

Financial Statements

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Statements of Financial Performance for the year ended 30 June 2001

\$Millions	Notes	Consolidated		EnergyAustralia Entity	
		2001	2000	2001	2000
Revenue from ordinary activities	2,3(a)	2,203.2	2,135.5	2,203.1	2,135.4
Borrowing costs expenses	3(a)	160.5	85.2	160.5	85.2
Other expenses from ordinary activities	3(a)	1,830.6	1,669.7	1,830.4	1,669.4
Profit from ordinary activities before income tax expense	3	212.1	380.6	212.2	380.8
Income tax expense relating to ordinary activities	1(e),4	57.8	51.7	57.8	51.7
Profit from ordinary activities after income tax expense		154.3	328.9	154.4	329.1
Net loss attributable to outside equity interest	11(e)	0.1	0.1	–	–
Net profit attributable to members of EnergyAustralia	11(d)	154.4	329.0	154.4	329.1
Net increase in asset revaluation reserve	11(c)	1,308.3	–	1,308.3	–
Total revenues, expenses and valuation adjustments attributable to members of EnergyAustralia recognised directly in equity		1,308.3	–	1,308.3	–
Total changes in equity other than those resulting from transactions with owners as owners		1,462.7	329.0	1,462.7	329.1
Retained earnings at the beginning of the financial year		235.3	90.6	239.6	94.8
Add: Net profit attributable to members of EnergyAustralia		154.4	329.0	154.4	329.1
Less: Dividend provided for the financial year	11(d)	(92.5)	(184.3)	(92.5)	(184.3)
Retained earnings at the end of the financial year		297.2	235.3	301.5	239.6

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position as at 30 June 2001

\$Millions	Notes	Consolidated		EnergyAustralia Entity	
		2001	2000	2001	2000
Current assets					
Cash assets	1(r),1(s),5(a),10	0.1	44.4	0.1	44.4
Receivables	1(j),1(p),5(b),10	502.2	442.8	507.3	447.5
Inventories	1(i),5(c)	26.3	24.0	26.3	24.0
Other	1(l),5(d)	77.8	95.2	77.8	95.2
Total current assets		606.4	606.4	611.5	611.1
Non-current assets					
Receivables	1(j),1(p),6(a),10	16.6	–	16.6	–
Financial assets	1(r),6(b),10	72.6	81.6	72.6	81.6
Property, plant and equipment	1(f),1(g),6(c)	4,434.7	2,985.5	4,434.7	2,985.5
Deferred tax assets	4(b),6(d)	64.1	58.6	64.1	58.6
Total non-current assets		4,588.0	3,125.7	4,588.0	3,125.7
Total assets		5,194.4	3,732.1	5,199.5	3,736.8
Current liabilities					
Payables	1(n),1(o),1(r),1(s),7(a)	240.1	160.1	240.0	159.8
Interest bearing liabilities	5(a),7(b),9,10	457.8	214.2	458.4	214.7
Deposits	1(v)	9.3	15.3	9.3	15.3
Current tax liabilities	4(b),7(c)	3.0	23.9	3.0	23.9
Provisions	1(k),1(l),1(m),7(d)	366.7	410.3	366.7	410.3
Total current liabilities		1,076.9	823.8	1,077.4	824.0
Non-current liabilities					
Interest bearing liabilities	8(a),9,10	1,764.7	837.0	1,764.7	837.0
Deposits	1(v)	23.5	17.1	23.5	17.1
Deferred tax liabilities	8(b)	164.7	144.5	164.7	144.5
Provisions	1(e),1(k),1(m),8(c)	157.3	142.5	157.3	142.5
Total non-current liabilities		2,110.2	1,141.1	2,110.2	1,141.1
Total liabilities		3,187.1	1,964.9	3,187.6	1,965.1
Net assets		2,007.3	1,767.2	2,011.9	1,771.7
Equity					
Parent entity interest					
Contributed equity	1(q),11(a),11(b)	402.1	1,532.1	402.1	1,532.1
Reserves	1(f),11(c)	1,308.3	–	1,308.3	–
Retained earnings	11(d)	297.2	235.3	301.5	239.6
Total parent entity interest		2,007.6	1,767.4	2,011.9	1,771.7
Outside equity interest in controlled entity	11(e)	(0.3)	(0.2)	–	–
Total equity		2,007.3	1,767.2	2,011.9	1,771.7

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

for the year ended 30 June 2001

The Statement of Cash Flows and its Notes apply to both EnergyAustralia Entity and the Group Consolidated

\$Millions	Notes	2001	2000
Cash flows from operating activities			
Receipts from customers		2,299.9	2,087.8
Operating related payments to suppliers and employees		(1,590.5)	(1,452.3)
Interest received		1.6	7.9
Interest paid		(136.9)	(91.0)
Electricity distributor's levy paid		(65.9)	(66.2)
Income tax equivalent paid		(64.2)	(85.5)
Net cash inflow from operating activities	19	444.0	400.7
Cash flows from investing activities			
Net sales / (purchases) of investments		14.6	(20.3)
Proceeds from sale of property, plant and equipment		12.0	10.0
Purchases of property, plant and equipment		(371.9)	(283.1)
Net cash outflow from investing activities		(345.3)	(293.4)
Cash flows from financing activities			
Proceeds from borrowings		1,121.4	–
Repayment of borrowings		–	(250.9)
Equity restructuring payment	11(b)	(1,130.0)	–
Dividend paid		(184.3)	(138.8)
Net cash outflow from financing activities		(192.9)	(389.7)
Net increase / (decrease) in cash held		(94.2)	(282.4)
Cash at the beginning of the financial year	1(s),5(a)	38.7	321.1
Cash at the end of the financial year	1(s),5(a)	(55.5)	38.7

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements

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STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

EnergyAustralia is a NSW statutory state owned corporation established on 1 March 1996 by the *Energy Services Corporations Act 1995*.

The significant policies which have been adopted in the preparation of these financial statements are detailed below.

