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Directors' Report

The Board of Directors present their report on Ergon Energy Pty Ltd, ABN 66 078 875 902, and its controlled entities (referred to collectively as the 'Economic Entity') for the year ended 30 June 2004.

Directors

The following persons held office as non-executive Directors of Ergon Energy Pty Ltd ('the parent entity', 'the Company') during the financial year:

Keith Hillless (appointed 1 July 2002)

Chairman

BE FIE(Aust) FAIM MAICD

John Bird (first appointed 1 July 1999 - reappointed 5 July 2001)

Deputy Chair

F CPA FAICD FTIA

Patricia Faircloth (first appointed 1 July 1999 - reappointed 5 July 2001)

M. EdSt. MLit(History) BA. GradDipTL.DipEd AMEB MAICD

Wayne Myers (appointed 5 July 2001)

Belinda McNeven (appointed 3 July 2003)

Dip Teaching

All Directors held positions as Director throughout the financial year and up to the date of this report. Further details of Directors are provided in notes 35 and 36.

Principal Activities

The principal activity of the Economic Entity during the financial year was electricity wholesale and retail trading in Queensland, Victoria and New South Wales.

Dividends Paid or Declared

A declaration was made by the Board of Directors on 25 June 2004 for 100% of total operating profit after income tax equivalent expense for the year ended 30 June 2004 to be paid to the ultimate parent entity. This amount is \$16,919,098 (2003:\$15,296,192)

Review of Operations

The consolidated profit after income tax equivalent expense of the Economic Entity for the financial year was \$16,919,098 (2003: \$15,296,192).

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of Ergon Energy Pty Ltd and its controlled entities during the financial year.

Significant Events after Balance Date

On 16 July 2004, Sparq Solutions Pty Ltd and Quest Asset Holdings Pty Ltd were formed with an issued capital of \$1,000 each. ENERGEX Limited, holding 55%, and Ergon Energy Corporation Limited (the ultimate parent entity), holding 45%, jointly own Sparq Solutions Pty Ltd. Quest

Asset Holdings Pty Ltd is 50% owned by both ENERGEX Limited and Ergon Energy Corporation Limited. The principal activity of Sparq Solutions Pty Ltd is to provide all Information Technology and Telecommunications operations and support for the Economic Entity while Quest Asset Holdings Pty Ltd holds assets used in major information technology and telecommunications related programs of works.

Ergon Energy Pty Ltd is currently in the process of finalising a contract with the Queensland Government dealing with long-term energy procurement (LEP) relating to franchise customers. This contract is currently subject to approval by the Cabinet Budget Review Committee. The contract has not been signed at the date of this report however both parties have honoured the terms of the contract to date. The Economic Entity has potential exposure to future adverse market conditions should the parties cease to observe the terms of the unsigned contract.

Except for the investment and LEP discussed above, and the outworking from the Queensland Government's report "Electricity Distribution and Service Delivery for the 21st Century" - released July 2004, no other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

- the Economic Entity's operations in future financial years;
- the results of those operations in future financial years; or
- the Economic Entity's state of affairs in future financial years.

Likely Developments and Future Results

The Directors expect the Economic Entity's before tax operating results to continue to improve. Since the end of the financial year demand for the Economic Entity's energy products has continued to grow.

Further information on likely developments in the operations of the Economic Entity and the future results have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Economic Entity.

Environmental Regulation and Performance

The Economic Entity's environmental obligations are regulated under state and federal laws.

All environmental performance obligations are reported to the group Audit and Legal Compliance Committee and are, from time to time, subject to government agency, internal and external professional agency audits as well as ongoing review to ensure compliance.

The Economic Entity has a policy of meeting all its environmental obligations. The Economic Entity has developed and implemented a common Environmental Management System certified to international standard ISO 14001.

Directors' Report

No environmental breaches have been notified by any government agency during the financial year.

There have been no major non-conformances/incidents (defined in internal policy guidelines as category 4 or 5) reported in the financial year. For further environmental performance information refer to pages 24 to 27.

Indemnification and Insurance of Directors and Officers

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

Directors' Shareholding

No Director held a beneficial interest in the shares of the Company. All issued shares are held by Ergon Energy Corporation Limited.

Directors' Meetings

From January 2000, the Economic Entity's Board Committees were combined with those of the ultimate parent entity; Ergon Energy Corporation Limited.

The number of meetings of Directors (including committees) held during the year ended 30 June 2004, and the numbers of meetings attended by each Director were as follows:

Director	Board of Directors		Group Audit & Legal Compliance Committee		Business Development Committee		Group Human Resources Committee		Group Financial Risk Management Committee	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
K Hillless	11	11	5	5	6	6	4	4	4	4
J Bird	11	9	5	5	-	-	-	-	4	4
P Faircloth	11	10	5	5	-	-	-	-	-	-
W Myers	11	11	-	-	6	6	-	-	4	3
B McNeven	11	10	-	-	-	-	4	4	-	-

Rounding

In accordance with Australian Securities and Investment Commission Class Order No 98/0100, unless otherwise indicated, amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution, made in Townsville, by the Directors of Ergon Energy Pty Ltd.



Mr K Hillless

Chairman

11 September 2004

Statements of Financial Performance

For the year ended 30 June 2004

	Note	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenues from ordinary activities	2	1,475,787	1,345,875	1,448,677	1,316,285
Network charges/electricity purchases		1,354,993	1,247,311	1,327,233	1,216,924
Employee expenses		24,181	19,635	24,181	19,635
Materials and services		7,529	17,099	7,529	17,099
Depreciation and amortisation		938	1,903	938	1,903
Borrowing costs expense		1,205	1,442	2,082	2,309
Other expenses from ordinary activities		59,808	36,571	65,214	36,571
Profit from ordinary activities before income tax equivalent expense					
Income tax equivalent expense	3	27,133	21,914	21,500	21,844
Income tax equivalent expense	4	10,214	6,618	9,987	6,594
Net profit after income tax equivalent expense		16,919	15,296	11,513	15,250
Non-owner transaction changes in equity					
Change in accounting policy for recording employee benefit at nominal rates recognised directly in equity		-	(34)	-	(34)
Total changes in equity other than those resulting from transactions with owners as owners	26	16,919	15,262	11,513	15,216

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets	5	148,537	106,932	144,052	104,599
Receivables	6	213,781	219,270	212,110	217,999
Inventories	7	24	51	24	51
Intangible assets	8	-	127	-	127
Other	9	28,924	19,001	28,924	19,001
Total Current Assets		391,266	345,381	385,110	341,777
Non-Current Assets					
Receivables	10	66,125	1,795	62,004	1,260
Other financial assets	11	-	-	8,495	13,910
Property, plant and equipment	12	8,087	2,981	8,087	2,972
Deferred tax assets	13	-	9,235	-	5,583
Intangible assets	14	527	777	527	777
Other	15	4,286	2,004	4,286	2,004
Total Non-Current Assets		79,025	16,792	83,399	26,506
Total Assets		470,291	362,173	468,509	368,283
Current Liabilities					
Payables	16	160,341	126,888	173,886	143,509
Interest bearing liabilities	17	471	197	471	197
Provisions	18	26,559	17,050	26,559	17,050
Other	19	-	265	-	265
Total Current Liabilities		187,371	144,400	200,916	161,021
Non-Current Liabilities					
Payables	20	86,811	-	86,811	-
Interest bearing liabilities	21	25,624	23,302	25,624	23,302
Deferred tax liabilities	22	-	26,165	-	26,165
Provisions	23	3,945	1,176	3,945	1,176
Other	24	9,354	9,944	-	-
Total Non-Current Liabilities		125,734	60,587	116,380	50,643
Total Liabilities		313,105	204,987	317,296	211,664
Net Assets		157,186	157,186	151,213	156,619
Equity					
Contributed equity	26	123,172	123,172	123,172	123,172
Reserves	25	4,000	4,000	4,000	4,000
Retained profits	27	30,014	30,014	24,041	29,447
Total Equity		157,186	157,186	151,213	156,619

The statements of financial position are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

