 12 hectares of koala habitat has been planted to date with the majority of trees planted in late December 2010.

Reducing our waste and water consumption

We continued to implement several water efficiency initiatives in accordance with our Water Efficiency Management Plan (WEMP) approved by the Queensland Water Commission. This year we further reduced our water consumption by approximately 30 per cent. This figure, however, is only an approximation as inaccuracies with our Newstead corporate office meter meant there was no water billing data available during the year. To overcome this we have used one month’s worth of data from the Newstead Building Management System (BMS) as supplied by the landlord and applied assumption analysis to calculate the remaining months estimated consumption.

In 2010/11 our total waste consumption was 3,658.05 tonnes. Of this 9.71 per cent was recycled including 290.55 tonnes of direct waste (predominately concrete, paper and cardboard) and 33.16 tonnes of co-mingle waste (items marked with a recycling symbol including plastic, paper and aluminium cans).

We continued to recycle our waste products and decommissioned assets to raise money for environmental partnerships in South East Queensland. In 2010/11 the program to recycle metal, cable, oil and timber raised more than $6.5 million. Around 1800 tonnes of metal, 516,405 litres of oil and 15624 metres of timber were recycled (figures as at end of June 2011). We sponsored environmental projects including SEQ Catchments, Landcare Queensland and the ENERGEX Junior Landcare activity program (for further sponsorship activities refer to page 71). A new trial project for staff to recycle mobile phone batteries also began internally.

Using energy efficiently

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

In 2010/11 the electricity used at our offices, hubs and depots in Queensland was approximately 16,629,055 kilowatt hours (kWh), which represents a decrease of approximately 5.52 per cent from 2009/10 and a 2.61 per cent reduction compared to the 2005/06 base year. This decrease is an indicator of improved performance despite our staff population remaining constant over the same period. This year we also committed to purchasing approximately 40 per cent Green Power for all of our corporate sites.

The reduction of our energy consumption has been assisted by the relocation of our head office to the new ‘Six Star Green Office Design, V2’ accredited building in late 2010. Rated by the Green Building Council of Australia, together with our key workplace initiatives already underway, this move will help us meet the Queensland Government’s target of a 20 per cent energy consumption reduction by 2015.

ENERGEX’s new corporate headquarters at Newstead has been awarded a 6 Star Green Star rating by the Green Building Council of Australia (GCA), the first of its kind to be registered in Queensland. One of the highest contributing factors in the building receiving this award was the use of recycled materials, namely timber, to complete the décor of the building. Featured throughout the six storey development is recycled spotted gum used for wall and ceiling panelling. The recycled timber holds even greater significance to ENERGEX because it comes from recycled power poles.

Forming part of our relocation from the CBD to our Newstead Headquarters, the furniture disposal project was implemented to track and oversee the disposal of all furniture items to ensure optimisation of future use. The furniture items included chairs, pedestal drawers, filing cabinets, tables, shelves and bins. In total 6,650 furniture items were identified. Of this, only 205 items were disposed to landfill; 3,326 items were purchased at auction; 1,139 items combined were either redistributed to other sites or sold to staff and 9,600kg of scrap metal was recycled. The most positive and timely contribution to the community was the donation of 1,980 furniture items to charity. Feedback suggests these charity items were received with great gratitude and need by many West End community businesses post the January floods.
Improving our fleet

We are committed to a sustainable fleet and, over the years, we have improved the efficiency of our fleet through weight distribution management introducing more diesel vehicles and harnessing the innovations of heavy vehicle design. This year we continued to purchase the highest green rated vehicles in each vehicle category to support the delivery of reduced carbon emissions.

We achieved an 18 per cent reduction (as a month rolling average) in June 2011 against a ClimateSmart target for December 2010 of 15 per cent. This was a good result given Government Owned Corporations were brought into the ClimateSmart scheme approximately 12 months after its introduction. Actions needed to lock in the current position and make progress on the December 2010 target of 25 per cent have commenced and focus on pool operations and review of tool of trade vehicle usage at all major locations.

We also extended our fleet pool vehicle programs to reduce vehicle numbers, capital and operating budgets.

Note – We developed our categories more extensively in the past three years and as such, the revised trend analysis prior to 2008/09 is unavailable.

Consolidating our premises

A key element of our property strategy is finding sustainable office and workshop solutions that will reduce our environmental footprint by encouraging energy, water and waste reductions. Our industrial Distribution Centre building, positioned within the Trade Coast Central environmentally sustainable master planned estate, is a great example of these sustainable savings. Through its energy efficiency features, water efficiency benefits and waste management strategies, it will greatly assist us to achieve the Queensland Government’s target of a 20 per cent reduction in energy consumption by 2015.

Consolidating our premises

The Corporate Property Strategy (CPS) is an initiative focused on the delivery of improvements to our existing property portfolio to position us for the future.

Endorsed by our Board in 2009, the CPS was established after a major review of our property portfolio against proposed network growth, future business requirements, capability of existing properties, land availability and regional planning issues and constraints. Valued at $266 million, the strategy is being implemented over a five-year period with funding approved by the Australian Energy Regulator.

The CPS program includes a significant number of renewal and replacement projects that will reduce operating costs by consolidating workplaces while providing greater environmental efficiencies. Some of the key projects include:

- establishing the Northern Metropolitan Office (NMO) in Nundah to provide accommodation for approximately 450 office-based employees
- significantly redeveloping our Geebung Depot to expand its office and warehousing facilities
- establishing a custom-designed Distribution Centre at Eagle Farm with office and warehouse facilities
- establishing a Southern Metropolitan Office (SMO) at Upper Mount Gravatt to provide accommodation for approximately 220 office-based employees.

These projects will deliver smart, green and connected workplaces that are safe and environmentally sustainable.

The primary source of our greenhouse gas emissions are demonstrated in Graph 8.
Reducing our carbon footprint

Each year we measure our carbon footprint and use the data to implement our Carbon Management Plan. The Carbon Footprint Summary Report, shown in Table 11, calculates our carbon dioxide emissions to establish a base line of current environmental performance and guide appropriate targets and strategies for the future.

In 2009/10 our total carbon footprint was 1,475,475 tonnes of CO₂-e. This represents an increase of approximately 0.1 per cent in comparison to our 2008/09 emissions. We have however achieved an overall decrease of 12 per cent on our 2006/07 baseline emissions.

These results compare favourably with regard to our target of a five per cent reduction in greenhouse gas emissions by the end of 2010. It also puts us on track to meet our future emissions reduction targets of 20 per cent by 2015, and 33 per cent by 2020.

ENERGEX’s Scope 1 emissions will substantially reduce in 2010/11 with the sale of the Varnsdorf assets. This will result in the removal of approximately 118,565 tonnes of carbon dioxide.

In July 2008, the National Greenhouse and Energy Reporting Act (2007) (NGER Act) established a national system for reporting greenhouse gas emissions, energy consumption and production by corporations. In February 2011, the Department of Climate Change released the NGERS data for 2009–10. The NGERS data relates to the total quantity of carbon dioxide released. As a consequence, larger distributors such as ENERGEX tend to rate higher under the NGERS than smaller distributors.

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

The Federal Government’s Carbon Tax scheme is to be introduced in 2012. Excluding light fleet and the Varnsdorf assets, for the 2009/10 year ENERGEX had 15,954 tonnes CO₂-e scope 1 emissions in total that would potentially count towards the facility threshold of 25,000 t CO₂-e that mandates participation in the scheme. It is therefore unlikely that ENERGEX would be required to participate directly in the scheme.

GREENHOUSE GAS EMISSIONS

Total greenhouse gas emissions 2007–2010 (tonnes CO₂-e)

<table>
<thead>
<tr>
<th>EMISSION SOURCE</th>
<th>2007/08</th>
<th>2008/09</th>
<th>2009/10</th>
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<tbody>
<tr>
<td>Scope 1 - Direct emissions</td>
<td>108,537</td>
<td>112,604</td>
<td>144,057</td>
</tr>
<tr>
<td>Scope 2 – Emissions associated with the use of electricity</td>
<td>129,2161</td>
<td>1,338,264</td>
<td>1,315,254</td>
</tr>
<tr>
<td>Scope 3 – Indirect emissions</td>
<td>51,403</td>
<td>22,833</td>
<td>16,164</td>
</tr>
</tbody>
</table>
### TABLE 11: ENERGEX’S ENERGY CARBON FOOTPRINT (2009/10)

<table>
<thead>
<tr>
<th>Emissions Sources</th>
<th>CONSUMPTION</th>
<th>CONSUMPTION UNITS</th>
<th>CO₂-e (TONNES)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1 – Direct emissions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Combustion – Heavy Load Transport Fleet (&gt;4.5t)</td>
<td>3667</td>
<td>kl</td>
<td>9,899</td>
</tr>
<tr>
<td>Mobile Combustion – ‘On Road’ Transport Fleet</td>
<td>3494</td>
<td>kl</td>
<td>8,851</td>
</tr>
<tr>
<td>Natural Gas and Landfill Gas* – production of electricity and steam</td>
<td>2,627,603</td>
<td>GJ</td>
<td>120,100</td>
</tr>
<tr>
<td>Diesel – production of electricity</td>
<td>1,356</td>
<td>kl</td>
<td>3,639</td>
</tr>
<tr>
<td>Plant Fuel Use</td>
<td>168</td>
<td>kl</td>
<td>306</td>
</tr>
<tr>
<td>Air conditioner refrigerants</td>
<td>437</td>
<td>kg</td>
<td>982</td>
</tr>
<tr>
<td>SF6 from Switchgear</td>
<td>12</td>
<td>kg</td>
<td>280</td>
</tr>
<tr>
<td><strong>Scope 2 – Emissions associated with the use of electricity</strong></td>
<td></td>
<td></td>
<td>1,315,254</td>
</tr>
<tr>
<td>Electricity used by ENERGEX</td>
<td>22,452,531</td>
<td>kWh</td>
<td>21,052</td>
</tr>
<tr>
<td>Network Losses</td>
<td>1,295</td>
<td>GWh</td>
<td>1,152,550</td>
</tr>
<tr>
<td>Street lighting</td>
<td>159,159,951</td>
<td>kWh</td>
<td>141,652</td>
</tr>
<tr>
<td><strong>Scope 3 – Indirect emissions</strong></td>
<td></td>
<td></td>
<td>16,164</td>
</tr>
<tr>
<td>Employee Air Travel</td>
<td>2,344,465</td>
<td>km</td>
<td>741</td>
</tr>
<tr>
<td>Employee Taxi Travel</td>
<td>144,858</td>
<td>km</td>
<td>39</td>
</tr>
<tr>
<td>SPARQ Solutions Emissions(1)</td>
<td>251,286</td>
<td>N/A</td>
<td>30</td>
</tr>
<tr>
<td>Waste disposed</td>
<td>3,894</td>
<td>Tonnes</td>
<td>4,284</td>
</tr>
<tr>
<td>Full fuel cycle for stationary and transport fuel</td>
<td>326,440</td>
<td>GJ</td>
<td>11,070</td>
</tr>
<tr>
<td><strong>Scope 1+2+3</strong></td>
<td></td>
<td></td>
<td>1,465,475</td>
</tr>
<tr>
<td><strong>Reduction Measures</strong></td>
<td></td>
<td></td>
<td>26,131</td>
</tr>
<tr>
<td>Accredited Carbon Offsets</td>
<td></td>
<td></td>
<td>19,500</td>
</tr>
<tr>
<td>Green Power Purchased</td>
<td>7,287,208</td>
<td>kWh</td>
<td>6,631</td>
</tr>
</tbody>
</table>

(1) 50 per cent of SPARQ Solutions’ emissions are included as SPARQ Solutions is jointly owned by ENERGEX and Ergon Energy
additional corporate reporting

**TABLE 12: CORPORATE ENTERTAINMENT AND HOSPITALITY**

<table>
<thead>
<tr>
<th>EVENTS OVER $5,000</th>
<th>DATE</th>
<th>TOTAL COST $</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGEX Newstead Building Official Opening</td>
<td>16 Dec 2010</td>
<td>25,597</td>
</tr>
<tr>
<td>Supplier Quality Awards function</td>
<td>01 Apr 2011</td>
<td>8,841</td>
</tr>
<tr>
<td>ENERGEX Annual Excellence Awards (incorporating Customercare Awards) function</td>
<td>06 May 2011</td>
<td>111,392</td>
</tr>
<tr>
<td>2011 ENERGEX Apprentice of the Year Awards function</td>
<td>24 Jun 2011</td>
<td>29,390</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>175,220</strong></td>
</tr>
</tbody>
</table>

**Ministerial directions**

During 2010/11, the shareholding Ministers gave the following written directions to the ENERGEX Limited Board:

- On 30 May 2011, in accordance with section 108(4) of the GOC Act, in relation to including statements in the 2011–12 Statement of Corporate Intent, including that ENERGEX will not seek to recover 2011-12 increases in revenue arising from the Australian Competition Tribunal’s determination on 19 May 2011 in ACT File No 2 of 2010.
- On 19 June 2011, in accordance with section 115(1) of the GOC Act, requiring ENERGEX not to make a cost pass-through application to the Australian Energy Regulator in respect of January 2011 flood impacts incurred in the 2010-11 financial year.
- ENERGEX has absorbed the financial impact associated with the flood pass through direction this year and will absorb the financial impact of the Gamma direction in future years. Directors have assessed that the corporation will continue to remain solvent following these directions.

Our financial results exceeded our expectations for 2010/11 and we now boast total assets in excess of $9.8 billion.
### TABLE 13: FINANCIAL FIVE YEAR SUMMARY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit and Loss ($M)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>1,736.4</td>
<td>1,467.9</td>
<td>1,336.2</td>
<td>1,403.0</td>
<td>1,261.0</td>
</tr>
<tr>
<td>Cost of sales(1)</td>
<td>(390.7)</td>
<td>(345.7)</td>
<td>(306.9)</td>
<td>(303.6)</td>
<td>(255.8)</td>
</tr>
<tr>
<td>Employee expenses</td>
<td>(218.6)</td>
<td>(212.1)</td>
<td>(208.1)</td>
<td>(232.5)</td>
<td>(212.6)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(284.1)</td>
<td>(236.0)</td>
<td>(232.2)</td>
<td>(220.6)</td>
<td>(200.0)</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(2.2)</td>
<td>(2.7)</td>
<td>(4.5)</td>
<td>(20.9)</td>
<td>(23.2)</td>
</tr>
<tr>
<td>Impairment</td>
<td>0.0</td>
<td>(3.8)</td>
<td>1.3</td>
<td>(14.2)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Borrowing costs</td>
<td>(294.3)</td>
<td>(224.7)</td>
<td>(212.5)</td>
<td>(196.2)</td>
<td>(169.1)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(214.8)</td>
<td>(182.4)</td>
<td>(197.6)</td>
<td>(215.9)</td>
<td>(205.9)</td>
</tr>
<tr>
<td>Operating profit before income tax</td>
<td>331.7</td>
<td>260.5</td>
<td>175.7</td>
<td>199.1</td>
<td>185.4</td>
</tr>
<tr>
<td>Income tax equivalent</td>
<td>(97.0)</td>
<td>(75.3)</td>
<td>(47.2)</td>
<td>(58.3)</td>
<td>(62.6)</td>
</tr>
<tr>
<td>Net profit</td>
<td>234.7</td>
<td>185.2</td>
<td>128.5</td>
<td>140.8</td>
<td>122.8</td>
</tr>
<tr>
<td><strong>Balance Sheet ($M)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets(3)</td>
<td>9,811.9</td>
<td>8,671.1</td>
<td>8,011.0</td>
<td>7,400.5</td>
<td>7,683.7</td>
</tr>
<tr>
<td>Total debt</td>
<td>4,769.8</td>
<td>4,094.2</td>
<td>3,872.5</td>
<td>3,344.9</td>
<td>3,268.5</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>2,922.4</td>
<td>2,574.9</td>
<td>2,293.1</td>
<td>2,315.1</td>
<td>3,016.0</td>
</tr>
<tr>
<td><strong>Capital Expenditure ($M)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment and intangibles</td>
<td>985.4</td>
<td>1,026.4</td>
<td>871.0</td>
<td>722.3</td>
<td>771.2</td>
</tr>
<tr>
<td><strong>Share Information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares on issue at year end</td>
<td>875,532,774</td>
<td>875,532,774</td>
<td>875,532,773</td>
<td>875,532,773</td>
<td>875,532,773</td>
</tr>
<tr>
<td>Dividends per share (¢)</td>
<td>21.4</td>
<td>16.9</td>
<td>11.7</td>
<td>108.2</td>
<td>57.1</td>
</tr>
<tr>
<td>Dividends ($M)(4)</td>
<td>187.8</td>
<td>148.2</td>
<td>102.8</td>
<td>946.9</td>
<td>500.0</td>
</tr>
<tr>
<td>Dividends/Net profit (%)</td>
<td>80.0</td>
<td>80.0</td>
<td>80.0</td>
<td>672.5</td>
<td>407.2</td>
</tr>
<tr>
<td><strong>Ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (¢)</td>
<td>26.8</td>
<td>21.2</td>
<td>14.7</td>
<td>16.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Weighted average shares on issue</td>
<td>875,532,774</td>
<td>875,532,773</td>
<td>875,532,773</td>
<td>875,532,773</td>
<td>960,348,120</td>
</tr>
<tr>
<td>Return on total operating revenue (%) (5)</td>
<td>13.5</td>
<td>12.6</td>
<td>9.6</td>
<td>10.0</td>
<td>9.7</td>
</tr>
<tr>
<td>Return on average shareholders’ equity (%) (6)</td>
<td>8.5</td>
<td>7.6</td>
<td>5.6</td>
<td>5.3</td>
<td>4.8</td>
</tr>
<tr>
<td>Debt/Equity (%)</td>
<td>163.2</td>
<td>159.0</td>
<td>168.9</td>
<td>144.5</td>
<td>108.4</td>
</tr>
<tr>
<td>Debt/(Debt + Equity) (%)</td>
<td>62.0</td>
<td>61.4</td>
<td>62.8</td>
<td>59.1</td>
<td>52.0</td>
</tr>
<tr>
<td>Return on average total assets (%) (7)</td>
<td>6.8</td>
<td>5.8</td>
<td>5.0</td>
<td>5.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Current ratio (%) (8)</td>
<td>110.6</td>
<td>118.0</td>
<td>183.4</td>
<td>155.2</td>
<td>655.6</td>
</tr>
<tr>
<td>EBITDA interest cover (times) (9)</td>
<td>2.8</td>
<td>3.0</td>
<td>2.8</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Statistical Information</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum Demand (MW)</td>
<td>4,687</td>
<td>4,768</td>
<td>4,499</td>
<td>4,142</td>
<td>4,289</td>
</tr>
<tr>
<td>Number of employees at year end(10)</td>
<td>3,835</td>
<td>3,784</td>
<td>3,733</td>
<td>3,794</td>
<td>3,863</td>
</tr>
</tbody>
</table>

**Notes**
(1) Cost of sales refers to Transmission use of system charges and materials and consumables
(2) Adjusted for total Depreciation and Amortisation and Impairment
(3) Deferred Tax Assets and Liabilities have been netted, with the balance being recognised as a liability
(4) Dividends shown represent amounts provided for in the year and also include dividends that have been provided and paid in the same year
(5) Net Profit/Total Revenue
(6) Net Profit/Average of Opening and Closing Shareholders’ Equity
(7) EBIT/Average of Opening and Closing Total Assets
(8) Current Ratio = Current Assets/Current Liabilities
(9) EBITDA/(Borrowing Costs + Capitalised Interest)
(10) Full time equivalents
(11) 2007 amounts include continuing operations results only
# International travel expenditure

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

Summarised in Table 14 is the international travel expenditure costs incurred by the ENERGEX Group of companies for 2010/11.

## Table 14: International travel expenditure 2010/11

<table>
<thead>
<tr>
<th>REGION</th>
<th>COUNTRY</th>
<th>PURPOSE</th>
<th>NO. OF VISITS</th>
<th>EXPENDITURE ($)</th>
<th>SUBTOTAL ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Rim</td>
<td>New Zealand</td>
<td>To attend the Field Services Management NZ conference and lead a post conference workshop.</td>
<td>1</td>
<td>1,151</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>To witness investigations into the failure mode of ring main units and to develop a long term solution.</td>
<td>6</td>
<td>9,676</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>To make a presentation at the Energy Market Association of New Zealand (EMANZ) Annual Conference 2011. (Airfare and accommodation paid by EMANZ).</td>
<td>1</td>
<td>1,006</td>
<td>11,833</td>
</tr>
<tr>
<td>Asia</td>
<td>South Korea, Hong Kong and Singapore</td>
<td>To visit Korea Electric Power Corporation (KEPCo) to assess overseas trends in distribution and automation.</td>
<td>2</td>
<td>14,888</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Seoul, South Korea</td>
<td>To attend a training course on behalf of Powerlink for repairing 275kV underground cables.</td>
<td>3</td>
<td>30,929</td>
<td>45,817</td>
</tr>
<tr>
<td>Europe</td>
<td>France, United Kingdom and Sweden</td>
<td>To attend the CIGRE Electricity Conference in Paris as ENERGEX's representative and visit a number of UK Distribution utilities to discuss relevant issues.</td>
<td>2</td>
<td>41,710</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Scotland, United Kingdom</td>
<td>To participate in configuration and design workshops regarding the proposed ENERGEX DMS solution and meet with GE product development team.</td>
<td>2</td>
<td>27,646</td>
<td>69,356</td>
</tr>
<tr>
<td>USA</td>
<td>USA</td>
<td>Site visits to utilities utilising Advanced Smart Network Technologies (incl DMS) to gain an understanding of the drivers of field productivity.</td>
<td>2</td>
<td>42,931</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attendance at conference regarding Ventyx product suite to ensure ENERGEX's long term strategies for FFA are incorporated into the future product developments.</td>
<td>1</td>
<td>16,474</td>
<td>59,405</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>$186,411</td>
<td></td>
</tr>
</tbody>
</table>
We operate under strict guidelines and measured programs to ensure we achieve our Program of Work in a sustainable way.
**Australian Energy Market Operator (AEMO):** From 1 July 2009, AEMO replaced NEMMCO with a broader national focus on delivering an array of electricity and gas market, operational, development and planning functions. These functions incorporate management of the National Electricity Market (NEM) electricity grid system.