General accounting principles

(a) Basis for preparation

The financial statements are a general purpose financial report which has been prepared in accordance with applicable Australian Accounting Standards, the requirements of Part 3 of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2000*, other authoritative pronouncements of the Australian Accounting Standards Board and the Public Sector Accounting Standards Board and Urgent Issues Group Consensus Views. Although the following exemptions have been granted by the NSW Treasurer to allow disclosure on a basis broadly consistent with that required by the *Corporations Act 2001*, EnergyAustralia has not taken advantage of the exemptions granted for item (3):

- (1) Exemption from preparing manufacturing and trading statements.
- (2) Exemption from reporting amounts set aside, for renewal or replacement of fixed assets.
- (3) Exemption from reporting amounts set aside, to any provision for known commitments.
- (4) Exemption from reporting amounts appropriated for repayment of loans, advances, debentures and deposits.
- (5) Exemption from reporting material items of income and expenditure on a program or activity basis in respect of commercially sensitive information.
- (6) Exemption from reporting details of non-current assets for which the carrying value exceeds replacement costs.

The accounts have been prepared on the basis of accrual accounting under the historical cost convention, except for certain assets which, as noted, are at valuation.

EnergyAustralia has applied Australian Accounting Standard AAS 1 *Statement of Financial Performance*, AAS 37 *Financial Report Presentation and Disclosures* and AAS 36 *Statement of Financial Position* on their mandatory application dates (reporting periods beginning on or after 1 July 2000). As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

The revised Australian Accounting Standard AASB 1041 *Revaluation of Non-Current Assets* has been issued as a merged Standard that incorporates the revision of AAS 38, which applies for annual reporting periods ending on or after 30 September 2001. EnergyAustralia has elected to apply this Accounting Standard for the financial year ending on 30 June 2001.

(b) Reporting period and comparatives

The financial statements cover the financial performance of EnergyAustralia and its entities for the period 1 July 2000 to 30 June 2001 and the financial position as at 30 June 2001. The comparative figures cover 1 July 1999 to 30 June 2000 and the financial position as at 30 June 2000. Comparative information is reclassified where appropriate to enhance comparability.

Notes to and forming part of the Financial Statements

Statement of significant accounting policies continued

Summary of accounting policies

(c) Principles of consolidation

The financial statements of EnergyAustralia and its controlled entities are consolidated in accordance with Australian Accounting Standard AAS 24 *Consolidated Financial Reports*.

The consolidated accounts of the EnergyAustralia Group include the assets and liabilities of EnergyAustralia and the entities it controlled at the end of the financial year and the results of EnergyAustralia and the entities it controlled during the year ended 30 June 2001. The controlled entities are listed in note 18.

The effects of all transactions between entities in the EnergyAustralia Group and inter-entity balances have been eliminated in full in preparing the consolidated financial statements.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(d) Rounding of amounts

EnergyAustralia is exempt from Clause 12 of the *Public Finance and Audit Regulation 2000*. The amounts shown in the accounts have been rounded to the nearest tenth of a million dollars.

(e) Tax effect accounting

EnergyAustralia is exempt from Federal Government taxation. However, pursuant to the *State Owned Corporations Act 1989*, EnergyAustralia is subject to the NSW Treasury's tax equivalents regime. The income tax equivalents regime is based on the Federal *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*. From 1 July 2001, EnergyAustralia will be subject to the National Taxation Equivalent Regime which will reflect these Federal income tax Acts.

Tax effect accounting procedures are followed whereby the income tax expense, calculated in accordance with the provisions of the NSW Treasury's Tax Equivalents Manual, in the Statements of Financial Performance is matched with the accounting profit after allowing for permanent differences. The account "Provision for deferred income tax" records the income tax effect of items which will cause taxable income to be higher than book profits in the future and the account "Future income tax benefits" records the tax effect of items which will cause taxable income to be lower than book profits in the future.

In line with changes in the company income tax rate the provision for deferred income tax and future income tax benefit balances carried forward have been adjusted to reflect the change in rates. Timing differences are stated at 30%. The current tax rate of 34% has been used to calculate tax expense and income tax payable.

(f) Property, plant & equipment and construction in progress

The Policy Guidelines for the Valuation of Network Assets of Electricity Network Businesses were developed by industry regulators and NSW Treasury and issued as a NSW Treasury technical paper.

The guidelines developed Optimised Depreciated Replacement Cost (ODRC) as the method of valuing network assets for the electricity transmission and distribution industries.

The guidelines were used in the electricity supply industry corporatisation process as the basis upon which the network assets of the newly corporatised entities were valued. Consequently, the opening value of the network assets of EnergyAustralia as at 1 March 1996 reflects the valuation principles embodied in the above document.

See note 6(c) for the basis of valuation of land and buildings and other assets.

The cost of fixed assets constructed by EnergyAustralia includes the cost of materials, direct labour and a proportion of overhead is allocated on the basis of labour hours.

Property, plant and equipment are revalued in line with NSW Treasury Accounting Policy for Revaluation of Non-Current Physical Assets which states that assets should be revalued once every five years. Revaluation increments are credited directly to the asset revaluation reserve. A revaluation was undertaken during 2000-2001 in accordance with the revaluation methodology applied by Arthur Andersen/Worley/GHD as at 30 June 1998. All network assets were revalued at ODRC. The ODRC values have been indexed through to 30 June 2000 using the Australian Bureau of Statistics CPI figures for Sydney. This has resulted in a material increase in the carrying value of the asset base and depreciation charges of \$1.3 billion and \$12 million respectively. This will also impact on future depreciation charges.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

In accordance with Australian Accounting Standards the above revaluation did not result in the carrying value of assets exceeding their recoverable amount.

(g) Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. System assets are depreciated in accordance with the *Policy Guidelines for the Valuation of Network Assets of Electricity Network Businesses* (see note 1(f)).

The expected useful lives are as follows:

Buildings	40 years
Network system assets	20 - 60 years
Plant and equipment	4 - 10 years

(h) Leased assets

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly they are charged to the Statements of Financial Performance in the periods in which they are incurred.