For the year ended 30 June 2004

	Note	Consolidated		Parent	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Receipts from customers		1,274,498	1,225,071	1,245,301	1,191,494
Use of system charges		(1,363,014)	(1,364,483)	(1,336,207)	(1,331,220)
Payments to suppliers and employees		(32,290)	(98,564)	(32,290)	(103,276)
Interest received		5,725	6,235	5,570	5,874
Interest and other costs of financing		(1,205)	(1,442)	(2,082)	(2,309)
Dividends received		-	-	296	-
Community service obligations		227,112	213,183	227,112	213,183
Income tax equivalent payments		-	-	(196)	(1)
GST (paid to) / received from the ATO		(14,457)	41,349	(14,457)	41,251
Other operating receipts		27,240	6,020	27,821	15,327
Other operating payments		(62,299)	(33,018)	(61,710)	(29,327)
Net cash flows provided by/(used in) operating activities	28	61,310	(5,649)	59,158	996
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		805	2	805	1
Payments for property, plant and equipment		(6,099)	(179)	(6,099)	(177)
Payments for investments made		-	(903)	-	(903)
Net cash flows provided by/(used in) investing activities		(5,294)	(1,080)	(5,294)	(1,079)
Cash flows from financing activities					
Repayment of repayable deposits		885	74	885	74
Dividends paid		(15,296)	-	(15,296)	-
Net cash flows provided by / (used in) financing activities		(14,411)	74	(14,411)	74
Net increase / (decrease) in cash held		41,605	(6,655)	39,453	(9)
Cash at the beginning of the financial year		106,932	113,587	104,599	104,608
Cash at the end of the financial year	5	148,537	106,932	144,052	104,599

The statements of cash flow are to be read in conjunction with the notes to the financial statements.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared as a general purpose financial report in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Urgent Issues Group Consensus Views, the provisions of the Government Owned Corporations Act 1993 and other relevant legislation issued pursuant to that Act.

The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity within the Economic Entity and, except where there has been a change in accounting policy, are consistent with the policies adopted in the previous year.

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Ergon Energy Pty Ltd, and its controlled entities. Refer to Note 11 for details on entities controlled by Ergon Energy Pty Ltd.

All inter-entity balances and transactions have been eliminated on consolidation. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Taxation

Tax equivalent

The entities within the Economic Entity make tax equivalent payments on their taxable income to the Queensland Government.

These taxation equivalent payments are made pursuant to Section 155(4) of the Government Owned Corporation Act 1993 and are based upon federal income tax legislation and rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations for taxation which would be imposed by the Income Tax Assessment Acts 1936 and 1997 (refer Note 4).

The entities are not required to maintain a franking account.

Tax effect accounting

The Economic Entity adopts the liability method of tax effect accounting.

Income tax equivalent expense is calculated on operating profit adjusted for permanent differences between taxable income and accounting profit. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and

accounting purposes, is carried forward in the statements of financial position as a future income tax equivalent benefit or a provision for deferred income tax equivalent liability.

Future income tax equivalent benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax equivalent benefits relating to income tax equivalent losses are only brought to account when realisation is virtually certain.

The provision for deferred income tax equivalent liability and the future income tax equivalent benefit have been calculated at the tax rates expected to apply when the timing difference is expected to reverse. The company tax rate is 30% for the year ended 30 June 2004.

The tax effect of capital losses is not recorded unless realisation is virtually certain.

When a provision for deferred income tax equivalent liability exists and a company incurs a tax equivalent loss, the future income tax equivalent benefit attributable to the tax equivalent loss has been brought to account as a reduction of the provision for deferred income tax equivalent liability. This is to the extent that deferred income tax equivalent liability has already been provided in respect to timing differences that will reverse within the financial periods during which the tax equivalent loss will remain available as a deduction from assessable income.

Tax consolidation legislation

The Directors of Ergon Energy Pty Ltd and its wholly owned entities have elected to retrospectively implement the tax consolidation legislation as of 1 July 2002.

As a result, Ergon Energy Pty Ltd's ultimate parent entity, Ergon Energy Corporation Limited, as the head entity of the tax consolidated group, will recognise current and deferred tax amounts of the Economic Entity as if those transactions were its own. Therefore, Ergon Energy Pty Ltd and its wholly owned entities will cease to recognise their own current and deferred tax amounts.

Any amounts receivable or payable under a tax funding agreement with Ergon Energy Pty Ltd's parent entity are disclosed separately as tax-related amounts receivable or payable. Expenses and revenues arising under a tax funding agreement are recognised as income tax equivalent expense (revenue).

Revenue Recognition

Electricity sales revenue to contestable customers

Revenue is recognised in the statements of financial performance when the entities within the Economic Entity become party to the contractual provisions of the contestable customers sales contracts.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

Revenue Recognition (continued)

Electricity sales revenue to customers other than contestable customers

All customer consumption is metered at intervals ranging from half an hour to three months. Revenue recognised represents the sum of invoices raised and the movement in the estimated metered but not invoiced energy consumption.

Estimated revenue from unbilled services

Unread meters represents the estimated value of unbilled electricity provided to retail customers and is included in electricity sales revenue.

Electricity debtors

The settlement of electricity debtors varies depending on the nature of the contractual arrangements entered into. However, accounts are normally settled within 30 days of rendering invoices. The collectability of debts is monitored on a regular basis and provision is made for any doubtful debts. Bad debts are written off during the year in which they are identified.

Community service obligations

As part of the Queensland electricity market reforms introduced in the late 1990s, the Government made a commitment that state-wide uniform retail tariffs would apply to franchise customers and that no franchise customer would be adversely affected by ongoing electricity market reforms. From the 2001/2002 year, the Queensland Government determined that a fixed gross margin, adjusted for allowed energy costs, would apply to sales of electricity to franchise customers. Payments received represent the shortfall in the margin actually received by Ergon Energy Pty Ltd.

Interest revenue

Interest revenue is recognised in the statements of financial performance as it accrues.

Inventories

Inventories are carried at the lower of average cost and net realisable value.

Cost of Sales

Cost of sales is the accumulation of costs associated with network charges, electricity purchases and any other costs associated with the supply and sale of electricity.

Property, Plant and Equipment

Depreciation of property, plant and equipment

Depreciation is calculated on a straight-line basis to write off the net costs or revalued amount of each item of property, plant and equipment over its expected useful life to the Economic Entity. The expected useful lives of plant and equipment vary from 3 to 10 years. An assessment of useful lives is performed annually.

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Revaluations of non-current assets

Items of property, plant and equipment may be recognised at fair value, being the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit and loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Revaluations do not result in the carrying value of land and buildings exceeding their recoverable amount.

Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of the acquisition plus incidental costs directly attributable to the acquisition.

Classification

Property, plant and equipment expected to be sold within 12 months is classified as a current asset.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

Intangible Assets

Goodwill

Where an entity or operation is acquired, the identifiable net assets are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight-line basis over the period during which the benefits are expected to arise. The period of amortisation does not exceed 20 years.

Research and development

Costs incurred on research and development projects and in-process research and development acquired in the acquisition of an entity are deferred to future periods to the extent that they are expected beyond any reasonable doubt to be recoverable.

Maintenance and Repairs

From time to time, plant of the Economic Entity is required to be maintained. The costs of this maintenance are charged as expense as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

Investments

Interests in listed and unlisted securities are carried at the lower of cost or Directors' valuation. Dividend income is brought to account when declared or, if required, when approved by the shareholding Ministers.

Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principle component of the lease liability and interest expense.

The leased asset is amortised over the term of the lease or, where it is likely that the Economic Entity will obtain ownership of the asset, the life of the asset.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The present values of future payments for surplus lease space under non-cancellable operating leases which are not onerous contracts are recognised as liabilities, net of sub-leasing revenue in the period in which it is determined that the lease space will be of no future benefit to the Economic Entity. The net future lease payments are discounted using the interest rates implicit in the leases. Each lease payment is allocated between the liability and finance charges.

Other operating lease payments are charges to the statements of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased asset.

Contestable Sales Contracts

Contestable sales contracts are contracts with contestable customers for the sale but not the supply of electricity.

Contestable sales contracts are recorded at their net fair value. The contracts have been valued using a combination of data sources including current Ergon Energy trades, the Australian Financial Markets Association, the 5MW brokers market and other market intelligence. Ergon Energy trades frequently in these instruments and has sufficient market information to reliably measure the value of these contracts in accordance with requirements of Australian Accounting Standards.

Volumes of sales is an estimation of future demand determined using historical averages.