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

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

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

**CO₂-e:** CO₂-e is a measurement to express the relative effect to carbon dioxide a specific amount of greenhouse gases has. It is calculated by multiplying the amount of tonnes of the greenhouse gas by its global warming potential.

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

**Customer:** A party that consumes services or electricity and has a retail contract with a retailer and a connection contract with a distributor. A customer can be categorised in the market as follows:
- **Large Customer** > 100MWh consumption per annum.
- **Small Customer** < 100MWh consumption per annum.

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

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

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

**End to end process:** The end-to-end Program of Work process starts with planning and ends with delivery (in the plan/program/deliver stages). Delivery may be through internal resources or an external contractor.

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

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

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

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

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

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

**KPI:** Key Performance Indicator.

**KV:** Kilovolts (1000 volts).

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

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

Major event day: Is a statistically low probability event which is calculated using network performance data from the previous five years.

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

National Energy Customer Framework (NECF): Established following discussions by the Ministerial Council on Energy, the NECF involves the harmonisation of state-based regulatory frameworks (excluding retail price regulation and community service obligations) for the retail energy market and energy distribution sector into a single set of national rules.

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

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

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

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

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

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

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

Program of Work Improvement Program Project (PoW IP): An ENERGEX initiative that aims to improve the PoW estimation process.

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

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

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

Service Target Performance Incentive Scheme (STPIS): Introduced by the AER, STPIS is intended to encourage distributors to maintain and improve service performance for customers and operates concurrently with our Minimum Service Standards (MSS) obligations focusing on unplanned performance.

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

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

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

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

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

Zero Incident Process (ZIP): ENERGEX’s workplace safety awareness program that focuses on the ‘person’ component of the Safety Culture Model. It gives participants an insight into the way their brain works, their thinking, their attitudes and how this drives their behaviour. It is designed to empower people to take control of their personal safety by becoming more effective within the systems they work in. ENERGEX uses ZIP under licence from Sentis Pty Ltd.
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<td>11 Other assets</td>
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<td>23 Commitments for expenditure</td>
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<td>60</td>
</tr>
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<td>INDEPENDENT AUDITOR’S REPORT</td>
<td>61</td>
</tr>
</tbody>
</table>
The Board of Directors of ENERGEX Limited (ENERGEX or the Company) is pleased to submit this annual financial report of the Company and the consolidated entity (the Group) for the financial year ended 30 June 2011. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

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

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

Please refer to the ‘Board of Directors profiles’ section of the ENERGEX Annual Report 2010/11 for details of Directors’ qualifications, experience and special responsibilities.

Principal activities

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

Operating results

The consolidated profit of the Group, after providing for income tax, amounted to $234.7 million (2010: $185.2 million).

Review of operations

A review of the consolidated entity’s operations during the financial year and the results of those operations are contained in the ENERGEX Annual Report 2010/11.

Changes in state of affairs

With the transfer from state-based to national regulation from 1 July 2010, ENERGEX has been operating under the new national framework which is monitored by the Australian Energy Regulator (AER). There have been significant changes to ENERGEX’s service classifications and pricing. Three new schemes have been introduced under the new regulatory framework to promote cost efficiencies and non-network solutions, and to improve service performance levels.

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

Events after the reporting period

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

Future developments

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

Environmental regulations

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

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

The Group’s environment council is responsible for the regular monitoring of environmental exposures, review of incident trends, environmental initiatives, endorsement of recommendations for environmental improvement policies, programs and investments, as well as compliance with environmental regulations.
To meet its responsibilities, the environment council meets monthly to receive progress reports on approved environmental action plans and environmental status reports. Based on the results of enquiries made, the Board is not aware of any significant breaches of environmental regulations during the period covered by this report.

For further environmental performance information, refer to the ‘Environment’ section of the ENERGEX Annual Report 2010/11.

### Dividends

Dividends paid or declared by the Company since the end of the 2009/10 financial year were:

<table>
<thead>
<tr>
<th>Dividend Type</th>
<th>Type of shares</th>
<th>Cents per share</th>
<th>Total amount $ M</th>
<th>Franked/unfranked</th>
<th>Date of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final 2011 dividend – operating profits</td>
<td>Ordinary</td>
<td>21.45</td>
<td>187.8</td>
<td>Unfranked</td>
<td>Declared and unpaid</td>
</tr>
<tr>
<td>Final 2010 dividend – operating profits</td>
<td>Ordinary</td>
<td>16.93</td>
<td>148.2</td>
<td>Unfranked</td>
<td>31 December 2010¹</td>
</tr>
</tbody>
</table>

¹ Refer to Note 19 of the financial statements for details of dividends paid.

### Share options

There are no share options in existence at this time.

### Directors’ shareholdings

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

### Directors’ benefits and interests in contracts

Between 30 June 2010 and 30 June 2011, no Director has received or become entitled to receive a benefit, other than those benefits disclosed in Note 27 of the financial statements.

### Indemnification of Directors and Officers

**Indemnification of Directors and Officers of the Company**

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

**Indemnification of Directors and Officers of the Company’s controlled entities**

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

The Company has also agreed to indemnify Jennifer Hocking, Kevin Kehl, David Martin, Peter Price, Darryl Rowell, Michael Russell and Marnie White, being current Officers of the Company’s controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as an Officer of the Company’s controlled entities, except where the liability arises out of conduct involving a lack of good faith or liability against which the Company is not permitted by law to exempt or indemnify the Officer. The deed of indemnity stipulates that, subject to its terms and the exceptions above, the Company will meet the full amount of any such liabilities, including costs and expenses.

**Indemnification of ENERGEX Directors and Officers appointed to external boards and committees**

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

- Indemnities provided to former ENERGEX representative Directors continue following their resignation from that position, in accordance with the terms of the deed of indemnity.
- Other Officers appointed to external boards and committees are indemnified in accordance with the terms of the ENERGEX Directors’ and Officers’ liability insurance policy.
Insurance premiums

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

Directors’ meetings

The numbers of meetings of the Company’s Board of Directors and of each Board Committee held and attended by each Director during the year ended 30 June 2011 were:

<table>
<thead>
<tr>
<th>Directors</th>
<th>ENERGEX Limited</th>
<th>Board meetings</th>
<th>Committee meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Attended</td>
<td>Held</td>
<td>Audit and compliance¹</td>
</tr>
<tr>
<td>John Dempsey (Chairman)¹,²,³</td>
<td>12</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Peter Arnison¹</td>
<td>11</td>
<td>12</td>
<td>1</td>
</tr>
<tr>
<td>Mary Boydell¹,⁴,⁵</td>
<td>11</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Mat Darveniza</td>
<td>12</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>John Geldard¹,²</td>
<td>11</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Ronald Monaghan¹,²,³</td>
<td>12</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Kerryn Newton¹,⁴,⁵</td>
<td>12</td>
<td>12</td>
<td>2</td>
</tr>
</tbody>
</table>

¹ On 1 October 2010, the Corporate Development Committee became the Risk and Compliance Committee and the Audit and Compliance Committee became the Audit Committee. Memberships for period of committee operation are as shown. There were no Corporate Development Committee meetings in the year prior to 1 October 2010.
² Members of the Corporate Development Committee prior to 1 October 2010.
³ Mr John Dempsey was appointed to the Network and Technical Committee on 1 October 2010.
⁴ Directors ceased membership of the Network and Technical Committee on 30 September 2010.
⁵ Ms Mary Boydell ceased membership of the Remuneration Committee on 30 September 2010.
⁶ Mr Ronald Monaghan was appointed as Chairman of the Remuneration Committee on 1 October 2010.
⁷ Ms Kerryn Newton was appointed to the Remuneration Committee on 1 October 2010.
⁸ Committee Chair (for periods indicated in notes).

Remuneration of Directors and Executives

Refer to Note 27 of the financial statements for details of Directors’ and Executives’ remuneration.

Rounding of amounts

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

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4. This report is made in accordance with a resolution of the Directors.

John Dempsey

Chairman
ENERGEX Limited
22 August 2011
Brisbane, Queensland
To the Directors of ENERGEX Limited

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

Independence Declaration

As lead auditor for the audit of ENERGEX Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been –

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

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

G G Poole FCPA
Auditor-General of Queensland

19 Aug 2011

Queensland Audit Office
Brisbane
## Consolidated Income Statements

FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Revenue from rendering of services</td>
<td>2.1</td>
<td>1,598.4</td>
</tr>
<tr>
<td>Revenue from sale of goods</td>
<td>2.1</td>
<td>27.3</td>
</tr>
<tr>
<td>Government grant revenue</td>
<td>2.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Other revenue</td>
<td>2.1</td>
<td>101.2</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td></td>
<td>1,736.4</td>
</tr>
<tr>
<td>Materials and consumables</td>
<td></td>
<td>(47.0)</td>
</tr>
<tr>
<td>Transmission use of system charges</td>
<td></td>
<td>(343.7)</td>
</tr>
<tr>
<td>Employee benefits expense</td>
<td></td>
<td>(218.6)</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment expense</td>
<td>2.2</td>
<td>(286.3)</td>
</tr>
<tr>
<td>Contractors and consultants</td>
<td></td>
<td>(150.4)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>2.2</td>
<td>(294.3)</td>
</tr>
<tr>
<td>Forgiveness of related party receivable</td>
<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td></td>
<td>(64.4)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
<td>(1,404.7)</td>
</tr>
<tr>
<td><strong>Profit before income tax equivalent</strong></td>
<td></td>
<td>331.7</td>
</tr>
<tr>
<td>Income tax equivalent</td>
<td>3.1</td>
<td>(97.0)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>234.7</td>
</tr>
<tr>
<td>Profit attributable to non-controlling equity interest</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit attributable to members of the parent entity</strong></td>
<td></td>
<td>234.7</td>
</tr>
</tbody>
</table>

The accompanying notes form part of the financial statements.
## Statements of Comprehensive Income

**For the year ended 30 June 2011**

<table>
<thead>
<tr>
<th>Note</th>
<th>2011 $M</th>
<th>2010 $M</th>
<th>2011 $M</th>
<th>2010 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td></td>
<td>234.7</td>
<td>185.2</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on revaluation of property, plant and equipment, net of tax</td>
<td>17.1</td>
<td>256.9</td>
<td>167.9</td>
<td>256.9</td>
</tr>
<tr>
<td>Changes in the fair value of cash flow hedges, net of tax</td>
<td>17.2</td>
<td>-</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Changes in the fair value of available-for-sale investments, net of tax</td>
<td>17.3</td>
<td>-</td>
<td>(13.1)</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial gains/(losses) on defined benefit plans, net of tax</td>
<td>18</td>
<td>43.7</td>
<td>(13.1)</td>
<td>43.7</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year, net of tax</strong></td>
<td></td>
<td></td>
<td>300.6</td>
<td>142.0</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td></td>
<td></td>
<td>535.3</td>
<td>327.2</td>
</tr>
</tbody>
</table>

**Total comprehensive income for the year is attributable to:**

<table>
<thead>
<tr>
<th>Note</th>
<th>2011 $M</th>
<th>2010 $M</th>
<th>2011 $M</th>
<th>2010 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of ENERGEX Limited</td>
<td>535.3</td>
<td>327.2</td>
<td>533.5</td>
<td>327.6</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**The accompanying notes form part of the financial statements.**
### Consolidated and Parent Entity Balance Sheets

**AS AT 30 JUNE 2011**

<table>
<thead>
<tr>
<th>Note</th>
<th>ASSETS</th>
<th>2011 $M</th>
<th>2010 $M</th>
<th>2011 $M</th>
<th>2010 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>156.8</td>
<td>162.0</td>
<td>152.2</td>
</tr>
<tr>
<td></td>
<td>Trade and other receivables</td>
<td>7</td>
<td>284.0</td>
<td>276.8</td>
<td>280.5</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>8</td>
<td>80.0</td>
<td>89.3</td>
<td>79.3</td>
</tr>
<tr>
<td></td>
<td>Other current assets</td>
<td>11</td>
<td>24.1</td>
<td>25.1</td>
<td>24.1</td>
</tr>
<tr>
<td></td>
<td>Total current assets</td>
<td></td>
<td>544.9</td>
<td>553.2</td>
<td>536.1</td>
</tr>
<tr>
<td></td>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade and other receivables</td>
<td>7</td>
<td>176.1</td>
<td>86.7</td>
<td>176.1</td>
</tr>
<tr>
<td></td>
<td>Property, plant and equipment</td>
<td>9</td>
<td>9,067.6</td>
<td>8,021.8</td>
<td>9,054.2</td>
</tr>
<tr>
<td></td>
<td>Defined benefit fund</td>
<td>24.3</td>
<td>16.4</td>
<td>-</td>
<td>16.4</td>
</tr>
<tr>
<td></td>
<td>Intangible assets</td>
<td>10</td>
<td>6.9</td>
<td>9.4</td>
<td>6.9</td>
</tr>
<tr>
<td></td>
<td>Total non-current assets</td>
<td></td>
<td>9,267.0</td>
<td>8,117.9</td>
<td>9,253.6</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>9,811.9</td>
<td>8,671.1</td>
<td>9,789.7</td>
</tr>
<tr>
<td></td>
<td>LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade and other payables</td>
<td>12</td>
<td>167.3</td>
<td>167.8</td>
<td>165.9</td>
</tr>
<tr>
<td></td>
<td>Current tax payable</td>
<td>3.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>14</td>
<td>221.3</td>
<td>186.8</td>
<td>221.3</td>
</tr>
<tr>
<td></td>
<td>Other current liabilities</td>
<td>15</td>
<td>104.1</td>
<td>114.2</td>
<td>104.1</td>
</tr>
<tr>
<td></td>
<td>Total current liabilities</td>
<td></td>
<td>492.7</td>
<td>468.8</td>
<td>491.3</td>
</tr>
<tr>
<td></td>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade and other payables</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>22.3</td>
</tr>
<tr>
<td></td>
<td>Long-term borrowings</td>
<td>13</td>
<td>4,769.8</td>
<td>4,094.2</td>
<td>4,769.8</td>
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<tr>
<td></td>
<td>Defined benefit fund</td>
<td>24.3</td>
<td>-</td>
<td>70.3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net deferred tax liabilities</td>
<td>3.4</td>
<td>1,493.8</td>
<td>1,268.0</td>
<td>1,496.8</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>14</td>
<td>127.4</td>
<td>173.4</td>
<td>127.4</td>
</tr>
<tr>
<td></td>
<td>Other non-current liabilities</td>
<td>15</td>
<td>5.8</td>
<td>21.5</td>
<td>5.8</td>
</tr>
<tr>
<td></td>
<td>Total non-current liabilities</td>
<td></td>
<td>6,396.8</td>
<td>5,627.4</td>
<td>6,422.1</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>6,889.5</td>
<td>6,096.2</td>
<td>6,913.4</td>
</tr>
<tr>
<td></td>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>2,922.4</td>
<td>2,574.9</td>
<td>2,876.3</td>
</tr>
<tr>
<td></td>
<td>EQUITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contributed equity</td>
<td>16</td>
<td>746.4</td>
<td>746.4</td>
<td>746.4</td>
</tr>
<tr>
<td></td>
<td>Reserves</td>
<td>17</td>
<td>1,586.8</td>
<td>1,339.9</td>
<td>1,586.8</td>
</tr>
<tr>
<td></td>
<td>Retained earnings</td>
<td>18</td>
<td>589.2</td>
<td>488.6</td>
<td>543.1</td>
</tr>
<tr>
<td></td>
<td>Parent interest</td>
<td></td>
<td>2,922.4</td>
<td>2,574.9</td>
<td>2,876.3</td>
</tr>
<tr>
<td></td>
<td>Non-controlling interest</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>2,922.4</td>
<td>2,574.9</td>
<td>2,876.3</td>
</tr>
</tbody>
</table>

*The accompanying notes form part of the financial statements.*
## Statements of Changes in Equity

For the Year Ended 30 June 2011

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>Attributable to owners of ENERGEX Limited</th>
<th>Contributed equity</th>
<th>Reserves</th>
<th>Retained earnings</th>
<th>Total</th>
<th>Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>Balance at 1 July 2009</td>
<td></td>
<td>643.6</td>
<td>1,194.5</td>
<td>455.0</td>
<td>2,293.1</td>
<td>-</td>
<td>2,293.1</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>-</td>
<td>-</td>
<td>185.2</td>
<td>185.2</td>
<td>-</td>
<td>185.2</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td>-</td>
<td>145.4</td>
<td>(3.4)</td>
<td>142.0</td>
<td>-</td>
<td>142.0</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>-</td>
<td>145.4</td>
<td>181.8</td>
<td>327.2</td>
<td>-</td>
<td>327.2</td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions of equity – dividend reinvestment</td>
<td></td>
<td>102.8</td>
<td>-</td>
<td>-</td>
<td>102.8</td>
<td>-</td>
<td>102.8</td>
</tr>
<tr>
<td>Dividends provided for or paid</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(148.2)</td>
<td>(148.2)</td>
<td>-</td>
<td>(148.2)</td>
</tr>
<tr>
<td>Balance at 30 June 2010</td>
<td></td>
<td>746.4</td>
<td>1,339.9</td>
<td>488.6</td>
<td>2,574.9</td>
<td>-</td>
<td>2,574.9</td>
</tr>
<tr>
<td>Balance at 1 July 2010</td>
<td></td>
<td>746.4</td>
<td>1,339.9</td>
<td>488.6</td>
<td>2,574.9</td>
<td>-</td>
<td>2,574.9</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>-</td>
<td>-</td>
<td>234.7</td>
<td>234.7</td>
<td>-</td>
<td>234.7</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td>-</td>
<td>246.9</td>
<td>53.7</td>
<td>300.6</td>
<td>-</td>
<td>300.6</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>-</td>
<td>246.9</td>
<td>288.4</td>
<td>535.3</td>
<td>-</td>
<td>535.3</td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends provided for or paid</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(187.8)</td>
<td>(187.8)</td>
<td>-</td>
<td>(187.8)</td>
</tr>
<tr>
<td>Balance at 30 June 2011</td>
<td></td>
<td>746.4</td>
<td>1,586.8</td>
<td>589.2</td>
<td>2,922.4</td>
<td>-</td>
<td>2,922.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parent Entity</th>
<th>Contributed equity</th>
<th>Reserves</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>Balance at 1 July 2009</td>
<td>643.6</td>
<td>1,194.5</td>
<td>410.3</td>
<td>2,248.4</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>185.6</td>
<td>185.6</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>145.4</td>
<td>(3.4)</td>
<td>142.0</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>145.4</td>
<td>182.2</td>
<td>327.6</td>
</tr>
<tr>
<td>Transactions with owners in their capacity as owners:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions of equity – dividend reinvestment</td>
<td>102.8</td>
<td>-</td>
<td>-</td>
<td>102.8</td>
</tr>
<tr>
<td>Dividends provided for or paid</td>
<td>-</td>
<td>-</td>
<td>(148.2)</td>
<td>(148.2)</td>
</tr>
<tr>
<td>Balance at 30 June 2010</td>
<td>746.4</td>
<td>1,339.9</td>
<td>444.3</td>
<td>2,530.6</td>
</tr>
</tbody>
</table>

The accompanying notes form part of the financial statements.
### cash flow statements

**FOR THE YEAR ENDED 30 JUNE 2011**

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED 2011 $M</th>
<th>PARENT ENTITY 2010 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011  $M</td>
<td>2010  $M</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers (GST inclusive)</td>
<td>1,581.3</td>
<td>1,455.4</td>
</tr>
<tr>
<td>Payments to suppliers and employees (GST inclusive)</td>
<td>(891.5)</td>
<td>(678.2)</td>
</tr>
<tr>
<td>689.8</td>
<td>777.2</td>
<td>690.2</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td>(273.3)</td>
<td>(214.1)</td>
</tr>
<tr>
<td>Income taxes (paid)/received</td>
<td>-</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>6.2</td>
<td>416.5</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment for property, plant and equipment, and intangibles</td>
<td>(928.7)</td>
<td>(961.9)</td>
</tr>
<tr>
<td>Payments for capitalised interest</td>
<td>(27.7)</td>
<td>(17.3)</td>
</tr>
<tr>
<td>Loan to related parties</td>
<td>(20.6)</td>
<td>(6.3)</td>
</tr>
<tr>
<td>Proceeds from sale of land</td>
<td>-</td>
<td>20.1</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>9.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Proceeds from sale of investments and business operations</td>
<td>6.2</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>6.2</td>
<td>19.6</td>
</tr>
<tr>
<td><strong>Net cash (used in) investing activities</strong></td>
<td>(948.0)</td>
<td>(931.6)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>675.7</td>
<td>251.1</td>
</tr>
<tr>
<td>Repayable deposits received/(paid)</td>
<td>(0.6)</td>
<td>0.9</td>
</tr>
<tr>
<td>Dividends paid to the Company’s shareholders</td>
<td>19</td>
<td>(148.2)</td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>16.2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>526.9</td>
<td>252.0</td>
</tr>
<tr>
<td><strong>Net (decrease) in cash and cash equivalents</strong></td>
<td>(4.6)</td>
<td>(112.9)</td>
</tr>
<tr>
<td>Cash and cash equivalents at start of year</td>
<td>162.0</td>
<td>304.3</td>
</tr>
<tr>
<td>Queensland Treasury Corporation working capital facility</td>
<td>(0.6)</td>
<td>(29.4)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>6.1</td>
<td>156.8</td>
</tr>
</tbody>
</table>

*The accompanying notes form part of the financial statements.*
1 Summary of significant accounting policies

1.1 General information

ENERGEX Limited (ENERGEX or the Company) is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the consolidated entity or the Group) and the consolidated entity’s interest in associates and jointly controlled entities.

