

COUNTRY ENERGY ANNUAL REPORT 2002-2003

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Our ambition is to be
Australia's leading utility
business.

This will be achieved by becoming

- 1 A leading national retailer
- X
- 1 The best network manager
- X
- 1 A valued part of the community
- X
- 1 An employer of choice
- X
- 1 Acclaimed for our environmental initiatives and safety

CONTENTS

Country Energy at a Glance	2
Becoming Australia's Leading Utility	
Business: Our Achievements in 2002-2003	4
Year in Review: Chairman and Managing Director	6
A Leading National Retailer	8
The Best Network Manager	10
A Valued Part of the Community	14
An Employer of Choice	20
Acclaimed for our Environmental Initiatives & Safety	24
Our Board of Directors	28
Our Executive Team	29
Governance	30
Financial Statements Contents	34
Independent Audit Report	35
Statement by Members of the Board	36
Providing Customer Information	70
Glossary of Terms	71
Index	72
Company Details	73

COUNTRY ENERGY AT A GLANCE

COUNTRY ENERGY IS BUILDING ON A FOUNDATION OF SUCCESS.

WE CONTINUE TO INVEST IN THE WORLD'S SECOND LARGEST ELECTRICITY NETWORK SERVING AROUND 1,500 COMMUNITIES ACROSS THREE QUARTERS OF NEW SOUTH WALES, WHILE ENHANCING OUR STATUS AS ONE OF AUSTRALIA'S LARGEST ELECTRICITY RETAILERS.

OUR NETWORK INVESTMENTS, AND THE MANY INVESTMENTS WE MAKE IN LOCAL COMMUNITIES, MAKE GOOD BUSINESS SENSE.

OWNED BY THE NEW SOUTH WALES GOVERNMENT, WE ARE ONE OF THE LARGEST REGIONALLY-BASED COMPANIES IN AUSTRALIA. OUR RANGE OF PRODUCTS AND SERVICES INCLUDES ELECTRICITY, NATURAL AND BOTTLED GAS, INTERNET SERVICES, GREEN ENERGY SOLUTIONS AND ENERGY CONSULTANCY SERVICES.

Owner and operator of the world's second largest electricity network

- **\$7.9 billion in assets (replacement value)**
- **185,000 kilometres of overhead powerlines**
 - 1.33 million poles
 - 307 zone substations
 - 110,000 distribution substations
 - 115,000 street lights
- **Operational challenges of diverse terrain and climatic conditions**
- **Around 3,000 employees in 110 offices and customer and field service centres**

One of Australia's largest electricity retailers

- **\$1.4 billion in annual revenue**
- **750,000 customers in five states and territories**
- **Corporate offices in Bathurst, Port Macquarie and Queanbeyan, eight regional offices State wide and business centres in Sydney, Melbourne, Brisbane and Newcastle**
- **Major customers include the Sydney Opera House, Melbourne's Rialto Towers, OneSteel Wollongong, CSIRO and Australian Dairy Farmers**



Retail operations in five states and territories; network operations across country and coastal New South Wales.



Our network and community investments make good business sense

- \$550 million investment in capital works projects from July 2001 to June 2004
 - More than 200 apprentices across the business
 - New customer and field service centres – restoring service levels
 - Extensive community support and stakeholder relations programs
 - Customer satisfaction rating of 82.4 per cent (as at August 2002)
 - Unique decentralised management structure to better service the needs of our customers – local expertise, local solutions
 - Comprehensive business monitoring, improvement and development programs

BECOMING AUSTRALIA'S LEADING UTILITY BUSINESS

OUR ACHIEVEMENTS IN 2002-2003

COUNTRY ENERGY'S 2002-2003 ACHIEVEMENTS ARE BOTH MEASURES OF PERFORMANCE AND INDICATORS OF WHO WE ARE AND WHERE OUR PRIORITIES LIE. SOME OF THE YEAR'S SUCCESSES FOLLOW.

Implemented a \$140 million capital investment program to upgrade our network and improve reliability to our customers. This is another instalment in a long-term program commenced at Country Energy's formation, which will see around \$550 million invested in network improvements by June 2004.

Began purchasing green energy from a new food waste to energy plant in western Sydney – the first of its kind in Australia.

Created new customer and field service centres, often based on cost effective co-sharing arrangements. Country Energy has opened new facilities in conjunction with local governments and financial service providers, bringing benefits to both customers and their communities. Five new customer service centres were opened at Orange, Wagga Wagga, Goulburn, Grafton and Tweed Heads, and four new field service centres were opened at Nambucca Heads, Jerilderie, Holbrook and Gloucester.

Signed a multi-million dollar agreement to purchase the entire energy output from one of Australia's largest wind farms at Lake Bonney, in south east South Australia. The first stage of the facility will be operational in late 2004, when the wind farm will be producing enough energy to power around 40,000 homes.



Introduced *Energy*, Country Energy's new customer information system and billing software, providing a solid base for all customer contact activity. Country Energy's alliance with the creators of *Energy*, Peace Software, allows for ongoing improvement in our processes – ensuring we continue to offer superior levels of cost efficient customer service.

Implemented a single, group-wide finance, human resources and payroll system. The system is based on PeopleSoft software, providing an internationally recognised model of best practice in these key areas.

Constructed an innovative substation at Ganmurra, near Wagga Wagga, designed to keep local wildlife away from the power supply network. The adoption of this modern, completely enclosed design is a first for Country Energy and the shape of things to come.

Adopted the 'Dashboard' concept for performance measurement. The Dashboard provides a clear and consistent performance tool for each business team, focused on the measures they are best placed to influence.

Released our *Strategy Statement 2003-2006*. Put simply, the Strategy Statement is our blueprint for the future, providing a structure and process for achieving our ambition to be Australia's leading utility business. It builds on the results of an organisation wide employee survey and is reflected in the design and structure of this Annual Report.

Introduced the 'WIN' (Works Improvement Notice) system, allowing Country Energy employees to report any safety, environmental or network concern, outline a problem or suggest an improvement, with confidence that the matter will be addressed.

YEAR IN REVIEW: CHAIRMAN AND MANAGING DIRECTOR

Last year we made the observation that Country Energy had hit the ground running in its first full year of operations. Continuing the sporting analogy, this year has been the second lap. We have settled into our stride, assessed the other runners, fixed our race plan and positioned ourselves to be a leader.

In more traditional business terminology, it's been a year of consolidation, planning and some major advances.

Building on last year's strong financial platform, we delivered an excellent return for our shareholders, more than doubling our after tax profit to \$36.8 million. Careful management of our expenditure and growth in operating revenue of more than five per cent combined to make this result possible.

We delivered our expected dividend target and exceeded our earnings before interest and tax target by more than \$3 million. Compared to the combined results of our three predecessor organisations, this was the best financial result for five years.

We've grown our customer base in both the business and domestic segments. Our customers gave us an overall score of 82.4 per cent for customer satisfaction in August 2002 – a result that puts us in the top 25 per cent of surveyed organisations worldwide.

We've maintained a focus on customers in everything we've done in the past twelve months. As some corporations withdrew services, we improved our service delivery across the State. We saw clear business merit in opening five new customer service centres and four new field service centres and the response of local customers and communities has been very pleasing.

During the year we invested more than \$210 million in maintaining and operating our power supply network. An additional capital investment of \$140 million was aimed at upgrading our network and improving reliability of supply to our customers

Communities across New South Wales also benefited from our sponsorship program, with more than a million dollars invested in 1,300 environmental, social, sporting, education, arts and cultural events and initiatives.

Country Energy has now successfully acquired, adapted and rolled out a series of new information technology systems, including a customer information and billing system, a new asset management system and a single finance, human resources and payroll system.

With an eye to the future, we have also embarked on some advanced technology projects, including the development of a virtual control room which will allow us to manage the network by computer from almost anywhere.

We have continued to turn green energy into a commercial reality, purchasing the energy from one of Australia's largest wind farms at Lake Bonney and from a new food waste to energy plant in Sydney. We also began generating power from an innovative hydro project on the Mulwala irrigation canal, near Berrigan in southern New South Wales.

The health, safety and well being of our employees, service providers, visitors and customers are of paramount importance to us. Our many safety initiatives have a common thread – a focus on awareness and harnessing the experience and shared knowledge of our employees.



We have also responded to the new security imperative, being an active participant in all Federal and State Government working groups. We have established roles at senior levels, leading teams dedicated to security, safety and environmental management.

While people across the business have worked incredibly hard over the past two years to successfully establish Country Energy, our long term success depends on having a plan for the future and the ability to pinpoint areas for improvement – that plan is reflected in our *Strategy Statement 2003-2006*.

The views and beliefs of our employees are the foundation for the strategy. They want a united organisation with a clear sense of direction. With that direction now set firmly in place we are well positioned to run a great race next year.



Barbara Ward

Chairman of the Board

A handwritten signature in black ink, appearing to read 'B. Ward'.

Craig Murray

Managing Director

A handwritten signature in black ink, appearing to read 'C. Murray'.

A LEADING NATIONAL RETAILER

COUNTRY ENERGY IS ONE OF THE LARGEST ELECTRICITY RETAILERS IN AUSTRALIA. WE PROVIDE A RANGE OF ENERGY SERVICES TO MORE THAN THREE QUARTERS OF A MILLION CUSTOMERS IN FIVE STATES AND TERRITORIES.

WINNING CUSTOMERS

Full retail competition from 1 January 2002 brought a whole new set of challenges and expectations to the electricity market. Country Energy rose to that challenge from day one.

This year we approached more than 120,000 potential customers. This activity enabled Country Energy to achieve significant penetration into energy markets outside of our traditional retail base.

Enhancements to our online energy quoting system have also enabled us to quote to a wider customer base, keeping us ahead of the competition.

An indication of our success is our solid win to loss ratio of nearly four to one for residential and small business customers.

Our base of larger customers continued to grow, testimony to our commitment to providing competitive pricing, excellent customer service, innovative pricing options and tailored service packages.

This year we attracted and retained a number of major customers, all against strong competition, including:

- Sydney Opera House, New South Wales
- University of Adelaide, South Australia
- Rialto Towers, Victoria
- Hungry Jack's retail chain, Victoria and New South Wales
- Ricegrowers' Cooperative Limited (Sunrice), New South Wales

- Bartter Enterprises Pty Ltd, New South Wales
- McWilliam's Wines, New South Wales
- De Bortoli Wines, New South Wales
- Rockdale Beef, New South Wales

Throughout the year we provided our top 1,000 business customers with important information to help them conserve energy, add value and save money in their business. This helped us retain over 95 per cent of our commercial and industrial customers in the face of fierce competition.

NEW BILLING SOFTWARE

Central to our ability to provide superior customer service and respond to our customers' needs is an accurate and reliable customer information system. Following more than six months of planning to merge customer information from three former organisations, Country Energy completed the implementation of a single, customer information and billing system across the organisation in September 2002.

Customers can expect further improvements in service levels in the future as we continue to evolve and improve our system, *Energy*, in alliance with software providers Peace Software.



CEINTERNET EXPANDED

Country Energy has expanded CEinternet - a competitively priced, high quality internet service for business and residential customers. This year we introduced ADSL Broadband which allows customers to connect to the internet up to 20 times faster than dial up internet services. The service also allows customers to use their phone and the high speed broadband connection at the same time.

Through CEinternet, our customers can access the web and emails, conduct online transactions and publish their own web pages. The ISP service has received positive feedback from customers in Victoria, New South Wales, Queensland and the Australian Capital Territory.



EMPLOYEES THE STARS

Country Energy's employees became the stars of a new advertising campaign. The campaign reflected the core values of the organisation, reinforcing our commitment to providing local employment opportunities and community support across country and coastal New South Wales. The campaign featured in local newspapers and on radio advertisements, brochures and mobile billboards.



WEBSITE REACHES NEW HEIGHTS

Our website **countryenergy.com.au** moved a stepped closer to being named the best in the industry. Internet research company Global Reviews placed our website in second place across the energy sector, up from tenth position in an earlier review. Additional enhancements are planned for our website to further improve its customer interaction capabilities.

GREEN ENERGY

Country Energy's green products were consolidated into a new product called *country green*.

Customers can reduce their greenhouse gas emissions by purchasing energy from renewable sources, including:

- wind from Blayney and Crookwell wind farms,
- solar from the Queanbeyan solar farm,
- hydro from Copeton, Oakey and Chichester, and
- biomass from Broadwater, Condong and Harwood sugar mills.

Our customers can choose three levels of green energy:

- liteGREEN – 20c/day – 20 per cent renewable energy.
- livingGREEN – 50c/day – 50 per cent renewable energy.
- pureGREEN – \$1/day – 100 per cent renewable energy.

Commitments to new green energy purchases from the Lake Bonney wind farm and the Camellia food waste to energy plant in Western Sydney were major highlights of the year.

THE BEST NETWORK MANAGER

COUNTRY ENERGY OWNS AND OPERATES THE WORLD'S SECOND LARGEST ELECTRICITY NETWORK, WHICH COVERS NEARLY THREE QUARTERS OF NEW SOUTH WALES. MEETING THE CHANGING ENERGY NEEDS OF OUR CUSTOMERS, WHO LIVE IN MORE THAN 1,500 COUNTRY AND COASTAL COMMUNITIES AND CITIES, REMAINED A KEY PRIORITY.

NETWORK INVESTMENT

During 2002-2003 we invested more than \$140 million to upgrade our network and improve the reliability of supply to our customers across New South Wales. In addition, we spent over \$210 million on routine maintenance and operation of our power supply network.

Country Energy's significant investment in network improvements and maintenance is part of our commitment to keeping pace with the rapid growth of the 1,500 communities we support across the State. Some of these major network investments included:

- **Manildra**
\$2.8 million to upgrade substation (132/11kV), meeting future energy demands of the Manildra Flour Mill and surrounding areas.
- **Tuncurry**
\$2.6 million to construct zone substation (66/11kV) and increase supply capacity to Tuncurry and Forster communities.
- **Grafton**
Commencement of a \$2.6 million project to construct a ring system (66kV), improving capacity and minimising supply interruptions.
- **Snowy Mountains**
\$1.4 million to upgrade substation (132/66/11kV), improving reliability and meeting future energy demands in the Jindabyne, Eucumbene and Adaminaby areas.

DESIGNING AHEAD

Country Energy's sub-transmission design team completed more than \$45 million of major powerline and substation design projects. These projects included the design and construction of the zone substations at Tuncurry and Manildra, and in the Goondiwindi, Inglewood and Snowy Mountains areas.

TUMUT VALLEY GETS GAS

A community event in Adelong in April marked the completion of a major project to connect natural gas to the Tumut Valley. The project originally began with a contract to transport gas to the Visy Pulp and Paper Mill in 1999.

Since then, the project has made it possible for more than 2,500 homes and businesses in Gundagai, Tumut and Adelong to connect to natural gas. The project has also established a strong foundation for future business growth and regional development.

SUPPLY RELIABILITY

We continued to focus on providing reliable supply for our customers. This year we aimed to keep the average time without supply from unplanned interruptions down to 178 minutes per customer. We achieved a result of 230 minutes.

The high number of total fire bans imposed across the State during the year contributed significantly to the recorded increase. Prior to restoring power to a powerline during a total fire ban, we are required to visually inspect the full



length of the line for potential fire hazards. While this obviously lengthened restoration times, it was essential to ensure community and property safety during these high risk periods.