(i) 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. In the case of manufactured goods, costs include direct labour, materials and a portion of variable overhead which is allocated on the basis of labour hours.

(j) Receivables and revenue recognition

(i) Trade debtors

Trade debtors are recognised for the major business activities as follows:

Electricity – a sale is recorded when the electricity consumption of franchise or contestable customers are read and an invoice generated.

Network charges – following the reading of the customers meter an out-of-area retailer is invoiced for the use of the network. Revenue is accrued for the consumption that is not invoiced at month end.

Electrical systems construction and maintenance (non-electric debt) – customers are invoiced for various activities such as repairs to the network, relocation of network assets and damage to the network. An invoice is raised once there has been agreement for the work to be performed or the person liable for the repairs has been identified.

Notes to and forming part of the Financial Statements

Statement of significant accounting policies continued

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of invoice for non-electric debt and 16 days for electric debt.

The collection of trade debts is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to the collection exists.

(ii) Accrued sales / accrued income from unread meters

A calculation of the amount of electricity consumed and read, but not billed by balance date is to be included in the revenue for the year. In addition, a calculation of the amount of electricity consumed but not read by balance date is also to be included in the revenue for the year.

(iii) Other debtors

These amounts generally arise from transactions outside the usual operating activities of the corporation. Interest may be charged at commercial rates where terms of repayment exceed six months. Collateral is not normally obtained.

(k) Employees' entitlements

All liabilities for employees' entitlements that are expected to be paid for services provided by employees to balance date are fully provided for in the financial statements.

Liabilities for wages and salaries and annual leave are recognised and are measured at current pay rates in respect of employees' services up to the reporting date.

Provisions have been made for employees' retirement entitlements (including long service leave, untaken sick leave due on retirement and supplementary superannuation benefits) and for untaken annual leave. The liability for employees' retirement entitlements is reassessed by the NSW Government Actuary every three years.

(l) Superannuation

In 1996-1997 EnergyAustralia contributed to three defined benefits schemes, namely the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and the State Superannuation Scheme (SSS). On 1 July 1997 employees' benefits were transferred from these superannuation schemes to three divisions of the Energy Industries Superannuation Scheme (EISS) as follows:

SASS	–	Division B
SANCSS	–	Division C
SSS	–	Division D

EnergyAustralia's contributions are based on a full funding multiple calculated by the scheme's Actuary. After deducting the stake (i.e. the amount funded) in each fund as at 30 June from the relevant gross liability, the difference is brought to account in the Statements of Financial Position as either a liability or an asset.

The scheme's Actuary review in June 2001 established EnergyAustralia's net surplus for superannuation as at 30 June 2001 as \$73.6 million (\$90.4 million in 2000). Consequently the Statements of Financial Performance recognise the difference between the net surplus recognised in 2000-2001 and the net surplus as advised by the scheme's Actuary as at 30 June 2000 (see note 3(b)).

Actuarial assumptions advised for divisions B, C and D of EISS are:

	2001-2002 %	Thereafter %
Investment return	6.0	7.5
Salary growth rate	5.5	4.0
Consumer price index	2.5	2.5

(m) Workers' compensation insurance

EnergyAustralia is a self-insurer through its insurance provision for workers' compensation and meets all liabilities under the *Workers' Compensation Act*.

During 2000-2001, a consulting actuary undertook the annual investigation of EnergyAustralia's estimated liability for workers' compensation as at 30 June 2001. The liability is measured as the present value of future payments and as at 30 June 2001, was estimated to be \$14.6 million (\$15.9 million in 2000).

(n) Contribution for capital works

This represents sums contributed by customers and developers, mainly towards the capital cost of undergrounding overhead mains. The total included in revenue for the year ended 30 June 2001 amounted to \$51.3 million (\$62.7 million in 2000).

Cash and non-cash capital contributions have been reported in order to comply with UIG Abstract 17, *Developer and Customer Contributions in Price Regulated Industries*. Cash capital contributions for 2000-2001 have been initially recorded as a liability. Once the network asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to revenue.

(o) Trade and other creditors

These amounts represent liabilities for electricity, goods and services provided to the corporation prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Social programs

Pensioner rebates are funded by the NSW Government, however, the costs for the six months ended 30 June 2001 have not been reimbursed by the Government as at reporting date, hence an accrual of the income from reimbursement has been provided in the accounts.

(q) Share capital

EnergyAustralia was corporatised on 1 March 1996 with issued capital of two \$1 shares. These shares were issued to EnergyAustralia's shareholding Ministers, the Treasurer and the Minister for Police. In pursuance of the *State Owned Corporations Act 1989*, a transfer of the shareholding from the Minister for Police to the Special Minister of State was made on 8 June 1999. The \$2 share capital has been rounded to zero in the Statements of Financial Position.

(r) Financial instruments

EnergyAustralia's primary objective in the management of its investments and borrowings is to optimise economic returns for given risk levels. These risk levels have been defined in terms of the modified duration of the respective portfolios managed and have been set relative to appropriate benchmarks independently defined by major financial institutions.

In order that EnergyAustralia's portfolios are aligned with these benchmarks, financial instruments of varying maturities are bought (redeemed) and sold (issued). Whilst market valuations of these portfolios are assessed internally for risk management purposes, they are not brought to account. Realised gains and losses on assets sold and debt redeemed are recognised on realisation.

Notes to and forming part of the Financial Statements

Statement of significant accounting policies continued

The difference between the face value and the capital value of all financial instruments acquired at inception is amortised over the life of the specific instrument. Interest associated with these instruments is brought to account on an accruals basis.

EnergyAustralia utilises financial instruments to hedge its debt portfolios. The gains and losses on derivatives used as hedges are accounted for on the same basis as the underlying physical exposures they are hedging. Accordingly, hedge gains and losses are included in the Statements of Financial Performance at the same time as the gains and losses arising on the related physical exposures are recognised in the Statements of Financial Performance.