The financial statements were authorised for issue by the Directors on 22 August 2011.

1.2 Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board, the Corporations Act 2001 and the provisions of the Government Owned Corporations Act 1993 (GOC Act).

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

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

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

Early adoption of Australian Accounting Standards

The Group has assessed the Australian Accounting Standards issued or amended but not yet effective for the annual reporting period ended 30 June 2011 and elected not to early adopt any standards under section 334(5) of the Corporations Act 2001.

Australian Accounting Standards not yet applicable and not early adopted

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

<table>
<thead>
<tr>
<th>REFERENCE</th>
<th>TITLE</th>
<th>ISSUED</th>
<th>APPLICATION DATE OF STANDARD</th>
<th>IMPACT ON THE GROUP’S FINANCIAL REPORT</th>
<th>APPLICATION DATE FOR THE GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 9</td>
<td>Financial Instruments</td>
<td>December 2010</td>
<td>1 January 2013</td>
<td>The classification of financial assets will be based on the characteristics of the cash flows supporting the financial asset and the entity’s business model. Financial assets will be classified as either at fair value or at amortised cost.</td>
<td>1 July 2013</td>
</tr>
<tr>
<td>AASB 1053</td>
<td>Application of Tiers of Australian Accounting Standards</td>
<td>June 2010</td>
<td>1 July 2013</td>
<td>Under this framework, a two tier differential reporting regime applies to all entities that prepare general purpose financial statements. ENERGEX is a public company and is not eligible to adopt the reduced disclosure framework. The standard will have no impact on the financial statements of the Group.</td>
<td>1 July 2013</td>
</tr>
<tr>
<td>Revised AASB 124</td>
<td>Related Party Disclosures</td>
<td>December 2009</td>
<td>1 January 2011</td>
<td>The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard in the 2011/12 financial statements.</td>
<td>1 July 2011</td>
</tr>
<tr>
<td>Revised IAS 1</td>
<td>Presentation of Financial Statements</td>
<td>June 2011</td>
<td>1 July 2012</td>
<td>In June 2011, the IASB made an amendment to IAS 1. The AASB is expected to make equivalent changes to AASB 101 soon. The amendment requires entities to separate items presented in other comprehensive income into two groups based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 July 2012.</td>
<td>1 July 2012</td>
</tr>
</tbody>
</table>

1 Applicable to reporting periods beginning on or after the given date.
1.3 Basis of preparation

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

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

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

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

**Regulated revenue**
Various assumptions are used in the recognition of the Group’s regulated revenue and associated assets and obligations. These assumptions are described in Notes 1.6, 1.13, 1.21 and 1.24.

ENERGEX is subject to regulation under the National Electricity Law, the National Electricity Rules, and by the Australian Energy Regulator (AER). The AER introduced a Service Target Performance Incentive Scheme (STPIS) from 1 July 2010 that applies to electricity Distribution Network Service Providers (DNSPs). The purpose of the scheme is to provide financial incentives for DNSPs to maintain and improve service performance levels. The scheme enables ENERGEX to earn a reward or penalty capped at ±2.0% of allowed revenue at risk as set by the AER. At 30 June 2011, ENERGEX had met criteria under the scheme to generate a STPIS reward of $26.0 million (undiscounted), however this has not been recognised in revenue for the reporting period on the basis that, after considering the best interests of the company, ENERGEX Directors have decided that based on certain existing circumstances and criteria (including achieving a reasonable balance between pricing and community concerns), ENERGEX will not recover the STPIS reward entitlement for 2010/11, unless the specific circumstances and criteria change. It is the Board’s assessment based on current knowledge, that it is more probable than not that these circumstances will not change. This matter has not been the subject of a formal direction from the shareholding Ministers.

**Impairment of property, plant and equipment, and intangibles**
The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may lead to indicators of impairment of assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Key estimates and assumptions made in determining the recoverable amount of assets, in the absence of quoted market prices are discussed in Note 9.1.

**Supply system assets valuation**
Supply system assets including associated land and buildings are carried at fair value. Fair value is estimated using an income approach based on discounted future cash flows. Key assumptions made in assessing fair value are discussed in Note 9.

**Depreciation**
Depreciation is calculated on a straight-line basis using the estimated useful life and estimated residual value of an asset. These estimates are further discussed in Note 1.16.

**Dismantled assets valuation**
In addition to the income based approach applied to supply system assets to ensure they are carried at fair value, the unit rates used to estimate the value of dismantled assets are aligned with the supply system assets valuation approach (refer Note 9.1).

**Defined benefit superannuation fund obligations**
Actuarial assumptions used in the calculation of the Group’s defined benefit superannuation fund obligations are described in Note 24.

**Employee benefits**
The Group recognises a long service leave liability based on accrued employee benefits. The liability recognised for employee benefits is based on assumptions described in Note 1.20.
notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

Cost allocation method
Compliance with the AER’s cost allocation guidelines has resulted in changes to the allocation methodology. The resulting changes include the introduction of an on-cost for fleet and materials, a general overhead rate applied to materials and the exclusion of non-system depreciation from the general overhead pool and this results in there being no capitalised depreciation relating to non-system assets in 2010/11 (2010: $28.4 million) (refer to Notes 2.2 and 9.1). Regulated overheads are allocated based on labour dollars, material dollars and contractor dollars where previously it was based on labour hours and contractor dollars. The non-regulated overhead allocation basis has changed from individual driver rates to a three factor method based on revenue, assets and head count.

1.4 Principles of consolidation
The consolidated financial statements of the Group include the financial statements of ENERGEX and all entities in which it had a controlling interest during the year ended 30 June 2011.

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

The balances and effects of transactions between entities are eliminated in preparing the consolidated financial statements.

Non-controlling interests (formerly Service Essentials Pty Ltd) in the results and equity of controlled entities are shown separately in the consolidated income statements and balance sheets respectively.

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

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

Jointly controlled entities
The Group has a 50 per cent interest in the jointly controlled entity, SPARQ Solutions Pty Ltd. This investment is accounted for in the financial statements using the equity method. Refer to Note 25 for further details.

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

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

Revenue is recognised for the major business activities as follows:

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

Regulated network use of system (NUOS) prices are determined based on the allowed revenue cap for DUOS services plus a pass through of regulated transmission use of system (TUOS) charges levied by transmission network service providers (predominantly Queensland Electricity Transmission Corporation Limited).

Regulated revenue is comprised of actual billed energy consumption, estimated unbilled energy consumption, capital contributions towards network assets and a provision for under- or over-recovery of regulated network prices and other allowances. Unbilled energy consumption accruals are based on the last billed invoice where the property is still energised.
Any current period under- or over-recovery results in an adjustment which may increase or decrease prices in the succeeding periods. Where over-recoveries result in an obligation, they are brought to account as a liability in the period in which they are over-recovered. Where there is sufficient certainty regarding the recoverability of under-recoveries, they are brought to account as an asset in the period in which they are under-recovered.

During the 2010/11 year there was a change in the AER regulatory determination resulting from an Australian Competition Tribunal decision which entitled ENERGEX to recover further revenue amounts in the remaining years of the 2010-2015 regulatory control period, including the year commencing 1 July 2011. However, under a direction issued by the shareholding Ministers in May 2011, ENERGEX will not seek to recover the additional DUOS revenue amounts ($52.3 million) for the year commencing 1 July 2011 or to recover this foregone revenue in any future period beyond 30 June 2012.

Given the exceptional circumstances of the January 2011 floods in South East Queensland and taking into account the commercial outcomes including the broader community and social obligations, the Board approved the withholding of a cost pass through application in relation to the floods and accordingly, ENERGEX did not seek to recover the revenue for incremental costs associated with the floods (approximately $18.0 million).

**Service charges**

Revenue is received for the provision of other electricity-related services including additions and alterations to meters and service connections, ancillary metering services and temporary supply services. These are known as fee based services and are subject to a price cap by the AER. However, the price charged for some of these services is capped under Schedule 8 of the Electricity Regulation 2006 (Qld) which overrides the AER price caps. Revenue is recognised when the service is provided.

Revenue is also received for the construction and maintenance of street lighting and for other quoted services which represent customer requested works and work resulting from damage to ENERGEX property. This revenue is recognised when the work has been completed or with reference to the stage of completion of the works.

**Classification of revenue**

With the transfer from state-based to national regulation under the AER from 1 July 2010 there have been some significant changes to the service classifications and pricing. There are two categories of distribution services being Standard Control Services (SCS) and Alternative Control Services (ACS). SCS comprises network services, connection services and metering services on which there is a revenue cap applied. ACS includes street lighting services, quoted services and fee based services which are regulated under a price cap. With the reclassification of some services to ACS (such as street lights and large customer connections), revenue that was previously classified under the revenue cap now come under the price cap regulation and is reported as service charges rather than NUOS. ACS revenue, excluding non-refundable contributions for capital works, from street light services and large customer connections is included in service charges for 2010/11 and totals $32.6 million. Other reclassifications in the income statements include billable recoverable works (2010: $19.4 million) which are classed as a quoted service under the AER regulatory regime and have been reclassified from sale of goods revenue to service charges in 2010/11 (refer to Note 2.1).

SCS assets form part of the regulated asset base (RAB) and earn a return over their life under a revenue cap. ACS assets are subject to a price cap with the revenue recognised at the commencement of their life and therefore do not earn a return over their life. For accounting purposes, SCS and ACS assets are measured at fair value using an income based approach.

**Non-refundable contributions for capital works**

The Group finances part of its capital works program through non-refundable contributions from customers which are applied to the cost of these works. Under the AER regulatory regime from 1 July 2010, the contributions to capital works are categorised either as revenue relating to SCS or ACS. SCS comprise of network services, connection services and metering services with the associated assets forming part of the RAB. ACS includes services such as street lighting and large customer connections with the associated assets excluded from the RAB. Refer to the classification of revenue section above.

Contributions towards assets which form part of the RAB are included in regulated revenue for the electricity network at fair value of the contribution. Contributions towards assets which are regulated under the price cap are recognised at the rates allowed by the AER.

All non-refundable contributions, in-kind and in-cash are initially recognised as unearned revenue in the balance sheet. These contributions are subsequently recognised as revenue from ordinary activities when the associated assets are brought into commercial operation. Contributions of fully constructed non-current assets are recognised at the fair value of the contributed asset on the date when control passes to ENERGEX and the assets are ready for use.

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods and effective control over the goods have been passed to the buyer, and the amount can be measured reliably.
Interest revenue
Interest revenue is recognised as it is earned.

Government grants
When there is reasonable assurance the Group will comply with all conditions attached to government grants and the grants will be received, they are recognised in the balance sheet as unearned revenue. Grants that compensate the consolidated entity for expenses incurred are recognised as revenue in the income statements. This occurs on a systematic basis as the conditions of the grants are fulfilled.

1.7 Goods and services tax
Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statements on a gross basis where major classes of gross cash receipts and gross cash payments are disclosed inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows on the basis that the GST receivable/payable is operating in nature.

1.8 Finance costs
Finance costs are charged by the lender at a rate inclusive of administration fees, capital market fees, a competitive neutrality fee and interest on the principal (refer Note 1.22). Interest costs are calculated by Queensland Treasury Corporation (QTC) in accordance with its book rate methodology, which equates with amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument. Finance costs are expensed in the period in which they arise.

Finance costs directly attributable to the construction of assets that take more than 12 months to prepare for their intended use are added to the cost of those assets (refer Note 9.2).

Where the present value of a provision in the balance sheet differs materially to its future expected settlement value, the provision is recorded at its present value. The increase in the provision due to the passage of time is recorded as a finance cost and is referred to as the unwinding of the discount (refer Notes 1.21 and 2.2).

All other finance costs are recognised as expenses in the period in which they are incurred (refer Note 2.2).

1.9 Income tax
Income tax equivalents
The Group is required to make income tax equivalent payments to the Queensland Government pursuant to subsection 129(4) of the GOC Act. These payments are administered by the ATO under the National Tax Equivalent Regime (NTER).

The NTER broadly utilises the provisions of the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and associated legislation, as well as rulings and other pronouncements by the ATO, to determine the tax payable by the Group (refer Note 3.2). The entities are not required to maintain a franking account.

Income tax equivalent accounting
The charge for current income tax expense is based on the profit for the year adjusted for any items that are non-assessable or nondeductible in relation to the current tax year. It is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax payable is the expected tax payable on the taxable profit for the year, at tax rates applicable to the income tax year, less any instalments paid.

Deferred tax assets and liabilities are calculated by comparing the carrying amounts of assets and liabilities in the balance sheets with the tax bases of assets and liabilities determined in accordance with the relevant taxation legislation.

Deferred tax is calculated at the tax rates expected to apply when the differences reverse.

Deferred tax is recognised as income or an expense in the income statements except for items that may be credited/(charged) directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax balances, those balances relate to the same taxation authority and the intention is to settle on a net basis or realise the asset and settle the liability simultaneously.
The amount of benefits brought to account or which may be realised in the future is based on the assumption no adverse change will occur in income taxation legislation. It is also anticipated that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Income tax consolidation
The Group implemented the tax consolidation legislation as of 1 December 2002 and is therefore taxed as a single entity from that date. ENERGEX is the ‘head-entity’ in the tax-consolidated group and makes income tax payments on behalf of wholly-owned subsidiaries. However, in accordance with UIG Interpretation 1052 Tax Consolidation Accounting (UIG 1052), wholly-owned Australian subsidiaries in the tax-consolidated group continue to account for their own current and deferred tax amounts. These amounts are measured as if the subsidiary continued to be a stand-alone taxpayer in its own right.

Tax funding agreement
Entities within the ENERGEX tax-consolidated group existing at 30 June 2011 have signed a tax funding agreement designed to bind all entities within the tax-consolidated group. The tax funding agreement applies from 1 July 2005. Under the terms of the tax funding agreement, each of the subsidiary entities in the tax-consolidated group have agreed to pay or receive a tax equivalent payment to or from the head entity, based on the current tax liability or current tax receivable asset of the subsidiary entity. Such amounts are reflected in amounts receivable from or payable to the head company in the tax-consolidated group. ENERGEX has elected the ‘stand-alone taxpayer approach’ under UIG 1052 in accounting for the tax effect balances of reporting entities within the ENERGEX Group. Under this approach, each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

1.10 Earnings per share
Basic earnings per share is determined by dividing profit after tax attributable to members of the parent entity by the weighted average number of ordinary shares on issue during the financial year.

The weighted average number of shares on issue (also referred to as shares outstanding) during the financial year is calculated by applying a time weighting factor to shares issued or redeemed throughout the year.

1.11 Dividends
A provision is made for the amount of any dividend declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period. A liability for dividends payable is recognised in the reporting period in which the dividends are declared for the entire undistributed amount.

1.12 Cash and cash equivalents
Cash and cash equivalents include cash on hand, cash at bank, call deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheets and are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

1.13 Trade and other receivables
Trade and other receivables are recognised at amounts due at the time of sale or service delivery. Trade receivables are due for settlement within 10 to 30 days of the customer being billed. Other receivables are due in accordance with their contractual terms.

Collectibility of trade receivables is reviewed on an ongoing basis. A provision for impairment of receivables is raised when the collection of the full amount of the debt is no longer probable. Bad debts are written off when identified. Movements in the provision are recognised in the income statements.

Regulated revenue under-recoveries
A separate current asset is recognised for the net balance of regulated revenue under-recoveries to be recovered over the next 12 months where the net balance is an asset. A separate non-current asset is provided for any current year under-recovery of regulated revenue, on the basis there is sufficient certainty over its recoverability in future years but the timing of the recovery is yet to be approved by the AER.

The non-current asset is escalated by the weighted average cost of capital (WACC) as determined by the AER and discounted to reflect the discounted present value of the amount expected to be recovered at the end of the reporting period (refer Note 7).
1.14 Financial instruments

Initial recognition and measurement
Financial instruments are initially measured at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Subsequent measurement
Financial instruments classified as fair value through profit and loss are measured at fair value at the end of each reporting period, subsequent to their initial recognition. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss when incurred, unless hedge accounting is applied.

Financial instruments classified as loans and receivables are measured at amortised cost subsequent to their initial recognition, using the effective interest method less provision for impairment. The effective interest rate is the rate that discounts estimated future cash flows over the life of the asset.

Other non-derivative financial liabilities are recognised at amortised cost subsequent to their initial recognition, comprising original debt less principal payments and amortisation.

1.15 Inventories

The majority of ENERGEX inventories are generally used in maintenance and construction of supply system assets. Some inventories are sold to contractors for the development of subdivisions. Inventories are measured at the lower of cost and net realisable value.

1.16 Property, plant and equipment

Each class of property, plant and equipment is carried at fair value or cost, less where applicable, any accumulated depreciation and impairment losses. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an ‘arm’s length’ transaction.

Supply system assets are measured at fair value using an income approach based on discounted future cash flows. Valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

The supply system includes land and building assets which comprise of properties utilised for warehousing and logistics purposes, training and pole depot facilities, and field response activities. These properties are equipped with specialised facilities to meet the specific needs of the network field operations. These land and building assets are integral in supporting the operation of the electricity network and form part of the regulated asset portfolio subject to the same revenue cap form of regulation.

Other property, plant and equipment, and work in progress are carried at cost. The carrying amount for these assets at cost should not materially differ from their fair value.

Acquisition of assets
All assets acquired are recorded at their cost of acquisition plus incidental costs directly attributable to the acquisition.

Asset recognition threshold
Individual items with a purchase price of $1,000 or greater are recorded in the financial statements as property, plant and equipment. Items between $100 and $999 in value which have a life greater than 12 months are recorded as pooled assets. All other items are expensed.

Non-current assets constructed by the Group
The cost of non-current assets constructed by the Group includes the cost of materials, direct labour, other costs directly attributable to the assets and where appropriate, finance costs. Finance costs that are directly attributable to the construction of assets are capitalised as part of the cost of those assets. The current interest rate will be applied to the outstanding work in progress (WIP) balance where the project life exceeds 12 months and the net WIP project balance exceeds $200,000. Refer to Note 1.8 for further details.

Contributed assets
Contributed assets are those that are funded by customers and either constructed by ENERGEX or constructed by an external party and then gifted to ENERGEX by the customer. Contributed assets are recognised at the fair value on the date when control passes to ENERGEX and the assets are ready for use.

Repairs and maintenance
Items of property, plant and equipment are maintained on a regular basis and these costs are expensed as incurred. Where the costs extend the useful life of the asset or upgrade the asset beyond its originally designed function or capacity, such costs are capitalised.

Gains and losses on disposal
A gain or loss on disposal is recognised in the income statement and is the difference between the net sale proceeds and the carrying amount of the asset at the time of disposal.
notes to and forming part of the financial statements
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Depreciation
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciation is calculated on a straight-line basis using the estimated useful life of each item of property, plant and equipment within the same asset class. Depreciation is provided for from the time units of property, plant and equipment commence operation. Estimates of the remaining useful lives and residual values of property, plant and equipment are reviewed annually. The useful life estimate is determined by consideration of expected usage based on the asset’s capacity and expected physical wear and tear, expected technical or commercial obsolescence. When changes are made, adjustments are reflected prospectively in current and future periods only. ENERGEX determines an asset’s residual value based on the amount expected to be obtained on disposal.

The supply system is treated as a complex asset. A complex asset is a physical asset capable of disaggregation into identifiable components that are subject to regular replacement. These components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

The estimated useful lives used for each class of depreciable assets are:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply system</td>
<td>12 – 70 years</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>3 – 35 years</td>
</tr>
</tbody>
</table>

Asset revaluation reserve
If an item of property, plant and equipment is revalued, the entire class to which that asset belongs is revalued on a consistent basis. The supply system is treated as a complex asset for the purposes of revaluation increments and decrements, such that increments and decrements can be offset.

Revaluation increments, net of tax, are recognised in the asset revaluation reserve. This is except for amounts reversing a decrement previously recognised as an expense, which are recognised in the income statement. Revaluation decrements are only offset against revaluation increments applying to the supply system, and any excess is recognised as an expense.

Where an asset is sold, dismantled or scrapped, any remaining revaluation amount held in the asset revaluation reserve is transferred directly to retained earnings.

1.17 Intangible assets

Computer software
The cost of internally generated computer software includes the cost of all materials and direct labour used during development of the software and other costs directly attributable to the asset. Capitalisation commences from the point of Board approval and ceases when the software is available for use. Other computer software is carried at cost.

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a straight-line basis over the useful life of the project.

Contractual rights
Contractual rights represent the Group’s right to future economic benefits and are initially recorded at net realisable value using discounted cash flow analysis undertaken at the time of purchase. Contractual rights are amortised on a straight-line basis over the life of the contract.

Amortisation
Intangible assets are amortised on a straight-line basis over the estimated useful lives of intangible assets. ENERGEX determines an asset’s residual value based on the amount expected to be obtained on disposal.

The estimated useful lives for intangible assets with definite lives are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>2.5 – 7 years</td>
</tr>
</tbody>
</table>

The useful lives of intangible assets are reviewed annually and are altered if estimates have changed significantly.

Acquisition of intangible assets
All assets acquired are recorded at their cost of acquisition plus incidental costs directly attributable to the acquisition.
notes to and forming part of the *financial statements*
FOR THE YEAR ENDED 30 JUNE 2011

**Derecognising intangible assets**
Intangible assets are derecognised on disposal or when no future economic benefits are expected to arise from continued use of the assets. Gains and losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of assets, and are recognised in the income statement.

**1.18 Impairment**
At the end of each reporting period, the Group reviews the carrying value of the assets of its cash-generating units (CGUs) to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount is the higher of a CGU’s fair value less costs to sell and value-in-use.