REMOTE CONTROL ON THE WAY

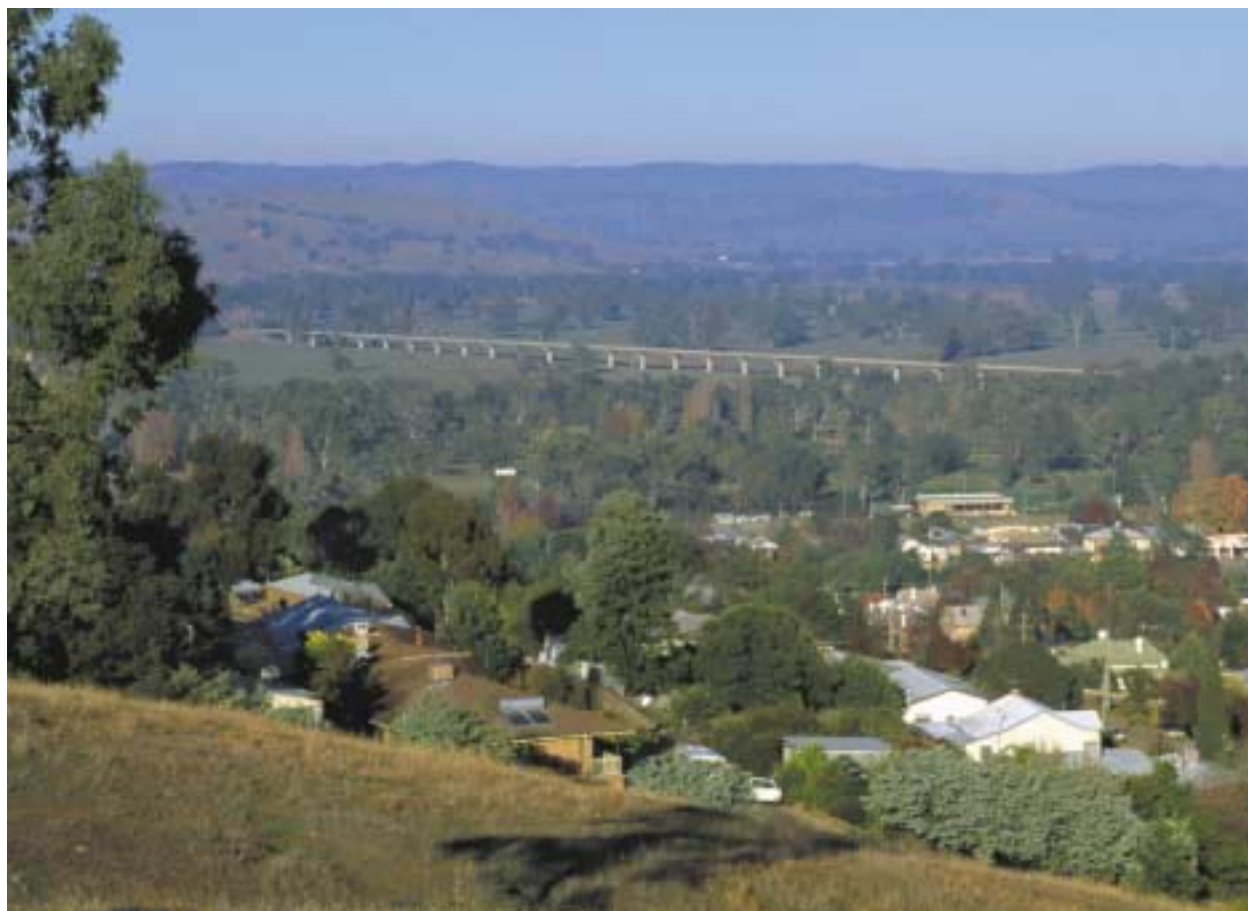
Country Energy's ability to respond to major outages or emergencies was enhanced in August 2002 with the commencement of a project to establish a virtual control room.

The virtual operations service centre (VOSC) will bring a wide range of customer and organisational benefits. These include greater efficiencies and improvements to safety, response times, system planning and communications regarding the network conditions at any time. The three-year VOSC project will also allow Country Energy to manage our entire network remotely from almost any of our operation service centres.

ASSETS MANAGEMENT FRAMEWORK

In March we embarked on a project to implement a system to streamline and better manage the value, use and performance of our assets. The asset management and operating support system, or AMOSS, provides a framework to effectively manage around \$7.9 billion (in replacement value) of assets.

The new system combines a geographic information and asset management system and interfaces with other business systems to provide accurate and timely data for field operations, works management, planning and regulatory reporting. The implementation of AMOSS across the organisation will be completed in September 2003.



Country Energy is meeting the energy needs of country and coastal communities.

POWERLINE COMMUNICATIONS

Country Energy has been actively exploring the potential of using our extensive electricity network for fibre optic cable installation, helping to deliver telecommunications services in country areas and strengthen our multi-utility status.

At the University of New England (UNE), for example, we have been working with TransGrid and the Australian Academic and Research Network (AARNet), to provide a twelve kilometre fibre optic cable link between the university and TransGrid's Armidale zone substation. The link will be connected in September 2003.

The joint venture will significantly increase UNE's capacity to communicate with students and staff both in the region and across the globe – paving the way for high-quality video links, face-to-face teaching, virtual seminars and participation in international conferences.

COORDINATED RISK FRAMEWORK

During 2002-2003, Country Energy consolidated many of its risk management activities to ensure that any potential risks are identified and appropriately addressed.

Among the outcomes emerging from this initiative was the appointment of a risk management coordinator to administer a Country Energy-wide risk management framework consistent with Australian and New Zealand Standards. We now centrally administer external contracts and commitments to ensure that they meet our compliance requirements.

CLOSE WATCH ON SECURITY

In response to heightened levels of security for critical utility infrastructure in New South Wales since October 2002, Country Energy has established a specialist team responsible for ensuring the security of our assets and employees.

Our security team supports a number of critical areas across the business, including access and fire management, critical infrastructure security and armed hold up survival training coordination. The team is also central to our crisis management planning process.

This year our security team began to implement new photo identification cards for all employees. In addition to allowing access to our sites, the new cards will improve the ability of our people to identify themselves as Country Energy employees when requested by our customers.

PRICE AND EQUITY

In August 2002, Country Energy introduced a retail price change for all of our regulated electricity customers and our regulated gas customers in Cooma, Bombala, Holbrook, Henty, Culcairn and Temora. The price changes were necessary to ensure that we continue to deliver superior energy services to support business investment and lifestyles in country and coastal communities.

All of the changes were made within the strict limits set by the Independent Pricing and Regulatory Tribunal (IPART), the body responsible for regulating electricity prices in New South Wales.

During the year we made significant progress towards consolidating our 'inherited' prices to ensure an equitable pricing structure for all of our customers. We reduced the number of price categories, from over 550 to 300, and have started to introduce a uniform price list for all new connections from 1 July 2003. We expect the price consolidation process to take several years to complete, due to regulatory constraints currently in place.



We introduced a network price change on 1 August 2002 affecting some large business and small retail customers. The price change reflected increases in the high voltage transmission charges we pay to the operators of the transmission network. The change was also necessary to allow us to fund investments in the long term quality and performance of our network assets.

LOOKING TO THE FUTURE

We commenced a review of our network prices this year to ensure we can continue to deliver a high standard network, in turn supporting investment and lifestyles in country and coastal communities and cities.

The review is being undertaken in line with IPART's 2004 Electricity Distribution Review. Due for completion in March 2004, the review will determine network prices across the State from 2004 to 2009 and recognise the link between network revenue, spending and reliability.

Country Energy's submission to IPART will recognise the need to balance equitable prices with the viability of our unique regional network and the needs of our diverse customer base.



CASE STUDY

INNOVATIVE NETWORK SOLUTIONS

When it came time to replace the outdated Ganmurra zone substation located near Wagga Wagga, Country Energy was faced with a challenge. Bird and wildlife activity in the substation had caused regular outages, and Country Energy needed to find an innovative solution that was good for the community, the organisation – and particularly the wildlife.



Ganmurra zone substation before (left) and after (above).

The solution was a state-of-the-art, environmentally friendly, substation kiosk – a first of its kind for Country Energy.

Constructed off-site, the compact kiosk was transported to its Ganmurra location where it was installed more quickly and efficiently than a traditional zone substation. More importantly, the self-contained kiosk provides higher levels of supply reliability for the local community by preventing wildlife coming into contact with the electrical network.

Following the success of the first kiosk, Country Energy is now planning to utilise the technology to upgrade other zone substations.

A VALUED PART OF THE COMMUNITY

COUNTRY ENERGY HAS GONE AGAINST THE CORPORATE TREND AND INCREASED ITS INVESTMENT IN COUNTRY AND COASTAL NEW SOUTH WALES. WHILE MANY NATIONAL CORPORATIONS ARE WITHDRAWING SERVICES, WE HAVE EXPANDED AND ENHANCED OURS – NOT BECAUSE IT'S A POPULAR IDEA, BUT BECAUSE IT MAKES GOOD BUSINESS SENSE. FOR US, IT'S AN INVESTMENT IN OUR COMMUNITIES, OUR PEOPLE AND OUR BUSINESS IN REGIONAL AUSTRALIA.

SUPPORT FOR THE HARD TIMES

In December, Country Energy launched *Country Support* – an innovative assistance program for customers experiencing permanent or temporary hardship. *Country Support* was developed to provide our customers with long-term payment solutions, not just short term fixes.

Since its launch, *Country Support* has assisted more than 1,900 customers. The program has also helped to significantly reduce the number of customer disconnections for non-payment from 9,285 last year to 3,631. The program is now acknowledged by the Energy and Water Ombudsman New South Wales, Clare Petre as a solid benchmark for other energy businesses.

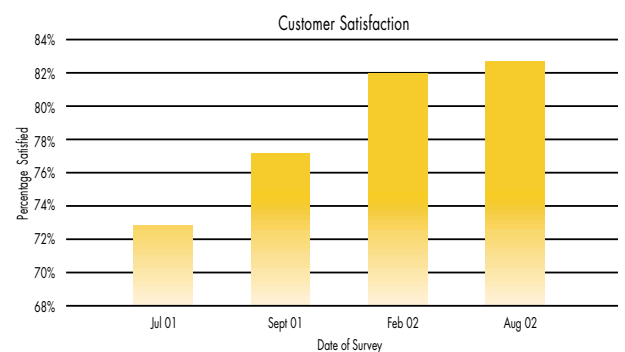
Through *Country Support* we can provide support during times of drought, unemployment, family changes, in fact during any circumstance where hardship affects customers and their families. Our dedicated *Country Support* team works with each customer to tailor a solution to their needs including: advice on best payment solutions; advice on relevant concessions available, from pensioner to life support rebates; free referral to registered financial support and community organisations; and advice on ways to make cost savings on energy.



CUSTOMER SATISFACTION RISES

Delivering excellent levels of customer satisfaction remained a priority for Country Energy. Our regular research tells us that with customer satisfaction surveyed at 82.4 per cent in August 2002, our success in meeting customer needs and service expectations continues to rise.

These results place Country Energy in the top 25 per cent of 250 organisations surveyed world-wide. They indicate that we are performing better than average in the areas of supply reliability, responsiveness to blackouts, professionalism, how quickly we answer customer calls and customer focus.



CUSTOMER RESPONSE

Customer consultations made by the Energy and Water Ombudsman New South Wales (EWON) rose slightly, from 914 last year to 1,103. None of these consultations progressed to complaint or dispute status.

Despite the increase in consultations, only 17.5 per cent of the total consultations dealt with by EWON related to Country Energy – a decrease from the previous period. This reflects our commitment to resolving customer concerns when they are raised within our organisation.

To complement our commitment to complaint resolution, we made a total of 413 guaranteed service standards payments this year.



CONSULTING WITH THE COMMUNITY

Keeping our customers informed of our activities is a core part of our day-to-day business. Country Energy works closely with both local and State media to keep our customers informed of news and events in their communities.

We also use a number of methods to keep our community stakeholders informed.

Customer Council

Country Energy's Customer Council comprises community members who represent our diverse customer base, from people living in rural and remote areas and low-income households to Aboriginal and Torres Strait Islanders and people from non-English speaking backgrounds.

Council members contribute to policy, planning and service decision-making relevant to our small retail customers and recommend solutions to customer concerns. During the year, council members met with the Energy and Water Ombudsman New South Wales to discuss the changing needs of customers across the energy industry.

Rural Advisory Group

Unique to Country Energy, our Rural Advisory Group was established to hear the views of our rural customers and provide feedback on issues affecting country people.

Each member has a strong understanding and wide experience of customers' issues. The group helps to develop new energy policies and ensures that Country Energy meets the unique needs of our rural and remote customers.

Regional Advisory Boards

Regional Advisory Boards have been established to represent customers' interests in our eight regions. Board members come from a variety of backgrounds, including local government, chambers of commerce, rural and remote areas and domestic customers. The Boards receive regular briefings on our range of products, promotional activities and planned network improvements – and provide us with feedback on what we do.

VENUES ON THE MOVE

The Country Energy Board and Executive regularly travel to country venues as part of our commitment to keeping in touch with our country and coastal communities. During these visits our management teams meet with local councils, community and media representatives and our employees to discuss first

hand the issues facing their community. These visits ensure that any business decisions Country Energy makes best meet the needs of all our stakeholders.

PROMOTING REGIONAL DEVELOPMENT

Country Energy is always looking for opportunities to support regional development and encourage regional economic growth in New South Wales. During the year we contributed towards government, private enterprise and community initiatives.

In Bathurst, for example, we contributed to the employment of a project manager to develop a business plan and secure funding for a proposed Bathurst Technology Park. The technology park will become a regional hub for science and technology research and development.

We were also the major sponsor for the Coonamble Tent Summit – a forum to explore the concept of 'regional enterprise zones'. The summit, hosted by Coonamble Shire Council, Orana Regional Development Board and Orana Development and Employment Corporation, attracted more than 200 delegates from New South Wales and interstate.

Other regional development projects undertaken throughout the year include:

- A \$1,500 contribution to each of the 27 regionally-based Business Enterprise Centres that play an essential role in incubating small business in regional communities.
- Support for a series of regional sustainability seminars coordinated by the Sustainable Energy Development Authority. Hosted by local shire councils, the seminars offered local businesses information and solutions to their sustainability issues.
- Support for regional investment tours initiated by the Department of State and Regional Development. The tours in Wagga Wagga and Goulburn were aimed at encouraging regional investment by showcasing local investment opportunities.

CUSTOMER CENTRES MULTIPLY

This year we continued to build on our program of opening new customer and field service centres, restoring service levels across the State. We opened five new customer service centres and four new field service centres.

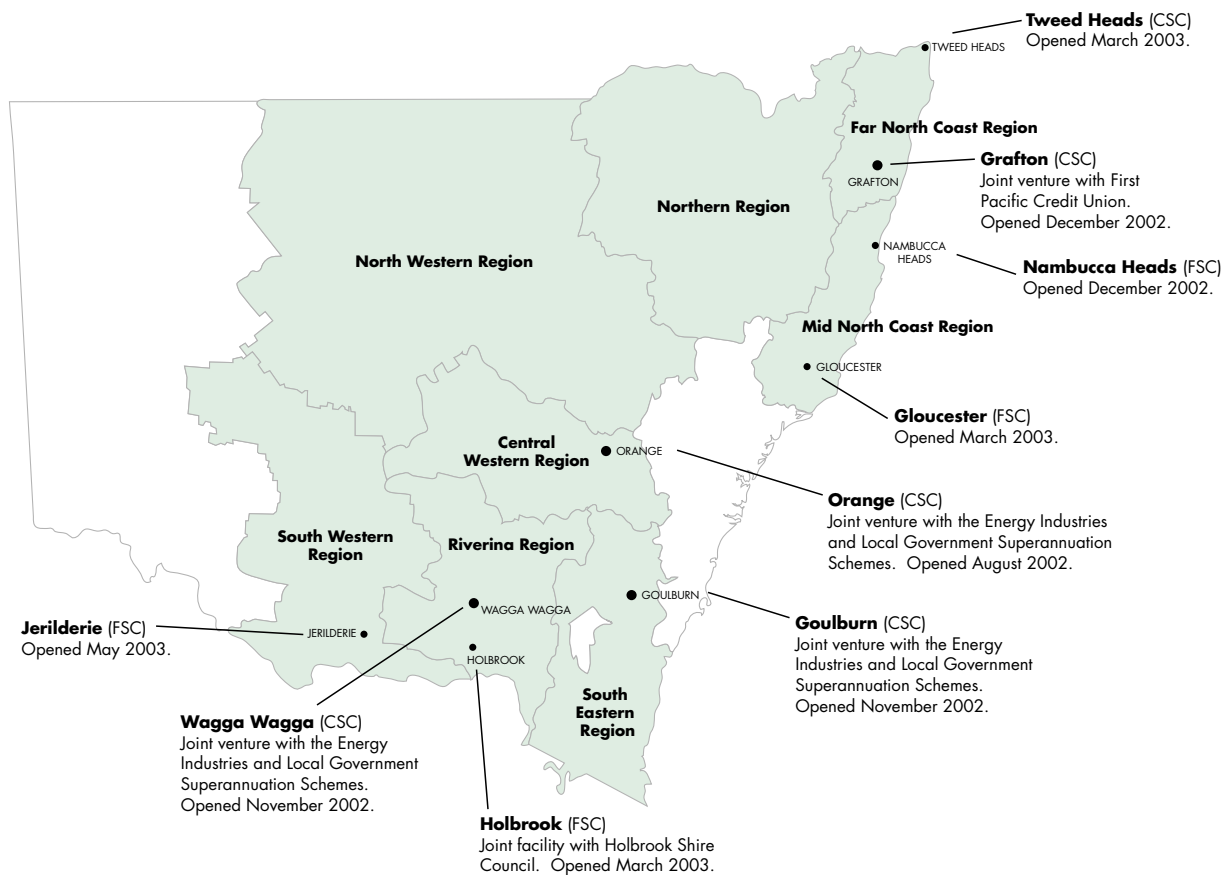
Country Energy also expanded our successful initiative of joining with one or more strategic partners, offering customers a broader range of services in one convenient location. In addition to providing great benefits for local communities, these strategic partnerships also ensure that our service centres remain cost effective.

For example, in Grafton, we have joined with financial services provider First Pacific Credit Union, and in the small rural

community of Holbrook with the local shire council. The new level of service provided by these and other joint initiatives has been well received by both our customers and those of our partners.

In the coming year, Country Energy will embark on a major program to replace each of our eleven regionally based appliance stores with a customer service centre. The existing Betta Electrical and Country Energy branded appliance businesses are intended to be offered for sale.