EnergyAustralia is a participant in the wholesale electricity market. Market volatility is managed by entering into commodity based contracts to hedge against movements in electricity pool prices. The gains or losses are brought to account on realisation and are reflected in the financial statements as an element of electricity purchase costs. The industry views these arrangements as commodity contracts which are excluded from the disclosure requirements of Australian Accounting Standard AAS 33 *Presentation and Disclosure of Financial Instruments*.

(s) Cash

For purposes of the Statement of Cash Flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdraft and short term accommodation from NSW Treasury Corporation (T-Corp) (see note 5(a)).

(t) Year 2000

During 1999-2000, EnergyAustralia managed an extensive program to minimise the risk of potential adverse impacts on EnergyAustralia's business of any computer and other systems failures that may have arisen with date changes on and beyond the year 2000. This program is complete and no adverse impacts were detected.

Expenditure including external consulting fees and other external costs, except those of a capital nature, which were incurred to make internal use computer software compatible with the year 2000 has been expensed as incurred (see note 3(b)).

(u) Segment reporting

EnergyAustralia operates predominantly in one industry segment, that being the distribution of energy, and within one geographical sector, Australia.

(v) Deposits

Deposits represent liabilities for customer and contractors' deposits which can be refunded at any time after the end of the financial year. The amount projected to be refunded in the succeeding financial year is shown as current and the remainder of the liability as non-current.

(w) Goods and services tax system changes

Costs incurred to update existing systems or to design, develop and implement new systems to deal with the GST are charged as expenses as incurred, except where they result in an enhancement of future economic benefits and are recognised as an asset.

02

REVENUE \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
Revenue from operating activities				
Metered sales of electricity	1,731.5	1,625.6	1,731.5	1,625.6
Public lighting energy sales	5.2	5.2	5.2	5.2
Accrued sales of electricity	(5.2)	21.2	(5.2)	21.2
Estimated revenue on unread meters	36.5	5.6	36.5	5.6
Metered sales of gas	8.5	3.6	8.5	3.6
Accrued sales of gas	0.2	0.6	0.2	0.6
External use of system charge	216.6	197.7	216.6	197.7
Public lighting system charge	23.3	23.3	23.3	23.3
Capital contributions	51.3	62.7	51.3	62.7
Recoverable works	16.3	22.1	16.3	22.1
Prepaid superannuation for defined benefits schemes (note 3(b))	–	23.5	–	23.5
Other	103.1	122.7	103.0	122.6
	2,187.3	2,113.8	2,187.2	2,113.7
Revenue from outside the operating activities				
Investment income	4.3	4.7	4.3	4.7
Proceeds from sale of fixed assets	11.6	17.0	11.6	17.0
Total revenue from ordinary activities	2,203.2	2,135.5	2,203.1	2,135.4

Notes to and forming part of the Financial Statements

03

	Consolidated		EnergyAustralia Entity	
OPERATING PROFIT \$Millions	2001	2000	2001	2000
(a) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Interest revenue	4.3	5.4	4.3	5.4
Net gain on disposal				
Investments	5.6	–	5.6	–
Property, plant and equipment	4.8	2.9	4.8	2.9
Expenses				
Borrowing costs				
Interest and finance charges paid/payable	160.5	85.2	160.5	85.2
Other expenses from ordinary activities				
Distribution of energy	1,830.6	1,669.7	1,830.4	1,669.4
These expenses include the following:				
Depreciation and amortisation				
Buildings	3.7	3.5	3.7	3.5
Systems Assets	151.1	133.9	151.1	133.9
Plant and equipment	56.1	40.0	56.1	40.0
Total depreciation and amortisation	210.9	177.4	210.9	177.4
Net loss on disposal				
Investments	–	0.7	–	0.7
Bad Debts				
Bad and doubtful debts – trade debtors	8.7	11.8	8.7	11.8
Other provisions				
Employee entitlements	18.7	4.8	18.7	4.8
Untaken annual leave	1.3	1.5	1.3	1.5
Insurance	1.8	0.6	1.8	0.6
Total other provisions	21.8	6.9	21.8	6.9
Rental expense relating to operating leases	15.7	13.6	15.7	13.6
Superannuation expense	3.8	3.3	3.8	3.3
Electricity distributor's levy	64.9	66.9	64.9	66.9
(b) Individually significant items				
Gains				
Increase in prepaid superannuation for defined benefits (note 5(d))	–	23.5	–	23.5
Expenses				
Year 2000 costs (note 1(t))	–	11.3	–	11.3
Goods and services tax implementation costs (note 1(w))	1.8	10.6	1.8	10.6
Decrease in prepaid superannuation for defined benefits (note 5(d))	16.9	–	16.9	–

04

INCOME TAX \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(a) Prima facie income tax equivalent expense calculated at 34% on profit from ordinary activities	72.2	137.0	72.2	137.0
Add / (less) tax effect of permanent differences:				
Capital contributions not assessable	(17.4)	(22.6)	(17.4)	(22.6)
Prepaid superannuation not deductible / (assessable)	5.7	(8.4)	5.7	(8.4)
Depreciation not deductible	7.6	2.3	7.6	2.3
Div 43 special building allowance	(0.8)	(0.8)	(0.8)	(0.8)
(Profit)/loss on disposal – non-depreciable assets	–	(3.8)	–	(3.8)
Other non-deductible / assessable items	0.3	0.2	0.3	0.2
Amount under / (over) provided for prior year	0.6	(0.1)	0.6	(0.1)
Prior period timing differences reassessed as Permanent	–	(39.2)	–	(39.2)
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate from 34% to 30%	(10.4)	(12.9)	(10.4)	(12.9)
Income tax expense on profit from ordinary activities	57.8	51.7	57.8	51.7
(b) Income tax expense comprises amounts set aside as				
Provision for deferred tax liability	(20.2)	(27.9)	(20.2)	(27.9)
Provision for current income tax	(43.1)	64.8	(43.1)	64.8
Future income tax benefit	5.5	14.8	5.5	14.8
	57.8	51.7	57.8	51.7
Future income tax benefit not taken into account				
Tax losses carried forward	1.3	1.5	–	–

Notes to and forming part of the Financial Statements

05

CURRENT ASSETS \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(a) Cash assets				
Cash at bank and on hand	0.1	0.1	0.1	0.1
Money market securities and deposits	–	44.3	–	44.3
	0.1	44.4	0.1	44.4

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balance as above	0.1	44.4
Bank overdraft (note 7(b))	(6.9)	(5.7)
T-Corp short term accommodation (note 7(b))	(48.7)	–
Balance per consolidated statement of cash flows	(55.5)	38.7

(b) Receivables

Trade debtors	258.2	232.5	263.3	237.2
Less: provision for doubtful debts	(7.5)	(5.8)	(7.5)	(5.8)
	250.7	226.7	255.8	231.4
Accrued sales of electricity – contestable customers	46.9	52.1	46.9	52.1
Accrued income from unread meters	199.9	163.4	199.9	163.4
Accrued sales of gas	0.8	0.6	0.8	0.6
Other debtors (1)	3.9	–	3.9	–
	502.2	442.8	507.3	447.5

(1) See note 6(a) for the non-current portion of these receivables.

(c) Inventories

Work in progress – at cost	– #	0.1	– #	0.1
Stores and materials				
– at cost	22.5	20.6	22.5	20.6
– at net realisable value	3.8	3.3	3.8	3.3
	26.3	24.0	26.3	24.0

(d) Other

Prepayments	4.2	4.7	4.2	4.7
Prepaid superannuation contribution	73.6	90.5	73.6	90.5
	77.8	95.2	77.8	95.2

Amount reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).

EnergyAustralia and its controlled entities contribute to Divisions A, B, C and D of the Energy Industries Superannuation Scheme (EISS).

With the exception of Division A, EISS provides defined benefits based on years of service and salary. For 30 June 2001, the gross prepayment and liability of the scheme have been calculated by the scheme's Actuary and have been brought to account in the Statements of Financial Position as either an asset or a liability.

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	Consolidated		EnergyAustralia Entity	
NON-CURRENT ASSETS \$Millions	2001	2000	2001	2000
(a) Receivables				
Other debtors (2)	16.6	–	16.6	–
(b) Financial Assets				
Investments				
Government and public sector securities (3)	–	46.6	–	46.6
Share investment in other corporations (4)	72.6	35.0	72.6	35.0
	72.6	81.6	72.6	81.6
(3) The T-Corp Hourglass fixed interest facility of \$46.6 million was withdrawn during 2000-2001.				
(4) EnergyAustralia has a 21.64% ownership interest in PowerTel Limited (25.5% in 1999-2000). PowerTel Limited has the principal activity of provision of broadband telecommunications services to the corporate and wholesale markets in Australia. The carrying amount of the investment in PowerTel as at 30 June 2001 is \$72.6 million which compares with \$69.5 million based on the closing share price of 31.4 cents on that date. Directors believe that the share price is not necessarily a reliable indicator of the recoverable amount for EnergyAustralia's investment in PowerTel as it does not reflect a possible strategic value associated with EnergyAustralia's holding in PowerTel.				
(c) Property, plant and equipment				
Land and buildings (5)				
Freehold land	76.3	78.8	76.3	78.8
Buildings	126.7	122.3	126.7	122.3
Less: accumulated depreciation	(16.1)	(12.5)	(16.1)	(12.5)
Construction in progress	4.2	4.7	4.2	4.7
	191.1	193.3	191.1	193.3
System assets (6)				
In service	3,603.6	2,869.1	3,603.6	2,869.1
Less: accumulated depreciation	(188.7)	(585.5)	(188.7)	(585.5)
System land	409.2	151.9	409.2	151.9
Construction in progress	169.2	140.1	169.2	140.1
	3,993.3	2,575.6	3,993.3	2,575.6
Other assets (7)				
In service	407.1	274.4	407.1	274.4
Less: accumulated depreciation	(180.5)	(133.0)	(180.5)	(133.0)
Construction in progress	23.7	75.2	23.7	75.2
	250.3	216.6	250.3	216.6
Net property, plant and equipment	4,434.7	2,985.5	4,434.7	2,985.5

(5) Market valuations for properties are based on independent external consultants' valuation where available. In the absence of independent valuation, properties are valued at directors' valuation.

(6) System assets are valued at ODRC (see note 1(f)).

(7) Assets other than system assets and land and buildings are valued at original capital cost.

Notes to and forming part of the Financial Statements

Non-current assets continued

Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below (see note 1(a)).

\$Millions	Carrying amount at start of the year	Additions	Disposals	Revaluation increments (notes 1(f),11(b))	Depreciation (notes 1(g),3(a))	Carrying amount at end of year
Consolidated – 2001						
Freehold land	78.8	–	(2.5)	–	–	76.3
Buildings	109.8	4.8	(0.3)	–	(3.7)	110.6
System land	151.9	8.0	(0.3)	249.6	–	409.2
System assets – in service	2,283.6	224.2	(0.5)	1,058.7	(151.1)	3,414.9
Other assets – in service	141.4	144.5	(3.2)	–	(56.1)	226.6
Total construction in progress	220.0	(22.9)	–	–	–	197.1
	2,985.5	358.6	(6.8)	1,308.3	(210.9)	4,434.7

EnergyAustralia

Entity – 2001

Freehold land	78.8	–	(2.5)	–	–	76.3
Buildings	109.8	4.8	(0.3)	–	(3.7)	110.6
System land	151.9	8.0	(0.3)	249.6	–	409.2
System assets – in service	2,283.6	224.2	(0.5)	1,058.7	(151.1)	3,414.9
Other assets – in service	141.4	144.5	(3.2)	–	(56.1)	226.6
Total construction in progress	220.0	(22.9)	–	–	–	197.1
	2,985.5	358.6	(6.8)	1,308.3	(210.9)	4,434.7

\$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(d) Deferred tax assets				
Future income tax benefit				
Timing differences	64.1	58.6	64.1	58.6
	64.1	58.6	64.1	58.6

07

CURRENT LIABILITIES \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(a) Payables				
Trade creditors	240.1	160.1	240.0	159.8
(b) Interest bearing liabilities				
Bank overdraft (note 5(a))	6.9	5.7	7.5	6.2
T-Corp short term accommodation (note 5(a))	48.7	–	48.7	–
Loans (note 9)	402.2	208.5	402.2	208.5
	457.8	214.2	458.4	214.7
(c) Current tax liabilities				
Income tax	3.0	23.9	3.0	23.9
(d) Provisions				
Employees' retirement entitlements	7.5	6.6	7.5	6.6
Untaken annual leave	23.3	22.0	23.3	22.0
Insurance	4.1	4.8	4.1	4.8
Annual dividend	92.9	184.7	92.9	184.7
Unfunded superannuation (note 5(d))	– #	0.1	– #	0.1
Other	238.9	192.1	238.9	192.1
	366.7	410.3	366.7	410.3

Amounts reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).

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NON-CURRENT LIABILITIES \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(a) Interest bearing liabilities				
Loans (note 9)	1,764.7	837.0	1,764.7	837.0
(b) Deferred tax liabilities				
Provision for deferred income tax	164.7	144.5	164.7	144.5
(c) Provisions				
Employees' retirement entitlements	145.6	130.2	145.6	130.2
Insurance	11.7	12.3	11.7	12.3
	157.3	142.5	157.3	142.5

Notes to and forming part of the Financial Statements

09

LOAN LIABILITY – DEBT MATURITY ANALYSIS \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
Debts payable				
Not later than one year	402.2	208.5	402.2	208.5
Later than one, not later than five years	1,078.7	574.7	1,078.7	574.7
Later than five years	686.0	262.3	686.0	262.3
Total loan debt (8)	2,166.9	1,045.5	2,166.9	1,045.5
Less: amount shown as current liability (note 7(a)) (9)	402.2	208.5	402.2	208.5
Non-current loan debt (note 8(a))	1,764.7	837.0	1,764.7	837.0

(8) Loan debt is accounted for at book value.

(9) Loan debt shown as current liability is nominally due for repayment within twelve months. However due to the availability of rollover facilities and the liquidity of the underlying debt instruments, EnergyAustralia may not necessarily need to repay these loans within twelve months.

10

FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the corporation intends to hold fixed rate assets and liabilities to maturity.

The corporation's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below.

	Floating interest rate	Fixed interest maturing in			Non- interest bearing	Total
		1 year or less	1 to 5 years	More than 5 years		
\$Millions						
2001						
Financial assets						
Cash and deposits (note 5(a))	–	–	–	–	0.1	0.1
Receivables (note 5(b),6(a))					518.8	518.8
Financial assets – investments (note 6(b))	–	–	–	–	72.6	72.6
	–	–	–	–	591.5	591.5
Weighted average interest rate	–	–	–	–		
Financial liabilities						
Bank overdraft (note 7(b))	6.9					6.9
T-Corp short term accommodation (note 7(b))	48.7					48.7
Loans (notes 7(b),8(a),9)	124.1	278.1	1,078.7	686.0		2,166.9
Trade creditors (note 7(a))					240.1	240.1
Deposits					32.8	32.8
	179.7	278.1	1,078.7	686.0	272.9	2,495.4
Weighted average interest rate	5.39%	5.89%	6.89%	6.56%		
Net financial assets / (liabilities)	(179.7)	(278.1)	(1,078.7)	(686.0)	318.6	(1,903.9)
2000						
Financial assets						
Cash and deposits (note 5(a))	44.3	–	–	–	0.1	44.4
Receivables (note 5(b))					442.8	442.8
Financial assets – investments (note 6(b))	–	–	46.6	–	35.0	81.6
	44.3	–	46.6	–	477.9	568.8
Weighted average interest rate	5.22%	–	6.36%	–		
Financial liabilities						
Bank overdraft (note 7(b))	5.7					5.7
Loans (notes 7(b),8(a),9)	206.9	1.6	574.7	262.3	–	1,045.5
Trade creditors (note 7(a))					160.1	160.1
Deposits					32.4	32.4
	212.6	1.6	574.7	262.3	192.5	1,243.7
Weighted average interest rate	6.08%	10.53%	7.03%	6.89%		
Net financial assets / (liabilities)	(168.3)	(1.6)	(528.1)	(262.3)	285.4	(674.9)

Notes to and forming part of the Financial Statements

Financial instruments continued

\$Millions	2001	2000
Reconciliation of net financial assets to net assets		
Net financial assets as above	(1,903.9)	(674.9)
Non-financial assets and liabilities		
Inventories (note 5(c))	26.3	24.0
Property, plant and equipment (note 6(c))	4,434.7	2,985.5
Other current assets (note 5(d))	77.8	95.2
Deferred tax assets (note 6(d))	64.1	58.6
Tax liabilities (notes 7(c),8(b))	(167.7)	(168.4)
Provisions (notes 7(d),8(c))	(524.0)	(552.8)
Net assets per statements of financial position	2,007.3	1,767.2

(b) Off-balance sheet financial instruments

Foreign currency exposure

The corporation enters foreign currency contracts for the supply of parts and equipment. Gains and losses are brought to account on a basis consistent with the underlying foreign physical asset or liability.

At balance date the details of the outstanding contracts are:

\$Millions	Sell Australian dollars		Average exchange rate	
	2001	2000	2001	2000
Buy United States dollars	2.0	0.9	0.5376	0.6513

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

As at 30 June 2001 the corporation's foreign exchange position did not give rise to any unrealised loss (nil in 2000).

(c) Net fair values

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	Carrying amount	Net fair value	Carrying amount	Net fair value
\$Millions	2001		2000	
On-balance sheet financial instruments				
Financial assets				
Investments				
Money market securities & deposits	–	–	44.3	44.3
Government & public sector securities	–	–	46.6	49.0
Share investment in other corporations	72.6	72.6	35.0	35.0
Cash and deposits	0.1	0.1	0.1	0.1
Receivables	518.8	518.8	442.8	442.8
	591.5	591.5	568.8	571.2
Financial liabilities				
Loans	2,166.9	2,232.8	1,045.5	1,081.4
Deposits	32.8	32.8	32.4	32.4
Other liabilities	295.7	295.7	165.8	165.8
	2,495.4	2,561.3	1,243.7	1,279.6
Off-balance sheet financial instruments				
Financial assets				
Financial futures	–	–	– #	– #
Financial liabilities				
Financial futures	–	–	–	–

Amounts reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).

(d) Credit risk exposures

The credit risk on financial assets of the corporation which have been recognised on the Statements of Financial Position, other than investments, is generally the carrying amount, net of any provisions for doubtful debts.

The corporation minimises concentrations of credit risk by undertaking transactions with a large number of customers and is not materially exposed to any individual customer.

Notes to and forming part of the Financial Statements

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EQUITY \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
(a) Share capital				
Issued and paid up capital				
2 ordinary shares of \$1 each, fully paid	– #	– #	– #	– #
# Amounts reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).				
(b) Contributed equity				
Opening balance	1,532.1	1,532.1	1,532.1	1,532.1
Equity restructuring payment to NSW Treasury (10)	(1,130.0)	–	(1,130.0)	–
Closing balance	402.1	1,532.1	402.1	1,532.1
(10) In July 2000, as a result of the decision by shareholders to restructure EnergyAustralia's equity, EnergyAustralia's debt has been increased by \$1.13 billion. This amount was paid to NSW Treasury on behalf of the shareholders on 14 July 2000. The amount of \$1.13 billion was raised through borrowings from T-Corp.				
(c) Reserves				
Asset revaluation reserve (11)	1308.3	–	1308.3	–
Movements in asset revaluation reserve:				
Opening balance	–	–	–	–
Increment on revaluation of property, plant and equipment during the year	1,308.3	–	1,308.3	–
Closing balance	1,308.3	–	1,308.3	–
(11) The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets (see notes 1(f) and 6(c)).				
(d) Retained earnings				
Retained earnings at the beginning of the financial year	235.3	90.6	239.6	94.8
Net profit attributable to members of EnergyAustralia	154.4	329.0	154.4	329.1
Dividend provided for the financial year	(92.5)	(184.3)	(92.5)	(184.3)
Retained earnings at the end of the financial year	297.2	235.3	301.5	239.6
(e) Outside equity interest in controlled entity				
Interest in				
Share capital	– #	– #		
Accumulated loss	(0.3)	(0.2)		
	(0.3)	(0.2)		
# Amount reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).				

12

REMUNERATION OF DIRECTORS

The numbers of parent entity Directors whose income from the parent entity or related parties was within the specified bands are as follows:

	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
\$10,000 – \$19,999		1		1
\$40,000 – \$49,999	5	4	5	4
\$80,000 – \$89,999	1	1	1	1
\$420,000 – \$429,999 (12)		1		1
\$440,000 – \$449,999 (12)	1		1	

Directors' income includes salaries and superannuation paid to Directors who are full time employees of the parent entity.

(12) Excludes bonus payment of \$73,950 (\$65,520 in 2000).

	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
\$Millions				
Total income paid or payable, or otherwise made available, to all Directors of the parent entity from the parent entity or any related party			0.8	0.8
Total income paid or payable, or otherwise made available, to all Directors of each entity in the economic entity from the parent entity or any related party	0.8	0.8		

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REMUNERATION OF AUDITORS \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
Amounts received, or due and receivable for audit services provided by the Audit Office of NSW	0.3	0.3	0.3	0.3

Notes to and forming part of the Financial Statements

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RELATED PARTY TRANSACTIONS

(a) Directors

The Directors of EnergyAustralia during the financial year were:

John C. Conde AO (Chairman)

Paul Broad (Managing Director)

Bruce Hogan

Belinda Hutchinson

Michael Lambert

John Robertson

Paul Jeans

Remuneration received or receivable by Directors of each entity are disclosed in note 12.

Other transactions

During the financial year, EnergyAustralia entered into the following transactions with its Director-related entities:

- EnergyAustralia paid \$55,000 to Sydney Symphony in accordance with the sponsorship agreement.
Mr Conde is a Director of Sydney Symphony.

The Directors of EnergyAustralia are also Directors of other companies which may have had transactions with EnergyAustralia during the financial year. With respect to any such transaction, no Director has declared that he/she has control or significant influence on the financial and/or operating policies of those companies in their dealings with EnergyAustralia.

(b) Wholly owned group

The Group includes a consolidation of the entities as detailed in note 18. Details of dealings with entities in the wholly owned group are as follows:

Loans

During the year ended 30 June 2001 EnergyAustralia provided funding to the controlled entities to enable them to meet their commitments but did not receive any repayments from them. It is expected that this funding will continue in 2001-2002.

Other transactions

During the financial year, EnergyAustralia entered into a number of transactions with all controlled entities within the group. These transactions have been categorised as follows:

Services provided by EnergyAustralia

- accounting services
- supply and/or rental of premises
- inter-company funding
- information technology services
- administrative and other services

No services were provided to EnergyAustralia by any of the controlled entities.

EnergyAustralia has also provided the necessary cash facilities for each of the controlled entities, with respect to external transactions which were not settled by the controlled entity.

15

CONTINGENT LIABILITIES \$Millions	Consolidated		EnergyAustralia Entity	
	2001	2000	2001	2000
Guarantees issued by financial institutions				
Bank guarantees provided in the normal course of business, in lieu of retention and security deposits	3.0	3.2	3.0	3.2
Guarantees provided to regulatory and statutory authorities	228.4	148.0	228.4	148.0
	231.4	151.2	231.4	151.2

EnergyAustralia has fully indemnified the issuing financial institutions in the unlikely event these guarantees are called on.

Notes to and forming part of the Financial Statements

16

	Consolidated		EnergyAustralia Entity	
COMMITMENTS FOR EXPENDITURE \$Millions	2001	2000	2001	2000
(a) Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year (13)	11.6	22.4	11.6	22.4
Later than one year but not later than 5 years	–	–	–	–
Later than 5 years	–	–	–	–
	11.6	22.4	11.6	22.4
(13) The commitments include capital expenditure commitments relating to Achieving Contestable Environment (ACE) system development.				
(b) Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	13.6	16.4	13.6	16.4
Later than one year but not later than 5 years	13.5	18.3	13.5	18.3
Later than 5 years	67.5	68.6	67.5	68.6
	94.6	103.3	94.6	103.3
Representing:				
Cancellable operating leases	–	–	–	–
Non-cancellable operating leases	94.6	103.3	94.6	103.3
	94.6	103.3	94.6	103.3
(c) Other commitments				
Commitments in relation to operating expenditure contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	14.3	12.7	14.3	12.7
Later than one year but not later than 5 years	9.3	16.6	9.3	16.6
Later than 5 years	–	–	–	–
	23.6	29.3	23.6	29.3

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EXTERNAL CONSULTANTS

The total amount paid to or accrued for consultants during the year ended 30 June 2001 was \$1.7 million (\$1.7 million in 2000).

18

CONTROLLED ENTITIES

(a) The Group includes a consolidation of the following controlled entities, all of which were incorporated in Australia:

Energygen Pty Limited
Energy Management International Pty Limited
EnergyAustralia Enterprises Pty Limited
Energy Australia Venture Holdings Pty Limited
Energy Australia Pty Limited
Downtown Utilities Pty Limited

(b) The following is a comparison of key figures for EnergyAustralia and its controlled entities.

\$Millions	Total revenue		Profit / (loss) before tax		Total assets as at	
	2001	2000	2001	2000	30/6/2001	30/6/2000
EnergyAustralia	2,203.1	2,135.4	212.2	380.8	5,199.5	3,736.8
Energygen Pty Ltd	–	–	– #	– #	– #	– #
Energy Management International Pty Ltd	0.2	1.0	– #	(0.1)	– #	– #
EnergyAustralia Enterprises Pty Ltd	–	–	–	–	– #	– #
Energy Australia Venture Holdings Pty Ltd	–	–	– #	– #	– #	– #
Energy Australia Pty Ltd	–	–	–	–	– #	– #
Downtown Utilities Pty Ltd	0.4	0.4	– #	– #	0.6	0.4

Amounts reduced to zero as a result of rounding to nearest \$0.1 million (see note 1(d)).

EnergyAustralia will provide whatever financial support or assistance, if any, to ensure that each subsidiary is able to satisfy any debts or liabilities.

Notes to and forming part of the Financial Statements

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RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

\$Millions	2001	2000
Operating profit after income tax	154.3	328.9
Add / (less):		
Depreciation	210.9	177.4
Amortisation of unrealised capital (debt)	(6.2)	(3.6)
Amortisation of unrealised capital (investments)	–	0.1
Provision for doubtful debts	1.7	2.0
(Profit) / loss on sale of fixed assets	(4.8)	(2.9)
(Profit) / loss on sale of investments	(5.6)	0.7
Changes in assets and liabilities		
(Increase) / decrease in estimated revenue from unread meters	(36.5)	(5.6)
(Increase) / decrease in accrued sales	5.1	(21.8)
(Increase) / decrease in other accrued income	(46.2)	(15.2)
(Increase) / decrease in operating related inventories	(2.3)	0.7
(Increase) / decrease in future income tax benefit	(5.5)	14.8
(Increase) / decrease in prepaid operating expenditure	0.5	6.8
(Increase) / decrease in prepaid superannuation	16.9	(23.5)
Increase / (decrease) in accrued operating expenditure	99.0	(81.2)
Increase / (decrease) in provision for income taxes payable	(20.9)	(20.8)
Increase / (decrease) in provision for deferred income tax	20.2	(27.9)
Increase / (decrease) in other provisions	63.0	76.1
Increase / (decrease) in customer security deposits	0.4	(4.3)
Net cash inflow from operating activities	444.0	400.7

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NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing and investing activities undertaken during the year ended 30 June 2001.

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FINANCING FACILITIES

Financing facilities of a \$10 million bank overdraft limit and a \$150 million short term accommodation from NSW Treasury Corporation were available but not fully utilised as at 30 June 2001 (see note 5(a)).

Directors' Declaration

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, we state that in the opinion of the Directors of EnergyAustralia:

- a) the accompanying consolidated financial statements and notes comprise a general purpose financial report which has been prepared in accordance with the applicable Australian Accounting Standards, the *State Owned Corporations Act 1989*, the *Public Finance and Audit Act 1983*, and the *Public Finance and Audit Regulation 2000*, mandatory professional reporting requirements and give a true and fair view of the EnergyAustralia Group financial position as at 30 June 2001 and its financial performance for the year ended on that date;
- b) at the date of this statement, there are reasonable grounds to believe that the EnergyAustralia Group will be able to pay its debts as and when they become due and payable;
- c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the financial report to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Directors.



John C. Conde AO
Chairman



Paul A. Broad
Managing Director

Sydney – 3 October 2001



Independent Audit Report

To Members of the NSW Parliament and Members of EnergyAustralia

Scope

I have audited the accounts of EnergyAustralia for the year ended 30 June 2001. The financial report includes the consolidated financial statements of the consolidated entity comprising EnergyAustralia and the entities it controlled at the year's end or from time to time during the financial year. The members of the Board of EnergyAustralia are responsible for the financial report consisting of the accompanying statements of financial performance, statements of financial position and statements of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of EnergyAustralia based on my audit as required by section 24A of the *State Owned Corporations Act 1989* and sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the PF&A Act).

My audit has been conducted in accordance with statutory requirements and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with my understanding of the Corporation's and the consolidated entity's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of EnergyAustralia complies with section 41B of the PF&A Act, other statutory requirements and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation and the consolidated entity as at 30 June 2001 and the results of their operations and their cash flows for the year then ended.

A handwritten signature in black ink that reads 'R C Henderson'.

R C Henderson FCA

Director of Audit

(Duly authorised by the Auditor-General of New South Wales under Section 41C(1A) of the PF&A Act)

Sydney

3 October 2001