Fair value less costs to sell is best determined by reference to a price in a binding sales agreement. However, where there is no binding sales agreement and an asset is traded in an active market, fair value is a CGU’s market price. Where neither of these valuations exists, the net selling price is based on the best information available to reflect the amount that an enterprise could obtain in an arm’s length transaction.

Value-in-use is the present value of future cash flows expected to be derived from a CGU.
Impairment losses are recognised in the income statement, unless an asset has previously been revalued. In this case the impairment loss is treated as an adjustment to the asset revaluation reserve (refer Note 9.1).

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

**1.19 Trade and other payables**
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and payment has not been made. Trade and other payables are recognised when the Group has a legal or constructive obligation to pay. Trade and other payables are recognised at cost, which approximates their fair value. Trade payables are unsecured and payment is normally made by the end of the month following ENERGEX’s receipt of the supplier’s invoice. Other payables are settled in accordance with their contractual terms.

**1.20 Employee benefits**
A liability is recognised for benefits accruing to employees for wages and salaries, annual leave, long service leave and vesting sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised for employee benefits expected to be settled within 12 months are measured at their nominal value using remuneration rates expected to apply at the time of settlement and include related on-costs.

Liabilities recognised for employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash flows to be made by the Group for services provided by employees up to the end of the reporting period. These cash flows are discounted using rates attaching to government bonds at the end of the reporting period which most closely match the terms of maturity of the related liabilities.

**Superannuation plans**

*Defined contribution plans*
Contributions to defined contribution superannuation plans are expensed when incurred.

*Defined benefit plans*
The cost of providing benefits for defined benefit plans is determined using the projected unit credit method. Defined lump sum benefits based on years of service and final average salary are provided in Note 24.

Post-employment benefit obligations are discounted using market yields at the end of the reporting period on government bonds, with terms to maturity and currency of the bonds that match, as closely as possible, to the estimated term of the benefit obligations.

Any defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated by an independent actuary.
Actuarial valuations are carried out at each reporting period. Actuarial gains and losses are recognised in full, directly in retained earnings, in the period in which they occur and presented in the statement of comprehensive income. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Past service cost is recognised immediately in the income statement to the extent that benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the benefits become vested.

1.21 Provisions
Provisions are recognised when the Group has a legal or constructive present obligation, as a result of past events, where it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Refer to Note 14 for further details.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows.

Provisions are reviewed on an annual basis and adjustments made where appropriate. Where the adjustment relates to a change in an estimate the amount is taken to the income statement prospectively. Write-backs against the provision are allowed only when the expenditure relates to the purpose of the provision.

A provision which is not expected to be settled within 12 months is discounted to present value where the impact of discounting is material. The discount rate used reflects the risks specific to the liability.

Provision for regulated revenue over-recoveries
A separate non-current provision is recognised for the over-recovery of regulated revenue where there is sufficient certainty over its release in future years, but the timing of the release is yet to be approved by the AER or the release will occur in a period beyond 12 months. The over-recovery of regulated revenue to be released over the next 12 months is recognised as a current liability (refer Note 1.24).

The non-current provision is escalated by the weighted average cost of capital (WACC) as determined by the AER and discounted to reflect the present value of the amount required to settle the obligation at the end of the reporting period (refer Note 14).

Provision for site restoration/rehabilitation
A provision is raised for the obligation to restore sites in the future, on expiration of associated contracts or when the obligation arises in the course of business. The provision is determined with reference to an independent estimate of the cost to restore, repair, dismantle or rehabilitate the site.

Provision for public liability insurance
A non-current provision is raised to cover the Group’s excess on any public liability insurance claim where the cumulative claim value per incident is more than $0.1 million and less than $1 million. Any amount more than $1 million is paid by ENERGEX’s liability insurers if ENERGEX is deemed legally liable. The provision is maintained for up to six years as public liability claims have a statutory limit of six years for property claims, and three years for personal injury claims. This provision is based on a biennial independent actuarial valuation, and is also internally assessed annually at the end of each reporting period for sufficiency and appropriateness. Due to the inability to obtain a reliable estimate of the appropriate split between the current and non-current portions, the entire provision is classified as non-current.

1.22 Borrowings
Borrowings are initially recognised at fair value net of transaction costs incurred and are subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Principal repayments are not required for the long-term debt funding with QTC under the terms and conditions of the loans. The working capital facility is short-term in nature with the outstanding balance paid down regularly.

Forward start loans
The Group enters into forward start loans with QTC where it agrees to borrow specified amounts in the future at a pre-determined interest rate. The forward start loans are entered into with the objective of minimising interest rate volatility.

It is the Group’s policy to recognise forward start loans at fair value when the loan is drawn.
1.23 Leases
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

The Group is not subject to any finance lease payment obligations but is entitled to receive amounts under finance lease receivable arrangements.

Finance lease receivables are recognised as receivables at the present value of minimum lease payments receivable, plus the present value of any unguaranteed residual expected to accrue to the benefit of the Group at the end of the lease term. The asset is reduced by the principal component of lease receipts. The interest component is credited to profit from operations.

1.24 Regulated revenue over-recoveries
A separate current liability is recognised where the net balance of regulated revenue over-recoveries to be released during the next 12 months is a liability. Where the timing of a release is yet to be approved by the AER, or a release will occur in a period beyond 12 months, a non-current provision is recognised (refer Notes 14 and 15).

1.25 Share capital
Ordinary shares are classified as equity.

1.26 Rounding of amounts
The parent entity has applied the relief available to it under ASIC Class Order 98/100 dated 10 July 1998 therefore amounts in the financial report and Directors’ report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

1.27 Comparatives
Comparative figures have been adjusted to conform to changes in presentation for the current financial year.
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

2 Profit from operations

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 ($ M)</td>
<td>2010 ($ M)</td>
</tr>
<tr>
<td>2.1 Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from rendering of services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network use of systems (NUOS)²</td>
<td>1,493.2</td>
<td>1,260.1</td>
</tr>
<tr>
<td>Corporate service charges</td>
<td>28.1</td>
<td>-</td>
</tr>
<tr>
<td>Service charges – other parties²</td>
<td>105.2</td>
<td>60.0</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>1,598.4</strong></td>
<td><strong>1,320.1</strong></td>
</tr>
<tr>
<td>Revenue from sale of goods²³</td>
<td>27.3</td>
<td>33.9</td>
</tr>
<tr>
<td>Government grant revenue⁴</td>
<td>28.4</td>
<td>9.5</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-refundable contributions for capital works</td>
<td>71.2</td>
<td>50.3</td>
</tr>
<tr>
<td>Interest revenue – related parties</td>
<td>28.2</td>
<td>10.1</td>
</tr>
<tr>
<td>Interest revenue – other parties</td>
<td>9.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Sundry revenue³</td>
<td>10.5</td>
<td>18.1</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>1,736.4</strong></td>
<td><strong>1,467.9</strong></td>
</tr>
</tbody>
</table>

¹ Includes recognition of the pass through for the 2010/11 solar photovoltaic feed-in tariff under-recovery of $14.6 million (2010: nil). This specific pass through was introduced by the AER for the 2010-2015 regulatory control period.

² In 2009/10, billed recoverable works totalling $19.4 million was included as a separate line item under revenue from sale of goods. This has been reclassified as services charges – other parties in accordance with the new classification of services under the AER regulatory regime. Service charges also includes revenue received from street lighting services and the rearrangement of network assets under the new AER service classifications. Refer to Note 1.6.

³ In 2009/10, sundry revenue included an amount for sale of scrap totalling $6.8 million. This has been reclassified as revenue from sale of goods in the comparative numbers above in accordance with the new classification of services under the AER regulatory regime.

⁴ A state government grant of $9.5 million (2010: $27.6 million) was recognised as income by the Group during the year. The nature of the grant represents funds for the purposes of meeting legacy expenses incurred by ENERGEX that relate to the sale of the retail businesses during 2006/07 and other expenses associated with approved energy market reform initiatives.
2.2 Expenses

Expenses consisted of the following significant items:

<table>
<thead>
<tr>
<th>Financial Costs</th>
<th>Consolidated</th>
<th>Parent Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Finance costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related parties</td>
<td>28.1</td>
<td>-</td>
</tr>
<tr>
<td>Other parties – QTC</td>
<td>272.2</td>
<td>217.6</td>
</tr>
<tr>
<td>Competitive neutrality fee</td>
<td>36.1</td>
<td>12.0</td>
</tr>
<tr>
<td>Finance charges – unwindig of discount</td>
<td>14.1</td>
<td>13.6</td>
</tr>
<tr>
<td>Less: capitalised financing costs</td>
<td>9.2</td>
<td>(27.6)</td>
</tr>
<tr>
<td>Total finance costs</td>
<td>294.3</td>
<td>224.7</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment expense:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply system assets</td>
<td>9.1</td>
<td>240.0</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>9.1</td>
<td>44.1</td>
</tr>
<tr>
<td>Less: capitalised depreciation expense</td>
<td>9.1</td>
<td>-</td>
</tr>
<tr>
<td>Total depreciation expense</td>
<td>284.1</td>
<td>236.0</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer software</td>
<td>10.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Total amortisation expense</td>
<td>2.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Impairment loss/(reversal)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>9.1</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total impairment loss/(reversal)</td>
<td>-</td>
<td>3.8</td>
</tr>
<tr>
<td>Total depreciation, amortisation and impairment</td>
<td>6.2</td>
<td>286.3</td>
</tr>
<tr>
<td>Net expense including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>6.2</td>
<td>13.8</td>
</tr>
<tr>
<td>Provision for impairment of receivables</td>
<td>6.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Provision for impairment of related party receivables</td>
<td>6.2</td>
<td>-</td>
</tr>
<tr>
<td>Provision for inventory obsolescence</td>
<td>6.2</td>
<td>-</td>
</tr>
<tr>
<td>Forgiveness of related party receivable</td>
<td>6.2,28.1</td>
<td>-</td>
</tr>
<tr>
<td>Operating lease rental expense</td>
<td>23.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Superannuation contributions expense</td>
<td>21.7</td>
<td>20.0</td>
</tr>
</tbody>
</table>
## 3 Income tax

### 3.1 Income tax reported in the income statements

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Current income tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current income tax charge/(benefit)</td>
<td>(38.3)</td>
<td>6.7</td>
<td>(37.7)</td>
<td>6.9</td>
</tr>
<tr>
<td>Adjustments for current income tax of previous years</td>
<td>7.8</td>
<td>0.4</td>
<td>7.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Movement in capital loss previously unbooked</td>
<td>-</td>
<td>1.1</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td>Deferred income tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relating to origination and reversal of temporary differences</td>
<td>138.0</td>
<td>68.2</td>
<td>136.4</td>
<td>68.2</td>
</tr>
<tr>
<td>Adjustments for deferred income tax of previous years</td>
<td>(10.5)</td>
<td>(1.1)</td>
<td>(10.2)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Income tax equivalent reported in the income statements</td>
<td>97.0</td>
<td>75.3</td>
<td>96.0</td>
<td>75.7</td>
</tr>
</tbody>
</table>

The aggregate amount of income tax equivalent attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax equivalent</td>
<td>331.7</td>
<td>260.5</td>
<td>328.9</td>
<td>261.3</td>
</tr>
<tr>
<td>Income tax equivalent calculated at 30% (2010: 30%)</td>
<td>99.5</td>
<td>78.2</td>
<td>98.7</td>
<td>78.4</td>
</tr>
<tr>
<td>Equivalent tax effect on non-temporary differences:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts</td>
<td>0.3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other non-assessable income</td>
<td>(0.3)</td>
<td>(3.7)</td>
<td>-</td>
<td>(3.7)</td>
</tr>
<tr>
<td>Other non-deductible expenses</td>
<td>0.2</td>
<td>0.4</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Income tax equivalent adjusted for non-temporary differences:</td>
<td>99.7</td>
<td>74.9</td>
<td>98.7</td>
<td>75.1</td>
</tr>
<tr>
<td>Over provision of prior year</td>
<td>(2.7)</td>
<td>(0.7)</td>
<td>(2.7)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Current year capital losses for which no deferred tax asset was previously recognised</td>
<td>-</td>
<td>1.1</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td>Income tax equivalent reported in the income statements</td>
<td>97.0</td>
<td>75.3</td>
<td>96.0</td>
<td>75.7</td>
</tr>
</tbody>
</table>

### 3.2 Current tax balances

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax payable/(receivable)</td>
<td>(24.3)</td>
<td>22.8</td>
<td>(24.3)</td>
<td>22.8</td>
</tr>
<tr>
<td>Less: unused tax losses for which deferred tax asset has been recognised/(recouped)</td>
<td>24.3</td>
<td>(22.8)</td>
<td>24.3</td>
<td>(22.8)</td>
</tr>
<tr>
<td>Total current tax payable/(receivable)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Income tax equivalent attributable to:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent entity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total current tax payable/(receivable)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>3.3 Income tax equivalent reported in the statement of comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax related to items charged or credited directly to equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment revaluations</td>
<td>17.1</td>
<td><strong>110.1</strong></td>
</tr>
<tr>
<td>Available-for-sale investment reserve</td>
<td>17.3</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial movements on defined benefit plans</td>
<td>18</td>
<td><strong>18.7</strong></td>
</tr>
<tr>
<td>Hedge reserve</td>
<td>17.2</td>
<td>-</td>
</tr>
<tr>
<td>Income tax equivalent reported directly in equity</td>
<td><strong>128.8</strong></td>
<td>72.8</td>
</tr>
<tr>
<td>3.4 Deferred tax balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The balance comprises temporary differences attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts recognised in the income statements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions and accrued expenditure not currently deductible</td>
<td>76.6</td>
<td>87.8</td>
</tr>
<tr>
<td>Unearned revenue in relation to government grant</td>
<td>2.8</td>
<td>5.0</td>
</tr>
<tr>
<td>Unearned revenue in relation to capital contributions</td>
<td>6.9</td>
<td>-</td>
</tr>
<tr>
<td>Unused tax losses for which deferred tax asset has been recognised</td>
<td>26.4</td>
<td>9.8</td>
</tr>
<tr>
<td>Reclassification from deferred tax liabilities</td>
<td>2.8</td>
<td>2.9</td>
</tr>
<tr>
<td>Amounts recognised directly in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit fund deficit</td>
<td>-</td>
<td>21.1</td>
</tr>
<tr>
<td>Gross deferred income tax assets</td>
<td><strong>115.5</strong></td>
<td>126.6</td>
</tr>
<tr>
<td>Set-off of deferred tax liabilities pursuant to set-off provisions</td>
<td>(115.5)</td>
<td>(126.6)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movements in deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at start of year</td>
<td><strong>126.6</strong></td>
<td>135.6</td>
</tr>
<tr>
<td>Credited/(charged) to the income statement</td>
<td>(20.2)</td>
<td>8.4</td>
</tr>
<tr>
<td>Credited/(charged) to equity</td>
<td>(18.7)</td>
<td>5.6</td>
</tr>
<tr>
<td>Under/(over) provision of prior year</td>
<td>3.6</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Unused tax losses for which deferred tax asset has been recognised/(recouped)</td>
<td>24.3</td>
<td>(23.9)</td>
</tr>
<tr>
<td>Reclassification from/(to) deferred tax liabilities</td>
<td>(0.1)</td>
<td>2.9</td>
</tr>
<tr>
<td>Balance at end of year</td>
<td><strong>115.5</strong></td>
<td>126.6</td>
</tr>
<tr>
<td>Set-off of deferred tax liabilities pursuant to set-off provisions</td>
<td>(115.5)</td>
<td>(126.6)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Deferred tax liabilities
The balance comprises temporary differences attributable to:

Amounts recognised in the income statements:
Difference in depreciation and amortisation of property, plant and equipment for accounting and tax purposes 1,456.1 1,307.6 1,459.0 1,310.7
Expenditure currently deductible for tax but deferred and amortised for accounting purposes 12.4 12.6 12.3 12.4
Income not assessable for tax but recognised for accounting purposes 23.0 - 23.0 -
Reclassification to deferred tax assets 2.8 2.9 - -

Amounts recognised directly in equity:
Revaluation of property, plant and equipment 17.1 110.1 71.5 110.1
Defined benefit fund surplus 4.9 - 4.9 -

Gross deferred income tax liabilities 1,609.3 1,394.6 1,609.3 1,394.6

Set-off of deferred tax assets pursuant to set-off provisions (115.5) (126.6) (112.5) (122.2)

Net deferred tax liabilities 1,493.8 1,268.0 1,496.8 1,272.4

Movements in deferred tax liabilities:
Balance at start of year 1,394.6 1,255.4 1,394.6 1,258.2
Charged to the income statement 103.9 58.6 103.6 58.7
Charged to equity 110.1 78.4 110.1 78.4
Under/(over) provision of prior year 0.8 (0.7) 1.0 (0.7)
Reclassification to deferred tax assets (0.1) 2.9 - -

Balance at end of year 1,609.3 1,394.6 1,609.3 1,394.6

Set-off of deferred tax assets pursuant to set-off provisions (115.5) (126.6) (112.5) (122.2)

Net deferred tax liabilities 1,493.8 1,268.0 1,496.8 1,272.4

4 Discontinued operations
4.1 Discontinued operations
During 2010/11 ENERGEX’s subsidiaries Beak Industries Pty Ltd and Service Essentials Pty Ltd underwent voluntary deregistration (refer Note 26).

In June 2010, ENERGEX’s subsidiary Energy Impact Pty Ltd issued Request for Proposal documentation to certain respondents for the sale of assets relating to two landfill gas sites (Wyndham and Mornington). At 30 June 2011, sale agreements have been executed for Wyndham and Mornington. However, there are condition precedents outstanding and as such, the sale has not been recorded this financial year. The landfill gas business does not have a material impact on the Group’s overall result.

ENERGEX’s subsidiary, Varnsdorf Pty Ltd (Varnsdorf), held contracts and extensions associated with cogeneration activities undertaken with certain Victorian hospitals. Under an extension arrangement, Varnsdorf was required to leave the cogeneration plant in situ at the end of 30 June 2010 and sell the facility works assets to the relevant hospitals for $1. In return for the extension the hospitals exercised their option to acquire the plant. All necessary steps were taken to ensure the wind down was appropriately conducted.
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

5 Earnings per share (EPS)

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total basic earnings per share (cents)</td>
<td>26.81</td>
<td>21.15</td>
</tr>
</tbody>
</table>

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit attributable to members of the parent entity 18 $234.7 $185.2

Weighted average number of ordinary shares used in the calculation of basic earnings per share 5.2 875,532,774 875,532,773

<table>
<thead>
<tr>
<th>Note</th>
<th>Number of shares on issue</th>
<th>Number of days shares issued</th>
<th>Number of days in year</th>
<th>Weighted average number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.2 Calculation of weighted average number of ordinary shares used in the calculation of basic earnings per share

2011
1 July 2010 – 30 June 2011 875,532,774 365 365 875,532,774
Total shares for 2011 16 $875,532,774 $875,532,774

2010
1 July 2009 – 30 June 2010 875,532,773 365 365 875,532,773
B Class share issue: 2 June – 30 June 2010 16.2 1 29 365 -
Total shares for 2010 16 $875,532,774 $875,532,773

6 Cash and cash equivalents

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Cash on hand and at bank</td>
<td>74.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>225,284</td>
<td>819</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>156.8</td>
<td>162.0</td>
</tr>
</tbody>
</table>

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. The average effective interest rate on short-term bank deposits was 5.6 per cent (2010: 4.0 per cent) inclusive of fees charged.
### 6.1 Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>156.8</td>
<td>162.0</td>
<td>152.2</td>
<td>156.1</td>
</tr>
</tbody>
</table>

### 6.2 Reconciliation of net profit after tax to net cash flows from operations

<table>
<thead>
<tr>
<th>Profit after income tax</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>234.7</td>
<td>185.2</td>
<td>232.9</td>
<td>185.6</td>
</tr>
</tbody>
</table>

**Adjustments for non-cash and other income and expense items:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>286.3</td>
<td>242.5</td>
<td>285.5</td>
<td>237.7</td>
</tr>
<tr>
<td>Loss on sale of property, plant and equipment</td>
<td>13.8</td>
<td>12.5</td>
<td>13.8</td>
<td>12.4</td>
</tr>
<tr>
<td>Provision for impairment of receivables</td>
<td>2.3</td>
<td>4.4</td>
<td>2.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Provision for impairment of related party receivables</td>
<td>-</td>
<td>-</td>
<td>(1.1)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Provision for inventory obsolescence</td>
<td>-</td>
<td>(0.7)</td>
<td>0.5</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Interest revenue classified as investing activities</td>
<td>(19.6)</td>
<td>(17.9)</td>
<td>(19.4)</td>
<td>(17.8)</td>
</tr>
<tr>
<td>Unwinding discount on regulated revenue recoveries</td>
<td>13.6</td>
<td>12.4</td>
<td>13.6</td>
<td>12.4</td>
</tr>
<tr>
<td>Net change in derivative financial instruments</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Forgiveness of related party receivable</td>
<td>-</td>
<td>-</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Sale of business operations and investment proceeds recognised in investing activities</td>
<td>-</td>
<td>(7.9)</td>
<td>-</td>
<td>(7.9)</td>
</tr>
<tr>
<td>Reversal of revaluation decrement</td>
<td>(0.4)</td>
<td>-</td>
<td>(0.4)</td>
<td>-</td>
</tr>
</tbody>
</table>

**Changes in operating assets and liabilities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td>(110.4)</td>
<td>(40.9)</td>
<td>(113.1)</td>
<td>(44.2)</td>
</tr>
<tr>
<td>(Increase)/decrease in inventories</td>
<td>9.4</td>
<td>17.9</td>
<td>8.4</td>
<td>17.8</td>
</tr>
<tr>
<td>(Increase)/decrease in other current assets</td>
<td>(15.4)</td>
<td>4.9</td>
<td>(15.6)</td>
<td>4.8</td>
</tr>
<tr>
<td>(Decrease)/increase in trade and other payables</td>
<td>(9.8)</td>
<td>5.9</td>
<td>(7.9)</td>
<td>9.9</td>
</tr>
<tr>
<td>(Decrease)/increase in current tax payable</td>
<td>-</td>
<td>3.6</td>
<td>-</td>
<td>3.6</td>
</tr>
<tr>
<td>(Decrease)/increase in provisions</td>
<td>(51.1)</td>
<td>26.8</td>
<td>(47.1)</td>
<td>26.4</td>
</tr>
<tr>
<td>(Decrease)/increase in net deferred tax liabilities</td>
<td>115.7</td>
<td>76.8</td>
<td>114.3</td>
<td>77.0</td>
</tr>
<tr>
<td>(Decrease)/increase in other liabilities</td>
<td>(52.6)</td>
<td>41.0</td>
<td>(52.6)</td>
<td>41.1</td>
</tr>
</tbody>
</table>

**Net cash provided by operating activities**

<table>
<thead>
<tr>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>416.5</td>
<td>566.7</td>
<td>415.2</td>
<td>563.5</td>
</tr>
</tbody>
</table>
### 7 Trade and other receivables

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>220.0</td>
<td>210.6</td>
<td>220.0</td>
<td>207.4</td>
</tr>
<tr>
<td>Provision for impairment of receivables</td>
<td>(4.7)</td>
<td>(3.9)</td>
<td>(4.7)</td>
<td>(3.9)</td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>7.2</td>
<td>0.1</td>
<td>2.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Other receivables</td>
<td>32.4</td>
<td>36.2</td>
<td>28.8</td>
<td>33.1</td>
</tr>
<tr>
<td>Amounts receivable from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- associates</td>
<td>28.2</td>
<td>36.2</td>
<td>31.9</td>
<td>36.3</td>
</tr>
<tr>
<td>Total current trade and other receivables</td>
<td><strong>284.0</strong></td>
<td><strong>276.8</strong></td>
<td><strong>280.5</strong></td>
<td><strong>270.5</strong></td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease receivables</td>
<td>7.2</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Other receivables – other parties</td>
<td>0.8</td>
<td>1.2</td>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Regulated revenue recoveries</td>
<td>76.6</td>
<td>-</td>
<td>76.6</td>
<td>-</td>
</tr>
<tr>
<td>Amounts receivable from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- provision for impairment of related party receivables(^1)</td>
<td>28.1</td>
<td>-</td>
<td>-</td>
<td>(1.1)</td>
</tr>
<tr>
<td>- related parties</td>
<td>28.1</td>
<td>-</td>
<td>-</td>
<td>1.1</td>
</tr>
<tr>
<td>- associates</td>
<td>28.2</td>
<td>96.4</td>
<td>83.2</td>
<td>96.4</td>
</tr>
<tr>
<td>Total non-current trade and other receivables</td>
<td><strong>176.1</strong></td>
<td><strong>86.7</strong></td>
<td><strong>176.4</strong></td>
<td><strong>83.2</strong></td>
</tr>
</tbody>
</table>

\(^1\) In 2010/11 the parent reversed its provision against its non-current related-party receivable from Service Essentials Pty Ltd as part of the forgiveness of this receivable. The movement in this provision is shown in other expenses in the income statement of the parent.