The new customer service centres will offer face-to-face personalised service in a comfortable environment where our customers can discuss energy needs and pricing, make general inquiries and account payments, or arrange a connection or disconnection.



CASE STUDY

BUSHFIRE RESPONSE

Country Energy was in the front line when devastating bushfires swept through the Australian Capital Territory and much of south eastern New South Wales in January and February 2003. Our employees worked tirelessly for more than 17 days to carry out emergency repairs and restore supply to more than 50,000 customers affected by the fires.

Due to the magnitude of the disaster – which destroyed around 200 poles and much of the associated power supply network – we called in repair teams from Goulburn, Young, Leeton, Albury, Griffith, Cooma, Bombala, Bega, Moruya, Jindabyne and the Riverina. These repair crews were supported by our call centre, planning, operations, design, communications and logistics teams across the State.

Country Energy also sent repair teams from Queanbeyan, Goulburn, Crookwell and Wagga Wagga to assist Canberra-based counterparts in the clean up and restoration of supply in the national capital.

Repair work in the Snowy Mountains and Brindabellas continued for many months after the fires due to the terrain and other environmental considerations. Some of the fire



The clearing shows where powerlines once stood.

damaged overhead lines and wooden poles will be replaced with underground cabling or concrete poles in late 2003.

The efforts made by our employees during and following the fires have been warmly welcomed by the region's communities and our customers.



Our customer service centres provide face-to-face personalised service.

COMMUNITY SPONSORSHIPS

Central to Country Energy's regional investment initiative is our community sponsorship program. Throughout the year we provided a total of \$1,133,950 to more than 1,300 environmental, social, sporting, educational, research and arts and cultural events and organisations across the State.

The following are just a few of the events we supported this year.

- **Country Energy Art Prize**

In 2003 we launched the inaugural \$35,000 Country Energy Art Prize for Landscape Painting. The art prize, a joint partnership with the New England Regional Art Museum in Armidale, is the richest acquisitive art prize in New South Wales, showcasing the talent of country and coastal artists across the State. The winner of the art prize will be announced in July 2003 from more than 350 entries received by the end of June.

- **Keep Australia Beautiful**

The Country Energy Tidy Town program entered its second year in 2003. The program helps improve local communities and provides significant economic, social and environmental benefits through a range of activities – from heritage, waste and wildlife to beautification projects.

- **CareFlight**

Country Energy's ongoing support of this essential community service is made possible by our customers who have generously chosen to donate to CareFlight through their energy account. During the year we contributed more than \$60,000 towards maintaining and expanding CareFlight's service. With our customers' support we expect to build on this total in the coming year.



Providing a helping hand to Careflight.

- **Northern Stars Under the Big Top**

Country Energy was a major sponsor of the inaugural Northern Stars Under the Big Top. This unique concept was developed to showcase the instrumental, song and dance skills and talents of 2,800 students across northern New South Wales. The event gave country students the opportunity to develop and experience cultural 'stardom' on a scale usually only available to students from the city.

- **Hume League**

The Hume League draws football and netball clubs from small towns across the Riverina and south eastern New South Wales. Our support contributes to the cost of umpires and trophies for the event, which attracts up to 2,000 players.

- **Sports Academy Talent Search Program**

Through the talent search program Country Energy provided regional kids with the same sporting opportunities as their city counterparts. Our funds enable the talent search to visit regional schools in the Riverina and south eastern New South Wales, and work with kids to identify a sport or activity that best suits them.

- **River Towns Project**

In the Barwon Darling region of north western New South Wales, Country Energy is helping to resolve some of the social and economic issues being faced by the community. Thanks to our sponsorship support a facilitator has been appointed to work with the community to reduce domestic violence and truancy, as well as encouraging small business growth.

- **Queanbeyan Country Energy Gift**

Following two years of support, the Queanbeyan Country Energy Gift is recognised as one of the most prestigious foot races on the eastern seaboard. The event was named as the best organised and most entertaining professional athletics carnival on the New South Wales circuit in 2002. Acknowledged as Queanbeyan's hallmark event, the Gift attracts athletes and spectators from across Australia.



- **Country Energy Banners of Balloons Competition**

For the second year, Country Energy was the major sponsor of this popular competition, designed to raise awareness of the central west's renowned Balloon Fiesta. This year the competition attracted 14 entries from primary and high schools depicting the Canowindra district and the Balloon Fiesta.

- **Surf and Water Safety Program**

More than 6,000 students from 45 schools in south eastern New South Wales benefited from the Country Energy supported Surf and Water Safety program. The program aims to teach children simple steps to stay safe in the water.

- **Northern Inland Excellence in Business Awards**

As a major sponsor of the most prestigious business awards in northern New South Wales, Country Energy is helping to support local inventors and innovations. The awards program promotes local business development opportunities as well as advising the community of leading technology and services available locally.

- **Towers of Strength**

Country Energy and our Port Macquarie field employees volunteered time and equipment during the year to dig trenches, lay cables and connect power to five lifeguard towers on beaches in the Hastings area. The sponsorship was a major contribution to the Combined Hastings Rotary Clubs' project to improve beach safety.



Photo courtesy of Port Macquarie News

Port Macquarie employees at work on Towers of Strength.

AN EMPLOYER OF CHOICE

COUNTRY ENERGY'S SUCCESS TO DATE HAS BEEN DRIVEN BY THE HARD WORK, COOPERATION AND COMMITMENT OF OUR EMPLOYEES TO DELIVERING EXCEPTIONAL CUSTOMER SERVICE.

REALISING THAT HARD WORK AND DETERMINATION MAY NOT BE ENOUGH TO ACHIEVE OUR AMBITION OF BEING AUSTRALIA'S LEADING UTILITY BUSINESS, THIS YEAR WE SET OUR SIGHTS ON BUILDING A SOLID FOUNDATION FOR OUR FUTURE SUCCESS. BY MATCHING THE VALUES AND EXPECTATIONS OF OUR PEOPLE WE ARE ALSO WORKING TOWARDS BECOMING AN EMPLOYER OF CHOICE.

HONEST ANSWERS

In December 2002, we launched our first comprehensive employee survey, giving our people the opportunity to tell us anonymously what they thought about the organisation and where improvements could be made.

The survey results highlighted Country Energy's cultural strengths, which included a high level of teamwork within work groups, our strong commitment to safety and our focus on customer service. Significantly our employees also said they have a strong desire to make Country Energy successful.

The research also identified some areas for improvement. The message from our people was clear – allow us to contribute more regularly to Country Energy's decision making processes and help us better understand the organisation's overall vision and goals.

We invested heavily this year to integrate the feedback of our employees into developing a high performance culture for our organisation.

SHAPING OUR CULTURE

In May 2003, we launched a high performance culture program to engage our people, focus us on our future direction and align our activities with our vision, values and business strategy.

We began by creating our *Strategy Statement 2003-2006* – a guiding framework for the next three years of operation. The Strategy Statement communicates to our people our overall vision and goals for the future. We have begun to translate the Strategy Statement into a set of measurable operational objectives. Our progress towards meeting these objectives will be reported to our Board monthly from July 2003.

Central to our goal of being Australia's leading utility business are our corporate values.

- **Safety** is fundamental to our work.
- **Teamwork** is our strength.
- We like to have **fun**.
- We are **enthusiastic** about our work.
- We strive for **excellence** in everything we do.
- We take **accountability** for our actions.

We have commenced an intensive performance coaching program to improve our performance and develop leadership skills across the organisation. This program will give our



managers specific abilities in promoting communication and teamwork across workgroups, and improving customer service.

Plans are now underway to deliver a personal development program for all of our 3,000 people to further align individual and organisational goals.

RECRUITMENT EXCELLENCE

A fair and unbiased recruitment and selection process is at the forefront of our employment program. All positions are advertised internally through our regular recruitment bulletin to ensure that employees have the opportunity to advance their careers within the organisation. External recruitment is undertaken if we are unsuccessful in attracting suitably qualified internal applicants, or need to employ new skills for the business.

APPRENTICE NUMBERS GROW

This year we welcomed 70 new apprentices to our field service teams, continuing our plan to create local employment opportunities. Our highly-successful apprenticeship program has seen more than 140 new apprentices join our workforce in the past two years. We now have over 200 apprentices working across the business.

By investing in the skills of young people we are helping to retain locally-based, qualified skills in regional communities, from Bombala and Albury in the south, west to Cobar and north to Kyogle. We are also providing country people with a foundation for long-term employment and career development.

CASE STUDY

APPRENTICE SUCCESS

Among the accolades collected by our apprentices were:

- Apprentice of the Year for Northern NSW in the Electrical Apprentice Category – Stephen Bolton from Grafton.
- Dubbo TAFE Awards Orana Group Apprentices Trophy for outstanding achievement over three years of electrical trade study – Greg Harris from Dubbo.
- Dubbo TAFE Award for high achievement in Electro technology, and top ranking student at stage three of an electrical trade course – Jonathan Donnelly from Cobar.
- First prize in the Overhead Lineworker Skills Demonstration, National Worldskills Competition (team event).

Apprentices competing in the National Worldskills Competition.



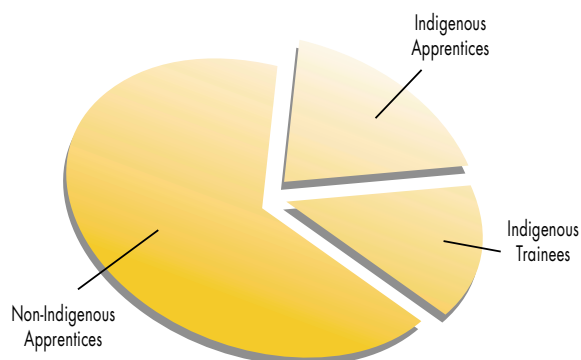
INDIGENOUS EMPLOYMENT PROGRAM

Fundamental to our employment program is our commitment to fostering indigenous employment. We achieved this through an innovative Indigenous Employment Program launched in late 2002 – the first of its kind for the New South Wales energy industry.

The program has delivered exceptional results in its first year with:

- ten indigenous apprentices from a total of 47 appointed in January 2003. These apprentices have joined field service teams located in ten communities across the State; and
- six indigenous trainees located in six regional communities.

Our Indigenous Employment Program is setting a solid benchmark for indigenous employment in country New South Wales.



Apprentices and trainees appointed throughout the year.

SERVICE MILESTONE AWARDS

We recognised the long term service of our employees through the Country Energy Service Milestone Awards. The awards recognised close to 1,500 employees who have been with Country Energy and its predecessors continuously for between 10 and more than 40 years.

Milestone recipients were presented with gifts and certificates at a series of celebrations which started in February 2003.



Country Energy Service Milestone recipients from Wagga Wagga.

Photo courtesy of The Daily Advertiser Wagga.

MANAGING DIRECTOR'S RECOGNITION PROGRAM

Our Managing Director's Recognition Program enabled employees to nominate colleagues who 'stood out from the crowd'. The people selected have displayed extraordinary levels of resilience or achievement in the face of hard work and personal hardship.

EMPLOYEE DEVELOPMENT PROGRAMS

We continued to support a number of training programs and development opportunities across the organisation.

Frontline Management Program

New recruits joined our Frontline Management Program, designed to build better career opportunities for employees from a range of different backgrounds, locations and disciplines. The program also delivers widespread benefits to our customers by improving the management and leadership skills of our workforce.

More than 130 employees from across the organisation are currently in the program, from zone substation managers, works schedulers and field team leaders to credit control, customer relations and power quality employees. Seventeen employees will graduate from the Frontline Diploma Program in August 2003.

Graduate Diploma Program

Thirty one of our people were selected to complete the Graduate Diploma Program through Charles Sturt University. This competitive program was open to all employees who submitted an expression of interest to participate. On achieving the Graduate Certificate in Management, participants can choose to undertake a Graduate Diploma of Management, followed by a Master of Management.

Specialist Training

Specialist training is also provided to ensure our people have all the necessary skills to deliver the highest level of service. In May, for example, three of our employees travelled to Germany to undertake an intensive training course in managing and maintaining critical zone substation equipment. The training will help improve customer service by reducing the number of supply outages resulting from the failure of this equipment.

NEW FINANCE AND PAYROLL SYSTEM

A major project for Country Energy during the year was the implementation of a single finance, human resources and payroll system. The implementation of the system on 1 July 2003 will take us one step closer to consolidating all of our legacy finance, human resources and payroll systems. Utilising PeopleSoft software, recognised internationally as a model of best practice, the new system will introduce consistent processes across the organisation.

CODE OF CONDUCT

In December 2002, we introduced the Country Energy Code of Conduct, consolidating and building on our three former codes. The Code applies to any of our directors, employees, consultants and contractors who represent or undertake duties for the organisation.

WORKPLACE RELATIONS

Negotiations are well underway to update the Country Energy Enterprise Award, which was successfully implemented in July 2002. A significant component of the updated award is a competency-based classification structure that will provide enhanced career opportunities for our employees.

We also maintained our record of no time lost due to industrial disputes.

ACCLAIMED FOR OUR ENVIRONMENTAL INITIATIVES & SAFETY

THE HEALTH, SAFETY AND WELL BEING OF OUR EMPLOYEES, SERVICE PROVIDERS, VISITORS AND CUSTOMERS ARE OF PARAMOUNT IMPORTANCE TO US. SO TOO IS NURTURING AND PROTECTING THE ENVIRONMENT FOR THE BENEFIT OF OUR COMMUNITIES, BOTH NOW AND IN THE FUTURE.

A TEAM APPROACH

A new team-based structure to drive further improvements in our safety and environmental performance has been implemented.

Employees at each location have nominated Safety and Environment Local Employee Representatives (SELERs) to act as the eyes, ears and voice for local issues.

Eight regional Safety and Environment Regional Improvement Teams (SERITs) review our performance in health, safety, public electrical safety and the environment and identify opportunities for improvements.

Representatives from each regional team regularly meet as part of the Safety and Environment Corporate Improvement Team (SECIT) to recommend strategies to achieve improvements across the organisation.

BETTER REPORTING

In July 2002, we successfully introduced an innovative works improvement notice, or WIN, system to manage safety, environmental or network safety improvements across the organisation.

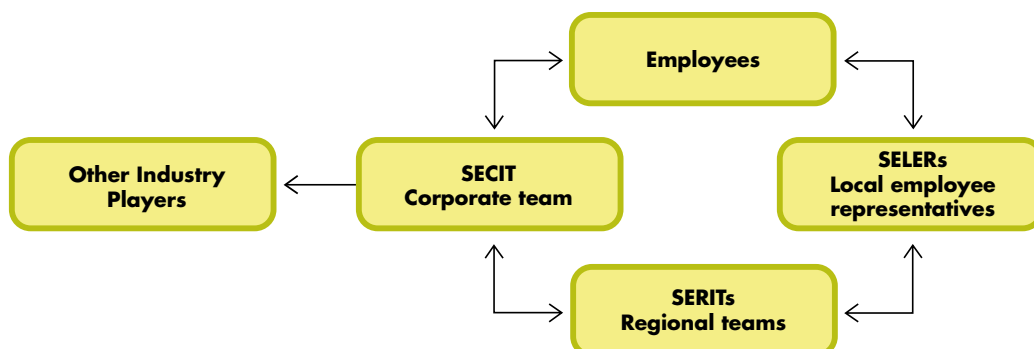
WIN provides a single, consistent system for all employees to report any safety, network or environmental incident, outline a problem or suggest an improvement. The electronic system then tracks and records the resolution or improvement actions taken.

Since its inception, WIN has been used to manage more than 2,700 issues across the organisation.

OUR SAFETY PERFORMANCE

Our Lost Time Injury Frequency Rate (LTIFR) improved from 9.1 to 7.8, while the Average Time Lost per injury (ATL) was 11.1 days, up from 10.6 days last year.

A team approach to safety and environmental management.





KEEPING TO THE RULES

In June we revised and consolidated our electrical safety rules for working on or near high voltage and low voltage electrical systems. The rules apply to all employees, contractors and accredited service providers involved in the construction, maintenance, repair and operation of our electrical network.

LUNG BUS

Nearly 1,600 employees accepted an invitation to participate in a respiratory screening and health assessment program for signs of asbestos-related illnesses and other health issues. The Dust Diseases Board's Lung Bus visited 28 field service centres during March and April 2003.

The program was well received by our people and increased the general awareness of asbestos, other dust-related diseases and health issues. Only one employee was advised by the Dust Diseases Board to undergo further assessment.

KEEPING THE PUBLIC SAFE

Our public electrical safety campaign continued to alert the community to potential electrical hazards and advise how to best avoid electrical accidents.

We continued to adopt the slogan *Watch Out, Watch Out, There Are Powerlines About* to generate improved levels of safety awareness, particularly in high risk areas such as crop-dusting and the use of tall machinery. Our specialist public safety officers worked with the agricultural and construction sectors to increase awareness of the need for vigilance.