The contracts are recognised in the statements of financial position on their commitment date. The contract asset or liability is revalued at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount reported as a liability. Changes in net fair value are reflected in the statements of financial performance in the period they occur.

Non-contestable customers and related derivative financial instruments have not been bought to account at fair value as they are dependent on the supply of electricity.

Renewable Energy Certificates

Renewable Energy Certificates on hand and to be received in the future are held for trading and measured at fair value at balance date adjusted for known market forces.

The acquittal obligations of subsidiaries to the Economic Entity are recognised as liabilities in the balance sheet of Ergon Energy Pty Ltd. The subsidiary reimburses Ergon Energy Pty Ltd for any costs incurred by Ergon Energy Pty Ltd in meeting the subsidiary's obligations under the Commonwealth Mandatory Renewable Energy Target.

Power Purchase Agreements

Power Purchase Agreements are recorded at fair value and adjusted for any changes in market conditions for up to, but not exceeding, five years.

Power Purchase Agreements are agreements for the sale and purchase of the energy exported from a generator, and of Renewable Energy Certificates and Green Certificates associated with the generation of energy.

The Power Purchase Agreements are valued using a combination of data sources including current Ergon Energy trades, the Australian Financial Markets Association and other market intelligence. Ergon Energy has sufficient market information to reliably measure the value of these agreements in accordance with the requirements of Australian Accounting Standards.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

Derivative Financial Instruments

Derivative financial instruments are acquired and held to reduce the exposure to risk of unfavourable commodity price movements within a commodity market.

Entities within the Economic Entity are party to swap agreements, price cap and option agreements. Entities are also party to wholesale market purchase contracts which are financial hedging instruments entered into with electricity generators and other wholesale market participants. The entities undertake contracts for price and volume hedges to manage the exposure to commodity price and volume risk.

Derivative financial instruments held or issued for hedging contestable sales contracts or trading purposes

Derivative financial instruments held or issued for hedging contestable contracts or trading purposes are recorded at their net fair value. The contracts have been valued using a combination of data sources including current Ergon Energy trades, the Australian Financial Markets Association, the 5MW brokers market and other market intelligence. Ergon Energy trades frequently in these instruments and has sufficient market information to reliably measure the value of these contracts in accordance with requirements of Australian Accounting Standards.

The derivative financial instruments are recognised in the statements of financial position on their commitment date. The derivative financial asset or liability is revalued at each reporting date. A positive revaluation amount is reported as an asset and a negative revaluation amount is reported as a liability. Changes in net fair value are reflected in the statements of financial performance in the period they occur.

Derivative financial instruments other than those held for hedging contestable sales contracts or trading purposes including designated hedges

Any gains or losses on the contracts are deferred and recognised in the measurement of the underlying transaction. Recognition of payments and receipts under these contracts occurs at settlement as a component of electricity expense.

Trade Creditors

These amounts represent liabilities for goods and services provided to the Economic Entity prior to the end of the financial year that are unpaid.

Dividends

Provision is made for the amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

Employee Benefits

Wages and salaries, annual leave and sick leave

The provisions for employee benefits relating to wages,

salaries, annual leave and vested sick leave represent the amount that the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The above provisions have been calculated at undiscounted amounts based on current wage and salaries rates and, where appropriate, at expected nominal rates. Related on-costs are included.

Long service leave

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. In determining the provision for long service leave, consideration has been given to future increases in wage and salary rates, and the Economic Entity's experience with staff departures. Related on-costs have also been included in the liability.

Provisions for employee benefits relating to long service leave that are not expected to be settled within twelve months are discounted using the rates attaching to government securities at balance date that most closely match the terms of maturity of the related liabilities.

Superannuation

The parent entity and other controlled entities contribute to several defined benefit and defined contribution superannuation plans. Contributions are charged against income as they are made (refer Note 30).

Employee benefit on-costs

Employee benefit on-costs, including payroll costs, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Borrowing Costs

Borrowing costs are expensed as incurred except where they relate to the financing of qualifying projects under construction where they are capitalised up to the date of commissioning or sale.

Interest Bearing Liabilities

Customer deposits are recognised as liabilities and represent refundable payments received from customers and held as security over future electricity usage in the event of customer default.

Foreign Currency Transactions

Amounts payable and receivable in foreign currency at balance date are converted to Australian dollars at the exchange rate ruling on that date.

Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract, and only after any impairment losses to the assets dedicated to that contract have been recognised.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

Onerous Contracts (continued)

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to the risks of the activities relating to the contract. Where the effect of discounting is material, the net estimated cash flows are discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments.

Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and deposits on call, net of bank overdrafts.

Website Costs

Costs in relation to websites controlled by the Economic Entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over the period of their expected benefit.

Goods and Service Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statements of financial position.

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

Comparative Information

The comparative information includes the results of the operations of the parent entity and the Economic Entity from 1 July 2002 to 30 June 2003. Comparative amounts have been reclassified to ensure comparability with the current reporting period.

International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and Urgent Issues Group abstracts equivalent to International Financial Reporting Interpretations. The adoption of Australian equivalents to IFRS will be first reflected in the Economic Entity's financial statements in the year ending 30 June 2006.

The Economic Entity has established a project team to implement the Australian equivalents to IFRS. The project

team is led by the Chief Financial Officer who reports to the Audit and Legal Compliance Committee on the progress of the project. The Audit and Legal Compliance Committee has an active interest in the progress of the project. The project is focussed on a whole of business approach and, therefore, all areas of our business will take an active part. The project team has established a detailed project plan to manage the transition to Australian equivalents to IFRS and is confident of successfully meeting the required timeframe for implementation.

Of the standards to be applied, Ergon Energy believes the standards with the greatest impacts will be the Australian equivalents to IAS 12 Income Taxes, IAS 19 Employee Benefits, IAS 36 Impairment of Assets and IAS 39 Financial Instruments: Recognition and Measurement.

Income tax

The application of IAS 12 will require the change to a balance sheet approach for calculating the deferred tax assets and liabilities. Deferred tax balances are calculated using temporary differences based on the carrying amount of an entity's assets and liabilities and their related tax balances. Further, current and deferred tax is recognised in equity when it arises from amounts recognised in equity. Currently the income statement method is used. Taxable income is determined by adjusting pre-tax accounting profit for permanent and timing differences. Timing differences also give rise to deferred tax assets and liabilities. Current and deferred taxes cannot be recognised directly in equity.

Employee benefits

The application of IAS 19 will require the superannuation surplus on sponsored defined benefit plans to be brought to account on the balance sheet. Subsequent movements in this surplus will be accounted for through the income statement. The superannuation surplus has not previously been brought to account.

Impairment of assets

The application of IAS 36 will require the fixed assets to be grouped into cash generating units to allow effective impairment testing. Further, revaluation increments and decrements will be accounted for on an individual asset basis rather than being offset within the one asset category.

Financial instruments

The application of IAS 39 will require review of all financial assets and financial liabilities. Financial assets will be classified as either held for trading, held to maturity, available for sale or loans and receivables. Appropriate valuation methodology will be implemented depending on the classification. While the Economic Entity currently applies fair value accounting to the contestable financial instruments in accordance with IAS 39, fair value accounting must also be applied to qualifying financial instruments in the business that have previously been accounted for on an accrual basis. Where necessary, the more stringent hedge accounting rules will be implemented to meet recognition requirements.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2. REVENUE				
Revenue from operating activities				
Sales revenue	1,219,003	1,133,716	1,190,863	1,103,623
Community service obligations	223,596	191,798	223,596	191,798
Commissions received	1,691	-	1,691	-
Other operating revenue	24,967	14,124	25,535	14,124
	1,469,257	1,339,638	1,441,685	1,309,545
Revenue from outside operating activities				
Interest from unrelated parties	4,808	4,408	4,653	4,047
Interest from related parties	917	1,827	917	1,827
Proceeds on disposal of non-current assets	805	2	805	2
Dividends from related parties	-	-	617	864
	6,530	6,237	6,992	6,740
Total revenue from ordinary activities	1,475,787	1,345,875	1,448,677	1,316,285
3. OPERATING PROFIT				
Profit from ordinary activities before income tax equivalent expense includes the following specific net gains and expenses:				
Cost of sales	1,362,980	1,265,370	1,335,219	1,234,984
Net profit/(loss) on disposal of property, plant and equipment	573	(40)	582	(40)
Depreciation and amortisation				
Depreciation on property, plant and equipment	761	1,560	761	1,560
Amortisation on intangibles	177	343	177	343
Total depreciation and amortisation	938	1,903	938	1,903
Other charges against assets				
Write down of investments to recoverable amount	-	-	5,415	-
Borrowing costs				
Interest paid or payable to related parties	-	-	882	869
Interest paid or payable to unrelated parties	1,205	1,442	1,200	1,440
Total borrowing costs	1,205	1,442	2,082	2,309
Net bad & doubtful debts expense including movements in provision for doubtful debts	2,206	3,311	2,206	3,311
Superannuation contributions	1,053	1,067	1,053	1,067
Rental expense relating to operating leases				
Minimum lease payments	326	1,048	326	1,048