### 7.1 Finance lease receivables are reconciled to the investment in finance leases as follows:

**Aggregate of minimum lease payments and unguaranteed residual values**

<table>
<thead>
<tr>
<th></th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>0.3</td>
<td>2.3</td>
<td>0.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Later than five years</td>
<td>2.7</td>
<td>3.0</td>
<td>2.7</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.1</strong></td>
<td><strong>6.4</strong></td>
<td><strong>4.1</strong></td>
<td><strong>6.4</strong></td>
</tr>
</tbody>
</table>
7.2 Future finance revenue

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Not later than one year</td>
<td>(0.2)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>(0.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Later than five years</td>
<td>(0.8)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Total</td>
<td>(1.7)</td>
<td>(2.1)</td>
</tr>
</tbody>
</table>

Net finance lease receivables¹ | 2.4 | 4.3 | 2.4 | 4.3 |

Reconciled to:

| Current receivables | 7 | 0.1 | 2.0 | 0.1 | 2.0 |
| Non-current receivables | 7 | 2.3 | 2.3 | 2.3 | 2.3 |
| Total finance lease receivables | 2.4 | 4.3 | 2.4 | 4.3 |

¹ Includes unguaranteed residual amounts.

The Group has entered into various finance lease arrangements as lessor as part of its commercial activities.

7.3 Past due but not impaired

As at 30 June 2011, trade and other receivables of $6.4 million (2010: $5.2 million) were past due but not impaired. The ageing analysis of these trade and other receivables is as follows:

<table>
<thead>
<tr>
<th>Ageing</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>Up to 30 days</td>
<td>2.8</td>
<td>4.1</td>
</tr>
<tr>
<td>31 to 60 days</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Later than 60 days</td>
<td>2.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Total past due but not impaired</td>
<td>6.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

The method of calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client ratings.

7.4 Impaired trade receivables

As at 30 June 2011 current trade receivables of the Group with a nominal value of $5.1 million (2010: $5.0 million) were past due and impaired. The amount of the provision for impairment of trade receivables is $4.7 million (2010: $3.9 million). Included in the provision are individually impaired debtors amounting to $3.3 million (2010: $2.7 million) which have been placed under voluntary administration. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of expected liquidation proceeds. Other trade receivables have been impaired based on historical recovery trends, a percentage being applied to the outstanding amount to calculate the provision amount. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.
The ageing analysis of these trade receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three to six months</td>
<td>0.1</td>
<td>-</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Over six months</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Total nominal value</td>
<td>5.1</td>
<td>5.0</td>
<td>5.1</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Movements in the provision for impairment of trade receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at the start of the year</td>
<td>(3.9)</td>
<td>(1.2)</td>
<td>(3.9)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Increases in provision for impairment losses</td>
<td>(2.5)</td>
<td>(4.4)</td>
<td>(2.5)</td>
<td>(4.4)</td>
</tr>
<tr>
<td>recognised during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts written off during the year as uncollectible</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>(4.7)</td>
<td>(3.9)</td>
<td>(4.7)</td>
<td>(3.9)</td>
</tr>
</tbody>
</table>

The creation and release of the provision for impaired trade receivables has been included in other operating expenses in the income statements. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

**8 Inventories**

<table>
<thead>
<tr>
<th>Maintenance and construction stocks</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in progress</td>
<td>78.3</td>
<td>87.1</td>
<td>78.2</td>
<td>86.7</td>
</tr>
<tr>
<td>Total inventories</td>
<td>80.0</td>
<td>89.3</td>
<td>79.3</td>
<td>88.2</td>
</tr>
</tbody>
</table>

**9 Property, plant and equipment**

**Supply system**

<table>
<thead>
<tr>
<th>At Directors’ valuation</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply system</td>
<td>12,433.1</td>
<td>11,140.5</td>
<td>12,433.1</td>
<td>11,140.5</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(4,304.4)</td>
<td>(3,933.9)</td>
<td>(4,304.4)</td>
<td>(3,933.9)</td>
</tr>
<tr>
<td>Total</td>
<td>8,128.7</td>
<td>7,206.6</td>
<td>8,128.7</td>
<td>7,206.6</td>
</tr>
</tbody>
</table>

**Other property, plant and equipment**

<table>
<thead>
<tr>
<th>At cost</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other property, plant and equipment</td>
<td>441.1</td>
<td>390.7</td>
<td>405.0</td>
<td>335.6</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(183.0)</td>
<td>(177.0)</td>
<td>(175.8)</td>
<td>(159.0)</td>
</tr>
<tr>
<td>Less: accumulated impairment losses</td>
<td>(15.7)</td>
<td>(25.7)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>242.4</td>
<td>188.0</td>
<td>229.2</td>
<td>176.6</td>
</tr>
</tbody>
</table>

**Work in progress**

<table>
<thead>
<tr>
<th>At cost</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work in progress</td>
<td>696.5</td>
<td>627.2</td>
<td>696.3</td>
<td>627.2</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>9,067.6</td>
<td>8,021.8</td>
<td>9,054.2</td>
<td>8,010.4</td>
</tr>
</tbody>
</table>
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

Supply system assets
ENERGEX’s supply system assets are carried at fair value. An income approach to valuation was undertaken by ENERGEX at 30 June 2011 using the following key assumptions and approach:

- ENERGEX’s supply system assets are subject to regulation in the form of a revenue cap and it is assumed that they will continue to be subject to regulation in the future.
- Cash flows have been projected based on forecasts of prudent and efficient operating costs and revenue consistent with:
  - The building block methodology outlined in Chapter 6 of the National Electricity Rules;
  - The Australian Energy Regulator’s (AER) May 2010 Final Decision on Queensland Distribution Determination 2010-11 to 2014-15 (Final Determination); and
  - ENERGEX management forecasts of operating costs and revenue for the 2015-16 period based on the AER building block methodology.
- Revenue cash flows for the 2010-15 regulatory period assume a rate of return of 9.72 per cent which is consistent with the WACC determined by the AER in its Final Determination.
- Future capital expenditure has been included in the cash flows as it is assumed that future capital expenditure is required to ensure the security and reliability of the electricity network.
- Post-tax cash flows have been projected over a five year term and on a basis consistent with the AER’s approach, whereby the tax deductibility of debt, capital raising costs and imputation credits are reflected in the projected cash flows, rather than the discount rate. The projected cash flows have been discounted at a rate of 9.61 per cent.
- The terminal value at 30 June 2016 has been determined using the best information available to estimate future cash flows and assumes that throughout the remaining useful life of the supply system assets, the AER will be in alignment with the market view as to both the required rate of return and the costs of operating the supply system. It has also been assumed that any form of future regulation will ensure an owner of these assets will receive a sufficient return on equity after repayment of debt.

Fully written-down assets still in use
ENERGEX has plant and equipment with a gross carrying amount of $770.8 million (2010: $605.2 million) and a written down value of nil that is still in the asset register. These assets have been confirmed to be still in use at the end of the reporting period.

Asset retirements
During the period, ENERGEX performed a detailed assessment of assets and retired assets with a gross carrying amount of $90.8 million (2010: $95.6 million) that were no longer in use. The impact of these retirements has been a transfer of $10.0 million (2010: $9.7 million) from the asset revaluation reserve to retained earnings (refer Note 17.1).

<table>
<thead>
<tr>
<th></th>
<th>Supply system</th>
<th>Other plant and equipment</th>
<th>Capital works in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1 Movements in carrying amounts</td>
<td>7,206.6</td>
<td>188.0</td>
<td>627.2</td>
<td>8,021.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of year</td>
<td>7,206.6</td>
<td>188.0</td>
<td>627.2</td>
<td>8,021.8</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>2.8</td>
<td>959.0</td>
<td>961.8</td>
</tr>
<tr>
<td>Capitalised interest</td>
<td>-</td>
<td>-</td>
<td>27.6</td>
<td>27.6</td>
</tr>
<tr>
<td>Disposals/dismantled</td>
<td>(16.9)</td>
<td>(9.2)</td>
<td>-</td>
<td>(26.1)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(240.0)</td>
<td>(44.1)</td>
<td>-</td>
<td>(284.1)</td>
</tr>
<tr>
<td>Revaluation increment/(decrement)</td>
<td>367.0</td>
<td>-</td>
<td>-</td>
<td>367.0</td>
</tr>
<tr>
<td>Transfer between classes</td>
<td>-</td>
<td>(0.2)</td>
<td>(0.6)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Transfer from work in progress</td>
<td>811.6</td>
<td>105.1</td>
<td>(916.7)</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of asset write-down</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2011</td>
<td>8,128.7</td>
<td>242.4</td>
<td>696.5</td>
<td>9,067.6</td>
</tr>
</tbody>
</table>


notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th></th>
<th>Supply system</th>
<th>Other plant and equipment</th>
<th>Capital works in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>Year ended 30 June 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of year</td>
<td>6,436.5</td>
<td>204.6</td>
<td>412.9</td>
<td>7,054.0</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>-</td>
<td>976.5</td>
<td>976.5</td>
</tr>
<tr>
<td>Capitalised depreciation$</td>
<td>-</td>
<td>-</td>
<td>28.4</td>
<td>28.4</td>
</tr>
<tr>
<td>Capitalised interest</td>
<td>-</td>
<td>-</td>
<td>17.3</td>
<td>17.3</td>
</tr>
<tr>
<td>Disposals/dismantled</td>
<td>(18.3)</td>
<td>(7.4)</td>
<td>-</td>
<td>(25.7)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(223.6)</td>
<td>(40.8)</td>
<td>-</td>
<td>(264.4)</td>
</tr>
<tr>
<td>Revaluation increment/(decrement)</td>
<td>239.4</td>
<td>-</td>
<td>-</td>
<td>239.4</td>
</tr>
<tr>
<td>Transfer between classes</td>
<td>-</td>
<td>(0.1)</td>
<td>-</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Transfer from work in progress</td>
<td>772.4</td>
<td>35.5</td>
<td>(807.9)</td>
<td>-</td>
</tr>
<tr>
<td>Reversal of asset write-down</td>
<td>0.2</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
</tr>
<tr>
<td>Impairment losses for year</td>
<td>-</td>
<td>(3.8)</td>
<td>-</td>
<td>(3.8)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2010</td>
<td>7,206.6</td>
<td>188.0</td>
<td>627.2</td>
<td>8,021.8</td>
</tr>
</tbody>
</table>

$ There is no capitalised depreciation for 2010/11 due to changes to the cost allocation method under the AER regulatory regime (refer to Note 1.3).

Parent Entity
Year ended 30 June 2011

<table>
<thead>
<tr>
<th></th>
<th>Supply system</th>
<th>Other plant and equipment</th>
<th>Capital works in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>Year ended 30 June 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of year</td>
<td>7,206.6</td>
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Year ended 30 June 2010

<table>
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<tr>
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<th>Supply system</th>
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<th>Capital works in progress</th>
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<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
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<tr>
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<td>(263.3)</td>
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<td>7,206.6</td>
<td>176.6</td>
<td>627.2</td>
<td>8,010.4</td>
</tr>
</tbody>
</table>

$ There is no capitalised depreciation for 2010/11 due to changes to the cost allocation method under the AER regulatory regime (refer to Note 1.3).
If property, plant and equipment were stated on a historical cost basis, the carrying amount at the end of the reporting period would have been:

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<th></th>
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<th>PARENT ENTITY</th>
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<tbody>
<tr>
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**Property, plant and equipment and impairment**

An impairment review across all of ENERGEX’s CGUs has resulted in property, plant and equipment impairment losses of nil (2010: $3.8 million) for the Group; and nil (2010: nil) for the parent. There were no reversals of prior year impairment losses in 2010/11 (2010: nil) for the Group; nor the parent (2010: nil). The impairment reviews were conducted using management approved forecast cash flows, and discount rates that reflect market assessments of the time value of money and the risks specific to the asset.

These impairment losses are included within the depreciation, amortisation and impairment expense item in the income statements, which are detailed as follows:

**Landfill gas generation**

The landfill gas generation CGU operates landfill gas sites in Queensland and Victoria. A review of the value-in-use assessment of this operation resulted in an impairment loss on plant and equipment of nil (2010: $3.8 million). The value-in-use assessment was based on forecast cash flows and a discount rate of 14.27 per cent (2010: 13.38 per cent) was used to calculate the recoverable amount.

**9.2 Capitalised finance costs**

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<tr>
<td>Weighted average interest rate on funds borrowed generally</td>
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<td>5.78%</td>
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**10 Intangible assets**

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</thead>
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</tr>
<tr>
<td>Computer software</td>
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<td></td>
</tr>
<tr>
<td>At cost</td>
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<td>52.4</td>
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<tr>
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<tr>
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<td>9.4</td>
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<th></th>
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<tr>
<td>Less: accumulated amortisation</td>
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<tr>
<td>Less: accumulated impairment loss</td>
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<tr>
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10.1 Movements in carrying amounts

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<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td><strong>Year ended 30 June 2011</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at start of year</td>
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<td>9.4</td>
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<tr>
<td>Amortisation</td>
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<td>(2.2)</td>
</tr>
<tr>
<td>Additions/(disposals)</td>
<td>(1.1)</td>
<td>(1.1)</td>
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<tr>
<td>Transfer between classes</td>
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<td>0.8</td>
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<td><strong>Carrying amount at 30 June 2011</strong></td>
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<table>
<thead>
<tr>
<th></th>
<th>COMPUTER SOFTWARE</th>
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<tr>
<td><strong>Year ended 30 June 2010</strong></td>
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<tr>
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<td>7.8</td>
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<tr>
<td>Amortisation</td>
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<td>(2.7)</td>
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<tr>
<td>Additions/(disposals)</td>
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<td>4.2</td>
</tr>
<tr>
<td>Transfer between classes</td>
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<td>0.1</td>
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<td><strong>Carrying amount at 30 June 2010</strong></td>
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<table>
<thead>
<tr>
<th></th>
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<td></td>
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<tr>
<td><strong>Year ended 30 June 2011</strong></td>
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<td></td>
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<tr>
<td>Carrying amount at start of year</td>
<td>9.4</td>
<td>9.4</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(2.2)</td>
<td>(2.2)</td>
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<tr>
<td>Additions/(disposals)</td>
<td>(1.1)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Transfer between classes</td>
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<td>0.8</td>
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<tr>
<td><strong>Carrying amount at 30 June 2011</strong></td>
<td>6.9</td>
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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Year ended 30 June 2010</strong></td>
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</tr>
<tr>
<td>Carrying amount at start of year</td>
<td>7.8</td>
<td>7.8</td>
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<tr>
<td>Amortisation</td>
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<td>(2.7)</td>
</tr>
<tr>
<td>Additions/(disposals)</td>
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<td>4.2</td>
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<tr>
<td>Transfer between classes</td>
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<td>0.1</td>
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<tr>
<td><strong>Carrying amount at 30 June 2010</strong></td>
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<td>9.4</td>
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notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

11 Other assets

<table>
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<th>PARENT ENTITY</th>
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</table>

12 Trade and other payables

Current
- Trade payables | 113.1 | 125.0 | 111.7 | 121.0 |
- Accrued wages and salaries | 38.7 | 25.3 | 38.7 | 25.3 |
- Refundable deposits | 3.4 | 4.5 | 3.4 | 4.5 |
- Amount payable to:
  - associates | 28.2 | 12.1 | 13.0 | 12.1 |
Total current trade and other payables | 167.3 | 167.8 | 165.9 | 163.8 |

Non-current
- Amount payable to:
  - related parties | 28.1 | - | - | 22.3 |
Total non-current trade and other payables | - | - | 22.3 | 23.1 |

13 Long-term borrowings

Non-current
- QTC loans – unsecured | 22.6, 28.4 | 4,769.8 | 4,094.2 | 4,769.8 | 4,094.2 |
Total non-current borrowings | 4,769.8 | 4,094.2 | 4,769.8 | 4,094.2 |
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

14 Provisions

<table>
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<td>Site restoration/rehabilitation</td>
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<tr>
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<th>Reversal $ M</th>
<th>Unwinding of discount $ M</th>
<th>Transfer to other liabilities $ M</th>
<th>Carrying amount at end of year $ M</th>
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<td>-</td>
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<td></td>
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<tr>
<td>Dividends</td>
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<td>187.8</td>
<td>(148.2)</td>
<td>-</td>
<td>-</td>
<td>187.8</td>
</tr>
<tr>
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<td>(62.6)</td>
<td>41.5</td>
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<td>(0.5)</td>
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<td>(62.6)</td>
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notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
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<th>14.2 Analysis of total provisions</th>
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<td>Non-current</td>
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<th>2010 $ M</th>
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<td>348.7</td>
<td>356.2</td>
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<table>
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<tr>
<th>15 Other liabilities</th>
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<tbody>
<tr>
<td>Current</td>
</tr>
<tr>
<td>Regulated revenue recoveries – net</td>
</tr>
<tr>
<td>Unearned revenue – government grant</td>
</tr>
<tr>
<td>Unearned revenue – other</td>
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<tr>
<td>Total current other liabilities</td>
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</table>

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<th>2011 $ M</th>
<th>2010 $ M</th>
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| Non-current |
| Unearned revenue – other |
| Unearned revenue – government grant |
| Total non-current other liabilities |

<table>
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<tr>
<th>Note</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
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<tbody>
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<td></td>
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<td>16.4</td>
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<tr>
<td></td>
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<td>5.1</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td></td>
<td>5.8</td>
<td>21.5</td>
<td>5.8</td>
<td>21.5</td>
</tr>
</tbody>
</table>

| 16 Contributed equity |

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Number</td>
<td>$ M</td>
<td>$ M</td>
</tr>
</tbody>
</table>

| A Class ordinary shares – voting |
| B Class ordinary shares – non-voting |
| Total contributed equity |

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>16.1</td>
<td>122,600,006</td>
<td>122,600,006</td>
<td>122.6</td>
<td>122.6</td>
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<tr>
<td>16.2</td>
<td>752,932,768</td>
<td>752,932,768</td>
<td>623.8</td>
<td>623.8</td>
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<tr>
<td>5.2</td>
<td>875,532,774</td>
<td>875,532,774</td>
<td>746.4</td>
<td>746.4</td>
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</tbody>
</table>

| 16.1 A Class ordinary shares |
| Movements: |
| Beginning of financial year |
| Share movement |
| End of the financial year |

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
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<td></td>
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<td></td>
<td>122.6</td>
<td>122.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>122,600,006</td>
<td>122,600,006</td>
<td>122.6</td>
<td>122.6</td>
</tr>
</tbody>
</table>

| 16.2 B Class ordinary shares |
| Movements: |
| Beginning of financial year |
| Share movement |
| End of the financial year |

<table>
<thead>
<tr>
<th>Note</th>
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<th>2010</th>
<th>2011</th>
<th>2010</th>
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<td>623.8</td>
<td>521.0</td>
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<td>5.2</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>16</td>
<td>752,932,768</td>
<td>752,932,768</td>
<td>623.8</td>
<td>623.8</td>
</tr>
</tbody>
</table>
17 Reserves

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Asset revaluation reserve</td>
<td>17.1 1,586.8</td>
<td>1,339.9</td>
</tr>
<tr>
<td>Hedge reserve</td>
<td>17.2 -</td>
<td>-</td>
</tr>
<tr>
<td>Available-for-sale investment reserve</td>
<td>17.3 -</td>
<td>-</td>
</tr>
<tr>
<td>Total reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,586.8 1,339.9</td>
<td>1,586.8 1,339.9</td>
</tr>
</tbody>
</table>

17.1 Asset revaluation reserve (ARR)

Balance at start of year 1,339.9 1,181.7 1,339.9 1,181.7
Revaluation increment (gross) – supply system 9.1 367.0 239.4 367.0 239.4
Deferred tax effect on revaluations 3.3 (110.1) (71.5) (110.1) (71.5)
Transfer ARR to retained earnings for disposed assets 18 (10.0) (9.7) (10.0) (9.7)
Balance at end of year 1,586.8 1,339.9 1,586.8 1,339.9

17.2 Hedge reserve

Balance at start of year - (0.3) - (0.3)
Movement for the year - 0.4 - 0.4
Deferred tax effect on amortisation 3.3 - (0.1) - (0.1)
Balance at end of year - - - -

17.3 Available-for-sale investment reserve

Balance at start of year - 13.1 - 13.1
Revaluation – gross - 3.0 - 3.0
Divestment - (9.3) - (9.3)
Deferred tax effect on revaluations 3.3 - (6.8) - (6.8)
Balance at end of year - - - -

17.4 Nature and purpose of reserves

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1.16.