Public safety educational and awareness activities were also implemented for other sectors of the community, including school children, motorists, boat owners, home renovators and gardeners. These activities were timed to coincide with high risk safety periods such as school holidays and spring.

CASE STUDY

SAFER REFLECTIONS

We have commenced a program to re-badge our service vehicles, vastly improving their visibility and enhancing the safety of our employees. More than 430 vehicles across 110 communities now display the prominent signage, which incorporates reflective striping for some high use vehicles.

The new signage has been welcomed by many of our rural customers who have commented on the increased visibility it provides when work is being undertaken on their property.



LEADING THE WAY IN GREEN

Country Energy is leading the way when it comes to environmental sustainability and social responsibility, this year announcing three new initiatives to source renewable energy.

- In February 2003, we signed a multi-million dollar agreement to purchase green energy from the first stage of one of the largest wind farms to be connected to the Australian national electricity grid. The agreement with Babcock and Brown Windpower Pty Ltd allows us to purchase the output from Lake Bonney Wind Farm in south eastern South Australia. By the end of 2004, the wind farm will be producing enough energy to power around 40,000 homes.

- In February we also began purchasing green energy from a new food waste to energy plant in western Sydney – the first of its kind in Australia. The EarthPower Technologies bioenergy plant at Camellia will recycle up to 800,000 tonnes of waste per year into electricity and organic fertiliser. Our three-year agreement to purchase the entire energy output from the plant will allow around 3,000 homes to be supplied with green energy annually.
- In October we began power generation from an innovative ‘run of the river’ hydro project called ‘The Drop’. Located on the Mulwala irrigation canal near Berrigan in southern New South Wales, the power station generates renewable energy from water flowing along the canal for up to eight months of the irrigation season. ‘The Drop’ will produce enough green energy for around 1,600 homes each year.

SUSTAINABLE PARTNERSHIPS

This year we established and continued a number of commercial partnerships to deliver environmental benefits and regional sustainability to country and coastal New South Wales.

Recognising the contribution that cogeneration can make to the environment, we joined with the Sustainable Energy Development Authority to assist businesses to investigate the feasibility of adopting cogeneration for their commercial activities. Cogeneration can help a business double energy efficiency, halve power costs and reduce carbon-dioxide emission by two-thirds.

In October we signed a five-year exclusivity agreement with Renewable Australia Pty Ltd to develop and commercialise technology to recover methane gas from landfill sites. The agreement follows a successful project by University of New South Wales student, Jason Scarborough, at Bathurst City Council last year. The technology, which will continue to be developed, will encourage better landfill management, create regional job opportunities and improve regional infrastructure and safety.

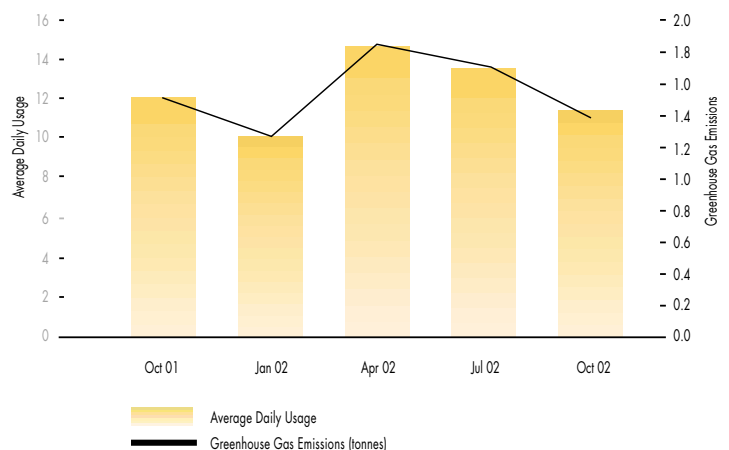
REDUCING GREENHOUSE GASES

Our strategies for reducing greenhouse gas emissions and helping customers use electricity more efficiently expanded this year.

In December 2002 we launched our Corporate Renewable Energy and Greenhouse Gas Abatement Strategy, reinforcing our commitment to addressing greenhouse issues. This strategy provides a framework for Country Energy to meet our organisational targets for greenhouse gas emission reduction, as well as those set by the Federal and State Governments.

We announced that we will increase our fleet of gas-powered vehicles from 115 to 500. Over two years, the 500-strong LPG fleet will reduce greenhouse gas emissions by 1,800 tonnes and save around \$1 million in fuel costs. LPG vehicles are cleaner and cheaper to run and have a greater driving range than petrol vehicles.

Since February all of our energy accounts have displayed a graph showing the level of electricity usage and the amount of greenhouse gases emitted. Although the inclusion of this graph was mandatory in Victoria, we provide the information voluntarily on all our accounts. The graphs help customers take the first step towards reducing consumption by ensuring they are aware of the environmental impact of their electricity usage.



Total greenhouse emissions for this bill: 1.38 tonnes.

The graph on our accounts helps customers reduce greenhouse gas emissions.

WASTE RECYCLING AND PURCHASING POLICY

We looked for better ways to reduce waste, recover resources and use recycled material as part of our waste reduction and purchasing policy. Initiatives included:

- Implementing an electronic document and records management system, allowing documents to be transferred electronically and reducing the need for paper mailing.
- Investigating an alternative plastic recycling scheme for plastic conduit and other items.
- Establishing a secure document recycling system for all our sensitive and confidential records.

NATURE CONSERVATION

Our employees have been involved in several initiatives as part of our commitment to protecting the environment.

In the Riverina, our employees worked with Greening Australia and local schools to plant trees along the banks of the Murrumbidgee River. Trees were also provided to a local school for their wetlands project.

Our field teams in Forster-Tuncurry relocated osprey nests from on top of our power poles to a nearby island. By providing a new home for the birds we removed the risk of the ospreys contacting powerlines, saving their lives and improving supply reliability in the area. As part of the initiative our people assist the National Parks and Wildlife Service to sample nest sites and collect statistics on bird behaviour.

CASE STUDY

SITE REMEDIATION

In association with the establishment of a contaminated sites register, we continued to remediate parcels of land that contain inground fuel tanks or are affected by chemical usage and waste disposal practices.

For the past five years we have conducted six-monthly ground water monitoring at the decommissioned Koolkhan Power Station site located adjacent to the Clarence River north of Grafton. The Environmental Protection Authority (EPA) relaxed testing to 12 monthly intervals this year. This reflects the success of our remediation practices to prevent potential contaminants migrating towards the Clarence River.

We worked with the Clarence River County Council down stream of Nymboida Hydro Power Station to construct rock ramps. The ramps maintain pools and riffles, helping to reduce bank erosion in the Blaxland Creek system. The work has been welcomed by local property owners and the Department of Land and Water Conservation (DLWC).

Work continued to manage the decommissioning of the Ashford Power Station. We regularly sampled the ash stockpile located adjacent to the Severn River, and are planning its removal or stabilisation with the relevant authorities.



Relocating Osprey nests.

Photo courtesy of Port Macquarie News.

OUR BOARD OF DIRECTORS



The Hon Michael Lee, Tim Sullivan OAM, Craig Murray, Greg McLean, Barbara Ward, Rowena Sylvester and John Wearne AM.

Barbara Ward

BEC, MPol. Econ

Chairman since 6 June 2001

Member of the Audit and Risk Committee

Chairman, EMMLINK Pty Limited

Chairman, Country Energy Gas Pty Limited

Chairman, East Coast Gas Pty Limited

Chairman, NorthPower Energy Services Pty Limited

Craig Murray

Managing Director since 8 June 2001

Member (ex officio) of the Safety and Environment Committee

Director, EMMLINK Pty Limited

Director, Country Energy Gas Pty Limited

Director, East Coast Gas Pty Limited

Director, NorthPower Energy Services Pty Limited

The Hon Michael Lee

BSc, BE (Hons), FIEAust

Director since 1 March 2002

Member of the Safety and Environment Committee

Greg McLean

Director since 30 April 2002

Member of the Safety and Environment Committee

Tim Sullivan OAM

Director since 6 June 2001

Chairman of the Safety and Environment Committee

Rowena Sylvester

B. Bus

Director since 1 March 2002

Chairman of the Audit and Risk Committee

John Wearne AM

Director since 6 June 2001

Member of the Audit and Risk Committee

ATTENDANCE AT BOARD MEETINGS

Name	Eligible	Attended
Barbara Ward	11	11
Craig Murray	11	11
The Hon Michael Lee	11	11
Greg McLean	11	10
Tim Sullivan OAM	11	11
Rowena Sylvester	11	10
John Wearne AM	11	11

There were no changes to Country Energy's Board during the reporting year.

OUR EXECUTIVE TEAM



Terry Miller, Ken Stonestreet, Bill Frewen, Craig Murray, Ron Craggs, Derek Lark, John Adams, Justin De Lorenzo and Gary Humphreys.

Craig Murray

Managing Director, Member Board of Directors

- Leadership, strategy, business performance, corporate values, shareholder relations and stakeholder interfaces

John Adams

Group General Manager Retail, *Dip. (Elect Eng), B Bus. FIE Aust.*

- Retail business, including sales and marketing functions, national and residential sales, retail pricing and product development

Ron Craggs

Group General Manager Corporate Services and Company Secretary, *BE (Hons), Grad. Dip.Mgt.*

- Corporate governance and services to the Board, and executive oversight of safety, environmental and quality systems and organisation development

Justin De Lorenzo

Group General Manager Finance and Regulatory Affairs, *B Com, ACA, ASIA*

- Finance, strategy, energy trading, management accounting, materials supply and regulatory affairs

Bill Frewen

Corporate Counsel, *BA LLB*

- Corporate affairs, legal services, government relations and external relations generally

Gary Humphreys

Group General Manager Corporate Operations

- Corporate marketing, strategy and planning, customer relations, risk management, property management and corporate support services

Derek Lark

Group General Manager Business Development, *BE, MBA, FAICD, CP Eng*

- Development of innovative commercial uses for infrastructure, green energy projects, new telecommunications products and services, regional development, business commercialisation and manages CE Gas Networks Pty Ltd

Terry Miller

Group General Manager Networks, *BE, MBA, CP Eng, MIE Aust, MAICD*

- Overall commercial performance and regulatory compliance of Country Energy's networks business, network asset management strategy, policies and specialised technical services. Executive responsibility for subtransmission system design, development and construction, logistics, fleet and generation

Ken Stonestreet

Group General Manager Service Delivery, *BE (Hons), CP Eng*

- Core service delivery functions such as network control, field safety management and regional management

GOVERNANCE

Country Energy is established by the Energy Services Corporations Act 1995 and performs all functions related to the distribution and supply of cost-competitive energy and energy related services.

Country Energy holds distribution and retail licences in New South Wales and Victoria (electricity and gas), retail licences in South Australia, Queensland and the Australian Capital Territory (electricity) and a special approval for the distribution and retailing of electricity to franchise customers in parts of south west Queensland.

BOARD COMMITTEES

Audit and Risk Committee

Risk management remains a key focus for the Board and management at all levels. The Board's Audit and Risk Committee regularly monitors the risks associated with key activities across the organisation. Management Assurance Services (MAS) team provides the committee with independent internal audit and assurance services to review the organisation's management of risk. The committee sets the annual audit plan to define the MAS team's objectives and project schedule and receives comprehensive reports on the MAS reviews at each of its meetings.

The Audit and Risk Committee comprises at least three non-executive members of the Board. The Chairman of the Board shall not be the Chairman of the Committee. Other non-executive Directors, the Managing Director, the Group General Manager Finance and Regulatory Affairs, and the External Auditor, have a standing invitation to attend meetings as required, in the capacity of observer.

Safety and Environment Committee

Country Energy's abiding concern for the wellbeing of employees and the public is put into action by its Safety and Environment Committee, that deals with issues of performance and compliance in these critical areas.

The committee meets regularly with management and internal safety specialists to determine safety and environment strategies and targets and monitor achievements. All significant safety and environmental incidents are considered in detail and actions are instigated to address any areas of concern.

As discussed in this report, the year has seen an improvement in safety performance; no reportable environmental breaches; significant progress in our management of contaminated sites;

and the continuation of our public safety campaign.

Workplace safety, however, remains the committee's prime focus.

FREEDOM OF INFORMATION

During the year, we received eight requests for information under the Freedom of Information Act 1989. Seven of these applications were granted access in full. One was refused on the basis that it:

- contained information that has commercial value to competitors of Country Energy and would therefore affect our business affairs;
- contained information that may affect the business affairs of our customers and would require us to consult with these customers to obtain their view; and
- would have had the effect of substantially and unreasonably diverting resources away from their use by Country Energy.

INSURANCE AGAINST RISK

Country Energy maintained its comprehensive insurance coverage secured on a competitive basis from appropriate insurance sources. Fire, general liability, directors' and officers' liability insurance is secured under the NSW Electricity Industry Group Scheme administered by a committee comprised of nominees from each of the distributors involved.

LEGISLATIVE CHANGES

The following legislative amendments were made this year:

- Independent Pricing & Regulatory Tribunal Act 1992 – Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002 No 122 (assented to 16 December 2002, commenced 1 January 2003).
- Gas Supply (Gas Meters) Regulation 2002 (commenced 1 September 2002). This regulation replaces the Gas Supply (Gas Meters) Regulation 1997.
- Gas Supply (General) Regulation 1997 – Gas Supply (Network Safety Management) Regulation 2002 (commenced 1 September 2002).
- Gas Supply (Safety and Operating Plans) Regulation 1997 (commenced 1 September 2002).
- Electricity Supply Act 1995 No 122 – Electricity Supply Amendment (Greenhouse Gas Emission Reduction) Act 2002 (commenced 1 January 2003).
- Electricity Supply Regulations – Electricity Supply (General) Regulation 2001 – Electricity Supply (General) Amendment

(Greenhouse Gas Emission Reduction) Regulation 2002 (commenced 1 January 2003); Electricity Supply (General) Amendment (Greenhouse Gas Abatement Certificate Scheme) Regulation 2003.

LICENCE COMPLIANCE

Licence compliance annual reports for our gas and electricity retail and distributor licences and our performance in safety were submitted to the Ministry of Energy and Utilities and the Independent Pricing and Regulatory Tribunal. As a contestable retailer in South Australia, Victoria and Queensland, compliance reports were also submitted to the energy regulator in each of those States, in accordance with current guidelines.

LAND DISPOSAL

We disposed of nine items of property with a combined value of \$2,616,408. All were considered surplus to our operations and the proceeds were used to fund capital works projects. Access to documents relating to the disposal of land can be obtained under the Freedom of Information Act.

OPPORTUNITIES FOR ALL

Country Energy is committed to creating an organisation that reflects the cultural and gender diversity of our customer base. These principles will be embedded in our new Equal Employment Opportunity Plan, which also incorporates people with a disability, and our new Ethnic Affairs Priority Statement Plan.

The following table shows the equal employment groups represented within our organisation at the end of the year.

A. Trends in the representation of EEO Groups

EEO Group	% of Total Staff				
	Benchmark or Target	2000	2001	2002	2003
Women	50%	16%	18%	18%	21%
Aboriginal people and Torres Strait Islanders	2%	1.8%	1.8%	1.4%	2%
People whose first language was not English	20%	1%	1%	1%	1%
People with a disability	12%	4%	3%	4%	5%
People with a disability requiring work-related adjustment	7%	0.9%	0.4%	0.6%	0%

B. Trends in the Distribution of EEO Groups

EEO Group	Distribution Index				
	Benchmark or Target	2000	2001	2002	2003
Women	100	76	75	84	80
Aboriginal people and Torres Strait Islanders	100	81	83	88	61
People whose first language was not English	100	116	n/a	94	100
People with a disability	100	101	99	104	106
People with a disability requiring work-related adjustment	100	94	n/a	n/a	n/a

Notes:

- Employee numbers are as at 30 June 2003.
- Excludes casual employees.
- A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other employees. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case with other employees. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
- The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.
- The statistics for 2000 and 2001 are an amalgamation of data collected from the three previous organisations – Great Southern Energy, Advance Energy and NorthPower.

CONTROLLED ENTITIES

EMMLINK Pty Limited (ACN 085 123 468)

A wholly-owned subsidiary of Country Energy established in 1998 to undertake the Directlink project, a 50/50 joint venture between EMMLINK Pty Limited and Hydro Quebec International Australia. Directlink is a major transmission project between Mullumbimby and Terranora in north eastern New South Wales, forming an entrepreneurial interstate interconnector within the national electricity market.

Country Energy Gas Pty Limited (formerly Great Southern Energy Gas Networks Pty Limited) (ACN 083 199 839)

A wholly owned subsidiary of Country Energy established in 1997 by Great Southern Energy to distribute and retail gas in Wagga Wagga and surrounding areas.

EastCoast Gas Pty Limited (ACN 071 314 184)

A wholly owned non-operating subsidiary of Country Energy Gas Networks Pty Limited.

NorthPower Energy Services Pty Limited

(ACN 075 619 895)

A wholly owned non-operating subsidiary of Country Energy.

OVERSEAS VISITS

During 2002-2003 the following overseas visits were undertaken for promotional purposes:

England – Ron Craggs, visit to overseas insurers to attend underwriter's presentations, July 2002.

Switzerland – Ron Craggs, visit to overseas insurers to attend underwriter's presentations, July 2002.

India – Craig Murray and Derek Lark, meeting with Ankur Scientific Energy Technologies Pty Ltd and demonstration of waste to energy systems, November 2002.

Germany – Tony Drabsch, Greg Pickersgill and Mark Winkler, training trip to Maschinenfabrik Reinhausen (MR) tap changer plant to undertake competency development program, May 2003.

USA – Patrick Cooper, customer information systems conference and meetings with Peace Software, May 2003.

- John Adams, Group General Manager Retail, \$270,000
- Terry Miller, Group General Manager Networks, \$270,000
- Ron Craggs, Group General Manager Corporate Services and Company Secretary, \$260,000
- Gary Humphreys, Group General Manager Corporate Operations, \$235,000
- Derek Lark, Group General Manager Business Development, \$235,000
- Terri Benson, General Manager Regulatory Affairs, \$216,666
- Stuart Liddell, General Manager Organisation Development, \$205,000
- Ross Pooley, Regional General Manager - South Eastern, \$185,625

A programmed performance review was undertaken during the year and all of the above officers met or exceeded their performance criteria. Country Energy's executive remuneration policy excludes bonus and at risk payments. No bonus payments were paid to any employee in relation to the 2002-2003 reporting year.

EXECUTIVE REMUNERATION

At the end of 2002-2003, Country Energy had 51 employees with a total remuneration package equal to or exceeding NSW Senior Executive Service (SES) Level 1, including three females. The following employees had a total remuneration package equal to or exceeding NSW SES Level 5:

- Craig Murray, Managing Director, \$445,000
- Ken Stonestreet, Group General Manager Service Delivery, \$275,000
- Justin De Lorenzo, Group General Manager Finance and Regulatory Affairs, \$275,000

CONSULTANTS

The total amount spent on consultants was \$795,724. Those consultancies valued at more than \$30,000 are shown in the following table. An additional 22 consultancies in management services (\$83,440), legal (\$41,920), organisational review (\$28,225) and engineering (\$15,040) were valued at less than \$30,000.

Supplier	Description of services provided	Amount
Finance and Tax		
Ernst & Young	Research and development claim	\$81,033
Management Services		
Pricewaterhouse Coopers	Business advice	\$108,970
New South Wales Treasury	Specialist regulatory advice	\$106,670
UMS	Business advice	\$104,766
IBM Business Consultancy	Business Improvement Project (BIP)	\$60,908
Biogy Pty Ltd	Hastings project	\$35,240
Right of Way Services	Coffs Harbour project	\$30,700
Legal		
Deacons Lawyers	Legal advice	\$57,647
Freehills	Legal advice	\$41,166

Safety

X

Teamwork

X

Fun

X

Accountability

X

Excellence

X

Enthusiasm

=

1

(Our values will help us achieve our ambition to be Australia's leading utility business.)

FINANCIAL STATEMENTS CONTENTS

Independent Audit Report	35
Statement by Members of the Board	36
Statement of Financial Performance	37
Statement of Financial Position	38
Statement of Cash Flows	39
Notes to the Financial Statements	40
Note 1. Significant Accounting Policies	40
a) Reporting Entity	40
b) Financial Reporting Framework	40
c) Principles of Consolidation	40
d) Change in Accounting Policies	40
e) Recognition of Revenue	40
f) Valuation of Current Assets	41
g) Valuation of Property, Plant and Equipment	41
h) Valuation of Other Non-Current Assets	42
i) Liabilities	43
j) Income Tax	43
k) Goods and Services Tax	43
l) Electricity Purchases	44
m) Construction Contracts	44
n) Joint Venture	44
o) Foreign Currency	44
p) Rounding of Amounts	44
q) Exemptions	44
Financial Reporting Exemptions	44
Annual Reporting Exemptions	45
Note 2. Components of Revenue and Expenses	46
Note 3. Income Tax Expense	47
Note 4. Tax Assets	48
Note 5. Tax Liabilities	48
Note 6. Dividends	48
Note 7. Cash Assets	49
Note 8. Receivables	49
Note 9. Inventories	49
Note 10. Investments (non-current)	50
Note 11. Other Assets	50
Note 12. Property, Plant and Equipment	51
Note 13. Intangible Assets	52
Note 14. Deposits	52
Note 15. Payables	53
Note 16. Interest Bearing Liabilities	53
Note 17. Provisions	54
Note 18. Other Liabilities	55
Note 19. Components of Equity	55
Note 20. Finance Facilities	56
Note 21. Notes to the Statement of Cash Flows	57
Note 22. Financial Instruments – Consolidated	58
Note 23. Commitments	63
Note 24. Auditors' Remuneration	64
Note 25. Directors' Remuneration	65
Note 26. Related Parties	65
Note 27. Controlled Entities	66
Note 28. Statement of Operations by Segment	66
Note 29. Superannuation Plans	68
Note 30. Joint Venture	69
Note 31. Contingent Liabilities	69
Note 32. Events Subsequent to Balance Date	69

INDEPENDENT AUDIT REPORT



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT COUNTRY ENERGY

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of Country Energy:

- (a) presents fairly Country Energy's and the consolidated entity's financial position as at 30 June 2003 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 418 of the Public Finance and Audit Act 1983 (the Act).

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

The Board's Role

The financial report is the responsibility of the Directors of Country Energy. It consists of the statements of financial position, the statements of financial performance, the statements of cash flows and the accompanying notes for Country Energy and the consolidated entity. The consolidated entity comprises Country Energy and the entities controlled at the year's end or during the financial year.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides reasonable assurance to Members of the New South Wales Parliament that the financial report is free of material misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Board members had failed in their reporting obligations.

My opinion does not provide assurance:

- about the future viability of Country Energy or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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


R. Hegarty FCA
Director of Audit

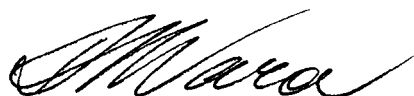
SYDNEY
21 October 2003

STATEMENT BY MEMBERS OF THE BOARD

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

1. The accompanying financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, Public Finance and Audit Regulation 2000, the State Owned Corporation Act 1989, applicable Accounting Standards and other mandatory professional reporting requirements.
2. The accompanying financial statements exhibit a true and fair view of the financial position of Country Energy as at 30 June 2003 and of the profit and cash flows of the corporation for the year ended 30 June 2003.
3. At the date of this statement, there are reasonable grounds to believe that Country Energy will be able to pay its debts as and when they become due and payable.
4. We are not aware of any circumstances which would render any particulars included in these statements to be misleading or inaccurate.

Signed in accordance with a resolution of Directors.



Barbara Ward
CHAIRMAN



Craig Murray
MANAGING DIRECTOR

21 October 2003

COUNTRY ENERGY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2003

	NOTE	Consolidated		Corporation	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from Ordinary Activities	2	1,503,965	1,425,533	1,498,943	1,431,830
Expenses from Ordinary Activities excluding Borrowing Costs and Employer Superannuation Contributions	2	(1,317,042)	(1,269,091)	(1,316,510)	(1,269,073)
Borrowing Costs		(104,221)	(92,924)	(104,221)	(92,924)
Employer Superannuation Contributions (refer note 29)		(27,263)	(39,105)	(27,263)	(39,105)
Profit from Ordinary Activities before related Income Tax Expense		55,439	24,413	50,949	30,728
Income Tax Benefit/(Expense) relating to Ordinary Activities	3	(18,550)	(6,689)	(14,419)	(9,324)
Profit from Ordinary Activities after related Income Tax Expense		36,889	17,724	36,530	21,404
Net Profit Result Attributable to Members of the Parent Entity		36,889	17,724	36,530	21,404
Total changes in equity other than those resulting from transactions with owners as owners	19	36,889	17,724	36,530	21,404

The accompanying notes form part of this Statement of Financial Performance.

COUNTRY ENERGY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2003

	Note	Consolidated		Corporation	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current Assets					
Cash Assets	7	37,768	39,426	29,545	35,538
Receivables	8	209,909	170,104	219,950	179,874
Estimated Revenue from Unread Meters	1(e)	98,208	89,293	98,208	89,293
Inventories	9	18,941	19,518	18,941	19,518
Tax Assets	4	499	7,297	-	6,798
Other Assets	11	4,147	1,709	4,147	1,709
Total Current Assets		369,472	327,347	370,791	332,730
Non-Current Assets					
Receivables	8	19,870	31,896	19,870	31,896
Investments	10	-	36	37,871	37,871
Property, Plant and Equipment	12	2,167,741	1,994,394	2,046,751	1,874,342
Intangible Assets	13	28,937	30,616	10,641	10,755
Tax Assets	4	50,991	65,486	42,253	56,414
Other Assets	11	1,550	528	123,038	124,548
Total Non-Current Assets		2,269,089	2,122,956	2,280,424	2,135,826
TOTAL ASSETS		2,638,561	2,450,303	2,651,215	2,468,556
Current Liabilities					
Payables	15	210,446	169,598	210,977	170,661
Deposits	14	14,126	13,297	14,126	13,297
Interest Bearing Liabilities	16	420,760	521,828	420,760	521,828
Tax Liabilities	5	-	-	-	-
Provisions	17	69,545	55,397	69,045	55,397
Other	18	3,366	3,294	697	269
Total Current Liabilities		718,243	763,414	715,605	761,452
Non-Current Liabilities					
Interest Bearing Liabilities	16	1,036,285	818,024	1,036,285	818,024
Tax Liabilities	5	114,572	110,516	110,372	110,114
Provisions	17	89,951	85,040	89,951	85,040
Other	18	4,123	5,254	5,123	6,448
Total Non-Current Liabilities		1,244,931	1,018,834	1,241,731	1,019,626
TOTAL LIABILITIES		1,963,174	1,782,248	1,957,336	1,781,078
NET ASSETS		675,387	668,055	693,879	687,478
Equity					
Contributed Equity	1(a), 19	95,563	95,563	95,563	95,563
Reserves	19	347,205	347,205	347,205	347,205
Retained Profits/(Losses)	19	232,619	225,287	251,111	244,710
Total Parent Entity Interest		675,387	668,055	693,879	687,478
TOTAL EQUITY		675,387	668,055	693,879	687,478

The accompanying notes form part of this Statement of Financial Position.

COUNTRY ENERGY
STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

	Note	Consolidated		Corporation	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
		Inflows / (Outflows)		Inflows / (Outflows)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,579,596	1,498,244	1,569,118	1,496,266
Payments to suppliers & employees		(1,306,755)	(1,283,886)	(1,305,532)	(1,281,792)
Interest received		5,556	5,299	5,263	5,071
Interest and other costs of finance paid		(97,677)	(88,689)	(97,677)	(88,689)
Income tax refund/(paid)		6,798	(3,201)	6,798	(3,201)
NET OPERATING CASH FLOWS	21	187,518	127,767	177,970	127,655
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(297,518)	(236,859)	(292,305)	(235,599)
Proceeds from sale of property, plant & equipment		8,158	7,736	8,158	7,736
NET INVESTING CASH FLOWS		(289,360)	(229,123)	(284,147)	(227,863)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		272,090	179,302	272,090	179,302
Repayment of borrowings		(152,401)	(48,740)	(152,401)	(48,740)
Net community service obligations received/(paid)		(1,682)	5,699	(1,682)	5,699
Cash acquired from restructure 1 July 2001		-	12,860	-	12,860
Dividends paid	6	(12,000)	(35,061)	(12,000)	(35,061)
NET FINANCING CASH FLOWS		106,007	114,060	106,007	114,060
NET INCREASE/(DECREASE) IN CASH HELD		4,165	12,704	(170)	13,852
Cash at the beginning of the financial year		33,603	20,899	29,715	15,863
Cash at the end of the financial year	1(f), 21	37,768	33,603	29,545	29,715

The accompanying notes form part of this Statement of Cash Flows.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

COUNTRY ENERGY AND CONTROLLED ENTITIES

Note 1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

Country Energy was formed on 1 July 2001 by the merger of three NSW electricity distributors. These distributors traded as Advance Energy, Great Southern Energy and NorthPower.

Country Energy is incorporated under the State Owned Corporations Act 1989. Country Energy's capital comprises two (2) fully paid \$1.00 ordinary shares issued to the Treasurer and another Minister, currently the Special Minister of State, and Assistant Treasurer. The \$2.00 share capital has been included in the amount of contributed equity disclosed in the Statement of Financial Position (refer note 19).

(b) Financial Reporting Framework

The accompanying statements are a general purpose financial report which has been prepared in accordance with the requirements of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2000 and the State Owned Corporations Act 1989. The financial statements have been prepared on an accrual accounting, going concern basis in accordance with these Acts and Regulation, and are in conformity with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

The financial statements have been prepared in accordance with the historical cost convention and do not take account of changes in the general purchasing power of the dollar except where stated.

Comparatives have been reclassified where necessary to enhance comparability in respect of changes in the current year. Where prior year information was not disclosed, or where it is not practical to calculate the information, comparatives have been omitted. Where this has occurred, references have been made accordingly throughout the financial statements.

Figures have been reclassified this year to incorporate changes required by new or revised accounting standards.

(c) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the Corporation, being the parent entity, and its controlled entities. Details of holdings in controlled entities appear in note 27.

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

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

(d) Change in Accounting Policies

The accounting policies are consistent with those applied in the previous year.

The following new or revised Australian Accounting Standards have been applied from 1 July 2003:

- AASB 1041: Revaluation of Non-Current Assets
- AASB 1005: Segment Reporting
- AASB 1044: Provisions, Contingent Liabilities and Contingent Assets

(e) Recognition of Revenue

Revenue relating to Country Energy's core operations is classified as revenue from operating activities for the purposes of note 2. All other revenue is classified as revenue outside operating activities for the purposes of note 2.

(i) Sales revenue

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

(ii) Revenue from unread meters

Revenue from unread meters is calculated at balance date for those customers who at balance date, did not have their meters read or invoiced. The calculation is based on their estimated consumption.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

(iii) Interest income

Interest income is recognised on an accrual basis using the interest applicable to the financial asset.

(iv) Asset sales

The gross proceeds of sale of assets is recognised as revenue and is brought to account when control of the asset passes to the buyer.

(v) Capital contributions

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

Assets that are contributed to Country Energy by customers, are treated as capital contributions and are valued at fair value (refer note 1(g)).

Capital contributions are recognised as revenue when the work has been completed.

Capital contributions relating to works incomplete at balance date are recognised as a liability.

(f) Valuation of Current Assets

(i) Cash assets

For the purposes of the Statement of Financial Position, cash assets include cash on hand and investments at call (refer note 7).

For the purposes of the Statement of Cash Flows, cash includes cash assets net of bank overdraft (refer note 21).

(ii) Receivables

Trade debtors are carried at amounts due. Collectability of debt is assessed at balance date. A general provision is determined after having considered the ageing of the debt and the credit risk of the debtors (refer note 8).

(iii) Investments

Investments are recorded at cost. Any change in market value is recognised as revenue.

(iv) Inventories

Inventories have been valued at the lower of cost and net realisable value. Cost is determined using the average purchase price of each item and comprises the cost of purchase including the cost of bringing the inventories to their appropriate location.

(g) Valuation of Property, Plant and Equipment

In 2000, NorthPower, Advance Energy and Great Southern Energy elected to apply the transitional provisions available to public sector entities under AAS 38: 'Revaluation of Non Current Assets'. These elections were transferred to Country Energy upon its formation. The Corporation will continue to value its non-current assets in the manner disclosed in this note. A revaluation in accordance with the standard will take place no later than 30 June 2005. A revaluation of the assets of Country Energy Gas Pty Limited will take place no later than 30 June 2004.

(i) System assets

The network system assets of the three former corporations were valued in 1999 by Gutteridge Haskins and Davey Pty Ltd, Worley International Ltd and Arthur Andersen using an "Optimised Depreciated Replacement Cost" (ODRC) methodology.

The carrying values of the three corporations as at 30 June 2001 consisted of the values adopted as a result of the 1999 ODRC valuations in the case of NorthPower, and the values adopted by the directors in the case of Advance Energy and Great Southern Energy, plus additions at cost, less disposals and depreciation expense. These values were aggregated on 1 July 2001 to form the carrying values for Country Energy.

(ii) Land and buildings

The land and building asset values of NorthPower were assessed in conjunction with KPMG Corporate Finance (Aust) Pty Ltd in June 2001. The results supported the carrying values of the assets.

The land and building assets of Advance Energy were valued for the purposes of corporatisation in 1996. These values were reviewed in February 1999 to ensure they approximated market value at that time. The valuations since that date were assessed to ensure that the carrying values did not materially differ from the fair value.

The land and building assets of Great Southern Energy were independently valued by McCann and Associates on 30 June 2001. The carrying values were adjusted to reflect the results of the valuations.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

The 30 June 2001 land and building assets carrying values of the three corporations were aggregated on 1 July 2001 to form the carrying values for Country Energy.

(iii) The assets of EMMLINK Pty Limited

The 30 June 2001 carrying values of the subsidiary's system assets were independently valued by KPMG Corporate Finance (Aust) Pty Ltd. The valuations were adopted by the Directors at 30 June 2001 and became part of the Country Energy Consolidated Group at fair value on 1 July 2001.

(iv) The assets of Country Energy Gas Pty Limited

The subsidiary's gas system assets were acquired by purchasing a number of gas networks during the period from April 1997. The cost of acquisition was based on market values of the assets at the time of purchase. Premiums paid over the market value were recognised as intangible assets (refer note 13).

The carrying values of the assets as at 30 June 2001 consisted of the cost of acquisition, plus additions at cost, less disposals and depreciation expense. These values became part of the Country Energy Consolidated Group at fair value on 1 July 2001.

(v) Asset acquisition

The value of assets acquired during the year includes the cost of acquisition, the cost of materials, labour and an appropriate proportion of overheads. Assets that are contributed by customers are recorded at fair value (refer note 1(e)).

(vi) Fair Value

Assets are recorded at fair value at balance date. These assets are cash generating assets. They are of a specialised nature and there is no evidence available to support a market price. The fair value of the assets has been determined by the present value of future net cash inflows.

(vii) Depreciation

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

Depreciation is calculated for all items of property, plant and equipment, except freehold land, based on the estimated useful remaining life of the asset. The straight line or reducing balance methods are used.

Depreciation expense is recognised in the Statement of Financial Performance. Accumulated depreciation is written back against the asset when the asset is revalued.

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

<i>Buildings</i>	<i>40 years</i>
<i>Leasehold improvements</i>	<i>Term of lease</i>
<i>System assets</i>	<i>5 – 60 years</i>
<i>Other assets</i>	<i>1 – 10 years</i>

(h) Valuation of Other Non-Current Assets

(i) Investments

Shares held for investment purposes are recorded at cost. Shares held by the corporation in its subsidiaries are eliminated in the consolidated financial statements.

Cash investments are recorded at fair value. Changes to the market value of cash investments are recorded in the Statement of Financial Performance or the asset revaluation reserve in accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

(ii) Intangible assets

The largest components of intangible assets are the Natural Gas Business Licences. These were acquired when the former Great Southern Energy purchased the Natural Gas Business from the Council of the City of Wagga Wagga.

The difference between the cost of the Natural Gas Business and the value of the total assets is the value of the intangible asset, being Distribution and Retail licences (refer note 13).

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

These licences entitle Country Energy to distribute and retail Natural Gas within the Wagga Wagga region, as well as to other contestable markets. The licences have been brought to account having regard to the expected net cash flows derived from holding the licences, and are based on an independent valuation, at the time of acquisition, as part of the allocation of the purchase price of the assets acquired. No amortisation is provided, since the licences have an indefinite economic life. Nothing has occurred to suggest the terms and conditions of the issuance of the licences have not been complied with to support the ongoing carrying value of the asset. The value of these licences are reviewed annually.

(iii) Leased assets

Country Energy has not entered into any finance leases. Operating leases are not capitalised and rental payments are charged against operating profit in the period in which they are incurred (refer note 23).

(i) Liabilities

(i) Payables

Payables are recognised when the corporation is obliged to make a future payment for the purchase of goods or services. Payables are recorded at fair value.

(ii) Interest bearing liabilities

Interest bearing liabilities are disclosed at their capital value.

(iii) Discounts and premiums on loans

Discounts and premiums on loans are netted against the appropriate interest bearing liabilities.

(iv) Loans to subsidiaries

Country Energy has lent \$65.1 million to EMMLINK Pty Limited and \$56.5 million to Country Energy Gas Pty Limited. Due to a resolution taken by the Board of Country Energy, these loans will not place in jeopardy the solvency of these subsidiaries (refer note 11).

(v) Employee entitlements

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

The amounts provided have been apportioned between current and non-current provisions, the current provision being that portion which is expected to be paid within the ensuing twelve months (refer note 17).

In calculating wages and annual leave, nominal amounts have been used based on current wages and salaries, including related on costs.

The amounts recognised for sick leave and long service leave are calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. Sick leave was calculated by the NSW Government Actuary and long service leave was calculated using methodologies which were reviewed by the actuary. The non-current portion of the liabilities have been discounted using rates attaching to Commonwealth government securities at balance date.

(j) Income Tax

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

Tax effect accounting principles are applied to the financial statements. Timing differences which arise from items of income and expense, being brought to account in different periods for income tax and accounting purposes are carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. All other future benefits are brought to account only when realisation of the asset is beyond reasonable doubt.

(k) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

(l) Electricity Purchases

Country Energy purchases electricity in the National Electricity Market for resale to its customers. Changes in the spot market may generate adverse financial effects. In order to minimise the risk, electricity trading positions are hedged. The gains and losses arising from these hedging transactions are brought to account on settlement and are included as part of electricity purchases (refer note 22(d)).

(m) Construction Contracts

Profit is recognised on fixed price construction contracts in proportion to the progress on each contract when all of the following conditions are satisfied:

- total contract revenues to be received and the costs to complete the contract can be reliably estimated;
- the stage of contract completion can be reliably determined; and
- the costs attributable to the contract date can be clearly identified and can be compared with prior estimates.

Profit is recognised on cost plus construction contracts in proportion to the progress on each contract when all of the following conditions are satisfied:

- the costs attributable to the contract to date can be clearly identified;
- costs to complete other than those that will be specifically reimbursable under the contract can be reliably estimated; and, where relevant,
- the stage of contract completion can be reliably determined.

Any material losses on construction contracts are brought to account as soon as they are foreseeable.

(n) Joint Venture

Interest in joint ventures have been reported in the financial statements by including the economic entity's share of assets employed, and share of liabilities incurred, in their respective classification categories (refer note 30).

(o) Foreign Currency

Foreign currency transactions are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

The treatment of foreign currencies that are hedged together with outstanding foreign currency balances, are set out in note 22(d)(ii).

(p) Rounding of Amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars unless specifically stated otherwise.

(q) Exemptions

Exemptions have been granted by the Treasurer under Section 41BA of the Public Finance and Audit Act and Section 15 of the Regulation, so that the financial reporting requirements which apply are broadly consistent with the Corporations Law reporting requirements, given that the entity is competing in the national electricity market.

The following specific disclosures are not required to be made as a result of the exemptions:

Financial Reporting Exemptions

Public Finance and Audit Act – *Format of financial statements*

- Section 41B(c) PF&AA – Financial Statements
Schedule 1, Part 1: PF&A Reg – *Notes – Income and expenditure*
- Item 2 – Amounts set aside for renewal or replacement of fixed assets.
- Item 4 – Amounts set aside to any provision for known commitments.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

- Item 6 – Amount appropriated for repayment of loans / advances / debentures / deposits.
- Item 13 – Material items of income and expenditure on a program or activity basis.

Schedule 1, Part 3: PF&A Reg – *Notes – Additional information*

- Item 13 – Excess of non-current asset value over replacement cost.

Annual Reporting Exemptions

Budgets	s.7(1)(a)(iii) ARSBA cl 6 ARSBR
Report of Operations	s.7(1)(a)(iv) ARSBA
Management & Activities	Schedule 1 ARSBR
Research & Development	Schedule 1 ARSBR
Human Resources	Schedule 1 ARSBR
Consultants	Schedule 1 ARSBR
Land Disposal	Schedule 1 ARSBR
Consumer Response	Schedule 1 ARSBR
Payment of Accounts	Schedule 1 ARSBR
Time for Payment of Accounts	Schedule 1 ARSBR
Report on Risk Management & Insurance Activities	Schedule 1 ARSBR
Disclosure of Controlled Entities	Schedule 1 ARSBR
Investment Management Performance	cl. 12 ARSBR
Liability Management Performance	cl. 12 ARSBR
Financial Statements of Controlled Entities	s.7(1)(a)(ia) ARSBA

Reference

ARSBA – Annual Reports (Statutory Bodies) Act 1984
ARSBR – Annual Reports (Statutory Bodies) Regulation 2000

PF&AA – Public Finance & Audit Act 1983
PF&A Reg – Public Finance and Audit Regulation 2000

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 2. COMPONENTS OF REVENUE AND EXPENSES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from Operating Activities				
Sale and delivery of energy	1,393,473	1,329,707	1,388,793	1,328,720
Capital contributions (refer note 1(e))	50,989	40,611	50,962	40,605
Rental income (refer note 23(e))	1,020	1,247	1,020	1,247
Other revenue from ordinary activities	50,164	43,109	50,145	43,109
	1,495,646	1,414,674	1,490,920	1,413,681
Revenue from Outside the Operating Activities				
Investment revenue (refer note 1(e))	1,743	1,579	1,447	8,869
Proceeds on sale of property, plant & equipment	6,576	9,280	6,576	9,280
	8,319	10,859	8,023	18,149
Total Revenues from Ordinary Activities	1,503,965	1,425,533	1,498,943	1,431,830
Expenses Relating to Ordinary Activities				
Cost of sale and delivery of energy	1,266,133	1,220,399	1,265,601	1,220,382
Cost of other revenue from ordinary activities	50,909	48,692	50,909	48,691
Total Expenses Relating to Ordinary Operations	1,317,042	1,269,091	1,316,510	1,269,073
Expense Items Included in Total Expenses relating to Ordinary Operations				
<i>Expenses from Operating Activities</i>				
Amounts charged against provisions for employee entitlements	21,082	25,747	21,082	25,747
Depreciation of property, plant and equipment	117,596	106,893	113,415	102,976
Amortisation of intangible assets	425	276	115	121
Consultants expenses (Amounts capitalised \$0.036 million)	653	993	653	990
Bad debts expense	3,300	2,768	3,300	2,768
Minimum lease payments on operating leases (refer notes 1(h) and 23)	9,409	8,696	9,409	8,696
<i>Expenses from Outside Operating Activities</i>				
Carrying value of property, plant & equipment sold	6,482	8,956	6,482	8,956
Write down of property, plant and equipment in wholly owned subsidiary	95	-	-	-
Write down of intangible assets in wholly owned subsidiary	1,256	-	-	-

Other Business Activities

Country Energy carries out a number of commercial business activities which are incidental to, associated with, or are related to the supply and delivery of energy. Individually these activities are not of significant size, nature or incidence. The aggregate of revenue from these activities of \$47.159 million (\$41.827 million in 2002) is included in other revenue from ordinary activities. The aggregate of expenses from these activities of \$50.909 million (\$32.936 million in 2002) is included in the cost of other revenue from ordinary activities.

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 3. INCOME TAX EXPENSE

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating profit before tax expense	55,439	24,413	50,949	30,728
Prima facie tax thereon at 30%	16,633	7,324	15,285	9,218
<i>Tax effect of permanent differences</i>				
Entertainment expense	95	46	95	46
Legal expenses	34	63	33	41
Employer superannuation overfunded contributions	3,675	666	3,675	666
Capital Contributions (net of depreciation) not assessable	-	(9,889)	-	(9,889)
Book depreciation on capital contributed assets	2,396	53	2,396	-
Book depreciation on revalued assets	1,831	-	1,831	-
Non-deductible asset revaluations	416	-	-	-
Non-deductible goodwill amortisation	125	-	32	-
Non-assessable/deductible (gains)/losses on loans	-	-	37	-
Non-deductible provision	150	-	-	-
Sundry items	1	10,183	-	10,136
<i>Other Adjustments</i>				
Prior year (over)/under provision of income tax	(6,806)	(1,113)	(8,965)	(250)
Other	-	(644)	-	(644)
Total income tax expense attributable to operating profit	18,550	6,689	14,419	9,324

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 4. TAX ASSETS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Future Income Tax Benefit	499	499	-	-
Prepaid Income Tax	-	6,798	-	6,798
Total Current Tax Assets	499	7,297	-	6,798
Non-Current				
Future Income Tax Benefit	50,991	65,486	42,253	56,414
Total Non-Current Tax Assets	50,991	65,486	42,253	56,414

Note 5. TAX LIABILITIES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Provision for Income Tax	-	-	-	-
Total Current Tax Liabilities	-	-	-	-
Non-Current				
Deferred Income Tax Liability	114,572	110,516	110,372	110,114
Total Non-Current Tax Liabilities	114,572	110,516	110,372	110,114

Note 6. DIVIDENDS

Dividends were paid during the year of \$12 million (\$35.061 million in 2002). These were recognised as a liability at the prior year's balance date (refer note 17).

A dividend of \$29.557 million has been provided for at balance date (\$12 million in 2002).

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 7. CASH ASSETS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Cash and deposits	8,380	313	8,373	307
Investments at Call - TCorp at cost	29,388	19,313	21,172	15,431
Investments in private sector securities	-	-	-	-
Deposit to NEMMCO	-	19,800	-	19,800
Total Cash Assets	37,768	39,426	29,545	35,538

Note 8. RECEIVABLES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Trade debtors	126,797	85,428	126,500	85,362
Provision for doubtful debts	(3,158)	(3,220)	(3,158)	(3,220)
Trade debtors, net of provision	123,639	82,208	123,342	82,142
Other debtors	86,995	88,970	86,995	88,970
Provision for doubtful debts	(725)	(1,074)	(725)	(1,074)
Other debtors, net of provision	86,270	87,896	86,270	87,896
Subsidiary debtors	-	-	10,338	9,836
Total Current Receivables	209,909	170,104	219,950	179,874
Non-Current				
Other debtors	1,113	890	1,113	890
Over-funded superannuation	18,757	31,006	18,757	31,006
Total Non-Current Receivables	19,870	31,896	19,870	31,896

Note 9. INVENTORIES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Inventories - at lower of cost and net realisable value	18,941	19,543	18,941	19,543
Provision for stock obsolescence	-	(25)	-	(25)
Total Inventories	18,941	19,518	18,941	19,518

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 10. INVESTMENTS (NON-CURRENT)

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Investments in subsidiary corporations	-	-	37,871	37,871
Other investments	-	36	-	-
Total Non-Current Investments	-	36	37,871	37,871

Note 11. OTHER ASSETS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Prepayments	4,147	1,629	4,147	1,629
Deferred interest	-	80	-	80
Total Current Other Assets	4,147	1,709	4,147	1,709
Non-Current				
Other assets	1,550	528	1,485	407
Loans to subsidiaries	-	-	121,553	124,141
Total Non-Current Assets	1,550	528	123,038	124,548

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2003

Note 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2003 \$'000	Corporation 2003 \$'000
System Assets		
Opening carrying value		
At fair value	2,084,431	1,957,573
Accumulated depreciation	(296,164)	(289,358)
Net opening carrying value	1,788,267	1,668,215
Movements		
Additions	209,520	204,306
Depreciation expense	(77,847)	(73,666)
Revaluation	(95)	-
Net movements	131,578	130,640
Closing carrying value		
At fair value	2,293,853	2,161,879
Accumulated depreciation	(374,008)	(363,024)
Net closing carrying value	1,919,845	1,798,855
Land and Buildings		
Opening carrying value		
At fair value	70,489	70,489
Accumulated depreciation	(5,061)	(5,061)
Net opening carrying value	65,428	65,428
Movements		
Additions	6,290	6,290
Disposals	(659)	(659)
Depreciation expense	(1,788)	(1,788)
Net movements	3,843	3,843
Closing carrying value		
At fair value	76,082	76,082
Accumulated depreciation	(6,811)	(6,811)
Net closing carrying value	69,271	69,271
Plant and Equipment		
Opening carrying value		
At fair value	289,120	289,120
Accumulated depreciation	(148,421)	(148,421)
Net opening carrying value	140,699	140,699
Movements		
Additions	81,710	81,710
Disposals	(5,823)	(5,823)
Depreciation expense	(37,961)	(37,961)
Net movements	37,926	37,926
Closing carrying value		
At fair value	360,425	360,425
Accumulated depreciation	(181,800)	(181,800)
Net closing carrying value	178,625	178,625
Net Carrying Value of Property, Plant and Equipment	2,167,741	2,046,751

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 13. INTANGIBLE ASSETS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Franchise Setup Fees	76	76	76	76
Alliance	16	16	16	16
Accumulated amortisation	(38)	(31)	(38)	(31)
Net Setup and Alliance	54	61	54	61
Business Retail Licences	323	323	323	323
Accumulated amortisation	(288)	(181)	(288)	(181)
Net Business Retail Licences	35	142	35	142
Goodwill	4,701	4,701	51	51
Accumulated amortisation	(593)	(284)	(51)	(51)
Net Goodwill	4,108	4,417	-	-
Natural Gas Distributor and Retail Licences at Directors' Valuation	24,740	24,740	10,552	10,552
Purchase Rights and Agreements	-	1,256	-	-
Net Natural Gas Distributor and Retail Licences	24,740	25,996	10,552	10,552
Total Intangible Assets	28,937	30,616	10,641	10,755

Note 14. DEPOSITS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Electricity Customers	13,064	12,013	13,064	12,013
Contractors and Others	1,062	1,284	1,062	1,284
Total Current Deposits	14,126	13,297	14,126	13,297

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 15. PAYABLES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Trade creditors - unsecured	94,016	72,758	93,188	72,689
Other creditors - unsecured	9,668	20,170	9,668	20,170
Accrued interest expense	38,307	34,424	38,307	34,424
Other accrued expenses	68,455	42,246	68,444	42,008
Subsidiary creditors - unsecured	-	-	1,370	1,370
Total Current Payables	210,446	169,598	210,977	170,661

Note 16. INTEREST BEARING LIABILITIES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Bank Overdraft	-	5,822	-	5,822
Loans	420,760	516,006	420,760	516,006
Total Current Interest Bearing Liabilities	420,760	521,828	420,760	521,828
Non-Current				
Loans	1,036,285	818,024	1,036,285	818,024
Total Non-Current Interest Bearing Liabilities	1,036,285	818,024	1,036,285	818,024
Due to be repaid:				
Not later than one year	420,760	521,828	420,760	521,828
Later than one year but not later than two years	143,749	84,567	143,749	84,567
Later than two years but not later than five years	657,077	481,857	657,077	481,857
Later than five years	235,459	251,600	235,459	251,600
Total Interest Bearing Liabilities	1,457,045	1,339,852	1,457,045	1,339,852

All loans are guaranteed by the NSW Government.

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 17. PROVISIONS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Dividends	29,557	12,000	29,557	12,000
Employee entitlements	34,351	37,389	34,351	37,389
Provision for establishment	1,137	4,008	1,137	4,008
Provision for environmental rectification	2,000	2,000	2,000	2,000
Other provisions	2,500	-	2,000	-
Total Current Provisions	69,545	55,397	69,045	55,397
Non-Current				
Employee entitlements	89,951	85,040	89,951	85,040
Total Non-Current Provisions	89,951	85,040	89,951	85,040
Movement in Provisions				
(i) Dividends				
Opening carrying amount	12,000		12,000	
Amounts utilised during the year	(12,000)		(12,000)	
Additional provision	29,557		29,557	
Closing carrying amount	29,557		29,557	
(ii) Provision for establishment				
Opening carrying amount	4,008		4,008	
Amounts utilised during the year	(2,871)		(2,871)	
Closing carrying amount	1,137		1,137	

(iii) Provision for environmental rectification

There were no movements recorded against the provision.

(iv) Other provisions

Other provisions reflect liabilities arising in the course of the Corporation's trading activities and investments by subsidiaries.

There were no movements recorded against the provision.

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 18. OTHER LIABILITIES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current				
Deferred interest	385	-	385	-
Other liabilities	2,981	3,294	312	269
Total Current Other Liabilities	3,366	3,294	697	269
Non-Current				
Deferred interest	4,099	5,228	4,099	5,228
Loan from subsidiary	-	-	1,000	1,194
Under-funded superannuation liability	24	26	24	26
Total Non-Current Other Liabilities	4,123	5,254	5,123	6,448

Note 19. COMPONENTS OF EQUITY

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Contributed Equity				
Opening balance	95,563	29,385	95,563	29,385
Movement:				
Contribution as a result of restructure (refer note 1(a))	-	66,178	-	66,178
Contributed Equity Closing Balance	95,563	95,563	95,563	95,563
Asset Revaluation Reserve				
Opening balance	347,205	347,845	347,205	347,845
Movement:				
Transfers to retained profits	-	(640)	-	(640)
Asset Revaluation Reserve Closing Balance	347,205	347,205	347,205	347,205
Retained Profits				
Opening balance	225,287	88,376	244,710	104,996
Movement:				
Contribution as a result of restructure (refer note 1(a))	-	138,374	-	137,497
Profit from ordinary activities after income tax expense	36,889	17,724	36,530	21,404
Dividends Provided and Paid	(29,557)	(19,827)	(29,557)	(19,827)
Return of contributed equity from subsidiary	-	-	(572)	-
Transfers from reserves	-	640	-	640
Retained Profits Closing Balance	232,619	225,287	251,111	244,710

The Asset Revaluation Reserve comprises increments and decrements resulting from revaluations of property, plant and equipment.

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 20: FINANCE FACILITIES

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At balance date the Corporation had access to the following finance facilities:				
Bank overdraft	12,000	12,000	12,000	12,000
Lines of credit	123,930	49,900	123,930	49,900
Loans	1,664,000	1,569,600	1,664,000	1,569,600
Lease facilities	5,800	800	5,800	800
Total available finance facilities	1,805,730	1,632,300	1,805,730	1,632,300
At balance date the unused amounts of those facilities listed above were:				
Bank overdraft	12,000	6,178	12,000	6,178
Lines of credit	119,864	26,881	119,864	26,881
Loans	42,955	81,634	42,955	81,634
Total unused finance facilities	174,819	114,693	174,819	114,693

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 21: NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 2003

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Components of Cash				
Cash on Hand	8,380	313	8,373	307
Cash at Bank/(Overdraft)	-	(5,822)	-	(5,822)
Investment securities	29,388	39,112	21,172	35,230
	37,768	33,603	29,545	29,715
(b) Reconciliation of operating profit after income tax expense to cash provided by operating activities				
Profit from Ordinary Activities after Income Tax Expense	36,889	17,724	36,530	21,404
Items classified as investing/finance activities:				
(Profit)/loss on sale of property, plant and equipment	(94)	(334)	(94)	(334)
Net Community Service Obligation expense	105	-	105	-
Non-cash items:				
Amounts set aside to provisions	1,092	3,330	592	3,329
Depreciation	117,596	106,893	113,415	102,976
Amortisation	425	276	115	121
Write down of non-current assets	1,387	-	-	-
Prepaid superannuation	12,247	21,072	12,247	21,072
Increase/(decrease) in deferred taxes payable	25,348	6,406	21,216	7,220
Other	2,661	-	2,661	-
Changes in assets and liabilities during the financial year:				
(Increase)/decrease in unread meters	(8,915)	(11,299)	(8,915)	(11,299)
(Increase)/decrease in receivables	(39,899)	(9,019)	(39,668)	(1,242)
(Increase)/decrease in inventories	577	1,787	577	1,787
(Increase)/decrease in prepayments and other current assets	(2,702)	7,932	(2,518)	7,932
(Increase)/decrease in operating non-current receivables	(224)	7,294	(224)	7,294
(Increase)/decrease in other operating non-current assets	2,886	(13,917)	1,509	(14,094)
Increase/(decrease) in operating payables	37,486	3,626	39,749	(4,507)
Increase/(decrease) in customer deposits	828	(2,870)	828	(2,870)
Increase/(decrease) in other operating liabilities	(175)	(11,134)	(155)	(11,134)
Net cash provided by operating activities	187,518	127,767	177,970	127,655

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 22: FINANCIAL INSTRUMENTS - CONSOLIDATED

(a) Interest Rate Risk

The Corporation enters into contracts to manage cash flow risks associated with the interest rates on borrowings that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

The Corporation's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out on the following page:

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Floating interest rate		Fixed interest rate maturing in:						Total		Weighted avg. interest rate		
	Note	2003 \$'000	2002 \$'000	1 year or less		1 to 5 years		More than 5 years		2003 \$'000	2002 \$'000	2003 %	2002 %
				2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000				
2003 Financial Assets													
Cash	7	-	-	-	-	-	-	-	8,380	313	-	-	-
Investments	7,10	29,388	19,313	-	-	-	-	-	29,388	19,349	-	4.30	-
Deposits	7	-	19,800	-	-	-	-	-	-	19,800	4.89	4.75	-
Receivables	8	-	469	138	763	849	174	41	326,581	290,265	10.40	10.60	-
Other	11	-	-	-	-	-	-	-	5,697	2,237	-	-	-
Total Financial Assets		29,388	19,313	469	19,938	763	849	174	340,658	292,851	371,452	332,992	
2003 Financial Liabilities													
Overdraft	16	-	5,822	-	-	-	-	-	-	-	-	5,822	8.00
Borrowings	16	127,500	322,257	420,760	187,848	673,326	534,840	235,459	-	-	1,457,045	1,334,030	5.99
Payables	15	-	-	-	-	-	-	-	210,446	169,598	210,446	169,598	-
Other	14,18	1,000	1,000	-	-	-	-	-	20,615	20,845	21,615	21,845	3.83
													3.79

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to meet their financial obligations.

The credit risk of financial assets, excluding investments, of the Corporation which have been recognised on the Statement of Financial Position is reflected in the carrying amount net of any provision for doubtful debts.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in Australia. The Corporation is not materially exposed to any individual customer or counterparty.

Credit risk related to derivative contracts is minimised by ensuring counterparties are recognised financial intermediaries with acceptable credit ratings by a recognised agency.

Foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks. The maximum credit risk exposure on foreign exchange contracts is the full amount of foreign currency the Corporation pays.

All futures contracts are transacted through a recognised futures exchange. There is no credit risk associated with these contracts.

(c) Net Fair Value of Financial Assets and Liabilities

Financial instruments are carried at net fair value unless stated otherwise (refer note 1(h)). These are disclosed in note 22(a) above.

Other than loan debt which is actively managed under a risk management agreement with NSW Treasury Corporation (TCorp), financial assets and liabilities are not readily traded on organised markets in standardised form.

All financial instruments are disclosed on the Statement of Financial Position.

(d) Derivative Financial Instruments

The Corporation is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The following derivative instruments are used to hedge these risks: interest rate futures contracts, forward foreign exchange contracts and futures commodity price contracts. Derivative financial instruments are not held for speculative purposes.

(i) Electricity Purchases

The Corporation enters into wholesale market contracts to minimise exposure to fluctuations in wholesale market electricity prices.

The Corporation's policy is to manage its exposure in line with forecast retail exposures.

For its franchise load, the Corporation operates under the Electricity Tariff Equalisation Fund (EETF), administered by NSW Treasury. Under the EETF, the Corporation pays a set price for its electricity purchases and is not exposed to pool price variation.

For its contestable load, the Corporation's policy is to actively manage the exposure arising from its forecast contestable load. In doing so, the Corporation has entered various hedging contracts (bought and sold swaps and options) with individual market participants. Any unhedged position exposes the Corporation to pool price variation. The Corporation's policy is that the exposure and the consequent price risk are managed within Board approved limits.

As these contracts can be settled other than by physical delivery of the underlying commodity, they are classified as financial instruments in accordance with Australian Accounting Standard AAS33 "Presentation and Disclosure of Financial Instruments". In entering into these contracts for the purposes of managing the risks associated with retail sales, the gains and costs of entering these contracts and any realised or unrealised gains and losses are deferred until the underlying sales occur. On settlement, the contracted price is compared to the spot price on that date and the price differential is applied to the contracted quantity. A net amount is paid or received by the entity.

The following table details the terms and values of the Corporation's outstanding electricity hedging contracts at the reporting date.

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

	Net Fair Value 2003 \$'000	Face Value 2003 \$'000
Contracts		
1 year or less	271,632	311,110
1 to 5 years	415,291	421,382
More than 5 years	37,359	33,332
	724,282	765,824

Outstanding hedge contracts have been disclosed for the first time and comparative data is not available.

At balance date, the Corporation's electricity hedging contracts generated a net unrecognised loss of \$41.542 million. As these contracts are held for the purpose of hedging contracted mass-market customer sales and contracted commercial and industrial customer load, no ultimate net loss is expected upon realisation. The net unrecognised loss is calculated in accordance with prices sourced from the Australian Financial Markets Association (AFMA). The AFMA market price estimates are based on prices usually quoted for small volume contracts and are therefore not necessarily representative of independent market price valuations for the larger volume contracts entered into by the Corporation, for which there are no readily available market price valuations.

All contracts are due to be settled within 7 years of the reporting date.

(ii) Foreign Exchange Contracts

The Corporation enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (refer note 1(o)).

The Corporation's policy is to enter into forward foreign exchange contracts to hedge 100% of foreign currency risk where contract value exceeds \$0.05 million within Board approved limits. The amount of anticipated future purchases is forecast in light of commitments from suppliers.

The details of outstanding forward exchange contracts are listed in the following table:

	2003 \$'000	2002 \$'000	2003 Weighted Exchange Rate	2002
Settlement less than 12 months				
Buy Canadian dollars	-	70	-	0.85
Buy US dollars	91	-	0.59	-

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts together with the costs of the contract will be recognised in the financial statements at the time the underlying transaction occurs. The net unrecognised loss on hedges for anticipated foreign currency purchases at 30 June 2003 was \$0.017 million.

Where the underlying transaction occurred on or before balance date, the effect of the hedge has been recognised in the financial statements.

(iii) Interest Rate Swaps

Interest rate swap transactions entered into by the Corporation, exchange variable and fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. Variable and fixed interest rate debt is held, and swap contracts are entered, to receive interest at both variable and fixed rates.

The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to borrowing costs.

The details of interest rate swap contracts are listed in the following table:

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Notional Principal		Market Value		Effective Avg Interest Rate Payable	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %
Settlement due within 12 Months	-	15,000	-	38	0.00	4.66
Settlement due in One to 2 years	49,500	49,500	(527)	(861)	4.79	5.09
Settlement due in 2 to 5 years	118,500	86,000	(3,193)	(1,228)	4.77	4.79
Settlement due after 5 years	393,600	465,500	29,253	(14,857)	6.38	6.25
	561,600	616,000	25,533	(16,908)		

COUNTRY ENERGY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2003

Note 23: COMMITMENTS

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
a. Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date but not provided for				
- not later than one year	8,771	943	8,771	943
- later than one year and not later than five years	13,832	8,655	13,832	8,655
	22,603	9,598	22,603	9,598
Capital expenditure commitments include input tax credits	2,055	872	2,055	872
b. Operating expenditure commitments excluding leases				
Estimated operating expenditure contracted for at balance date but not provided for				
- payable not later than one year	25,420	12,949	25,420	12,949
- later than one year and not later than five years	36,937	14,067	36,937	14,067
- later than five years	-	77	-	77
	62,357	27,093	62,357	27,093
Operating expenditure commitments include input tax credits	5,660	2,463	5,660	2,463
c. Operating lease (equipment) expenditure commitments (refer note 1(h))				
- not later than one year	4,306	4,210	4,306	4,210
- later than one year and not later than five years	3,283	4,151	3,283	4,151
	7,589	8,361	7,589	8,361
Equipment lease expenditure commitments include input tax credits	690	760	690	760
d. Operating lease (property) expenditure commitments (refer notes 1(h))				
- not later than one year	4,385	4,327	4,385	4,327
- later than one year and not later than five years	15,035	12,806	15,035	12,806
- later than five years	3,202	2,408	3,202	2,408
	22,622	19,541	22,622	19,541
Property lease expenditure commitments include input tax credits	2,055	1,776	2,055	1,776
e. Operating lease (property) revenue commitments (refer note 1(h))				
- not later than one year	874	1,065	874	1,065
- later than one year and not later than five years	1,265	1,265	1,265	1,265
- later than five years	-	168	-	168
	2,139	2,498	2,139	2,498

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

There are 3,541 non-cancellable equipment leases referred to in section c above. This includes leases for 3,471 items of computer equipment. The majority of the leases have no contingent rentals, renewal options, conditions or restrictions.

Minimum lease payments total \$7.590 million (\$8.361 million in 2002), including input tax credits of \$0.690 million (\$0.760 million in 2002).

There are 88 non-cancellable property leases referred to in d above.

The majority of the leases have contingent rentals either based on CPI or some other increment, and renewal options between 1 and 5 years.

Minimum lease payments total \$7.966 million (\$4.661 million in 2002) including input tax credits of \$0.724 million (\$0.424 million in 2002).

There are no conditions or restrictions.

Additional to the group noted above, there are two leases with five year plus five year renewal options.

Minimum lease payments are \$14.656 million (\$14.880 million in 2002), including input tax credits of \$1.332 million (\$1.352 million in 2002).

Minimum lease payments upon renewal, will be based on the market value applying at the time.

The lease may be assigned in part or in whole, and sublet in part or in whole, with the consent of the lessor.

There are 52 property leases referred to in e above.

Included in this group is 1 lease with a short termination arrangement of one month or less.

The following values have been recognised in the financial statements in respect of the revenue earning leases.

	2003 \$'000	2002 \$'000
Gross amount of asset	6,446	8,583
Accumulated depreciation	795	566
Depreciation recognised as an expense	157	221
Lease commitments receivable	-	71

Note 24: AUDITORS' REMUNERATION

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Remuneration received, or due and receivable, by the auditor of the economic entity for:				
- An audit or review of the financial statements	466	450	450	445
Remuneration received, or due and receivable, by auditors, other than of the auditor of the economic entity for:				
- An audit or review of the financial statements	33	60	33	60

COUNTRY ENERGY
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 30 June 2003

Note 25: DIRECTORS' REMUNERATION

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
The aggregate amount of remuneration paid or due and payable, directly or indirectly to directors, but excluding salaries of full time officers:	391	360	391	360
The aggregate amount of retirement benefits paid to superannuation plans during the financial year for the benefit of directors:	35	62	35	62

Note 26: RELATED PARTIES

Directors

The names of persons holding the position of Director of Country Energy during the financial year are:

Barbara Ward (Chairman)
 Craig Murray (Managing Director)
 Michael Lee
 Greg McLean
 Tim Sullivan OAM
 Rowena Sylvester
 John Wearne AM

Details of directors' remuneration are set out in note 25.

Some Directors of Country Energy are also Directors of other companies, or have a substantial interest in other companies or entities, that may have had transactions with Country Energy during the year. A Register of Directors' Interests is confirmed and noted at each meeting of the Board. During the year no Directors declared material interests in any matters discussed at the meetings.

Wholly-owned Group

The wholly-owned group consists of Country Energy and its wholly-owned controlled entities, EMMLINK Pty Limited, NorthPower Energy Services Pty Limited, Country Energy Gas Pty Limited and EastCoast Gas Pty Ltd.

Ownership interests in these entities is set out in note 27.

Other Related Parties

Country Energy has an interest in a joint venture. Details are set out in note 30.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

Note 27: CONTROLLED ENTITIES

The Group includes a consolidation of the following controlled entities, incorporated in Australia.

Name of Entity	Shares Held	Interest
EMMLINK Pty Limited	10,000,000 Ordinary shares - \$1 each	100%
NorthPower Energy Services Pty Limited	1,000,000 Ordinary shares - \$1 each	100%
Country Energy Gas Pty Limited	26,870,593 Ordinary shares - \$1 each	100%
EastCoast Gas Pty Ltd (wholly owned subsidiary of Country Energy Gas Pty Limited)	2 Ordinary shares - \$1 each	100%

The following is a comparison of consolidated key figures for each subsidiary and their proportion to group totals.

	Total Revenue		Operating Profit (Loss) Before Income Tax		Total Assets	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Country Energy	1,490,226	1,416,565	50,949	30,728	2,476,109	2,291,170
EMMLINK Pty Limited	4,306	1,171	1,755	(5,581)	62,367	60,305
NorthPower Energy Services Pty Limited	-	-	-	(1)	1,000	1,194
Country Energy Gas Pty Limited	9,433	7,797	2,735	(733)	99,085	97,634
Group Total	1,503,965	1,425,533	55,439	24,413	2,638,561	2,450,303

Note 28: STATEMENT OF OPERATIONS BY SEGMENT

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the Australian Accounting Standard AASB 1005 Segment Reporting.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to that segment, and also include any portion that can be allocated to that segment on a reasonable basis. Segment assets and liabilities include those that are used by that segment and includes allocations of assets and liabilities attributable to that segment using appropriate drivers as a reasonable estimate. Segment assets exclude income tax assets and financing assets. Segment liabilities exclude income tax liabilities, dividend provision, borrowings, bank overdraft and other financing liabilities.

Business Segments

The consolidated entity operates in the Energy Segment. This involves the distribution and retailing of electricity and gas. Revenue is earned from sales to both franchise and contestable customers as well as from electricity retailers for the use of its electricity network.

Geographical Segments

The consolidated entity operates in one geographical segment, being Australia.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Energy		Other		Inter Segment		Consolidated	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
PRIMARY REPORTING - BUSINESS SEGMENTS								
Revenue								
Sales to external customers	1,393,473	1,330,651	48,179	43,074	-	-	1,441,652	1,373,725
Inter-segment sales	-	-	-	-	-	-	-	-
Total Sales Revenue	1,393,473	1,330,651	48,179	43,074	-	-	1,441,652	1,373,725
Other revenue	60,570	50,229	-	-	-	-	60,570	50,229
Total Segment Revenue	1,454,043	1,380,880	48,179	43,074	-	-	1,502,222	1,423,954
Reconciliation of Segment Revenue To Entity Revenue from Ordinary Activities								
Total segment revenue							1,502,222	1,423,954
Add: investment income							1,743	1,579
Revenue from ordinary activities							1,503,965	1,425,533
Expenses								
Non cash expenses included in segment results	39,137	63,431	-	-	-	-	39,137	63,431
Depreciation and amortisation included in segment results	117,596	106,892	597	-	-	-	118,193	106,892
Segment Result	162,263	133,158	(4,346)	(17,400)	-	-	157,917	115,758
Reconciliation of Segment Result to Entity Net Profit after Tax								
Segment Result							157,917	115,758
Add: revenues excluded from segment result							1,743	1,579
Less: expenses excluded from segment result							(104,221)	(92,924)
Profit from ordinary activities before income tax expense							55,439	24,413
Income tax expense							(18,550)	(6,689)
Profit from ordinary activities after income tax expense							36,889	17,724
Assets and Liabilities								
Segment assets	2,439,115	2,250,671	110,188	87,387	-	-	2,549,303	2,338,058
Assets excluded from segment assets							89,258	112,245
Total Entity Assets							2,638,561	2,450,303
Segment Liabilities	237,880	291,213	153,677	40,667	-	-	391,557	331,880
Liabilities excluded from segment liabilities							1,571,617	1,450,368
Total Entity Liabilities							1,963,174	1,782,248
SECONDARY REPORTING - GEOGRAPHICAL SEGMENTS								
Revenue by location of customer							1,502,222	1,423,954
Carrying amounts of segment assets by location							2,549,303	2,338,058
Acquisition of non-current assets by location							297,520	1,147,815

The comparative values for acquisition of non-current assets include assets of \$910.062 million that were acquired on 1 July 2001 as a result of a restructure.

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

Note 29: SUPERANNUATION PLANS

The Corporation contributes to one defined contribution and several defined benefit employee superannuation plans of the Energy Industries Superannuation Schemes Pty Ltd. The Corporation also contributes to a defined employee benefit plan of the Electricity Supply Industry Superannuation (Qld) Ltd.

In the case of the defined benefit employee superannuation plans, employer contributions are based on the advice of the plans' actuaries. Employee contributions are based on various percentages of employee gross salaries. After serving a qualifying period all employees are entitled to benefits on retirement, disability or death.

The plans provide defined benefits based on years of service and final average salary. In accordance with the various Trust Deeds the Corporation is under no legal obligation to make up any shortfall in the plans' assets to meet payments due to employees.

An assessment of the defined benefit plans as at 30 June 2003 was carried out by Superannuation Services Company Pty Limited for NSW employees, and Electricity Supply Industry Superannuation (Qld) Ltd for Queensland employees. The actuaries used by the trustees were William M Mercer Pty Limited (NSW) and NSP Buck Pty Limited (QLD). The authorities concluded that the assets of the plans were sufficient to meet all benefits payable in the event of the plans' termination or the voluntary or compulsory termination of all contributors of the Corporation.

The accrued benefits and plan assets at net market value are set out below. Accrued benefits are benefits which the plans are presently obliged to pay at some future date as a result of membership of the plans.

The directors, based on the advice of the trustees of the plans, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans which would have a material impact on the overall financial position of the plans.

The 2003 estimates are based on the table of assumptions below. The actuary has made these estimates based upon a number of assumptions in relation to member "exits" from the schemes.

Actuarial Assumptions	2003 %	2004 %	2005 %	Thereafter %
Energy Industries Superannuation Scheme				
Rate of Investment return	(0.8)	7.5	7.5	7.5
Rate of salary escalation	4.0	4.0	4.0	4.0
Rate of CPI increase	2.5	2.5	2.5	2.5
State Superannuation Scheme & State Authorities Non-Contributory Superannuation Scheme				
Rate of Investment return	7.0	7.0	7.0	7.0
Rate of salary escalation	6.5	6.5	4.0	4.0
Rate of CPI increase	2.5	2.5	2.5	2.5

Actuarial assumptions are not available for the Electricity Supply Industry Superannuation Fund (Qld)

	2003 \$'000	2002 \$'000
Employer contributions paid to the plans during the financial year	15,008	12,642

DEFINED BENEFIT PLANS	Plans Assets at Market Value		Total Accrued Benefits		Excess/(Deficit)	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Energy Industries Superannuation Scheme	154,188	158,934	135,525	128,240	18,663	30,694
State Superannuation Scheme	381	380	311	300	70	80
State Authorities Non-Contributory Superannuation Scheme	13	10	36	36	(23)	(26)
Electricity Supply Industry Superannuation Fund (Qld)	922	858	898	626	24	232
	155,504	160,182	136,770	129,202	18,734	30,980

COUNTRY ENERGY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

The total amount of excess between the market values and accrued benefits of the plans, has been recognised as a receivable in the Statement of Financial Position (refer note 8). Where the plans accrued benefits exceed the market values, a liability has been recognised in the Statement of Financial Position (refer note 18).

The movement during the year being the reduction in the excess has been recognised as an expense in the Statement of Financial Performance.

The components of the amounts disclosed in the Statement of Financial Performance are as follows:

	2003 \$'000	2002 \$'000
Contribution valuation adjustment	12,247	27,562
Superannuation cost	15,016	11,543
	27,263	39,105

Note 30: JOINT VENTURE

	Consolidated		Corporation	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Country Energy has a 20% participating interest in a joint venture arrangement to develop a wind farm.				
The Corporation's share of the assets employed in the joint venture is included in the consolidated Statement of Financial Position under the classification of Non-Current Assets - property, plant and equipment.	1,655	1,759	1,655	1,759

Note 31: CONTINGENT LIABILITIES

There are no known contingent liabilities that would impact on the state of affairs of the economic entity or have a material effect on these financial statements.

Note 32: EVENTS SUBSEQUENT TO BALANCE DATE

There are no known events that would impact on the state of affairs of the economic entity or have a material impact on these statements.

END OF AUDITED FINANCIAL STATEMENTS

PROVIDING CUSTOMER INFORMATION

Our publications and brochures remain a key source of information for our customers. The following publications are available at countryenergy.com.au, from our customer service centres or through our call centre.

Licence compliance reports

Demand Management Strategies
Greenhouse Gas Emissions
Minimum Standards of Service
Sources of Electricity Supplied
System Expansion

Network and pricing

Capital Contributions
Electricity Network Services Pricing and Service Information Package 2001
Electricity Supply Standard
Network Price List August 2002
Reimbursement Scheme for Rural and Large Load Customers
Wagga Wagga and Uranquinty Natural Gas Price List

Proposed network improvements

Electricity System Development Review 2002
Joint TransGrid and Country Energy Request for Proposals for Demand Management or Local Generation on the Mid North Coast

Retail Regulation

Electricity Retail Price List
Standard Form Contract for Sale of Electricity and/or Network Connection
Standard Form Contract Terms and Conditions for the Supply of Natural Gas
Summary of Country Energy's Standard Form Electricity Connection Contract for Small Retail Customers
Summary of Country Energy's Standard Form Gas Contract for Small Retail Customers
Your Rights Regarding Electricity Bills and Charges
Your Rights Regarding Gas Bills and Charges

Corporate

Annual Report 2002-2003
Country Energy's Privacy Policy
Customer Installation Safety Plan
Electrical Hazard Awareness
Electrical Safety for Plumbers
Electrical Safety Rules Code of Practice
Environment Policy
Health and Safety Policy
Identifying Potential Cogeneration Sites
Keep Structures a Safe Distance
Public Electrical Safety Awareness Plan
Safety First Handbook
Sponsorship Guidelines
Statement of Affairs for the Period Ending 30 June 2003
Vegetation Management Plan
Your Country News

GLOSSARY OF TERMS

ACN	Australian Company Number
ADSL	Asymmetric Digital Subscriber Line
AFMA	Australian Financial Markets Association
ATL	Average Time Lost
ATO	Australian Taxation Office
AMOS	Asset Management and Operating Support System
CPI	Consumer Price Index
CSC	Customer Service Centre
DLWC	Department of Land and Water Conservation
EBIT	Earnings Before Interest and Tax
EEO	Equal Employment Opportunity
EPA	Environmental Protection Authority
ETEF	Electricity Tariff Equalisation Fund
EWON	Energy and Water Ombudsman NSW
FSC	Field Service Centre
GST	Goods and Services Tax
GWh	Gigawatt hour (Quantity of Energy: one GWh = 1,000 megawatt hours)
IPART	Independent Pricing and Regulatory Tribunal
ISP	Internet Service Provider
LPG	Liquid Petroleum Gas
kV	Kilovolts (1kV = 1,000 volts)
LTIFR	Lost Time Injury Frequency Rate (the number of LTI's multiplied by 1 million divided by the total hours worked by the workforce)
MAS	Management Assurance Services
NEMMCO	National Electricity Market Management Company
NTER	National Tax Equivalent Regime
ODRC	Optimised Depreciated Replacement Cost
SECIT	Safety and Environment Corporate Improvement Team
SEDA	Sustainable Energy Development Authority
SELERs	Safety and Environment Local Employee Representatives
SERITs	Safety and Environment Regional Improvement Teams
UNE	University of New England
VOsc	Virtual Operations Service Centre
WRAPP	Waste Reduction and Purchasing Policy
WIN	Works Improvement Notice

INDEX

A

Achievements 4
Advertising campaigns 9
AMOSS 11
Annual report production 73
Apprentices 21
Audit and risk committee 30

B

Board committees 30
Board of Directors 28
Board meeting attendance 28
Bushfire response 17

C

CEinternet 9
Chairman and Managing Director's message 6
Code of conduct 23
Cogeneration 26
Community consultation 15
Community sponsorships 18
Company details 73
Consultants 32
Contaminated sites register 27
Contents 1
Controlled entities 31
Country green 9
Country Support 14
Customer Council 15
Customer information 70
Customer information system 4
Customer response 14
Customer satisfaction 14
Customer service centres (CSC) 4, 16

D

Dashboard 5
Design projects 10
Disability plan 31

E

Electrical safety rules 25
Employee development programs 23
Employee survey 20
Energy 5, 8
Energy and Water Ombudsman NSW 14, 15
Enterprise award 23
Environment 24
Equal employment opportunity (EEO) 31
Ethnic affairs priority statement 31
Executive remuneration 32
Executive team 29

F

Field service centres (FSC) 4, 16
Financial performance 35
Financial statements 34
Food to waste energy plant 4, 26
Freedom of information 30
Frontline Management Program 23

G

Ganmurra zone substation 5, 13
Gas networks 10
Glossary of Terms 71
Governance 30
Graduate Diploma Program 23
Green energy 9, 25
Greenhouse gas reduction 26
Guaranteed service standards 14

H

High performance culture 20
Hydro energy 26

I

Independent audit report 36
Independent Pricing and Regulatory Tribunal (IPART) 12, 13
Index 72
Indigenous employment program 22
Insurance and risk management 30

J

Joint ventures 16

L

Land disposal 31
Legislative changes 30
Licence compliance 31
Lung Bus 25

M

Maps 3, 16
Managing Director's Recognition Program 23

N

Nature conservation 27
Network investments 4, 10
Network pricing 12
New customers 8
Notes to the financial statements 41

O

Overseas visits 32
Overview of Country Energy 2

P

Peoplesoft 5, 23
Price structures and changes 12

R

Recruitment 21
Regional Advisory Boards 15
Regional growth and development 15
Regional map 3
Renewable energy 9, 25
Retail 8
Risk management 12
Rural Advisory Group 15

S

Safety and environment improvement teams 24
Safety and Environment Committee 30
Safety performance 24
Safety of the public 25
Security 12
Service Milestone Awards 22
Site decontamination 27
Sponsorships 18
Statement by Members of the Board 37
Statement of cash flows 40
Statement of financial performance 38
Statement of financial position 39
Strategy Statement 5, 20
Supply reliability 10
Sustainable energy 26

T

Telecommunications 12
Training 23

V

Vehicle Signage 25
Virtual operations service centre (VOSC) 11

W

Waste Reduction and Purchasing Policy 27
Website 9
Wildlife conservation 27
Wind farms 4, 25
Works improvement notice (WIN) 5, 24
Workplace relations 23

COMPANY DETAILS

CORPORATE OFFICES

Bathurst

Cnr Littlebourne Street and Hampden Park Road
KELSO NSW 2795

Port Macquarie

8-10 Buller Street
PORT MACQUARIE NSW 2444

Queanbeyan

Level 1, 30 Morisset Street
QUEANBEYAN NSW 2620

Newcastle

Suite 7, Cooks Hill Commercial Centre
235 Darby Street
COOKS HILL NSW 2300

Sydney

Level 25, 44 Market Street
SYDNEY NSW 2000

Melbourne

Level 24, 360 Collins Street
MELBOURNE VIC 3000

Brisbane

Brisbane Club Tower
Level 19, 241 Adelaide Street
BRISBANE QLD 4000

REGIONAL OFFICES

Albury

429-439 Swift Street

Bathurst

Cnr Littlebourne Street and Hampden Park Road

Dubbo

6/36 Darling Street

Grafton

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Port Macquarie

8-10 Buller Street

Queanbeyan

30 Morisset Street

Tamworth

Electra Street

Wagga Wagga

59-87 Hammond Avenue

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Country Energy Annual Report 2002-2003

This report was produced at a cost of \$27,050

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