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
4. INCOME TAX				
4.1 Income tax equivalent expense/(benefit)				
The prima facie income tax equivalent on operating profit differs from the income tax equivalent provided in the accounts as follows:				
Prima facie income tax equivalent on operating profit at 30% (2003: 30%)				
	8,140	6,574	6,450	6,553
Tax effect of permanent differences				
Dividends received	-	-	(185)	(259)
Other items	(31)	246	1,421	241
Tax loss transferred	-	-	-	261
Under provision in previous year	2,105	(202)	2,301	(202)
Net deferred tax liabilities transferred to Ergon Energy Corporation Limited on implementation of tax consolidation (1 July 2002)				
	(10,311)	-	(13,988)	-
Income tax equivalent expense for year ended 30 June 2003 – tax consolidated group (excluding parent entity)				
	(6,618)	-	(6,397)	-
Compensation paid to head entity of tax consolidated group on implementation and for year ended 30 June 2003				
	16,929	-	20,385	-
Income tax equivalent expense attributable to operating profit	10,214	6,618	9,987	6,594
4.2 Provision for deferred income tax equivalent liability ⁽¹⁾				
Attributable to timing differences:				
Depreciation	65	(61)	65	(61)
Unbilled electricity	58,771	48,562	57,728	47,940
Prepayments	-	(13)	-	(13)
Other	481	372	481	372
	59,317	48,860	58,274	48,238
Future income tax equivalent benefit attributable to carried forward tax losses				
	(4,565)	(22,695)	(3,522)	(22,073)
Total provision for deferred income tax equivalent liability	54,752	26,165	54,752	26,165
4.3 Future income tax equivalent benefit ⁽¹⁾				
Attributable to timing differences:				
Provisions	2,543	4,227	2,543	4,227
Other	21,838	1,388	21,837	1,356
Carried forward losses	3,492	3,620	-	-
Total future income tax equivalent benefit	27,873	9,235	24,380	5,583

(1) During the year ended 30 June 2004, the Economic Entity transferred deferred tax balances to Ergon Energy Corporation Limited. The provision for deferred income tax equivalent liability has now been classified as tax related amounts payable to Ergon Energy Corporation Limited in the accounts of the Economic Entity. The future income tax equivalent benefit has now been classified as tax related amounts receivable from Ergon Energy Corporation Limited in the accounts of the Economic Entity. These balances have continued to be labelled in this note as deferred income tax equivalent liability and future income tax equivalent benefit for comparative purposes.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

4. INCOME TAX (continued)

4.4 Tax consolidation legislation

The Directors of the Economic Entity have elected to retrospectively implement the tax consolidation legislation as of 1 July 2002. Any impact on the income tax equivalent expense has been disclosed in the tax reconciliation above. The accounting policy on implementation of tax consolidation is set out in Note 1.

The Economic Entity has compensated Ergon Energy Corporation Limited (the parent entity of Ergon Energy Pty Ltd and head entity of the tax consolidated group) for any deferred tax liabilities transferred as a result of tax consolidation. Ergon Energy Corporation Limited has fully compensated the Economic Entity for any deferred tax assets it has assumed.

The entities of the group have entered into a tax sharing and funding agreement. Under the terms of the agreement, the entities of the Ergon Energy Pty Ltd group reimburse Ergon Energy Corporation Limited for any income tax payable (when the liability falls due) in respect of their own activities as if they had been treated as a taxpayer separate from the tax consolidated group. As there is no current income tax payable, amounts (including deferred tax assets and liabilities transferred) have been recognised as non-current tax-related amounts payable (receivable) to Ergon Energy Corporation Limited. The tax sharing agreement, in the opinion of the directors, is a valid agreement and limits the joint and several liability of the Economic Entity in the event of a default by Ergon Energy Corporation Limited.

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
5. CASH ASSETS (CURRENT)				
Cash at bank and on hand	148,537	106,932	144,052	104,599
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balance per statements of cash flows	148,537	106,932	144,052	104,599
6. RECEIVABLES (CURRENT)				
Trade debtors and unread meters	181,187	200,320	180,665	198,245
Community service obligations receivable	3,538	7,055	3,538	7,055
Provision for doubtful debts	(4,907)	(4,431)	(4,907)	(4,356)
Total trade debtors – unrelated parties	179,818	202,944	179,296	200,944
Trade debtors – related parties	1,317	2,391	1,308	2,383
Non-trade amounts owing by unrelated parties	32,646	13,935	31,506	13,808
Non-trade amounts owing from related parties	-	-	-	864
Total current receivables	213,781	219,270	212,110	217,999
7. INVENTORIES (CURRENT)				
Inventories relating to the sale of gas	24	51	24	51
8. INTANGIBLE ASSETS (CURRENT)				
Other	-	127	-	127
9. OTHER ASSETS (CURRENT)				
Prepayments	325	96	325	96
Market trading Receivable and Renewable Energy Certificates	28,587	18,657	28,587	18,657
Other	12	248	12	248
	28,924	19,001	28,924	19,001

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
10. RECEIVABLES (NON-CURRENT)				
Tax related amounts receivable from				
Ergon Energy Corporation Limited	27,873	-	24,380	-
Electricity sales receivable – contestable customers	1,560	1,795	932	1,260
Power Purchase Agreement receivables	36,692	-	36,692	-
	66,125	1,795	62,004	1,260

11. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments at valuation:

Unlisted shares in controlled entities	-	-	19,390	19,390
Less: Provision for diminution	-	-	(10,895)	(5,480)
	-	-	8,495	13,910

The carrying values of unlisted shares in controlled entities were assessed by the Directors during the year ended 30 June 2004 to ensure that the values were not in excess of their recoverable values.

The consolidated financial statements at 30 June 2004 include the following controlled entities:

Entity Name	Country of Incorporation	Percentage Interest Held by the Parent Entity
Ergon Energy (Victoria) Pty Ltd	Australia	100%
Northern Electricity Retail Corporation Pty Ltd	Australia	100%

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

12. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

At cost	3,099	7,822	3,099	7,683
Less: Accumulated depreciation	(2,519)	(6,784)	(2,519)	(6,654)
	580	1,038	580	1,029
Work in progress	7,507	1,943	7,507	1,943
	8,087	2,981	8,087	2,972

A reconciliation of the carrying amount of each class of property, plant & equipment at the beginning and the end of the current financial year is set out below:

	Property, Plant and Equipment		Work in Progress	
	Consolidated	Parent	Consolidated	Parent
	2004	2004	2004	2004
	\$'000	\$'000	\$'000	\$'000
Carrying amount at start of year	1,038	1,029	1,943	1,943
Additions	308	317	5,564	5,564
Disposals / transfers	(5)	(5)	-	-
Depreciation expense	(761)	(761)	-	-
Carrying amount at end of year	580	580	7,507	7,507

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
13. DEFERRED TAX ASSETS (NON-CURRENT)				
Future income tax equivalent benefit	-	9,235	-	5,583
14. INTANGIBLES (NON-CURRENT)				
Goodwill	-	360	-	360
Less: accumulated amortisation	-	(360)	-	(360)
Other	982	1,055	982	1,055
Less: accumulated amortisation	(455)	(278)	(455)	(278)
	527	777	527	777
15. OTHER ASSETS (NON-CURRENT)				
Market trading receivable	4,286	2,004	4,286	2,004
	4,286	2,004	4,286	2,004
16. PAYABLES (CURRENT)				
Trade creditors – related parties	74,035	60,891	89,112	78,673
Trade creditors – unrelated parties	47,166	56,079	45,634	54,918
Power Purchase Agreements payables	25,423	-	25,423	-
Other creditors	13,717	9,918	13,717	9,918
	160,341	126,888	173,886	143,509
17. INTEREST BEARING LIABILITIES (CURRENT)				
<i>Unsecured</i>				
Customer and other repayable deposits	186	197	186	197
Lease incentive	285	-	285	-
	471	197	471	197
18. PROVISIONS (CURRENT)				
Employee benefits	1,046	867	1,046	867
Security deposits	923	887	923	887
Dividends	16,919	15,296	16,919	15,296
Renewable Energy Certificate acquittal	7,237	-	7,237	-
Other	434	-	434	-
	26,559	17,050	26,559	17,050

Movement in provision

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Parent – 2004	Security Deposits	Dividends	Renewable Energy Certificate Acquittal	Other	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Current					
Carrying amount at start of year	887	15,296	-	-	16,183
Additional provision recognised	325	16,919	7,237	434	24,915
Payments/other sacrifices of economic benefits	(289)	(15,296)	-	-	(15,585)
Carrying amount at the end of year	923	16,919	7,237	434	25,513

There are no provisions in the controlled entities within the Economic Entity other than those held by the parent entity. Therefore, no movement analysis has been included for the Economic Entity.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
19. OTHER LIABILITIES (CURRENT)				
Other	-	265	-	265
20. PAYABLES (NON-CURRENT)				
Power Purchase Agreements payables	32,059	-	32,059	-
Tax related amounts payable to Ergon Energy Corporation Limited	54,752	-	54,752	-
	86,811	-	86,811	-
21. INTEREST BEARING LIABILITIES (NON-CURRENT)				
<i>Unsecured</i>				
Lease incentive	2,567	1,141	2,567	1,141
Customer and other repayable deposits	23,057	22,161	23,057	22,161
	25,624	23,302	25,624	23,302
22. DEFERRED TAX LIABILITIES (NON-CURRENT)				
Deferred income tax equivalent liability	-	26,165	-	26,165
23. PROVISIONS (NON-CURRENT)				
Employee benefits	1,166	1,176	1,166	1,176
Renewable Energy Certificate acquittal	2,779	-	2,779	-
	3,945	1,176	3,945	1,176

Movement in provision

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Parent – 2004	Renewable Energy Certificate Acquittal \$'000	Total \$'000
Non-current		
Carrying amount at start of year	-	-
Additional provision recognised	2,779	2,779
Payments/other sacrifices of economic benefits	-	-
Carrying amount at the end of year	2,779	2,779

There are no provisions in the controlled entities within the Economic Entity other than those held by the parent entity. Therefore, no movement analysis has been included for the Economic Entity.

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
24. OTHER LIABILITIES (NON-CURRENT)				
Other - related party	9,354	9,944	-	-
25. RESERVES				
General reserve	4,000	4,000	4,000	4,000
This Reserve was used to establish operations in Northern Electricity Retail Corporation Pty Ltd.				
26. EQUITY				
Total equity at the beginning of the financial year	157,186	157,220	156,619	156,699
Total changes in equity recognised in the statements of financial performance	16,919	15,262	11,513	15,216
Transactions with owners as owners:				
Dividends	(16,919)	(15,296)	(16,919)	(15,296)
Total equity at the reporting date	157,186	157,186	151,213	156,619
Contributed Equity:				
Share capital				
1,214 ordinary shares fully paid	123,172	123,172	123,172	123,172

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
27. RETAINED PROFITS				
Retained profit	30,014	30,014	24,041	29,447
Movements:				
Retained profits at the beginning of the financial year	30,014	30,048	29,447	29,527
Adjustment resulting from a change in accounting policy based on revised AASB 1028 Employee Benefits	-	(34)	-	(34)
Net Profit attributable to members of Ergon Energy Pty Ltd	16,919	15,296	11,513	15,250
Dividends	(16,919)	(15,296)	(16,919)	(15,296)
	30,014	30,014	24,041	29,447
28. STATEMENTS OF CASH FLOWS				
Reconciliation of the operating profit after income tax equivalent to the net cash flows provided by/(used in) operating activities				
Operating profit after income tax equivalent	16,919	15,296	11,513	15,249
Depreciation of non-current assets	938	1,903	938	1,903
Asset write off	200	284	5,614	284
Net book value of property, plant and equipment disposed of	(573)	1	(582)	2
Change in employee entitlements and other provisions	10,655	9,195	10,655	(751)
Other non cash flow items	3,633	4,443	3,633	4,443
Changes in assets and liabilities				
Trade and other receivables	(61,047)	33,352	(57,061)	40,660
Other assets	(12,205)	(15,712)	(12,205)	(15,713)
Inventory	27	(8)	27	(8)
Trade and other creditors	33,737	(57,393)	30,662	(48,038)
Other liabilities	85,956	6,315	86,546	(3,630)
Deferred income tax equivalent liability	(26,165)	11,264	(26,165)	8,415
Future income tax equivalent benefit	9,235	(4,646)	5,583	(1,822)
Provisions	-	(9,943)	-	2
Net cash flows provided by/(used in) operating activities	61,310	(5,649)	59,158	996
29. EXPENDITURE COMMITMENTS				
(a) Operating lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities payable:				
- not later than one year	490	327	490	327
- later than one year and not later than five years	10,621	8,259	10,621	8,259
- later than five years	10,561	13,413	10,561	13,413
	21,672	21,999	21,672	21,999
Representing:				
Non-cancellable operating leases	21,672	21,999	21,672	21,999
	21,672	21,999	21,672	21,999
(b) Capital commitments				

As at 30 June 2004, the Economic Entity had no contracted commitments for capital expenditure (2003: Nil).

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

30. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee benefits

The aggregate employee benefits are comprised of:

Accrued wages and salaries	154	618	154	618
Provisions (current)	1,046	867	1,046	867
Provisions (non-current)	1,166	1,176	1,166	1,176
	2,366	2,661	2,366	2,661

Incentive payments

Aggregate performance bonus accrued/paid	877	1,073		
Total employment cost (employees receiving a performance payment)	7,307	8,210		
	2004	2003	2004	2003
	Number	Number	Number	Number

Employee numbers

Number of employees who received a performance payment	69	84	-	-
Number of employees at reporting date	164	165	164	165

The Ergon Energy 'at risk' plan measures performance at three tiers - corporate, business unit and individual. For executives, the weightings applied to each of these tiers are 40%, 40% and 20% respectively. Performance payments pertaining to the 2003/2004 financial year for Executives have not, at this stage, been paid, but have been appropriately accrued.

Senior Managers (employees reporting directly to Executives) are subject to weightings of 30%, 30% and 40% respectively.

For all other staff eligible for 'at risk' performance payments, the weightings applied to each of these tiers for the year ended 30 June 2004 were 20%, 25% and 55% respectively. Some of these staff are also award employees, covered by the terms and conditions of the current Enterprise Bargaining Agreement (EBA).

Superannuation commitments

Entities within the Economic Entity contribute to an industry, multiple employer superannuation fund, the Electricity Supply Industry Superannuation Fund (Qld). Members, after serving a qualifying period, are entitled to benefits from this fund on retirement, resignation, retrenchment, disability or death.

The Defined Benefit Account of this fund provides defined lump sum benefit based upon years of service and final average salary. Employee contributions to the fund are based on various percentages of their gross salaries.

The most recent actuarial assessment of the fund was carried out by Mr Ralph Collins, Fellow of the Institute of Actuaries of Australia as at 1 July 2002. The actuary concluded that all liabilities of the fund which may be expected to arise in the normal course of events in the three years to 30 June 2005, and the vested benefits at that date in respect of current members, could be adequately met by:

- the assets of the fund at the valuation date;
- contributions by the employer at the recommended rate;
- contributions by the members in accordance with the Trust Deed; and
- investment earnings on the above.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	2004	2003
	\$'000	\$'000
30. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (continued)		
The estimated accrued benefits and fund assets at the date of the most recent actuarial assessment of the fund, based upon information supplied by the fund, are:		
Net market value of plan assets	3,008	3,008
Accrued benefits	(2,373)	(2,373)
Excess of plan assets held over accrued benefits	635	635
Vested benefits	(2,373)	(2,373)

31. CONTINGENT LIABILITIES

(a) Legal Claims

No common law claims are pending against entities within the Economic Entity (2003: Nil).

(b) Counter Indemnity

In order to participate in the electricity market, entities within the Economic Entity were required to deliver acceptable security as collateral for obligations arising as a consequence of normal trading. Security, in the form of payment guarantees totalling \$127,900,000 (2003: \$148,600,000) have been issued by Queensland Treasury Corporation to the National Electricity Market Management Company Limited.

These guarantees are supported by counter-indemnities to the Queensland Treasury Corporation from the ultimate parent entity totalling \$295,000,000 (2003: \$295,000,000).

(c) Obligations on Termination of the Bulk Supply Agreement with a Contestable Customer

On 1 June 2004, the Bulk Supply Agreement between Ergon Energy Pty Ltd and a contestable customer was terminated and replaced with a Power Purchase Agreement with an alternate energy supplier. Because of delays in the finalisation of these arrangements, the contestable customer and Ergon Energy Pty Ltd agreed to perform a comparison of payments under the Bulk Supply Agreement and the Power Purchase Agreement from July 1998. It has been further agreed that Ergon Energy Pty Ltd will pay the contestable customer the net effect of the comparison as though the Power Purchase Agreement had been in force from July 1998.

At the end of the reporting period, Ergon Energy Pty Ltd and the contestable customer were still undertaking the required reconciliation to determine the amount payable.

32. SUBSEQUENT EVENTS

On 16 July 2004, Sparq Solutions Pty Ltd and Quest Asset Holdings Pty Ltd were formed with an issued capital of \$1,000 each. ENERGEX Limited, holding 55%, and the ultimate parent entity, holding 45%, jointly own Sparq Solutions Pty Ltd. Quest Asset Holdings Pty Ltd is 50% owned by both ENERGEX Limited and the ultimate parent entity. The principal activity of Sparq Solutions Pty Ltd is to provide all Information Technology and Telecommunications operations and support for the Economic Entity while Quest Asset Holdings Pty Ltd holds assets used in major information technology and telecommunications related programs of works.

Ergon Energy Pty Ltd is currently in the process of finalising a contract with the Queensland Government dealing with long-term energy procurement (LEP) relating to franchise customers. This contract is currently subject to approval by the Cabinet Budget Review Committee. The contract has not been signed at the date of this report however both parties have honoured the terms of the contract to date. The Economic Entity has potential exposure to future adverse market conditions should the parties cease to observe the terms of the unsigned contract.

Except for the investment and LEP discussed above, and the outworking from the Queensland Government's report "Electricity Distribution and Service Delivery for the 21st Century" - released July 2004, no other matter or circumstance has arisen since 30 June 2004 that has significantly affected, or may significantly affect:

- (a) the Economic Entity's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Economic Entity's state of affairs in future financial years.

33. ECONOMIC DEPENDENCY

Ergon Energy Pty Ltd's principal revenue depends to a significant extent on the operations of the electricity market in Queensland.

The principal operator transporting high voltage electricity for distribution is Queensland Electricity Transmission Corporation Limited (trading as Powerlink).

Low voltage electricity is then distributed primarily to Ergon Energy Pty Ltd by Ergon Energy Corporation Limited, the ultimate parent entity.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000

34. AUDITORS' REMUNERATION

Amounts received or due and receivable by the auditors of the parent entity and its controlled entities for:

- audit of financial statements	92,500	85,300	78,950	75,750
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35. RELATED PARTY DISCLOSURES

(a) Transactions with Directors and Specified Executives

The specified Directors of Ergon Energy Pty Ltd during the financial year ended 30 June 2004 were:

Keith Hilless
John Bird
Patricia Faircloth
Wayne Myers
Belinda McNeven

Specified Directors and specified Executives of the Economic Entity and Directors of its related parties, or their personally-related entities, conduct transactions with entities within the Economic Entity that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the specified Director, specified Executive or personally-related entity at arm's length in similar circumstances. All transactions with specified Directors, specified Executives, or personally-related entities during the financial period were trivial or domestic in nature, except where noted below. The related party disclosures are those in connection with Ergon Energy Corporation Limited and its controlled entities

Keith Hilless is the Director and President of the Australian Institute of Management – Qld/NT Division. During the reporting period, Ergon Energy provided sponsorship to and purchased training from this organisation to the value of \$60,633 (2003: \$33,514). The terms and conditions of the transactions were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entity at arm's length.

Wayne Myers is a non-executive Director of Sirocco Communications Pty Ltd. This entity is a controlled entity of Sirocco Technologies Group Limited of which Wayne Myers is Managing Director. During the reporting period, Ergon Energy purchased IT consultancy services and IT supplies to the value of \$47,126 (2003: \$119,223) from Sirocco Communications Limited. The terms and conditions of the transactions were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entity at arm's length.

Barry Taylor is a Director of the ultimate parent entity and a Director of Townsville Enterprises Limited. Ergon Energy is a member of this organisation and made sponsorship payments during the financial year totalling \$66,000 (2003: \$114,300). The terms and conditions of the payments were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entity at arm's length.

Paul Bell is a Director of the ultimate parent entity. Paul Bell is President of the Local Government Association of Queensland and Chair of the College Council of the Central Queensland Institute of TAFE. During the financial year, Ergon Energy made sponsorship payments and paid conference attendance fees to the value of \$20,506 (2003: \$13,870) to the Local Government Association of Queensland and purchased training to the value of \$7,925 (2003: \$8,510) from the Central Queensland Institute of TAFE. The terms and conditions of these transactions were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entities at arm's length.

Further, Paul Bell is Deputy Chair of Queensland Rail. Ergon Energy paid freight costs to the value of \$184,217 (2003: \$136,440) and provided electricity and the use of network assets to the value of \$42,748,068 (2003: \$45,846,685) to this entity during the financial year. The terms and conditions of these transactions were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entity at arm's length.

James Mitchell is a Specified Executive of the ultimate parent entity and the Chair of Service Essentials Pty Ltd, an associate of the ultimate parent entity. During the financial year, Service Essentials Pty Ltd provided services to the wholly owned group to the value of \$17,883,293 (2003: \$Nil) and received services from the wholly owned group to the value of \$10,040,846 (2003: \$Nil). Refer Note 35 (c) for a description of the transactions. The terms and conditions of the transactions were no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entity at arm's length.

A number of Specified Directors are directors of organisations that are franchise customers of Ergon Energy Pty Ltd. Accordingly, the terms and conditions of supply are no more favourable than those which it is reasonable to expect would have been adopted if dealing with the personally-related entities at arm's length.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

35. RELATED PARTY DISCLOSURES (continued)

(b) Transactions with the Ultimate Parent Entity and with the Wholly Owned Group

In addition to those transactions disclosed in Notes 2 and 3, the ultimate parent entity provided the parent entity with customer care administration services. This included call centre facilities and retail products and services administration to a controlled entity. All services were undertaken on commercial terms and conditions.

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

(c) Transactions with Other Related Parties

Aggregate amounts brought to account in relation to transactions with an associate of the ultimate parent entity:

	Consolidated		Parent	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Purchase of billing, meter reading and payment management services from an associate of the ultimate parent entity	17,883	-	17,883	-
Recovery of employee expenses and other service costs from an associate of the ultimate parent entity	10,041	-	10,041	-

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

(d) Controlling Entities

The ultimate parent entity in the wholly owned group is Ergon Energy Pty Ltd.

The ultimate parent entity and the ultimate Australian parent entity is Ergon Energy Corporation Limited.

(e) Ownership Interests in Related Parties

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

- Controlled entities – Note 11

36. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

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

The group Human Resources Committee recommends Executive remuneration to the Board as part of an annual review. Input is sought from several industry and market surveys (in addition to that from the shareholding Ministers) when determining the level of remuneration for these positions. Final approval is then required from shareholding Ministers, ensuring that remuneration arrangements for the Executives are appropriate.

A Total Employment Cost (TEC) concept for the structure of Executive remuneration is utilised. While the total cost of an Executive's remuneration package is capped, the Executive then has the flexibility to decide the composition of the total cost (eg cash salary, motor vehicle, car park, additional superannuation, laptop etc).

Executive staff are eligible for an 'at risk' or variable component that is directly linked to both the overall performance of Ergon Energy Corporation Limited and its controlled entities (the Corporation) and their individual efforts are measured against a range of key indicators (eg financial, operational & customer excellence, people development, risk management and growth). The initial 'target' goals are set by the Board from the annual Statement of Corporate Intent (SCI). Any 'at risk' payment is totally contingent upon the Board's assessment of the Corporation's overall performance.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

36. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Executives are all employed on a similar, tenured contract, except for the Chief Executive who is employed on a five year fixed term contract. The employment contract of each Executive allows for them to be eligible to participate in the Corporation's 'at risk' performance remuneration plan which has a maximum allocation of up to 15% of the individual's TEC figure.

Apart from the provision of a car park, no other non-cash benefits are provided to Executives, as the TEC concept captures various benefits structured within a total cost rather than a base salary plus benefits.

Early termination entitlements for Specified Executives are subject to the normal terms and conditions of their contracts with the Company. One Specified Executive is entitled to a termination payment comprising a payment equivalent to 26 weeks of TEC, pro-rata long service leave and pro-rata bonus. Where termination is due to redundancy, the Specified Executive is entitled to an additional payment of two weeks TEC for every completed year of employment in excess of two years to a maximum of 26 weeks. This entitlement lapses if an offer of alternative employment is received from a Queensland Government department, agency or Queensland Government-owned corporation prior to termination of the executive's employment with the Company. The other Specified Executive is entitled to a payment equivalent to three months of TEC for the first two years of employment and a further one week of TEC for every completed year of employment in excess of two years to a maximum of 26 weeks.

In accordance with Ministerial Guidelines, details of remuneration provided to Directors and the Senior Executives with the greatest authority within the parent entity who are in office at 30 June 2004 are as follows:

DIRECTOR	Primary		Post Employment	TOTAL
	Directors' Fees \$	Committee Fees ⁽¹⁾ \$	Superannuation \$	\$
K Hillless – Director				
2004	39,200	-	3,573	42,773
2003	39,200	-	3,573	42,773
J Bird – Director				
2004	16,072	7,000	2,110	25,182
2003	16,072	7,000	2,110	25,182
P Faircloth – Director				
2004	16,072	3,000	1,739	20,811
2003	16,072	3,000	1,739	20,811
W Myers – Director				
2004	16,072	-	1,469	17,541
2003	16,072	-	1,469	17,541
B McNeven – Director ⁽²⁾				
2004	16,072	3,000	1,739	20,811
2003	-	-	-	-
I Brien – Director ⁽³⁾				
2004	-	-	-	-
2003	16,072	7,000	2,110	25,182
Total Remuneration – Directors				
2004	103,488	13,000	10,630	127,118
2003	103,488	17,000	11,001	131,489

(1) The Board committees are joint committees between Ergon Energy Corporation Limited, the ultimate parent entity, and Ergon Energy Pty Ltd. Where Directors hold positions on both Boards, Ergon Energy Corporation Limited reports the committee fees paid. No further fees were paid to Directors, other than the amounts disclosed in the table.

(2) Appointed 3 July 2003.

(3) Appointment ended 30 June 2003.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

36. REMUNERATION OF DIRECTORS AND EXECUTIVES (continued)

Aggregate Income of Directors

The number of Directors of the parent entity who were paid, or were due to be paid, directly or indirectly by the parent entity or any related party, as shown in the following bands, were:

	2004	2003
\$20,001 - \$30,000	3	3
\$40,001 - \$50,000	1	1
\$100,001 - \$110,000	1	1

The aggregate income of the Directors referred to above was: **\$219,846** \$220,948

The total of all amounts paid or payable, directly or indirectly, from the respective entities of which they are a Director, or from any related party, to all the Directors of each entity in the Economic Entity was \$219,846 (2003: \$220,948). The above amounts exclude the value of insurance premiums made for the Directors' indemnity.

SPECIFIED EXECUTIVE	Primary ⁽¹⁾		Post Employment	Other Benefits	TOTAL
	Salary & Fees	Non-Monetary	Superannuation	Other Benefits	
	\$	\$	\$	\$	\$
Executive General Manager – Retail					
2004	218,722	-	21,950	-	240,672
2003	213,021	74	24,644	-	237,739
Acting Executive General Manager – Customer Services ⁽²⁾					
2004	113,450	33,474	12,423	-	159,347
2003	-	-	-	-	-
Total Remuneration – Specified Executives ⁽³⁾					
2004	332,172	33,474	34,373	-	400,019
2003	534,931	38,237	84,974	141,426	799,568

(1) Officers may also earn performance based risk incentive bonuses which are not shown in this table.

(2) Officer held the position for a portion of the year.

(3) Total in respect of 2003 do not equal the sums of the amounts disclosed for 2003 for individuals specified in 2004 as different individuals were specified in 2003.

37. SEGMENT REPORTING

The Economic Entity operates primarily in the State of Queensland and has additional operations in New South Wales, Victoria, South Australia and the Australian Capital Territory as part of its electricity retailing operations.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

38. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The Economic Entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments Note	Accounting Policies	Terms and Conditions
Financial Assets		
Receivables – Trade and Other	6	Receivables are recorded at nominal amounts due less any provision for doubtful debts. Provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.
		Credit sales are normally on 30 day terms.
Contestable Sales Contracts	6,10	Contestable sales contracts are recorded at their net fair value and net of any associated hedges.
		Contestable sales contracts typically have a term ranging from 12 months to 3 years.
Receivables – Related Party	6	Amounts receivable from related parties are carried at nominal amounts.
Power Purchase Agreements	6,10	Power Purchase Agreements are recorded at fair value and adjusted for any changes in market forces for up to, but not exceeding, five years.
		The settlement term of each component of the Power Purchase Agreement varies.
Financial Liabilities		
Payables – Trade and Other	16	Trade creditors are recognised upon the receipt of goods or services irrespective of whether an invoice has been received or not. Values are recorded based on agreed purchase/contract costs.
		The amounts are unsecured and are normally settled within 30 days.
Customer and Other Repayable Deposits	17,21	Deposits are carried at the principle amount.
		Interest is credited annually on the first billing to the customer after the end of the financial year.
Lease Incentive	17,21	Lease incentives are recognised as liabilities and are allocated between interest (calculated by applying the interest rate implicit in the lease), rental expense and reduction of the liability.
		Allocations against the lease liability are recorded monthly, in line with the payment schedule outlined in the lease
Power Purchase Agreements	16,20	The liability arising from the Power Purchase Agreement is measured at the nominal value
		Power Purchase Agreements are settled with a generator within 14 days after the end of the month.
Equity		
Ordinary Shares	26	Ordinary share capital bears no specific terms or conditions affecting income or the capital entitlements of the shareholders.

Notes to and forming part of the financial statements

For the year ended 30 June 2004

38. FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

The Economic Entity's exposure to interest rate risks, and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the balance date, are as follows:

2004	Floating interest rate	Fixed interest rate maturing in: Less than 1 year	Fixed interest rate maturing in: 1 to 5 years	Non-interest bearing	Carrying amount per Statements of Financial Position	Weighted average interest rate
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000	2004 %
Financial Assets						
Cash	148,286	-	-	251	148,537	5.54
Receivables – current	-	-	-	213,781	213,781	-
Receivables – non-current	-	-	-	38,252	38,252	-
Other assets	-	-	-	33,210	33,210	-
Total financial assets	148,286	-	-	285,494	433,780	
Financial Liabilities						
Repayable deposits	23,056	-	-	186	23,242	4.00
Trade creditors	-	-	-	121,201	121,201	-
Lease incentive	-	285	2,567	-	2,852	5.00
Other creditors	-	-	-	71,199	71,199	-
Total financial liabilities	23,056	285	2,567	192,586	218,494	
2003	Floating interest rate	Fixed interest rate maturing in: 1 to 5 years	Non-interest bearing	Carrying amount per Statements of Financial Position	Weighted average interest rate	
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 %	
Financial Assets						
Cash		106,682	-	250	106,932	4.89
Receivables – current		-	-	219,270	219,270	-
Receivables – non-current		-	-	1,795	1,795	-
Other assets		-	-	21,005	21,005	-
Total financial assets		106,682	-	242,320	349,002	
Financial Liabilities						
Repayable deposits		22,358	-	-	22,358	4.00
Trade creditors		-	-	116,970	116,970	-
Lease incentive		-	1,141	-	1,141	5.00
Other creditors		-	-	9,918	9,918	-
Total financial liabilities		22,358	1,141	126,888	150,387	

Notes to and forming part of the financial statements

For the year ended 30 June 2004

38. FINANCIAL INSTRUMENTS (continued)

(c) Net fair values

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

The carrying amounts of financial assets and financial liabilities are not materially different from their estimated net fair values at balance date.

(d) Credit risk exposure

Credit risk exposure represents the extent of credit related losses that the Economic Entity may be exposed to on receivables from financial assets.

Recognised

Credit risk represents the loss that would be recognised if customers failed to perform as contracted. The Economic Entity manages its credit risks by having established and maintained an appropriate credit review process.

Furthermore, the Economic Entity minimises concentration of credit risk by undertaking transactions with a large number of retail customers and limiting credit to any individual customer.

Credit settlement risk associated with electricity market trading is controlled by establishing approved credit limits with only those counterparties that have an appropriate credit rating, as determined by a recognised credit rating agency. The relevant counterparties are principally large banks and other electricity corporations.

Unrecognised

Credit settlement risk associated with electricity market trading is controlled by establishing approved credit limits with only those counterparties that have an appropriate credit rating, as determined by a recognised credit rating agency. The relevant counterparties are principally large banks and other electricity corporations.

(e) Liquidity risk exposure

Liquidity risk associated with electricity market trading is controlled by National Electricity Market Management Company Limited. All market participants are required to deliver irrevocable bank guarantees as security for timely settlement. These guarantees are held for and on behalf of all participants thereby limiting exposure to liquidity risk.

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

Directors' Declaration

The Directors declare that:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view;
- (c) in the Directors' opinion;
 - (i) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - (ii) the financial statements and notes are in accordance with the Corporations Act 2001, including sections 296 and 297.

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



Mr K Hillless
Chairman
11 September 2004

Independent Audit Report

To the Members of Ergon Energy Pty Ltd

Scope

The financial report

The financial report of Ergon Energy Pty Ltd consists of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes to the financial report, and the directors' declaration for both Ergon Energy Pty Ltd (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

Directors' responsibility

The directors are responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial report presents fairly, in accordance with the prescribed requirements.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all government owned corporations and their controlled 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 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.

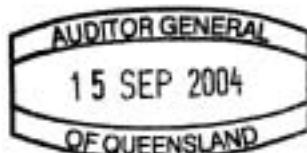
Audit Opinion

In my opinion, the financial report of Ergon Energy Pty Ltd is in accordance with:

- (a) 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 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



L J SCANLAN, FCA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

Additional information

Overseas Travel

Destination	Date	Purpose	Title	Total Cost
Rio de Janeiro, Brazil	Sept 2003	To contribute to working group, participate in technical discussions and convene Advisory group meeting incl: cigré Working Group WGD2-07 meeting, SCD2 Colloquium, and cigré Advisory Group AGD2-03.	Communications & Control Systems Engineer	\$5,000
New Zealand	Nov 2003	Convene the Australian Technical Committee for cigré	Communications & Control Systems Engineer	\$1,430


Abbreviations

AIDM	Asset Inspection and Defect Management
CARE	Cyclone Area Reliability Enhancement program
CMS	Customer Management System
CRI	Customer Responsiveness Index
CVM	Customer Value Management
DPI	Department of Primary Industries
EBA	Enterprise Bargaining Agreement
EBIT	Earnings Before Interest and Tax
EECL	Ergon Energy Corporation Limited
EEO	Equal Employment Opportunity
EEPL	Ergon Energy Pty Ltd
EMFs	Electromagnetic Fields
ERP	Enterprise Resource Planning
ESAA	Electricity Supply Association of Australia
FACTS	Feedback and Claims Tracking System
GECs	Gas Electricity Certificates
GSLs	Guaranteed Service Levels
ISO	International Organisation for Standards
IT&T	Information Technology and Telecommunications
NAPM	Network Asset Preventative Maintenance
NATA	National Association of Testing Authorities
NEM	National Electricity Market
NSCA	National Safety Council of Australia
PCBs	Polychlorinated Biphenyls
QAO	Queensland Audit Office
QCA	Queensland Competition Authority
RECs	Renewable Energy Certificates
SCI	Statement of Corporate Intent
SPS	Stand-alone Power Supply
SCADA	Supervisory Control and Data Acquisition
SWER	Single Wire Earth Return

Units of Measure

V	volt	the unit of potential or electrical pressure
kV	kilovolt	one kV equals 1,000 volts
W	watt	a measure of the power present when a current of one ampere flows under a pressure of one volt
kW	kilowatt	one kW equals 1,000 watts
MW	megawatt	one MW equals 1,000 kilowatts
kWh	kilowatt hour	the standard 'unit' of electricity which represents the consumption of electrical energy at the rate one kilowatt over a period of one hour
MWh	megawatt hour	one MWh equals 1,000 kilowatt hours
GWh	gigawatt hour	one GWh equals 1,000 megawatt hours or one million kilowatt hours
HV	high voltage	alternating current above 1,000V
LV	low voltage	alternating current above 32V and not exceeding 1,000V
SAIDI	System Average interruption Duration Index.	Network reliability performance index, indicating the total minutes, on average, that customers are without electricity during the relevant period (minutes).
SAIFI	System Average interruption Frequency Index.	Network reliability performance index, indicating the average number of occasions each customer is interrupted during the relevant period (interruptions).
LTIFR	Lost Time Injury Frequency Rate.	Number of injuries per million hours worked over the 12 month reporting period.
IISI	Injury and Illness Statistics Index.	The measure is a product of LTIFR and average days lost per injury for the 12 month reporting period.

Online Information

Throughout this report, where additional information is readily available on topics of further interest to our readers, a  symbol is shown. This symbol indicates that one of the following 'fact sheet' style appendices is available on our internet site. Simply visit www.ergon.com.au/annualreport

Government Review into the Electricity Industry
Statement of Corporate Intent Targets 2004/05
Network Management Plan
Details of Community Powerline Projects 2003/04
Cyclone Area Reliability Enhancement (CARE) Program 2003/04
Environmental Policy and Governance Framework

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Statement of Affairs 2003/04
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Feedback Form



As an important stakeholder, we appreciate your feedback on our Annual Report 2003/04. We will to continue to refine future reports to better meet your expectations.

Title/Name: _____

Company/Organisation: _____

Address: _____

State: _____

Postcode: _____

Phone: _____

Fax: _____

Do we need to update your details in our Annual Report mailing list?

Yes, update/add/remove my name/organisation. (Please circle action required) No

Your main interest in the report is as a/an:

- | | |
|--|--|
| <input type="checkbox"/> Ergon Energy customer | <input type="checkbox"/> Member of an environmental organisation |
| <input type="checkbox"/> Business person | <input type="checkbox"/> Contractor/supplier |
| <input type="checkbox"/> Electricity industry representative | <input type="checkbox"/> Ergon Energy employee |
| <input type="checkbox"/> Government stakeholder | <input type="checkbox"/> Media agency representative |
| <input type="checkbox"/> Community representative | <input type="checkbox"/> Other _____ |

Which of these performance areas are you most interested in:

- | | |
|--|---|
| <input type="checkbox"/> Network Reliability | <input type="checkbox"/> Economic / Financial |
| <input type="checkbox"/> Customer Service | <input type="checkbox"/> Environmental |
| <input type="checkbox"/> Social Obligations | <input type="checkbox"/> Governance and Risk Management |

Has the report increased your understanding and support for our vision?

Greatly Somewhat A Little Not At All

How do you rate Ergon Energy's overall performance for 2003/04?

Excellent Good Satisfactory Unsatisfactory

How do you rate this report?

How easy was it to find the information relevant to you? Excellent Good Satisfactory Unsatisfactory
How would you rate the design and presentation? Excellent Good Satisfactory Unsatisfactory
Overall, how would you rate this report? Excellent Good Satisfactory Unsatisfactory

Was our additional online information of interest to you?

Yes No

If yes, state which documents _____

Do you have any other comments?

**FAX BACK (07) 3228 7976
Attention: Shari Smith**

Thank you for your feedback and support

Delivery Address:
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BRISBANE QLD 4001

No stamp required
if posted in Australia



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Stakeholder Relations
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