Hedge reserve
The hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge (refer Note 22.2).

Available-for-sale investment reserve
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve.
18 Retained earnings

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Retained earnings at start of year</td>
<td>488.6</td>
<td>455.0</td>
</tr>
<tr>
<td>Gross actuarial gains/(losses) on defined benefit plans</td>
<td>62.4</td>
<td>(18.7)</td>
</tr>
<tr>
<td>Deferred tax on actuarial gains/(losses) on defined benefit plans</td>
<td>3.3</td>
<td>(18.7)</td>
</tr>
<tr>
<td>Transfer from asset revaluation reserve – net of tax</td>
<td>17.1</td>
<td>10.0</td>
</tr>
<tr>
<td>Net profit attributable to members of the parent entity</td>
<td>6.2</td>
<td>234.7</td>
</tr>
<tr>
<td>Total available for appropriation</td>
<td>777.0</td>
<td>636.8</td>
</tr>
<tr>
<td>Dividends provided at 30 June 2010</td>
<td>19</td>
<td>-</td>
</tr>
<tr>
<td>Dividends provided at 30 June 2011</td>
<td>19</td>
<td>(187.8)</td>
</tr>
<tr>
<td>Retained earnings at end of year</td>
<td>589.2</td>
<td>488.6</td>
</tr>
</tbody>
</table>

19 Dividends

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED AND PARENT ENTITY</th>
<th>2011 Cents per share</th>
<th>2010 Cents per share</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends declared during the year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final unfranked dividend</td>
<td>21.45</td>
<td>16.93</td>
<td>187.8</td>
<td>148.2</td>
<td></td>
</tr>
<tr>
<td>Total dividends declared during the year</td>
<td>21.45</td>
<td>16.93</td>
<td>187.8</td>
<td>148.2</td>
<td></td>
</tr>
<tr>
<td>Dividends paid during the year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final unfranked dividend declared in prior financial year and paid in current financial year</td>
<td>16.93</td>
<td>11.74</td>
<td>148.2</td>
<td>102.8</td>
<td></td>
</tr>
<tr>
<td>Total dividends paid during the year</td>
<td>16.93</td>
<td>11.74</td>
<td>148.2</td>
<td>102.8</td>
<td></td>
</tr>
</tbody>
</table>

A final dividend of $187.8 million for the 2010/11 year (2010: $148.2 million) was declared and provided for on the basis of 80 per cent of net profit after income tax equivalent in consultation with the shareholding Ministers. The 2009/10 dividend of $148.2 million was paid in the 2010/11 year.

During 2009/10 a dividend of $102.8 million was paid on the basis of 80 per cent of 2008/09 net profit after income tax equivalent.

ENERGEX operates under the National Tax Equivalent Regime where income tax equivalent payments are made to the Queensland Government. As ENERGEX is a Queensland government owned corporation, with all shares owned by the shareholding Ministers on behalf of the Queensland Government, dividend payments are unfranked.

20 Non-controlling interests

On 29 June 2011, Service Essentials Pty Ltd was deregistered and as such there were no non-controlling interests remaining at 30 June 2011. In 2009/10, Ergon Energy had a 10 per cent shareholding interest in Service Essentials Pty Ltd to the value of 11 cents (refer Note 26).
21 Financial risk management objectives and policies

Financial risk management is carried out by ENERGEX’s Treasury Department (ENERGEX Treasury) under policies approved by the Board of Directors. ENERGEX Treasury manages the cash flow needs of the Group on a net basis and ensures a consistent approach to managing the financial arrangements and their associated risk across the business. The ENERGEX Treasury Policy applies to all of the entities within the Group and its intention is to ensure compliance with the Code of Practice for Government-Owned Corporations’ Financial Arrangements.

The Group’s principal financial instruments comprise QTC loans. The main purpose of these financial instruments is to raise finance for the Group’s operations. It is the Group’s policy that financial instruments are not to be used for speculative purposes.

Other financial assets and liabilities include trade receivables, trade payables, provisions, short-term deposits and unearned revenue which arise directly from the Group’s operations.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.14.

The Group is exposed to the following financial risks:

- **credit risk**: the risk of a financial loss if a counterparty to a transaction does not fulfil its financial obligations (also called default risk)
- **commodity and foreign exchange risk**: the risk that contract prices will move as a result of adverse movements in market prices.
- **funding risk**: the risk that the Group will be unable to refinance existing debt or raise additional debt.
- **liquidity risk**: the risk of insufficient funds to fulfil the Group’s cash flow obligations on a timely basis.
- **interest rate risk**: the risk that actual financing costs are greater than that allowed for by ENERGEX’s regulator.
- **operational risk**: the risk resulting from inadequate internal processes and systems or from external events.
- **capital structure risk**: the risk of the Group ineffectively structuring its balance sheet resulting in suboptimal returns to the shareholders.

**Credit risk**

The Group seeks to minimise credit exposure by actively managing its credit risk within the context of its operating environment.

The most significant credit risk exposure is the risk of a Retailer defaulting on its obligations. On 1 February 2011, Credit Support Guidelines (Guidelines) issued by the Queensland Competition Authority (QCA) took effect. Credit support arrangements refer to commercial arrangements between Retailers and ENERGEX, to manage the risk to ENERGEX of the non-payment by the Retailer of Network Charges. These Guidelines replaced the Retailer Performance Security provisions contained in the Electricity Industry Code (Queensland) - Standard Coordination Agreement (SCA). The Guidelines impose a different methodology for determining credit support requirements than that which existed under the SCA. Under the SCA, credit support requirements were based on a retailer’s credit rating and payment history. However, under the Guidelines the credit support calculations are more complex, and are based on an assessment of the retailer’s network charge liability compared to their credit allowance and payment history.

ENERGEX’s credit risk management procedures have been reviewed to ensure all available actions are taken to mitigate credit risk exposure within the confines of the Guidelines. The Guidelines align with the National Energy Customer Framework credit support arrangements to be implemented on 1 July 2012.

Other credit risks across the business are managed in accordance with the ENERGEX treasury policy. This requires that a bank guarantee from an investment grade bank be taken as security where credit exposure exists.

**Commodity and foreign currency risk**

The Group is also exposed to commodity price risk and foreign currency risk in the normal course of its operations through its procurement contracts. The Group reviews new large contracts and large contracts that are to be extended, prior to ENERGEX being irrevocably committed to any arrangements to determine whether any risk mitigation strategies can be entered into to minimise this risk.

**Funding risk**

ENERGEX’s term debt, provided exclusively by QTC, is interest only in perpetuity with no set repayment date. This debt portfolio is structured to reflect a fixed-term loan to correlate with the regulatory period and, as such, was refinanced during the 2009/10 financial year in anticipation of the regulatory period which commenced on 1 July 2010. QTC was responsible for refinancing the Group’s debt when it became due. QTC borrows in advance of requirements to ensure ENERGEX is able to meet its debt funding obligations as and when they fall due.

**Interest rate risk**

The cost of ENERGEX’s debt is comprised of a competitive neutrality fee (CNF), administration fee, capital market fee and a book interest rate on the debt portfolio calculated periodically by QTC.
The CNF is charged by the State of Queensland to ensure ENERGEX does not obtain an economic benefit from funding at a lower cost through QTC than could be achieved by a private sector operator. The CNF was reset effective 1 July 2010 for a period of five years.

ENERGEX’s debt is subject to annual repricing following a book rate review of the debt portfolio undertaken by QTC. The Group is exposed to book interest rate movements on an annual basis that reflects the cost of new borrowings made throughout the year, as well as the impact from hedging or derivatives entered into by QTC to manage interest rate risk in accordance with instructions issued by the ENERGEX Board. ENERGEX is also exposed to book rate movements when it refinances its existing debt, which generally occurs every five years to align to the new regulatory interest rate determination.

The Group manages interest rate risk by entering into forward start loans. The benefit of the forward start loans was that the Group had been able to effectively lock-in the interest rate on all or part of a known future borrowing requirement which has provided greater certainty of the borrowing costs on known future borrowing requirements.

These loans have been effective in minimising the risk of rising interest rate volatility. As at 30 June 2011, this difference was favourable to the Group by $32.8 million (2010: $40.3 million). This value of $32.8 million represents the difference between the sum of the forward start loans measured at book value compared against the sum of the forward start loans measured at market value.

Liquidity risk
To manage the Group’s liquidity risk, a daily cash flow forecast on a rolling 12 month period is maintained. The Group has a $200 million working capital facility with QTC which operates as an overdraft arrangement and is used to cover temporary funding deficits, and is fully fluctuating. The facility is repayable on demand.

Operational risk
The Group recognises operational risk, inclusive of information risk and business continuity, as a significant risk category and manages it within acceptable levels. The Group continues to develop and expand its guidelines, standards, methodologies and systems to enhance the management of operational risk.

Capital risk
The Board’s policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain future development of the business. Part of this process is ensuring the right quantitative and qualitative factors exist to support at a minimum a BBB+ credit rating. The Group monitors the return on capital, which is defined as net operating income divided by total shareholders’ equity. The Group also monitors the level of dividends to ordinary shareholders.

The Group seeks to maintain a balance between the higher return on equity that might be possible with higher levels of borrowings, and the advantages and security offered by a sound capital position through appropriate injections of equity from time to time to balance the funding sources of the Group. The weighted average interest expense on interest-bearing borrowings in 2010/11 was 6.88 per cent (2010: 5.75 per cent).

22 Financial instruments

22.1 Fair value of financial assets and liabilities
The fair values of financial assets and financial liabilities, other than derivative financial instruments, are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of derivative financial instruments represents the value of the cash flow (either negative or positive) which would have occurred if the rights and obligations arising from that instrument were closed out in the market place at the end of the reporting period. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify for hedge accounting as cash flow hedges, are taken directly to the income statement for the year.

The Group considers the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value, excluding borrowings. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between cost and the redemption amount being recognised in the income statement over the period of the borrowings on an effective interest basis.

The Group has not designated any financial instruments as at fair value through profit or loss.

22.2 Derivative financial instruments
As at 30 June 2011, there were no hedges in place (2010: nil).
22.3 Credit risk exposure

The credit risk on financial assets of the Group which have been recognised on the balance sheet is generally equal to the carrying amount net of any provisions for impairment of receivables. Refer to Note 21 for related risk management policies and procedures that are in place to minimise credit risk.

22.4 Liquidity risk exposure

The Group’s exposure to liquidity risk is set out in the following table:

<table>
<thead>
<tr>
<th>Note</th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>1 year or less</th>
<th>1 to 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>12</td>
<td>163.9</td>
<td>(163.9)</td>
<td>(163.9)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>3.4</td>
<td>(3.4)</td>
<td>(3.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>4,769.8</td>
<td>(6,387.4)</td>
<td>(324.6)</td>
<td>(1,295.9)</td>
<td>(4,766.9)</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>4,937.1</td>
<td>(6,554.7)</td>
<td>(491.9)</td>
<td>(1,295.9)</td>
<td>(4,766.9)</td>
</tr>
</tbody>
</table>

\(^1\) Market value of the borrowings as at 30 June 2011 as advised by QTC was $4,885.9 million.

As at 30 June 2010

<table>
<thead>
<tr>
<th>Note</th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>1 year or less</th>
<th>1 to 5 years</th>
<th>More than 5 years</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>12</td>
<td>163.3</td>
<td>(163.3)</td>
<td>(163.3)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>4.5</td>
<td>(4.5)</td>
<td>(4.5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>4,094.2</td>
<td>(5,437.5)</td>
<td>(282.0)</td>
<td>(1,128.8)</td>
<td>(4,026.7)</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>4,262.0</td>
<td>(5,605.3)</td>
<td>(449.8)</td>
<td>(1,128.8)</td>
<td>(4,026.7)</td>
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</table>

\(^1\) Market value of the borrowings as at 30 June 2010 as advised by QTC was $4,207.3 million.

Parent Entity

As at 30 June 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>1 year or less</th>
<th>1 to 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
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<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>12</td>
<td>162.5</td>
<td>(162.5)</td>
<td>(162.5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>22.3</td>
<td>(22.3)</td>
<td>-</td>
<td>(22.3)</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>3.4</td>
<td>(3.4)</td>
<td>(3.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>4,769.8</td>
<td>(6,387.4)</td>
<td>(324.6)</td>
<td>(1,295.9)</td>
<td>(4,766.9)</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>4,958.0</td>
<td>(6,575.6)</td>
<td>(490.5)</td>
<td>(1,318.2)</td>
<td>(4,766.9)</td>
</tr>
</tbody>
</table>

\(^1\) Market value of the borrowings as at 30 June 2011 as advised by QTC was $4,885.9 million.

As at 30 June 2010

<table>
<thead>
<tr>
<th>Note</th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>1 year or less</th>
<th>1 to 5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
<td>$ M</td>
</tr>
<tr>
<td>12</td>
<td>159.4</td>
<td>(159.4)</td>
<td>(159.4)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>23.1</td>
<td>(23.1)</td>
<td>-</td>
<td>(23.1)</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>4.5</td>
<td>(4.5)</td>
<td>(4.5)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>4,094.2</td>
<td>(5,437.5)</td>
<td>(282.0)</td>
<td>(1,128.8)</td>
<td>(4,026.7)</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>4,281.2</td>
<td>(5,624.5)</td>
<td>(445.9)</td>
<td>(1,151.9)</td>
<td>(4,026.7)</td>
</tr>
</tbody>
</table>

\(^1\) Market value of the borrowings as at 30 June 2010 as advised by QTC was $4,207.3 million.
22.5 Interest rate risk exposure

Sensitivity analysis
The following interest rate sensitivity analysis depicts the outcome to profit and loss if interest rates change by +/- 1.0 per cent for cash funds (2010: +/-1.0 per cent) from the year-end rates. With all other variables held constant, the Group would have a surplus/(deficit) of $0.8 million (2010: $1.5 million).

<table>
<thead>
<tr>
<th>Note</th>
<th>2011 interest rate risk</th>
<th>2010 interest rate risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
<td>(1.0)% Profit</td>
</tr>
<tr>
<td>6</td>
<td>$81.9</td>
<td>(0.8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>2010 interest rate risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>$145.4</td>
</tr>
</tbody>
</table>

The above sensitivity percentages were based on a review of official cash rate movements.

<table>
<thead>
<tr>
<th>Note</th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>4,969.8</td>
<td>4,244.2</td>
<td>4,969.8</td>
</tr>
<tr>
<td>13,28.4</td>
<td>4,769.8</td>
<td>4,094.2</td>
</tr>
<tr>
<td>200.0</td>
<td>150.0</td>
<td>200.0</td>
</tr>
</tbody>
</table>

22.6 Financing arrangements
The Group has access to the following lines of credit:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total facilities available</td>
<td>4,969.8</td>
<td>4,244.2</td>
<td>4,969.8</td>
<td>4,244.2</td>
</tr>
<tr>
<td>Facilities used at the end of the reporting period</td>
<td>13,28.4</td>
<td>4,769.8</td>
<td>4,094.2</td>
<td>4,769.8</td>
</tr>
<tr>
<td>Facilities not used at the end of the reporting period</td>
<td>200.0</td>
<td>150.0</td>
<td>200.0</td>
<td>150.0</td>
</tr>
</tbody>
</table>

Approved borrowings under the state borrowing program (SBP) for 2010/11 were $775.9 million (2010: $366.9 million), of which $670.4 million was drawn during the year (2010: $250.0 million). The unused funds of $105.5 million (2010: $116.9 million) expired on 30 June 2011. The 2010/11 borrowings drawn under the SBP were funded through ENERGEX’s loan account with QTC.

The Group has interim approval under the SBP for the 2011/12 year of $875.4 million, which includes a $49.5 million increase to the existing working capital facility.

Forward start loans
The Group had future loan commitments represented by undrawn forward start loans of $1.6 billion with QTC as at 30 June 2011. At the time of settlement the future loan commitment will be classified as a borrowing and measured at book value. The 2010/11 future loan commitments with QTC are set out below.

<table>
<thead>
<tr>
<th>Contractual undiscounted cash flows as at</th>
<th>Book value $ M</th>
<th>1 year or less $ M</th>
<th>1 to 5 years $ M</th>
<th>More than 5 years $ M</th>
<th>Total $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2011 Future loan commitments</td>
<td>1,559.5</td>
<td>21.8</td>
<td>402.1</td>
<td>1,559.5</td>
<td>1,983.4</td>
</tr>
<tr>
<td>30 June 2010 Future loan commitments</td>
<td>2,229.9</td>
<td>20.4</td>
<td>477.2</td>
<td>2,229.9</td>
<td>2,727.5</td>
</tr>
</tbody>
</table>

The above table represents the future undiscounted cash flows relating to future loan commitments. For 2010/11 the future loan commitment book value of $1,559.5 million (2010: $2,229.9 million) represents the principal value of total undrawn forward start loans. The total of $1,983.4 million (2010: $2,727.5 million) represents total undiscounted cash flows being the sum of interest in the 1 year or less category, interest in the 1 to 5 year category and principal cash flows in the More than 5 year category. The actual repayment profile of long-term debt is interest only with no fixed repayment date for the principal component. The above simulation presents the estimate of the total amount of outstanding debt beyond 5 years.
22.7 Guarantees

Guarantees held
The Group holds bank guarantees from customers and suppliers totalling $35.8 million (2010: $32.8 million), relating to subdivision works and construction of capital assets for customers and procurement guarantees from suppliers.

Guarantees issued
The parent entity has no outstanding guarantees provided via its banker in respect of its trading activities (2010: $0.1 million).

ENERGEX warrants that unlimited sufficient financial support will be provided to Queensland Energy Services Team Pty Ltd to ensure the companies are able to pay their debts as and when they fall due. ENERGEX warrants that sufficient financial support up to a limit of $10,000 will be provided to Metering Dynamics Business Support Pty Ltd to ensure that business is able to pay its debts as and when they fall due.

23 Commitments for expenditure

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>23.1 Capital and other expenditure commitments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not later than one year</td>
<td>190.1</td>
<td>305.7</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>68.6</td>
<td>64.1</td>
</tr>
<tr>
<td>Total capital and other expenditure commitments</td>
<td>258.7</td>
<td>369.8</td>
</tr>
</tbody>
</table>

These commitments consist of open purchase orders and are valued at price levels and foreign currency exchange rates as at the end of the reporting period.

23.2 Operating lease commitments

Commitments in relation to operating leases contracted for at the end of the reporting period but not recognised as liabilities payable:

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $ M</td>
<td>2010 $ M</td>
</tr>
<tr>
<td>Not later than one year</td>
<td>19.5</td>
<td>18.4</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>85.7</td>
<td>63.0</td>
</tr>
<tr>
<td>Later than five years</td>
<td>229.9</td>
<td>180.2</td>
</tr>
<tr>
<td>Representing: non-cancellable operating leases</td>
<td>335.1</td>
<td>261.6</td>
</tr>
</tbody>
</table>

1 ENERGEX commenced a 15 year lease at Newstead from September 2010 and during 2010/11 entered into lease agreements for the Northern Metropolitan Office at Nundah and the Southern Metropolitan Office at Mt Gravatt for the purpose of corporate office accommodation.
24 Defined benefit obligations

The Group contributes to an industry multiple employer superannuation plan, the Energy Super Fund, which is a newly formed fund following the merger of Electricity Supply Industry Superannuation Fund (ESI Super) and Superannuation Plan for Electrical Contractors (SPEC Super). Members, after serving a qualifying period, are entitled to benefits from this fund on retirement, resignation, retrenchment, disability or death. The defined benefit account of this fund is a funded plan which provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated</th>
<th>Parent Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate (post tax)</td>
<td>4.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Future salary increases</td>
<td>3.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

The expected return on plan assets has been calculated based on the current asset allocation to each of the major asset classes and the expected future investment return for each of the asset classes.

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated</th>
<th>Parent Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>18.8$ M</td>
<td>17.4$ M</td>
</tr>
<tr>
<td>Interest cost</td>
<td>18.3$ M</td>
<td>17.9$ M</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(22.8)$ M</td>
<td>(20.0)$ M</td>
</tr>
<tr>
<td>Net expense recognised in year</td>
<td>14.3$ M</td>
<td>15.3$ M</td>
</tr>
<tr>
<td>Past service cost</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total included in employee benefits expense</td>
<td>14.3$ M</td>
<td>15.3$ M</td>
</tr>
</tbody>
</table>

24.3 Reconciliation of amounts recognised in the balance sheet

<table>
<thead>
<tr>
<th>Note</th>
<th>Consolidated</th>
<th>Parent Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of funded obligations</td>
<td>(430.9)$ M</td>
<td>(442.7)$ M</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>444.8$ M</td>
<td>383.0$ M</td>
</tr>
<tr>
<td>Surplus/(deficit)</td>
<td>13.9$ M</td>
<td>(59.7)$ M</td>
</tr>
<tr>
<td>Provision for contributions tax</td>
<td>2.5$ M</td>
<td>(10.6)$ M</td>
</tr>
<tr>
<td>Net asset/(liability) in the balance sheet</td>
<td>24.4$ M</td>
<td>16.4$ M</td>
</tr>
</tbody>
</table>
notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>24.4 Historical analysis of defined benefit obligations of the consolidated and parent entity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present value of defined benefit obligation</td>
<td>24.5</td>
<td>(428.4)</td>
<td>(453.3)</td>
<td>(405.4)</td>
<td>(351.1)</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>24.6</td>
<td>444.8</td>
<td>383.0</td>
<td>332.3</td>
<td>357.1</td>
</tr>
<tr>
<td>Surplus/(deficit) of the plan</td>
<td>24.3</td>
<td>16.4</td>
<td>(70.3)</td>
<td>(73.1)</td>
<td>6.0</td>
</tr>
<tr>
<td>Experience adjustments arising on plan assets(^1)</td>
<td></td>
<td>10.5</td>
<td>15.9</td>
<td>(46.9)</td>
<td>(69.5)</td>
</tr>
<tr>
<td>Experience adjustments arising on plan liabilities(^1)</td>
<td></td>
<td>7.8</td>
<td>(5.5)</td>
<td>(20.3)</td>
<td>(4.9)</td>
</tr>
</tbody>
</table>

\(^1\) Experience adjustments are the effects of differences between previous actuarial assumptions and what has actually occurred.

<table>
<thead>
<tr>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>2011 $ M</td>
</tr>
<tr>
<td>24.5 Reconciliation of movements in the defined benefit obligation</td>
<td></td>
</tr>
<tr>
<td>Opening defined benefit obligation</td>
<td>453.3</td>
</tr>
<tr>
<td>Current service cost</td>
<td>18.8</td>
</tr>
<tr>
<td>Interest cost</td>
<td>18.3</td>
</tr>
<tr>
<td>Contributions by fund participants</td>
<td>5.1</td>
</tr>
<tr>
<td>Actuarial (gains)/losses</td>
<td>(58.0)</td>
</tr>
<tr>
<td>Benefits payments and tax</td>
<td>(9.1)</td>
</tr>
<tr>
<td>Closing defined benefit obligation</td>
<td>24.4</td>
</tr>
</tbody>
</table>

| 24.6 Reconciliation of movements in the fair value of plan assets | | | | |
| Opening fair value of plan assets | 383.0 | 332.3 | 383.0 | 332.3 |
| Expected return on plan assets | 22.8 | 20.0 | 22.8 | 20.0 |
| Actuarial gains | 10.5 | 15.9 | 10.5 | 15.9 |
| Contributions by the employer | 32.5 | 26.3 | 32.5 | 26.3 |
| Contributions by fund participants | 5.1 | 5.2 | 5.1 | 5.2 |
| Benefits payments and tax | (9.1) | (16.7) | (9.1) | (16.7) |
| Closing fair value of plan assets | 24.4 | 444.8 | 383.0 | 444.8 | 383.0 |

| 24.7 Cumulative amount recognised in the statement of comprehensive income | | | | |
| Cumulative amount of actuarial losses at beginning of year | 90.0 | 81.8 | 90.0 | 81.8 |
| Loss/(gain) in year | (68.4) | 8.2 | (68.4) | 8.2 |
| Cumulative amount of actuarial losses at end of year | 21.6 | 90.0 | 21.6 | 90.0 |
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th></th>
<th>PARENT ENTITY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 %</td>
<td>2010 %</td>
<td>2011 %</td>
<td>2010 %</td>
</tr>
<tr>
<td>Cash</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Fixed interest</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Australian shares</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Alternatives</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>International shares</td>
<td>22</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Property</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

24.8 The major categories of plan assets as a percentage of total plan assets are as follows:

The actual return on plan assets for 2010/11 was a profit of $33.3 million (2010: $35.9 million).

24.9 Net financial position of plan

The superannuation plan computes its obligations in accordance with AAS 25 Financial Reporting by Superannuation Plans (AAS 25) which prescribes a different measurement basis to that applied in this financial report, pursuant to AASB 119 Employee Entitlements. Under AAS 25, and in accordance with the Occupational Superannuation Standards Regulation, the Energy Super Fund is required to undertake actuarial investigations at least every three years. The last reporting period for the Energy Super Fund Actuarial Report for ENERGEX was 30 June 2010.

Surplus/(deficit)
The following is a summary of the most recent financial position of the Energy Super Fund (with respect to both defined benefit and accumulation members for the Group’s participation in the Fund) calculated in accordance with AAS 25:

<table>
<thead>
<tr>
<th></th>
<th>Last reporting period</th>
<th>$ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefits</td>
<td>30/06/2010</td>
<td>(612.4)</td>
</tr>
<tr>
<td>Net market value of plan assets</td>
<td>30/06/2010</td>
<td>591.4</td>
</tr>
<tr>
<td>Net deficit</td>
<td>30/06/2010</td>
<td>(21.0)</td>
</tr>
</tbody>
</table>

Contribution recommendations
For the financial year ended 30 June 2011, the Group paid 32 per cent (2010: 32 per cent) of defined benefit members’ salaries. Funding recommendations are made by the actuaries based on their forecast of various matters including: future plan assets performance, interest rates, and salary increases. ENERGEX will assess this contribution rate in the future to ensure it remains appropriate.

The Group expects to make a contribution rate of 13 per cent (2010: 32 per cent) to the defined benefit plan during the next financial year. Accordingly, the Group expects to contribute $12.4 million (2010: $29.9 million) to its defined benefit plan in 2011/12.

Funding method
The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate method. The method adopted affects the timing of the cost to the employer. Under the aggregate method, the future contribution rates are determined, and are expected to be sufficient to fund the difference between the value of the future benefits for existing defined benefit members, and the value of plan assets attributable to defined benefit members, over the future working lifetime of existing defined benefit members.

An aggregate financing method can be expected to produce a higher level of volatility in recommending employer contribution rates, particularly as the defined benefit membership ages and reduces in size. Variations between actual and expected experience have a greater financial effect on future employer contribution rates as the future working lifetime of the existing defined benefit members reduces.
Principal economic assumptions adopted for the last actuarial review (as at 30 June 2010) of the Fund include:

<table>
<thead>
<tr>
<th>Description</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected rate of return on plan assets in year one</td>
<td>(10.0)</td>
</tr>
<tr>
<td>Expected rate of return on plan assets thereafter</td>
<td>7.0</td>
</tr>
<tr>
<td>Expected salary increase rate</td>
<td>5.0</td>
</tr>
</tbody>
</table>

**Nature of asset/liability**

The Energy Super Fund does not impose a legal liability on the Group to cover any deficit that exists in the Fund. If the Fund were wound up, there would be no legal obligation on the Group to make good any shortfall. The Trust Deed of the Fund states that if the Fund winds up, after the payment of all costs and member benefits for the period up to the date of termination, any remaining assets are to be distributed by the Trustee of the Fund, acting on the advice of the actuary, to participating employers.

The Group may at any time by notice to the Trustee terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund.

The Group may benefit from any surplus in the Fund in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the Fund’s actuary.

The company is committed under the terms of its union collective agreement to keep the Defined Benefit Fund open for the current fund members for the life of the agreement. The union collective agreement has an expiry date of 13 October 2011 but will continue after its nominal expiry until such time as it is replaced or terminated. The Board has resolved that ENERGEX will make additional contributions when necessary to meet its obligations in relation to the Defined Benefit Fund.

**25 Investments in associates**

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (refer Note 1.4). Information relating to the associates is set out below:

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Principal activities</th>
<th>Ownership interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2011%</td>
</tr>
<tr>
<td>SPARQ Solutions Pty Ltd</td>
<td>Information technology services provider</td>
<td>50.0</td>
</tr>
</tbody>
</table>

**Summarised presentation of share of aggregate assets, liabilities and performance of associates**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>124.3</td>
<td>125.1</td>
</tr>
<tr>
<td>Liabilities</td>
<td>124.2</td>
<td>127.3</td>
</tr>
<tr>
<td>Net liabilities</td>
<td>0.1</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Share of net liabilities equity accounted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revenues</td>
<td>76.6</td>
<td>69.8</td>
</tr>
<tr>
<td>Profit from ordinary activities after tax</td>
<td>0.4</td>
<td>-</td>
</tr>
</tbody>
</table>

**Movements in net liabilities of associates**

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of the financial year</td>
<td>(2.2)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Share of profit from ordinary activities after tax</td>
<td>0.4</td>
<td>-</td>
</tr>
<tr>
<td>Net expense directly recognised in equity – defined benefit plan</td>
<td>1.9</td>
<td>(0.1)</td>
</tr>
<tr>
<td>End of the financial year</td>
<td>0.1</td>
<td>(2.2)</td>
</tr>
</tbody>
</table>

The consolidated entity has not recognised actuarial losses on defined benefit plans relating to SPARQ Solutions Pty Ltd (SPARQ Solutions) amounting to $0.7 million for the 2010/11 year (2010: $0.1 million).
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th>Share of associates’ expenditure commitments</th>
<th>2011 $M</th>
<th>2010 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating lease commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>4.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Later than five years</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Capital commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>2.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other commitments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>7.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>1.8</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17.0</td>
<td>20.8</td>
</tr>
</tbody>
</table>

No contingent liabilities or accumulated unrecongnised losses exist in relation to the associated entity at 30 June 2011 (2010: nil).

26 Investment in controlled entities

Interests are held in the following controlled companies:

<table>
<thead>
<tr>
<th>Name</th>
<th>Note</th>
<th>Country of incorporation</th>
<th>Shares</th>
<th>Ownership interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beak Industries Pty Ltd</td>
<td>26.4</td>
<td>Australia</td>
<td>Ordinary</td>
<td>-</td>
</tr>
<tr>
<td>Energy Impact Pty Ltd</td>
<td>26.1,26.2</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>Metering Dynamics Business Support Pty Ltd</td>
<td>26.3</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>Queensland Energy Services Team Pty Ltd</td>
<td>26.3</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>Service Essentials Pty Ltd</td>
<td>26.4</td>
<td>Australia</td>
<td>Ordinary</td>
<td>-</td>
</tr>
<tr>
<td>Varnsdorf Pty Ltd</td>
<td>26.1,26.2</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>VH Energy Holdings Pty Ltd</td>
<td>26.1,26.2</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>VH Finance Pty Ltd</td>
<td>26.1,26.2</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
<tr>
<td>VH Operations Pty Ltd</td>
<td>26.1,26.2</td>
<td>Australia</td>
<td>Ordinary</td>
<td>100</td>
</tr>
</tbody>
</table>

26.1 These companies entered into a deed of cross guarantee (DOCG) dated 13 March 2003 with Queensland Energy Services Team Pty Ltd (QEST). The DOCG provides that QEST will guarantee the payment in full to each creditor, of any debt of these companies, on the winding up of any company within the DOCG. As a result of Class Order 98/1418, ASIC granted approval on 24 April 2003 for these companies to be relieved from the Corporations Act 2001 requirement for preparation, audit and lodgement of financial statements for financial years ending on or after this date.

26.2 These companies are relieved from the requirements for preparation, audit and lodgement of annual financial statements with ASIC as they are small proprietary companies. As these companies are parties to the DOCG as detailed in Note 26.1 above, Class Order 98/1418 would also provide ASIC reporting relief in the event they were classified as large proprietary companies.

26.3 Metering Dynamics Business Support Pty Ltd is a small proprietary company and is therefore relieved from the requirement for preparation, audit and lodgement of annual financial statements with ASIC.

26.4 During 2010/11, Beak Industries Pty Ltd and Service Essentials Pty Ltd were deregistered and as a result the Group’s ownership interest at the end of the reporting period is nil.
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

<table>
<thead>
<tr>
<th>Subsidiary name</th>
<th>Purpose of entity</th>
<th>Total assets $'000</th>
<th>Total liabilities $'000</th>
<th>Total revenue $'000</th>
<th>Profit/(loss) before tax $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland Energy Services Team Pty Ltd (Consolidated)</td>
<td>Parent entity of QEST Consolidated Group</td>
<td>47,479</td>
<td>1,328</td>
<td>15,946</td>
<td>2,514</td>
</tr>
<tr>
<td>Queensland Energy Services Team Pty Ltd(^1)</td>
<td>Parent entity of Energy Impact Pty Ltd and Metering Dynamics Business Support Pty Ltd</td>
<td>2,969</td>
<td>1,770</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Energy Impact Pty Ltd(^1)</td>
<td>Provides generation services and operates landfill gas sites</td>
<td>27,300</td>
<td>19,488</td>
<td>12,874</td>
<td>718</td>
</tr>
<tr>
<td>Metering Dynamics Business Support Pty Ltd(^1)</td>
<td>Dormant entity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Varnsdorf Pty Ltd(^1)</td>
<td>Operations have been wound down and are no longer trading</td>
<td>29,334</td>
<td>-</td>
<td>2,048</td>
<td>1,971</td>
</tr>
<tr>
<td>VH Energy Holdings Pty Ltd(^1)</td>
<td>Operations have been wound down and are no longer trading</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VH Operations Pty Ltd(^2)</td>
<td>Operations have been wound down and are no longer trading</td>
<td>3,843</td>
<td>3,128</td>
<td>620</td>
<td>(259)</td>
</tr>
<tr>
<td>VH Finance Pty Ltd(^1)</td>
<td>Operations have been wound down and are no longer trading</td>
<td>19,515</td>
<td>14,523</td>
<td>84</td>
<td>84</td>
</tr>
<tr>
<td><strong>30 June 2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland Energy Services Team Pty Ltd (Consolidated)</td>
<td>Parent entity of QEST Consolidated Group</td>
<td>52,479</td>
<td>7,952</td>
<td>33,866</td>
<td>(1,197)</td>
</tr>
<tr>
<td>Queensland Energy Services Team Pty Ltd(^1)</td>
<td>Parent entity of Energy Impact Pty Ltd and Metering Dynamics Business Support Pty Ltd</td>
<td>4,411</td>
<td>2,322</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Beak Industries Pty Ltd(^2)</td>
<td>Undergoing a voluntary deregistration process</td>
<td>-</td>
<td>-</td>
<td>292</td>
<td>1,445</td>
</tr>
<tr>
<td>Service Essentials Pty Ltd(^2)</td>
<td>Operations have been wound down</td>
<td>-</td>
<td>1,063</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Energy Impact Pty Ltd(^1)</td>
<td>Provides generation services and operates landfill gas sites</td>
<td>26,350</td>
<td>19,257</td>
<td>12,151</td>
<td>60</td>
</tr>
<tr>
<td>Metering Dynamics Business Support Pty Ltd(^1)</td>
<td>Dormant entity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Varnsdorf Pty Ltd(^1)</td>
<td>Holds contracts for cogeneration activities with Victorian hospitals</td>
<td>29,549</td>
<td>2,186</td>
<td>19,563</td>
<td>(928)</td>
</tr>
<tr>
<td>VH Energy Holdings Pty Ltd(^1)</td>
<td>Holding company</td>
<td>(1)</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VH Operations Pty Ltd(^2)</td>
<td>Holds employees associated with the Varnsdorf Group</td>
<td>3,765</td>
<td>2,791</td>
<td>7,521</td>
<td>(389)</td>
</tr>
<tr>
<td>VH Finance Pty Ltd(^1)</td>
<td>Financing vehicle for the Varnsdorf Group</td>
<td>19,431</td>
<td>14,523</td>
<td>59</td>
<td>59</td>
</tr>
</tbody>
</table>

\(^1\) These entities form the QEST Consolidated Group.
\(^2\) These entities were deregistered during 2010/11.
27 Key management personnel

The following disclosure is provided pursuant to Queensland Treasury Policy “The Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations.

27.1 Compensation principles

Directors

All remuneration of Directors, including Directors’ fees and Board committee fees, is established by the shareholding Ministers. Directors do not receive any performance-related remuneration.

<table>
<thead>
<tr>
<th>Director</th>
<th>Term of appointment</th>
<th>Appointment expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Dempsey</td>
<td>3 years 4 months</td>
<td>30 September 2011</td>
</tr>
<tr>
<td>Peter Arnison</td>
<td>3 years</td>
<td>30 September 2013</td>
</tr>
<tr>
<td>Mary Boydell</td>
<td>3 years</td>
<td>30 September 2011</td>
</tr>
<tr>
<td>Mat Darveniza</td>
<td>3 years</td>
<td>30 September 2013</td>
</tr>
<tr>
<td>John Geldard</td>
<td>3 years</td>
<td>30 September 2013</td>
</tr>
<tr>
<td>Ronald Monaghan</td>
<td>3 years 4 months</td>
<td>30 September 2011</td>
</tr>
<tr>
<td>Kerryn Newton</td>
<td>3 years</td>
<td>30 September 2011</td>
</tr>
</tbody>
</table>

Senior executives

The following are Directors of controlled entities and received no remuneration from their roles as executive Directors:

- Terence Effeney
- Darren Busine
- Peter Weaver

The senior executive remuneration strategy and practices of the Group are designed to assist the Company to attract, retain and motivate high calibre individuals in senior executive positions. This is achieved by providing an appropriate combination of competitive fixed and variable remuneration components. Shareholder guidelines and policies on executive remuneration are followed.

The fixed component of remuneration is linked to an assessment of the job size and value based on independent market evaluation. The fixed remuneration on appointment is up to market median for the position size in accordance with Office of Government Owned Corporations guidelines. Annual increases are in accordance with recommendations approved by the Board in line with the governance arrangements for chief and senior executives provided by the government. A variable component of remuneration is provided to members of the senior executive as described in Note 27.5.

Senior executive employment contracts

Remuneration and other terms of employment for each senior executive are formalised in executive employment contracts. Each of these contracts makes a provision for fixed remuneration and performance pay.
Application to Executive General Manager Customer Services
Where employment is terminated due to the employer’s operational requirement and no other suitable position for redeployment is able to be identified, the executive is entitled to: a severance payment of three weeks per year of service, together with a proportionate amount for an incomplete year of service. The minimum and maximum payment will be three weeks and 75 weeks respectively. An early separation incentive payment of 13 weeks may be paid where applicable, as well as a long service leave payment of 1.3 weeks for each completed year of service and pro-rata for an incomplete year of service up to the date of termination. Accumulated annual leave as well as any pro-rata balance of annual leave to the date of termination is also payable.

The Executive General Manager Customer Services is engaged on a tenured agreement.

Application to Executive General Manager Human Resources and Executive General Manager Energy Delivery
Where employment is terminated by the employer on the basis of the employer’s operational, technological or economical requirements, and no other suitable position for redeployment of the senior executive is able to be identified and offered, in addition to any annual leave entitlements, the executive is entitled to: a service payment based on two weeks salary per year of continuous service with a minimum of four weeks and a maximum of 52 weeks and; a separation payment of 20 percent of the residual of the contract, that is between the termination date and the completion date of the initial three years or of the subsequent two years of the contract as the case may be.

These executive general managers are engaged on fixed term contracts that provide for four weeks notice or equivalent payment on termination provided that if the employee is over 45 years of age and has completed at least two years continuous service then the prescribed period should be five weeks.

Application to Chief Financial Officer
Where ENERGEX terminates the executive’s employment prior to the termination date for reasons other than serious misconduct (or other reasons leading to termination by ENERGEX without notice), unsatisfactory performance or incapacity, ENERGEX will pay to the executive: a service payment equal to the greater of four weeks salary or two weeks salary per year of continuous service up to a maximum 52 weeks salary and; a separation payment, equal to 20 percent of the salary the executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

The Chief Financial Officer is engaged on a fixed term contract that provides for three months notice or equivalent payment on termination.

Application to the Executive General Manager Corporate Governance and Company Secretary
Commencing 1 November 2010, the Executive General Manager Corporate Governance and Company Secretary was redesignated to Director Corporate Governance and Company Secretary, and is no longer a member of key management personnel. The incumbent was reappointed on a fixed term executive contract, with a contract expiry date of 2 October 2012. In accordance with this contract, where ENERGEX terminates the executive’s employment prior to the termination date for reasons other than serious misconduct (or other reasons leading to termination by ENERGEX without notice), unsatisfactory performance or incapacity, unsatisfactory performance or incapacity, ENERGEX will pay to the executive: a service payment equal to the greater of four weeks salary or two weeks salary per year of continuous service up to a maximum 52 weeks salary and; a separation payment, equal to 20 percent of the salary the executive would have earned had the employment continued from the day after the notice period ceased until the termination date.

The Director Corporate Governance and Company Secretary is engaged on a fixed term contract that provides for three months notice or equivalent payment on termination.
Application to the Executive General Manager Strategy and Regulation, Executive General Manager Network Performance and 
Executive General Manager Network Programming and Procurement

Where ENERGEX terminates the executive’s employment prior to the termination date for reasons other than serious misconduct 
(or other reasons leading to termination by ENERGEX without notice), unsatisfactory performance in accordance with any policy of 
ENERGEX relating to performance management or incapacity, ENERGEX will pay to the executive: a service payment equal to the 
greater of 12 weeks total fixed remuneration or two weeks total fixed remuneration per year of continuous service up to a maximum 
52 weeks total fixed remuneration and; a separation payment equal to 20 percent of the total fixed remuneration that the executive 
would have earned had the employment continued from the day after the notice period ceased until the termination date.

These executive general managers are engaged on fixed term contracts that provide for three months notice or equivalent payment on 
termination.

Application to the Chief Executive Officer (CEO)

Where ENERGEX terminates the executive’s employment prior to the termination date for reasons other than serious misconduct 
(or other reasons leading to termination by ENERGEX without notice), unsatisfactory performance in accordance with any policy of 
ENERGEX relating to performance management or incapacity, ENERGEX will pay to the executive: a service payment equal to the 
greater of 13 weeks total fixed remuneration or two weeks total fixed remuneration per year of continuous service up to a maximum 
52 weeks total fixed remuneration and a separation payment equal to the greater of 13 weeks total fixed remuneration or a sum equal 
to 20 percent of the total fixed remuneration that the executive would have earned had the employment continued from the day after 
the notice period ceased until the termination date.

The CEO is engaged on a fixed term contract that provides for six months notice or equivalent payment on termination.

All remuneration component amounts are reviewed annually by the Remuneration Committee and the Board. All amendments to the 
remuneration policy for senior executives are reviewed by the Remuneration Committee for endorsement prior to submission to the 
Board and shareholding Ministers.

Other major provisions of the agreements relating to remuneration are set out as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Term of contract</th>
<th>Contract expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>3 years fixed term</td>
<td>1 July 2012</td>
</tr>
<tr>
<td>Executive General Manager Network Performance</td>
<td>2 years fixed term extension</td>
<td>29 February 2012</td>
</tr>
<tr>
<td>Executive General Manager Energy Delivery</td>
<td>2 years fixed term extension</td>
<td>29 February 2012</td>
</tr>
<tr>
<td>Executive General Manager Network Programming and Procurement</td>
<td>2 years fixed term extension</td>
<td>29 February 2012</td>
</tr>
<tr>
<td>Executive General Manager Corporate Governance and Company Secretary¹</td>
<td>2 years fixed term extension</td>
<td>2 October 2012</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>2 years fixed term extension</td>
<td>28 October 2012</td>
</tr>
<tr>
<td>Executive General Manager Human Resources</td>
<td>2 years fixed term extension</td>
<td>29 February 2012</td>
</tr>
<tr>
<td>Executive General Manager Customer Services</td>
<td>Tenured</td>
<td></td>
</tr>
<tr>
<td>Executive General Manager Strategy and Regulation</td>
<td>3 years fixed term</td>
<td>30 August 2012</td>
</tr>
</tbody>
</table>

¹ Commencing 1 November 2010, the Executive General Manager Corporate Governance and Company Secretary was redesignated to Director Corporate Governance and Company Secretary, and is no longer a member of key management personnel. The incumbent was reappointed on 
a fixed term executive contract, with a contract expiry date of 2 October 2012.
27.2 Compensation disclosures by category – Directors and executives

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>$3,257,658</td>
<td>$3,322,320</td>
</tr>
<tr>
<td>Non-monetary benefits</td>
<td>$38,683</td>
<td>$33,371</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td>$264,181</td>
<td>$257,171</td>
</tr>
<tr>
<td>Other long-term benefits</td>
<td>$80,572</td>
<td>$78,999</td>
</tr>
<tr>
<td><strong>Total compensation</strong></td>
<td><strong>$3,641,094</strong></td>
<td><strong>$3,691,861</strong></td>
</tr>
</tbody>
</table>

27.3 Compensation – Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Short-term benefits</th>
<th>Non-monetary benefits</th>
<th>Post employment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Dempsey</td>
<td>83,330</td>
<td>3,047</td>
<td>7,500</td>
<td>93,877</td>
</tr>
<tr>
<td>Peter Arnison</td>
<td>38,888</td>
<td>1,707</td>
<td>3,500</td>
<td>44,095</td>
</tr>
<tr>
<td>Mary Boydell</td>
<td>38,888</td>
<td>1,707</td>
<td>3,500</td>
<td>44,095</td>
</tr>
<tr>
<td>Mat Darveniza</td>
<td>40,873</td>
<td>1,707</td>
<td>-</td>
<td>42,580</td>
</tr>
<tr>
<td>John Geldard</td>
<td>38,888</td>
<td>1,707</td>
<td>3,500</td>
<td>44,095</td>
</tr>
<tr>
<td>Ronald Monaghan</td>
<td>38,898</td>
<td>1,707</td>
<td>3,500</td>
<td>44,105</td>
</tr>
<tr>
<td>Kerryn Newton</td>
<td>37,498</td>
<td>1,707</td>
<td>3,375</td>
<td>42,580</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>317,263</td>
<td>13,289</td>
<td>24,875</td>
<td>355,427</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Short-term benefits</th>
<th>Non-monetary benefits</th>
<th>Post employment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Dempsey</td>
<td>80,983</td>
<td>3,393</td>
<td>7,288</td>
<td>91,664</td>
</tr>
<tr>
<td>Peter Arnison</td>
<td>37,792</td>
<td>-</td>
<td>3,401</td>
<td>41,193</td>
</tr>
<tr>
<td>Mary Boydell</td>
<td>38,370</td>
<td>-</td>
<td>3,453</td>
<td>41,823</td>
</tr>
<tr>
<td>Mat Darveniza</td>
<td>36,442</td>
<td>-</td>
<td>-</td>
<td>36,442</td>
</tr>
<tr>
<td>John Geldard</td>
<td>37,985</td>
<td>-</td>
<td>3,419</td>
<td>41,404</td>
</tr>
<tr>
<td>Ronald Monaghan</td>
<td>37,599</td>
<td>-</td>
<td>3,384</td>
<td>40,983</td>
</tr>
<tr>
<td>Kerryn Newton</td>
<td>36,442</td>
<td>-</td>
<td>3,280</td>
<td>39,722</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>305,613</td>
<td>3,393</td>
<td>24,225</td>
<td>333,231</td>
</tr>
</tbody>
</table>
The service and performance criteria set to determine remuneration are included in Note 27.1.

**27.4 Compensation – executives**

<table>
<thead>
<tr>
<th>Name</th>
<th>Short-term benefits$</th>
<th>Non-monetary benefits$</th>
<th>Post employment benefits$</th>
<th>Other long-term benefits$</th>
<th>Total $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>544,736</td>
<td>3,014</td>
<td>55,010</td>
<td>15,154</td>
<td>617,914</td>
</tr>
<tr>
<td>Executive General Manager Network Performance</td>
<td>334,822</td>
<td>3,057</td>
<td>34,025</td>
<td>9,365</td>
<td>381,269</td>
</tr>
<tr>
<td>Executive General Manager Energy Delivery</td>
<td>374,248</td>
<td>3,046</td>
<td>15,176</td>
<td>9,365</td>
<td>401,835</td>
</tr>
<tr>
<td>Executive General Manager Network Programming and Procurement</td>
<td>340,777</td>
<td>3,024</td>
<td>34,025</td>
<td>9,365</td>
<td>387,191</td>
</tr>
<tr>
<td>Executive General Manager Corporate Governance and Company Secretary</td>
<td>82,963</td>
<td>1,157</td>
<td>5,216</td>
<td>2,250</td>
<td>91,586</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>365,536</td>
<td>3,013</td>
<td>15,176</td>
<td>9,748</td>
<td>393,473</td>
</tr>
<tr>
<td>Executive General Manager Human Resources</td>
<td>281,319</td>
<td>3,035</td>
<td>15,616</td>
<td>7,420</td>
<td>307,383</td>
</tr>
<tr>
<td>Executive General Manager Customer Services</td>
<td>345,059</td>
<td>3,013</td>
<td>34,598</td>
<td>9,520</td>
<td>392,190</td>
</tr>
<tr>
<td>Executive General Manager Strategy and Regulation</td>
<td>270,942</td>
<td>3,035</td>
<td>30,464</td>
<td>9,520</td>
<td>312,826</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,940,395</td>
<td>25,394</td>
<td>239,306</td>
<td>80,572</td>
<td>3,285,667</td>
</tr>
<tr>
<td><strong>2010</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>526,450</td>
<td>3,393</td>
<td>51,823</td>
<td>14,291</td>
<td>595,957</td>
</tr>
<tr>
<td>Executive General Manager Network Performance</td>
<td>332,319</td>
<td>3,393</td>
<td>33,013</td>
<td>9,093</td>
<td>377,818</td>
</tr>
<tr>
<td>Executive General Manager Energy Delivery</td>
<td>342,968</td>
<td>3,393</td>
<td>14,323</td>
<td>9,093</td>
<td>369,777</td>
</tr>
<tr>
<td>Executive General Manager Network Programming and Procurement</td>
<td>332,320</td>
<td>3,393</td>
<td>33,013</td>
<td>9,093</td>
<td>377,819</td>
</tr>
<tr>
<td>Executive General Manager Corporate Governance and Company Secretary</td>
<td>239,618</td>
<td>3,393</td>
<td>14,803</td>
<td>6,451</td>
<td>264,265</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>364,467</td>
<td>3,393</td>
<td>14,323</td>
<td>9,464</td>
<td>391,647</td>
</tr>
<tr>
<td>Executive General Manager Human Resources</td>
<td>281,524</td>
<td>3,393</td>
<td>14,803</td>
<td>7,168</td>
<td>306,888</td>
</tr>
<tr>
<td>Executive General Manager Customer Services</td>
<td>346,221</td>
<td>3,393</td>
<td>33,889</td>
<td>9,328</td>
<td>392,631</td>
</tr>
<tr>
<td>Executive General Manager Strategy and Regulation</td>
<td>250,820</td>
<td>2,834</td>
<td>22,956</td>
<td>5,018</td>
<td>281,628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,016,707</td>
<td>29,978</td>
<td>232,946</td>
<td>78,999</td>
<td>3,358,630</td>
</tr>
</tbody>
</table>

1 Short-term benefits include all payments made to the Officer (total fixed remuneration minus superannuation) during the year adjusted for the following:
   - Excluding at-risk performance payments (these are included in aggregate in Note 27.5);
   - Deducting annual leave and long service leave taken;
   - Including the annual leave entitlement accrued during the year, and
   - If leave taken exceeds leave accrued in the same year, the excess is deducted from short-term benefits as this is not an expense recognised by the Company in the current year.
   - If leave taken is less than leave accrued in the same year, the excess is added to short-term benefits as this is an expense recognised by the Company in the current year.

2 Non-monetary benefits represent the value of car parking provided to the Officers.

3 Post employment benefits represent superannuation contributions made by the employer to the superannuation fund at the rates prescribed in the executives’ employment contracts. Some officers are members of the defined benefit superannuation fund to which the Company made contributions at a rate of 32 per cent during the 2010/11 financial year (2010: 32 per cent). This includes an additional 22 per cent employer contribution that has been made at the recommendation of the actuary to fund a deficit in the superannuation fund, and is not reflected in the post employment benefits reported above. Refer to Note 24 for further information on the defined benefit obligations of the Group.

4 Other long-term benefits represent long service leave benefits accrued during the year. Long service leave may be taken when an employee has completed ten or more years of continuous service with the industry. Pro-rata long service leave will be paid on termination, after five or seven calendar years of continuous service, when certain conditions are met in accordance with Electricity Regulation 2006 and the ENERGEX Union Collective Agreement 2008. Pro-rata long service leave on redundancy will be paid after one year of continuous service.

5 Key management personnel responsibilities ceased on 1 November 2010.

6 Position commenced on 31 August 2009.
notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2011

The service and performance criteria set to determine remuneration are included in Note 27.1.

27.5 At-risk performance compensation

Performance payments to employees

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Aggregate at-risk performance remuneration</th>
<th>Total fixed salaries and wages payments</th>
<th>Number of employees receiving performance payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$11,160,299</td>
<td>$399,047,190</td>
<td>3,757</td>
</tr>
<tr>
<td>2010</td>
<td>$15,842,790</td>
<td>$364,333,480</td>
<td>3,821</td>
</tr>
</tbody>
</table>

1 As the performance pay period for non-executive contract employees and employees covered by awards has been changed from half yearly to annually from the 2010/11 year, the aggregate at-risk performance remuneration for 2011 disclosed above includes the half yearly actual payment granted in September 2010 only. The aggregate at-risk performance remuneration for 2010 disclosed above includes the half yearly actual payments granted both in September 2009 and March 2010.

2 Amounts shown above include capitalised employee benefits not shown in the income statement.

Key management personnel and other executives

A variable component of remuneration is provided to members of the executive team through an annual performance payment scheme. This scheme is designed to effectively reward a combination of key behaviours, capability and performance aligned with business goals and targets of the Group. The maximum funds made available for such payments are 15 percent of total fixed remuneration. Actual performance payments are based on performance measured against predetermined key performance indicators, as detailed in the annual statement of corporate intent (which is approved by the shareholding Ministers) and the senior executive’s performance agreement. Senior executive performance agreements comply with the format approved by the shareholding Ministers. Senior executive performance payments recommended by the CEO are submitted to the Remuneration Committee for endorsement and recommended to the Board for approval. Performance payments for the CEO are based on a review led by the Chairman, submitted to the Remuneration Committee for endorsement and recommended to the Board for approval. The shareholding Ministers are advised of the actual performance payment within one month of payment. The grant date for both senior executives and executives 2010/11 performance pay was 8 September 2010 (2009/10: 3 September 2009).

Non-executive contract employees and employees covered by awards

The Group’s performance pay scheme provides for the establishment of action plans and performance indicators against which performance is assessed for performance pay purposes. Employees develop performance agreements with their managers for a performance pay period (normally 12 months, previously six months), with assessments for performance payments being conducted on completion of the assessment period.

All full-time and part-time employees are eligible to participate in the scheme (including permanent and fixed term). Participation in the scheme is voluntary.

To be eligible for payment, the employee and the manager have a discussion to develop agreed targets which must be documented in the performance agreement. This agreement must be signed by both parties. The employee must also be employed at the end of the performance pay period to be eligible.

The size of the pool at the end of each period to enable payment of performance pays is at the discretion of the CEO. There will be a maximum pool of six percent for award employees.

The grant date for the 2010/11 performance pay was 8 September 2010 (2009/10: 11 March 2010 and 3 September 2009).
27.6 Transactions with related parties of key management personnel

A number of key management persons (that is Directors and senior executives), or their related parties, hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm’s length basis.

Transactions with related parties of key management personnel that occurred during the financial year are noted below. The related party disclosures are those in connection with ENERGEX and the related parties of ENERGEX Directors, as follows:

- John Geldard is a Director of Energy Super Fund. ENERGEX contributed to the fund based on actuarial advice and the total payments for the year were $72,229,099 (2010: $69,780,583).
- Ronald Monaghan is a Director of WorkCover Queensland. During the year, premiums paid by ENERGEX to WorkCover Queensland were $2,856,030 (2010: $2,248,602).

Related party transactions between ENERGEX and its wholly-owned entities and associates are disclosed in Notes 28.1 and 28.2.

28 Related parties

28.1 Wholly-owned Group

The wholly-owned Group consists of ENERGEX and its wholly-owned controlled entities as set out in Note 26. Transactions between ENERGEX and other entities in the wholly-owned Group include:

(a) Services provided to (expenses) and provided by (revenue) ENERGEX. During the year transactions were undertaken between the Company and a number of its related parties; and

(b) Intragroup loans and interest charges.

Aggregate amounts included in the determination of the parent entity’s operating profit before income tax equivalent that resulted from transactions with entities in the wholly-owned Group:

<table>
<thead>
<tr>
<th>Note</th>
<th>2011 $ M</th>
<th>2010 $ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate services charge</td>
<td>2.1</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense</td>
<td>2.2</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Debt forgiveness – Beak Industries Pty Ltd</td>
<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>Debt forgiveness – Service Essentials Pty Ltd</td>
<td>2.2</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

Aggregate amounts of the parent entity receivable/payable from other entities in the wholly-owned Group at the end of the reporting period:

- Non-current receivables: 7 - 1.1
- Provision for non-current receivables: 7 - (1.1)
- Non-current trade payables: 12 22.3 23.1

28.2 Other related parties

Transactions and balances between the Company and other related entities (non-wholly-owned entities and associates) consisted of the following:

**Revenues/(expenses)**

- Contractor charges paid to SPARQ Solutions: (42.1) (37.5)
- IT service charges (asset usage fee) paid to SPARQ Solutions: (38.6) (30.9)
- Interest received from SPARQ Solutions: 2.1 10.1 9.1

Aggregate amounts receivable from/(payable to) related entities at the end of the reporting period:

**Assets/(liabilities)**

- Current receivables from SPARQ Solutions: 7 36.2 31.9
- Non-current receivables from SPARQ Solutions: 7 96.4 83.2
- Current trade payable to SPARQ Solutions: 12 (12.1) (13.0)

ENERGEX has agreed to cover its share of obligations of SPARQ Solutions to protect against insolvency.
28.3 Key management personnel
Disclosures relating to key management personnel are set out in Note 27.

28.4 State-owned parties
ENERGEX is a Queensland government owned corporation, with shares held by the shareholding Ministers on behalf of the State of Queensland. All State of Queensland controlled entities meet the definition of a related party of ENERGEX.

The following relates to transactions with state-owned entities:

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TUOS expense</td>
<td>342.2</td>
<td>286.0</td>
</tr>
<tr>
<td>Interest expense – QTC</td>
<td>272.2</td>
<td>217.5</td>
</tr>
<tr>
<td>Competitive neutrality fee</td>
<td>36.1</td>
<td>12.0</td>
</tr>
<tr>
<td>Other expenses</td>
<td>63.0</td>
<td>64.6</td>
</tr>
<tr>
<td>Government grant revenue</td>
<td>2.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Other revenue</td>
<td>33.1</td>
<td>22.5</td>
</tr>
</tbody>
</table>

No provision for impairment of receivables was raised for any outstanding balances and no expense was recognised for bad or impaired debts due from state-owned entities.

28.5 Guarantees
Other than the financial support provided to QEST, Metering Dynamics Business Support Pty Ltd (refer Note 22.7), and SPARQ Solutions (refer Note 28.2), there are no other guarantees with other related parties at the end of the reporting period.

Terms and conditions
Intragroup loans are available from the parent entity in a rolling facility and reviewed on a regular basis. The loans are interest-bearing at the 30 day bank bill swap rate plus two per cent. There are no fixed terms for the repayment of loans between the parties.

The terms of the tax funding agreement are set out in Note 1.9.

Transactions with other state-owned electricity entities were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.
notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2011

29 Contingent assets and liabilities

29.1 Insurance claims
The group has lodged insurance claims for property damage and industrial specific risk, up to the value of $1.2 million.

29.2 Legal proceedings
A number of common law claims are pending against the consolidated entity. In each case a writ has been served and the consolidated entity is at various stages of defending the actions. Liability is not admitted and all claims will be defended. The known amount claimable due to litigation and associated legal fees is $0.1 million (2010: $0.1 million).

29.3 Environmental remediation
The Group provides for all known environmental liabilities. The Directors believe the Group’s current provisions for environmental remediation are adequate based upon current information. However, there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites. As at reporting date ENERGEX were seeking tenders for possible voluntary remediation work to be undertaken at a known site. At reporting date these tenders had not closed and as a result the timing and extent of any potential voluntary remediation is unknown.

30 Auditor’s remuneration

<table>
<thead>
<tr>
<th></th>
<th>CONSOLIDATED</th>
<th>PARENT ENTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011 $</td>
<td>2010 $</td>
</tr>
<tr>
<td>Remuneration for audit of the financial statements of the parent entity or any entity in the Group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit by the Auditor-General of Queensland:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual financial statements</td>
<td>556,800</td>
<td>547,501</td>
</tr>
<tr>
<td>Regulatory reporting statements</td>
<td>70,000</td>
<td>64,900</td>
</tr>
<tr>
<td><strong>Total auditor’s remuneration</strong></td>
<td><strong>626,800</strong></td>
<td><strong>612,401</strong></td>
</tr>
</tbody>
</table>

The 2009/10 figures have been updated for actual audit costs incurred.

31 Events after the reporting period

Subsequent to 30 June 2011 local and world equity markets experienced significant volatility in value triggered by concerns regarding the United States and European Union credit problems. The issue could impact the value of assets held by ENERGEX’s defined benefit superannuation fund (as disclosed in Note 24), however at the date of this report no estimate of the financial effect has been made.

There are no other matters or occurrences that have come to the Group’s attention up to the time of signing which would materially affect the financial report, or are likely to materially affect the future results or operations of the Group.
The Directors declare that the financial statements and notes:

(a) comply with Australian Accounting Standards, the Corporations Regulations 2001, the Government Owned Corporations Act 1993, other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company’s and consolidated entity’s financial position as at 30 June 2011 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors’ opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001;

(b) there are reasonable grounds to believe that the Company and its controlled entities will be able to pay their debts as and when they become due and payable; and

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Groups identified in Note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee as described in Note 26.

The declaration is made in accordance with a resolution of the Directors.

John Dempsey
Chairman
ENERGEX Limited
22 August 2011
Brisbane, Queensland
To the Members of ENERGEX Limited


I have audited the accompanying financial report of ENERGEX Limited, which comprises the balance sheets as at 30 June 2011, the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies 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 obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General Act 2009 promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General’s opinion are significant.

In conducting the audit, the independence requirements of the Corporations Act 2001 have been complied with. I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of ENERGEX Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In my opinion the financial report of ENERGEX Limited is in accordance with the Corporations Act 2001, including –

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
Other Matters – Electronic Presentation of the Audited Financial Report

This auditor’s report relates to the financial report of ENERGEX Limited and the consolidated entity for the year ended 30 June 2011. Where the financial report is included on ENERGEX Limited’s website the company’s directors are responsible for the integrity of ENERGEX Limited’s website and I have not been engaged to report on the integrity of ENERGEX Limited’s website. The auditor’s report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

G G Poole FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane