Powerlink QUEENSLAND

Annual Report 2005/2006

making the connection

Annual Report 2005/2006

MISSION

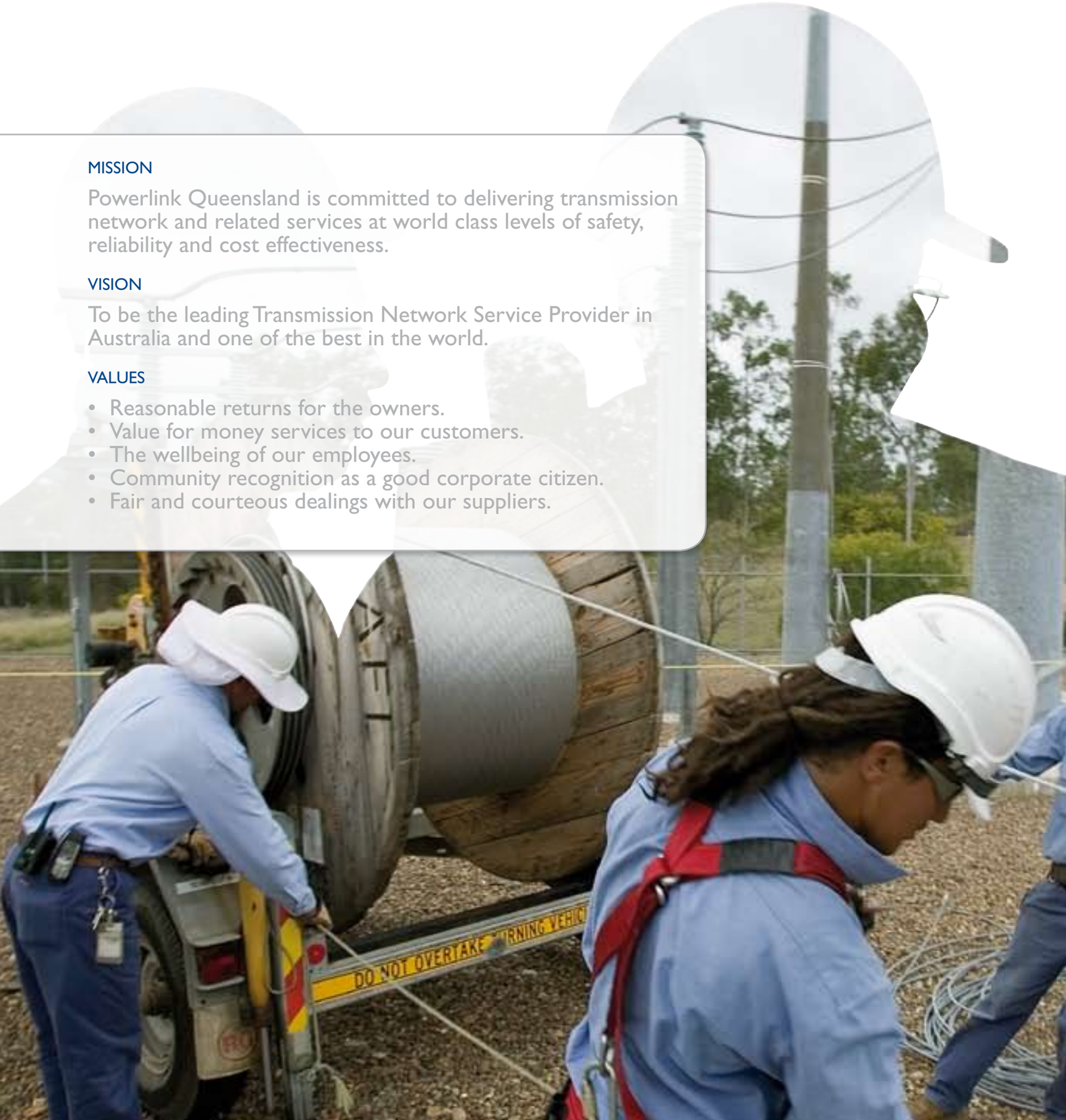
Powerlink Queensland is committed to delivering transmission network and related services at world class levels of safety, reliability and cost effectiveness.

VISION

To be the leading Transmission Network Service Provider in Australia and one of the best in the world.

VALUES

- Reasonable returns for the owners.
- Value for money services to our customers.
- The wellbeing of our employees.
- Community recognition as a good corporate citizen.
- Fair and courteous dealings with our suppliers.



making the connection

contents

Members of the Live Line team unroll cable at the Redbank Plains Substation, Ipswich. From left: Alan Phizacklea, Darren Sheedy, Daron Taylor, and Gareth Jones.

highlights

- International benchmarking identified Powerlink Queensland as a world leader in the operation and maintenance of transmission services. Refer to page 15.
- Our highly effective response to the damage to our network caused by Cyclone Larry ensured that high voltage electricity supplies were restored to all cyclone-devastated communities in Far North Queensland within five days. Refer to page 24.
- Industrial growth propelled by the resources boom, strong population growth and increased use of domestic air-conditioning has driven electricity demand to new record levels in Queensland. Refer to page 21.
- Powerlink currently has $1.2 billion in projects approved and under construction and expects to invest around $2.4 billion on capital works over the next five years. Refer to page 22.
- Thirteen major transmission line and substation projects and a substantial number of smaller projects were under construction. Two major projects were commissioned during the year. Refer to page 30.
- We completed nine Regulatory Test consultation processes recommending future augmentations to our network in Northern, Central and Southern Queensland. Refer to page 29.
- We responded to an unprecedented number of enquiries from new industrial developments and potential power generators with an interest in connecting to our network. Refer to page 19.
- A new tool that integrates Geographic Information System and Global Positioning System technology has improved the effectiveness of our easement maintenance activities. Refer to page 36.
- Seven first round projects have been undertaken, and eight second round projects have received funding from the Community Environment Fund, enhancing the environmental properties and visual amenity near our assets in Townsville and Thuringowa. Refer to page 39.
- We implemented new recruitment and development strategies to continue to attract and retain capable and committed people within our highly skilled workforce, to help us to deliver our significant works program. Refer to pages 48 and 49.

2005/2006 ANNUAL REPORT

The Powerlink Queensland Annual Report is a summary of our corporate performance during the 2005/2006 year. Powerlink presents this Annual Report to our shareholding Ministers and other stakeholders with an interest in our activities.

This report focuses on our performance in the areas of the National Electricity Market, network, environment, community and people, and describes our corporate governance processes and financial performance. We also identify the key challenges we face in the year ahead.

This report, past Powerlink Queensland Annual Reports and additional information about Powerlink's activities are available at www.powerlink.com.au or by calling +61 7 3860 2111.

(From left) Wes O'Brien and Nicholas Gibson from Powerlink's Construction team based in Mackay survey plans for the Nebo to Pioneer Valley transmission line.

profile

Powerlink delivers a safe, reliable and very cost effective transmission service

Our role

Powerlink owns, develops, operates and maintains the high voltage electricity transmission network that powers Queensland's rapid population and economic growth. Our network benchmarks in the top quartile internationally in terms of both reliability and cost efficiency—providing a significant advantage to electricity customers in Queensland.

Our transmission network transports electricity generated at power stations throughout the State and delivers it to major electricity consumers and electricity distributors for supply to customers. Our work includes planning and building new high voltage transmission lines and substations to provide continued security and reliability of electricity supply to customers in Queensland. Powerlink's grid is an integral part of the export infrastructure chain.

Our activities and operations are undertaken in compliance with the *Electricity Act 1994*, the National Electricity Rules and other relevant legislation.

As a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM), Powerlink operates its transmission system to allow the transfer of power between participants within the NEM. We do not buy or sell electricity and are not a market participant. We work closely with our 21 customers to provide access to our network under a non-discriminatory, open-access regime. Powerlink is a regulated monopoly business, with revenues set by the Australian Energy Regulator (AER).

Our organisation

Powerlink is a Government Owned Corporation established on 1 January 1995 under the *Government Owned Corporations (GOC) Act 1993*. Our shareholding Ministers as at 2005/2006 were the Deputy Premier, Treasurer, and Minister for State Development, Trade and Innovation, and the Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy.

Powerlink is governed by a Board of Directors and managed by an Executive Leadership Team committed to working together to achieve operational excellence and sustainable business performance.

The Powerlink Board is responsible for overseeing the overall corporate governance of the corporation and its subsidiary companies, setting the organisation's strategic direction and goals for management, and establishing the policies and operational framework for the corporation.

The Board and management work together to establish and maintain an environment and framework that ensure accountability throughout Powerlink that is in the best interest of Shareholders and other stakeholders.

(From left) Terry Simmonds, Barehand Live Line Linesperson, and Andre Leebody, Trade Technicial—Barehand Live Linesperson install optical fibre ground wire on the Redbank Plains to West Darra transmission line near Redbank Plains, Ipswich.

profile

Our location

Our $3.4 billion transmission network extends 1,700 kilometres from north of Cairns to the New South Wales border—approximately half of Australia's eastern seaboard. It includes 98 high voltage substations and nearly 12,000 kilometres of high voltage transmission lines.

The Powerlink central office is located at Virginia in northern Brisbane. During the year, a number of regional project offices have been established to meet the needs of teams involved in managing the construction of new transmission lines and substations.

Powerlink also has a 41 percent share in the consortium which owns the 200 year lease of the South Australian transmission company, ElectraNet SA.

Our growth

As Queensland enjoys economic growth through the resources boom, industrial development and continued migration, demand for electricity continues to climb rapidly. Statewide peak summer demand for electricity (as delivered to customers) has increased by 31 percent in the past five years and is forecast to increase by a further 25 percent over the five years to 2010/2011. The projected demand growth is almost twice the growth rate of any other State participating in the NEM.

Queensland's total electrical energy needs are also forecast to increase by 22 percent over the next five years, which is almost double the NEM-wide growth rate, driving significant investment in our transmission network.

Powerlink has the largest capital works program among TNSPs in Australia with $1.2 billion in projects currently approved and under construction, and an estimated investment of about $2.4 billion over the next five years. The works program is required to ensure our transmission network continues to deliver secure, reliable and safe high voltage electricity as the electricity demand grows, thereby underpinning Queensland's strong economic development.

With this increase in capital works, Powerlink has implemented a portfolio of strategies to ensure our organisation is able to meet the rigorous demands of project delivery while maintaining world class levels of cost efficiency and reliability.

Our customers

Our primary role is to provide a secure, reliable and cost effective network to transport high voltage electricity from power stations to our customers, the electricity distribution networks owned by ENERGEX, Ergon Energy and Country Energy, which in turn supply more than 1.6 million electricity customers.

Powerlink also transports electricity directly to large Queensland customers such as aluminium smelters and to New South Wales via the Queensland/New South Wales Interconnector (QNI). We are responsive to the requirements of our customers and undertake joint planning activities to forecast emerging needs.

Our additional services

Through our consultancy and technical services, Powerlink offers our national customers access to the innovations and breadth of expertise we have developed through owning, developing, maintaining and operating our world standard network.

Our oil testing laboratory provides state-of-the-art analytical services, diagnostic and condition assessment of insulating fluids and solids for the power industry.

We also provide services to telecommunications carriers, including the co-location of telecommunications equipment on our transmission towers and the provision of some high capacity telecommunication services in regional Queensland. For example, the Australian Academic and Research Network (AARNet) provides communications services to regional universities via the Powerlink network.

Our communities

Powerlink seeks to create and maintain goodwill with affected landowners, Councils, interest groups and other residents of the 74 Cities and Shires in which we operate. We understand the importance of fostering long-term relationships that endure throughout the planning, development and maintenance of our transmission assets.

Our innovative goodwill partnerships and community programs aim to recognise and reflect community values and support sustainable community development.

Our environment

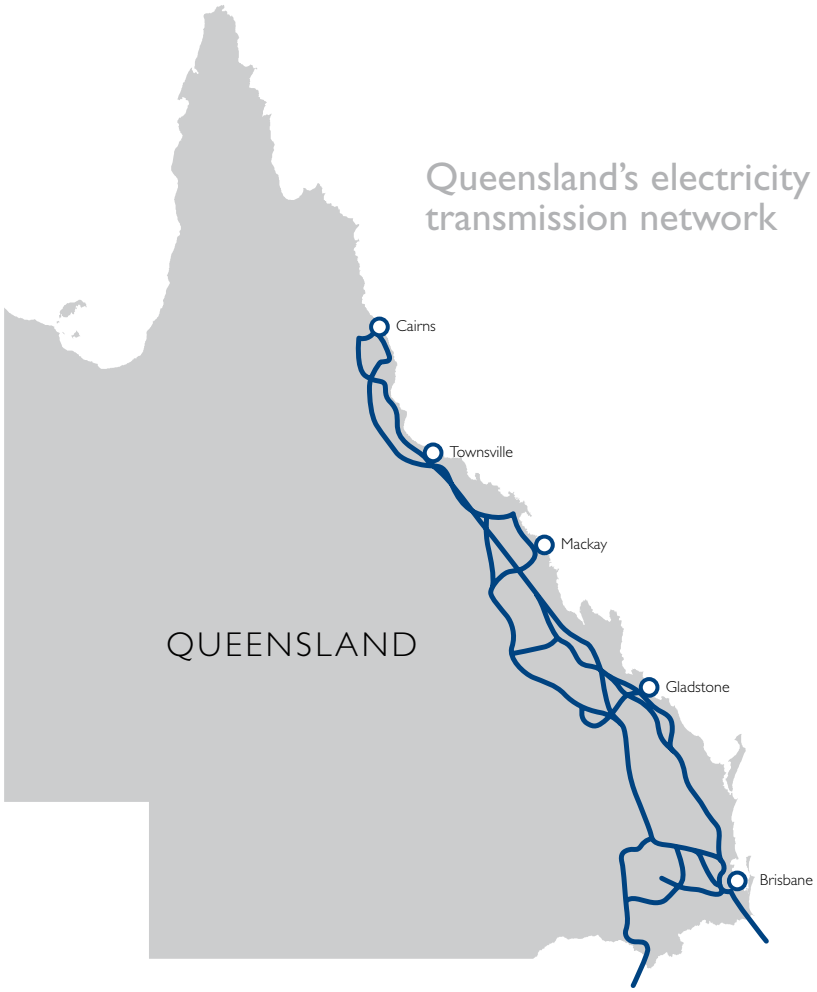
Our network traverses diverse environments, presenting unique challenges for construction, operation and maintenance. As we undertake our significant capital works program, we ensure that our people and contractors are competently trained so we can maintain our rigorous environmental compliance standards.

Powerlink will continue to invest in research and development to identify opportunities to improve our work practices and reduce the impact of our operations on the environment.

Our people

Our 726 people are a highly skilled team undertaking a variety of professional, technical, trade and administrative roles within a culture that values and empowers individuals to achieve operational excellence.

We are implementing strategies to ensure we continue to attract and retain people of the highest calibre to enable us to deliver our demanding works program. Our people are encouraged to access opportunities to further develop their skills and their career within Powerlink.



corporate

financial overview

Asset investment

Industrial growth propelled by the resources boom, strong population growth and increased use of domestic air-conditioning has driven electricity demand to new record levels in Queensland. The summer peak maximum electricity demand has grown significantly over the past five years, with a statewide growth of 31 percent. Peak electricity demand is forecast to increase by a further 25 percent over the five years to 2010/2011.

This sustained rate of increase in demand is driving significant ongoing investment in our transmission network. In 2005/2006, total spending on new capital works projects was $346.7 million, bringing the value of Powerlink's property, plant and equipment to almost $3.4 billion.

Powerlink uses a balance of debt and internal funds to finance the capital investment program. Approximately 48 percent of the funds to finance Powerlink's 2005/2006 capital expenditure were provided from internally generated cash flows, with the remainder from new debt borrowings ($176 million). All new borrowings were sourced through the Queensland Treasury Corporation (QTC).

Powerlink's debt to debt plus equity ratio of 52.2 percent was slightly higher than last year but continues to be within the target gearing range for the organisation.

Business profitability

Powerlink's revenue cap for the five and a half years concluding on 30 June 2007 was determined by the Australian Competition and Consumer Commission (ACCC) decision published in November 2001. Regulated prices for delivery of electricity over the transmission network are calculated from these regulated revenue caps in line with the *National Electricity Law 1997*.

Powerlink's 2005/2006 Earnings Before Interest and Tax (EBIT) of $271.7 million is 16.5 percent higher than the previous year. With more than 90 percent of total revenue attributable to regulated network revenue, the increase in EBIT is predominantly due to the ACCC's profiling of Powerlink's revenue cap over the current regulatory period. Powerlink's non-regulated, contestable business activities continued to perform well.

Powerlink's operating costs were higher in 2005/2006 because of the cost impacts of increased operational activities (including restoration work associated with Cyclone Larry) and input costs in the face of competition for resources and the rising cost of materials. As a result, controllable operating costs, as a proportion of the replacement value of assets, were 1.9 percent in 2005/2006, an increase from 1.8 percent from the previous year.

Dividend

The Powerlink Board has recommended a dividend of $95.2 million. This represents 80 percent of Powerlink's net profit after tax result for 2005/2006.

Business planning

Powerlink's business planning processes encompass our forecast for electricity demand on the network, Powerlink's obligations under its Transmission Authority and the operational regime of the *National Electricity Law 1997*.

Powerlink's key financial and non-financial targets for the year, as incorporated in the key annual planning document, the Statement of Corporate Intent (SCI), are included in the following table.

FINANCIAL INDICATORS

	2005/2006 $ million	2004/2005 $ million	2003/2004 $ million
Revenue grid services	**488.0**	429.1	390.9
Total revenue	**533.8**	464.9	424.2
Operating expenses	**262.2**	231.8	209.7
Earnings Before Interest and Tax (EBIT)	**271.7**	233.1	214.5
Net profit after tax	**119.0**	103.3	92.5
Capital works expenditure	**346.7**	191.0	185.2
Dividend proposed/paid	**95.2**	82.6	87.9
	%	%	%
Return on assets	**7.9**	7.4	7.1
Return on equity—post tax	**7.8***	6.6	6.3
Debt/debt plus equity	**52.2***	48.3	49.1
Interest cover (times)	**2.8 times**	2.6 times	2.6 times

** Reflects International Financial Reporting Standards (IFRS) changes.*

SYSTEM PERFORMANCE INDICATORS

	2005/2006	2004/2005	2003/2004
Energy flowing into the grid (GWh)	**47,734**	46,170	45,626
Energy delivered to customers (GWh)	**46,065**	44,357	43,270
Peak maximum demand (MW)	**8,295**	8,232	7,934
Loss of supply events—number greater than 0.2 system minutes	**2**	3	4
Loss of supply events—number greater than 1.0 system minutes	**0**	0	1

SAFETY INDICATORS

	2005/2006	2004/2005	2003/2004
Lost time calculation (LTC)	**0.02**	0.01	0.2

LTC: The LTC records increasing levels as the length of time for employee absences due to work-related injury or illness increases.

chairman's review

Responsive growth

Our high voltage transmission network provides the backbone for electricity supply throughout the State—powering mines, business and industry, agriculture and our growing towns and cities. Powerlink's substantial capital works program reflects the strong economic growth occurring in Queensland as a result of the resources boom, population growth and industrial investment.

In response to the forecast high growth in electricity demand, Powerlink currently has $1.2 billion in projects approved and under construction, including a major project in North Queensland, two Central Queensland projects and 10 major projects in Southern Queensland. These transmission line and substation projects will enable Powerlink to maintain reliability of supply standards as the load on our network grows. In addition, we have recently completed high voltage connections for two power stations—Kogan Creek Power Station and Braemar Power Station.

Looking ahead to the 2006/2007 year, Powerlink expects to begin construction on a further five new transmission line projects in Northern and Central Queensland, and five major substation projects in Northern, Central and Southern Queensland.

Respect in community relationships

We always strive to establish community relationships founded on the principles of trust and respect. As the expectations of communities and stakeholders continue to evolve, we have responded by proactively engaging with communities.

Our partnership with Esk, Gatton and Laidley Shire Councils has delivered the Greening Lockyer program, an excellent outcome for the Lockyer Valley. The final phase of the program saw the completion of 20 outstanding environmental improvement projects providing benefits to the Lockyer Valley community. More than 2,000 local volunteers participated in delivering these projects. Our latest commitment to a three year maintenance program further demonstrates our genuine goodwill and our desire to ensure the sustainability of the benefits achieved.

The successful model created by Greening Lockyer assisted us to establish the Community Environment Fund in partnership with the Townsville and Thuringowa City Councils. This program aims to improve environmental amenity around powerline infrastructure in the Twin Cities. Now in its second year, the Community Environment Fund has generated significant community support and active participation.

We were delighted with the enthusiasm and interest of emerging and aspiring artists and children who participated in the Powerlink-sponsored art and environment workshops delivered in regional areas as part of the highly successful Great Walks Art and Environment Program.

Investing in environmental improvements

Powerlink's commitment to environmental management is recognised and understood by our people, who are proactively developing initiatives to continually improve environmental outcomes.

One example is the development and implementation of a portable, computer-based system that improves the effectiveness of easement management by providing our workers in the field with immediate access to information on vegetation, Cultural Heritage, landowner requirements and local land issues.

To improve easement management techniques, particularly in North Queensland rainforest environments, we are undertaking research and development into the way that wildlife interacts with our assets.

Acknowledging our people

Through their achievements, our people have displayed their commitment, skills and ability to meet the challenges presented by our substantial works program. On behalf of the Directors, I wish to thank our people for their dedication and enthusiasm.

A culture survey has again shown that Powerlink is a desirable place to work. At a time when there is keen competition for skilled people, this is a key advantage, and one that the Directors are committed to retain.

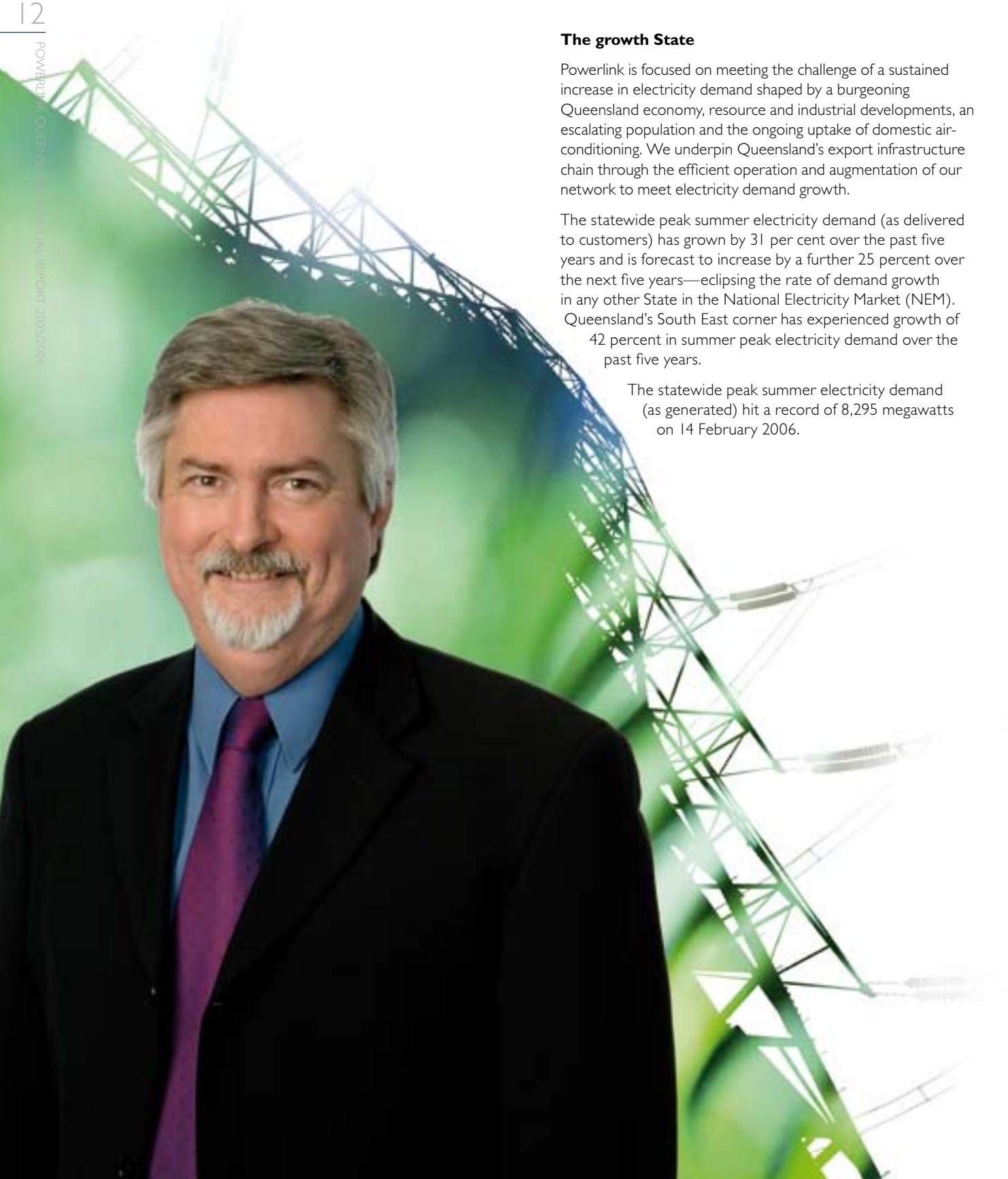
The heart-wrenching destruction and economic impacts caused by Cyclone Larry will remain with Queenslanders for many years. The importance of electricity supply restoration following a disaster like Cyclone Larry is evident. I sincerely commend our people for their outstanding efforts and achievements in response to complex and major impacts to our high voltage network. In particular, the Board thanks our emergency management team, led by Chief Operating Officer Simon Bartlett, our work crews, and those of our service provider Ergon Energy, our network operators, and everyone who worked tirelessly to restore reliable electricity supply to the communities crippled by the cyclone in the shortest possible timeframe. The management of the network restoration and interactions with other agencies has highlighted the value and effectiveness of Powerlink's ongoing investment in incident and crisis preparedness.

Finally, I wish to acknowledge the valued contribution of my fellow Directors, particularly departing Director Patricia Conroy, who has been a member of our Board since 1999. I warmly welcome John Goddard as a new Director in July 2006.

Else Shepherd
Chairman

"Powerlink's substantial capital works program reflects the strong economic growth occurring in Queensland."

chief executive's review



The growth State

Powerlink is focused on meeting the challenge of a sustained increase in electricity demand shaped by a burgeoning Queensland economy, resource and industrial developments, an escalating population and the ongoing uptake of domestic air-conditioning. We underpin Queensland's export infrastructure chain through the efficient operation and augmentation of our network to meet electricity demand growth.

The statewide peak summer electricity demand (as delivered to customers) has grown by 31 per cent over the past five years and is forecast to increase by a further 25 percent over the next five years—eclipsing the rate of demand growth in any other State in the National Electricity Market (NEM). Queensland's South East corner has experienced growth of 42 percent in summer peak electricity demand over the past five years.

The statewide peak summer electricity demand (as generated) hit a record of 8,295 megawatts on 14 February 2006.

Network development

Our comprehensive annual planning process and the consistent application of the Australian Energy Regulator's (AER) Regulatory Test ensure potential future network limitations are identified and evaluated to find the most economic and optimal solution. During the year, we completed nine network augmentation consultation processes, with the recommended augmentations forming the core of our capital works program over the next few years.

At present, we have $1.2 billion of capital works projects under construction, to ensure continued access to secure, reliable and cost effective bulk electricity supplies in our fast-growing State. During the next five years, we expect to invest about $2.4 billion in our capital works program, to meet longer-term electricity demand growth.

During 2005/2006, we began construction on a number of major projects:

- Replacement of control systems on the Static Var Compensator at Nebo Substation and nine substations servicing Queensland Rail Coal Haul Network throughout Central Queensland, to ensure continued reliability of electricity supply as the rail capacity increases;
- The 132 kilovolt Nebo to Pioneer Valley transmission line to reinforce electricity supply to the Mackay area;
- The 275 kilovolt/330 kilovolt Middle Ridge to Greenbank transmission line to maintain reliability of electricity supply to the Logan and Gold Coast areas and reinforce the network supplying South East Queensland;
- The Algester Substation to meet increasing demand and continue reliability of electricity supply to surrounding suburbs;
- The Goodna Substation to meet increasing demand and maintain reliability of electricity supply to South West Brisbane and Ipswich;
- The Molendinar Substation replacement to meet increasing demand and maintain reliability of electricity supply in the Gold Coast region;
- The 275 kilovolt Greenbank to Maudsland transmission line to reinforce electricity supply to the Gold Coast and Tweed regions; and
- The Sumner Substation to meet increasing demand and maintain reliability of electricity supply to surrounding suburbs.

We also continued construction on the 275 kilovolt Belmont to Murarrie transmission line to reinforce electricity supply to the Brisbane CBD, Australia TradeCoast region, South Eastern suburbs of Brisbane and surrounding areas. This transmission line project is profiled in the case studies included in this report.

In the past year, we have also responded to an unprecedented number of enquiries from proponents of potential power stations and major industrial developments regarding new connections to our high voltage network.

We reported to market participants on the outcomes of a preliminary cost benefit analysis of options for upgrading the capability of the Queensland/New South Wales Interconnector (QNI). We will continue to progress these joint investigations with New South Wales Transmission Network Service Provider (TNSP), TransGrid, to define the scope and cost of upgrading the QNI and to formally undertake a Regulatory Test for the upgrade.

Achieving operational excellence

We continue to focus on the four pillars of our operational excellence strategy—safety, network performance, environment and cost efficiency.

The safety of our people and the public remains our first priority and an integral component of everyone's role. External audits undertaken during the year noted that the successful integration of electrical safety management into normal business practice was a contributor to the success of our electrical safety management performance. Initiatives such as the introduction of a skills passport for people accessing and operating our network, and a new tool to assist in managing fatigue further assisted in mitigating risks to our people.

The International Transmission Operations and Maintenance Study (ITOMS) 2005 recognised Powerlink's world class performance in operating and maintaining our transmission network. Powerlink is delivering above average network reliability at a well below average cost. We continue to improve our processes for managing outages on our network and to augment our network to maintain reliability of electricity supply to our customers.

"We underpin Queensland's export infrastructure chain through the efficient operation and augmentation of our network to meet electricity demand growth."

Our Environmental Management System (EMS) drives our comprehensive approach to environmental management. Investment in training and education programs for our people is reflected in our solid environmental performance.

As we implement Powerlink's substantial capital works program, we aim to retain our position as one of the most cost efficient transmission entities in the NEM.

Engaging in the Revenue Reset process

As a regulated monopoly, Powerlink's regulated revenue is determined every five years by an independent national economic regulator, the Australian Energy Regulator (AER). In April 2006, Powerlink submitted to the AER a Revenue Proposal for the five year period from 1 July 2007 to 30 June 2012. Our Proposal substantiates Powerlink's need for sufficient revenue to underpin the major capital and operating works program, which is driven by the high load growth, and the increased input costs affecting infrastructure providers, particularly in Queensland.

The AER has indicated that it proposes to publish its final determination in March 2007.

With input from across the organisation, the Proposal was prepared by the dedicated members of our Revenue Reset Project team who have led a process of consultation with key stakeholders and cooperative engagement with the AER.

Network incident management

As operators of the transmission network, Powerlink has a comprehensive suite of well planned, understood and rehearsed emergency response plans. Cyclone Larry tested our ability to respond to a major incident on our network and proved we have the capability to respond quickly and effectively, and to work cooperatively with other emergency response agencies.

This year we also reviewed our approach to security of critical infrastructure. Our plans comply with Federal and State Government guidelines.

Thanking our people

I thank our people for their innovation, enthusiasm and commitment, which underpin the success of our organisation. In particular, I welcome the new members who have joined our team as we expand our capability to meet the challenges of our works program while maintaining our cost efficiency and reliability standards.

Gordon Jardine
Chief Executive

Helicopter stringing of the Belmont to Murarrie transmission line.

an international leader in transmission services

Powerlink has been recognised as a world leader in the operation and maintenance of transmission services through the International Transmission Operation and Maintenance Study (ITOMS) 2005, confirming that our network strategies are delivering world's best practice.

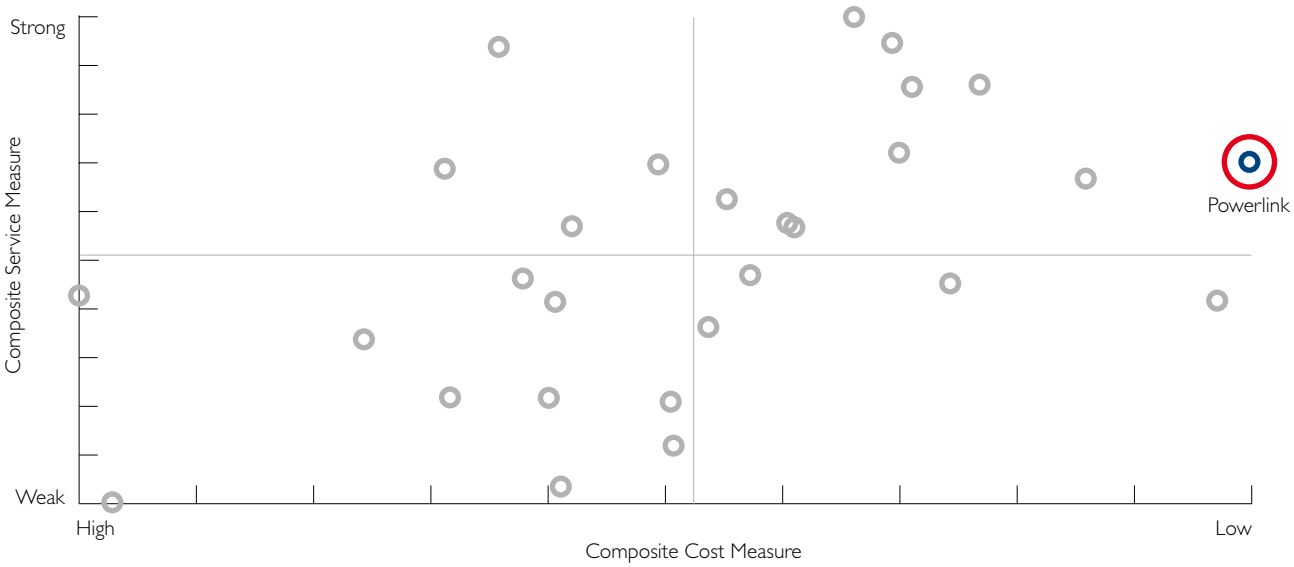
Powerlink participated in ITOMS 2005 as a means of benchmarking our network performance and practices against other electricity transmission entities around the world. The performance of each category of the transmission network is measured in terms of cost efficiency and network service levels.

Among the 25 global transmission utilities that participated in ITOMS 2005, Powerlink was positioned as a clear leader in the operation and maintenance of transmission lines and substations, against both cost effectiveness and reliability measures.

Powerlink's leading position in the benchmarking study reflects our focus on making innovative improvements to our asset strategies and work practices. These initiatives include applying reliability-centred maintenance practices to the bulk of our transmission assets, improving work practices and business processes, and exploiting new technologies especially for increased automation and remote monitoring.

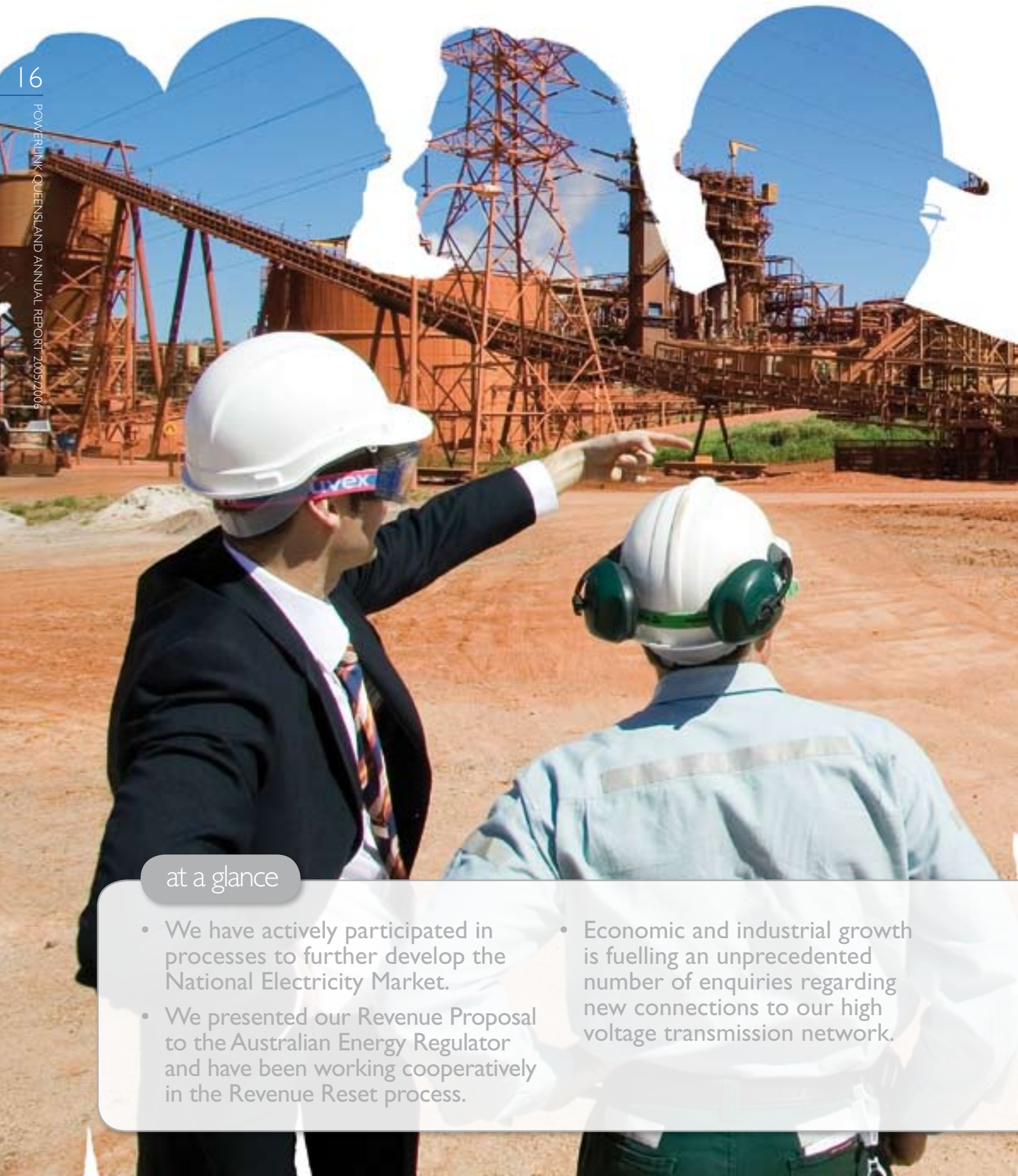
Powerlink has been involved with this biennial international benchmarking program since 1995.

ITOMS 2005 overall composite performance scatter plot



Other transmission entities that participated in ITOMS 2005.

NEM support



at a glance

- We have actively participated in processes to further develop the National Electricity Market.
- We presented our Revenue Proposal to the Australian Energy Regulator and have been working cooperatively in the Revenue Reset process.
- Economic and industrial growth is fuelling an unprecedented number of enquiries regarding new connections to our high voltage transmission network.

Providing customers with a highly reliable electricity supply at a reasonable price

Powerlink's role in the National Electricity Market

Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM) and is a regulated monopoly business.

Powerlink is required to efficiently plan, build, augment, operate and maintain our high voltage transmission network, and provide all NEM participants with secure, open and non-discriminatory access to our network for the trade of electricity.

The National Electricity Market Management Company (NEMMCO) manages the NEM under the National Electricity Rules (the Rules). Under an Operating Agreement with NEMMCO, Powerlink performs functions that assist in the secure operation of the power system.

Powerlink is the Jurisdictional Planning Body for Queensland. In this role we assess the capability of the network to meet forecast load growth, including its capability to transfer electricity to and from other States in the NEM. When we identify future needs, we consult with NEM participants and interested parties through a transparent process to identify potential non-network solutions and compare them with the network solutions identified by Powerlink. As required by the Australian Energy Regulator's (AER) Regulatory Test, the solution that maximises the net benefit to the NEM is implemented.

National regulatory changes

On 1 July 2005, changes to the legislative and regulatory framework of the NEM came into effect and the Rules superseded the National Electricity Code. Powerlink's revenue is now regulated by the AER, which is a constituent part of the Australian Competition and Consumer Commission (ACCC), but operates as a separate legal entity with responsibility for economic regulation of electricity transmission.

The Australian Energy Market Commission (AEMC), also established on 1 July 2005, is a separate statutory commission responsible for rule-making and market development, including changes to the Rules.

Contributing to NEM development

Powerlink continues to be an active participant in initiatives to develop the NEM and further the NEM objective—to promote an efficient, reliable and safe electricity system for the long-term interests of consumers.

During the 2005/2006 year, Powerlink participated in the development of a number of key initiatives announced by the Ministerial Council on Energy (MCE) in its *Statement on National Electricity Market Transmission*, including:

- Review of the Rules for the regulation of electricity transmission revenue and pricing. *The National Electricity Law* requires the AEMC to prepare these Rules, which are targeted to be in place by 1 January 2007;
- Implementation of Regulatory Test Principles in the Rules along with a streamlined dispute resolution process for the Regulatory Test; and
- Establishment of a Last Resort Planning Power, whereby parties can be directed to assess a transmission augmentation under the Regulatory Test.

(From left) Byron Carter, Network Customer Advisor, Powerlink, and Russell Sankey, Senior Project Engineer, Queensland Alumina Limited (QAL), at QAL's Gladstone refinery.

- We completed the easement acquisition and construction of a transmission line to connect the new Kogan Creek Power Station to the high voltage network.
- Case study—Collaboration enhances Revenue Reset process.

NEM support

Powerlink is participating in the following AEMC processes:

- The congestion management review that will consider the requirement for, and scope of, enhanced trading arrangements in relation to congestion management and pricing in the NEM; and
- The review into the enforcement of, and compliance with, the technical standards under the Rules.

Powerlink also provides input and assistance to NEMMCO in the preparation of the MCE-initiated *Annual National Transmission Statement* (ANTS).

Powerlink participates in the Electricity Transmission Network Owners Forum (ETNOF), which is presently chaired by Powerlink Chief Executive, Gordon Jardine. ETNOF provides a useful forum for identifying and advancing common matters of interest for grid owners in the NEM.

Transmission pricing

The AER determines Powerlink's allowable revenue so that the electricity transmission network can be developed, operated and maintained efficiently while meeting the growing electricity demand in Queensland.

The most recent revenue determination, finalised in November 2001, specifies Powerlink's allowable revenues for each financial year until 30 June 2007. From these annual revenues, we determine the transmission prices for our network customers in accordance with the methodology described in the Rules.

In 2005/2006, Powerlink's allowable revenue was $466 million. While this revenue supported significant network augmentation projects in Queensland, there was no increase in the average transmission price for the State in real terms compared with the previous year.

Powerlink completed construction of a 275 kilovolt transmission line to connect CS Energy's Kogan Creek Power Station, shown here under construction, to our network.

Future revenue determination process

The AER is currently undertaking a determination of Powerlink's future regulated revenue stream, with a final determination due to be delivered in March 2007. The new determination will set Powerlink's allowable revenues for each financial year from 1 July 2007 until 30 June 2012, and will be the first electricity transmission determination undertaken by the AER.

Powerlink's Revenue Proposal to the AER in April 2006 identified key issues impacting our business over the next revenue period, including the need for continued high reliability of transmission services for our customers, the forecast increase in electricity demand as Queensland's economy powers ahead, and significant real increases in input costs including materials, equipment and contractors. The Proposal also highlighted our continuing focus on efficiency improvements and cost control.

The revenue determination process has been one of cooperative engagement with the AER and with key stakeholders, including major electricity users. The process has involved an 18 month exercise by our focused project team, with organisation-wide input to the Revenue Proposal and information requirements. The AER held a public forum in April to assist in communicating our Proposal to market participants and other stakeholders involved in the process.

Network connections driven by growth

The worldwide resources boom and the resultant economic growth in Queensland are key drivers for an unprecedented number of enquiries regarding new connections to our high voltage transmission network. Enquiries have been received from several major new industrial developments, as well as potential power generators representing an additional 8,000 megawatts of proposed generating capacity throughout the State.

This year, Powerlink completed a project to acquire easements, design and construct a 29 kilometre 275 kilovolt transmission line to connect CS Energy's Kogan Creek Power Station to the high voltage electricity grid at Braemar Substation. The transmission connection was completed ahead of schedule.

LOOKING FORWARD TO 2006/2007

- We will continue to engage with the AEMC regarding its review of the Rules for the regulation of electricity transmission revenue and pricing, and will implement any required changes.
- We will participate in the AEMC's review of congestion management which will consider the interactions between network congestion, network augmentation and the regional structure of the NEM.
- We will continue to work with the AER as it determines Powerlink's regulated revenue for the next five year period. The final determination is expected in March 2007.

◀ case study

"Powerlink has been at the forefront of serious engagement with end users."

COLLABORATION ENHANCES REVENUE REVIEW PROCESS

Merryn York, Manager Revenue Reset Project, Powerlink, and Roman Domanski, Executive Director, Energy Users Association of Australia (EUAA), believe Queensland electricity customers place a high value on the reliability of their electricity supply and are prepared to pay a reasonable price to maintain a reliable standard of service.

“The outcome of the current review of Powerlink’s revenue stream by the Australian Energy Regulator is critical to Powerlink’s future ability to meet its reliability obligations, and maintain and augment the transmission network,” Merryn said. “Our goal is to retain Powerlink’s position as the most cost effective TNSP in the NEM while delivering a reliable supply to our customers as demand grows.

“In preparing our Revenue Proposal, we worked closely with the AER to ensure we provided meaningful information to assist the evaluation process.

“We also engaged and consulted with stakeholders, including organisations such as the Queensland Resources Council, ENERGEX, Ergon Energy and the EUAA, giving those stakeholders opportunities to provide input to the process.

(From left) Merryn York, Manager Revenue Reset Project, Powerlink, and Roman Domanski, Executive Director, Energy Users Association of Australia.

"We presented to EUAA members' meetings and provided more detailed information through focus groups. We will continue to engage with key stakeholders, even after the AER hands down its determination in December 2006," she said.

Roman Domanski, Executive Director of the EUAA, whose members are major consumers of energy in Queensland with activities across many sectors of the economy, said that in general, customers have found that Powerlink is a well-run and technically efficient TNSP.

"We recognise Powerlink for facing up to some significant challenges including the high electricity demand growth rates experienced recently, an issue which Powerlink has shown a strong willingness and capability to address," he said.

"Among the TNSPs, Powerlink has been at the forefront of serious engagements with end users, including in the Revenue Reset process, by meeting with customer representatives. We have welcomed and benefited from the constructive engagement that has taken place," Roman said.

network strategy

Coal image courtesy of www.dwphoto.com.au

at a glance

- Our forecasts indicate continued high growth in electricity demand, particularly in South East Queensland and in the coal mining regions of the State.
- Our significant capital works program will ensure our network capability is developed just ahead of electricity demand growth.

We have $1.2 billion of capital works projects approved and under construction to power Queensland's future growth

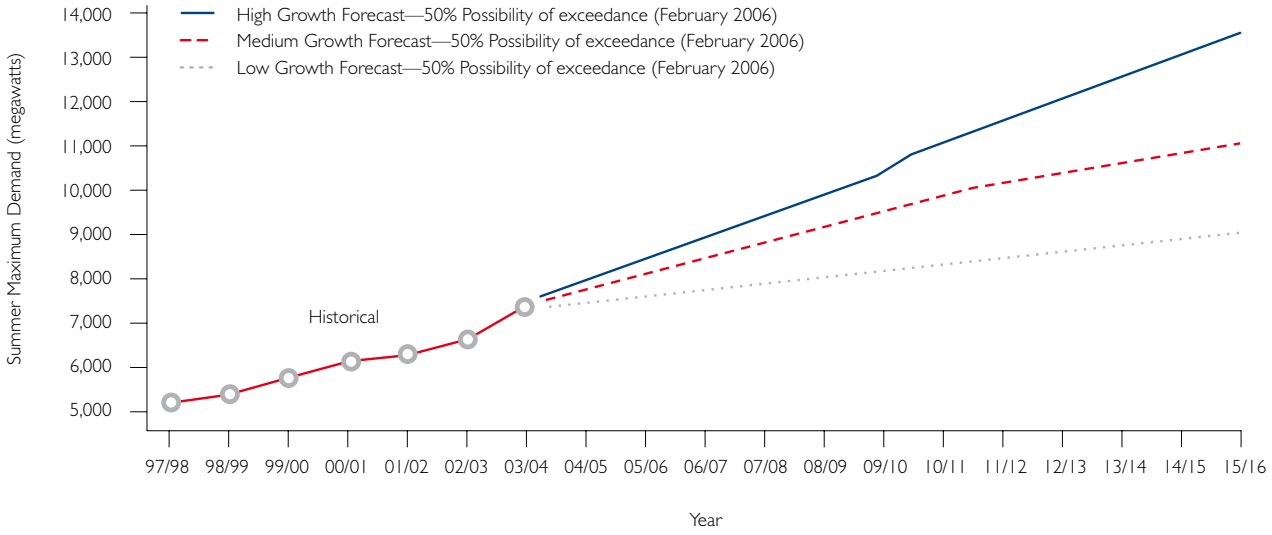
Electricity demand growth

During the past year, electricity usage in Queensland has grown strongly, a trend that has been consistent over the past 10 years, and is expected to continue during the next decade. Historical and forecast electricity demand, and Powerlink's plans to develop its network in response to this demand, are presented in Powerlink's *2006 Annual Planning Report* issued on 28 June 2006 to National Electricity Market (NEM) participants and other interested parties.

The statewide peak electricity demand (as generated) hit a record of 8,295 megawatts on 14 February 2006. On the same day, the statewide summer peak electricity demand for power as delivered to customers from Powerlink's high voltage network reached a new record high of 7,687 megawatts, an increase of 4.9 percent on the previous year's peak electricity demand. The peak summer electricity demand (as delivered) has grown significantly over the past five years, with a statewide growth of 31 percent and a record growth of 42 percent in the South East corner of the State. The major drivers are population growth, the increased uptake of domestic air-conditioning, industrial growth and coal mining expansions.

The projected demand growth is much greater than any of the other Australian States participating in the NEM. Queensland's electricity needs are growing 50 percent faster than New South Wales and more than twice the rate of the other States.

Queensland summer peak demand (megawatt) history and forecast



- We have enhanced our outage management strategies for the benefit of the NEM.
- Our response to Cyclone Larry—a special report.
- Case study—Belmont to Murarrie transmission line reinforcement project: Joint planning approach delivers the optimal solution.

network strategy

Queensland's total electrical energy needs are also forecast to increase by 22 percent over the next five years, which is almost double the NEM-wide growth rate, driving significant investment in our transmission network.

Our *2006 Annual Planning Report* forecasts continued high growth in electricity demand for the next two years, particularly in South East Queensland, where the summer weather corrected electricity demand growth is forecast to be 7.5 percent per annum. Between 2007/2008 and 2015/2016, air-conditioning penetration growth is expected to slow and, as a result, the annual increase in the South East Queensland summer peak electricity demand is forecast to continue at 3.9 percent. In response to the projected high level of electricity load growth, our planning process has identified the need for substantial augmentation of the Queensland transmission network, to ensure network capability is developed in time to meet electricity demand, particularly in the South East corner of Queensland.

The 2006 Annual Planning Report is available on our website at www.powerlink.com.au under the Documents section.

Resource industry growth

The global demand for resources has resulted in an unprecedented number of minerals and energy-related developments in Queensland. In April 2006, the Australian Bureau of Agricultural and Resource Economics (ABARE) reported on $7.5 billion of well-advanced energy mining and mineral processing projects in Queensland, as well as recently completed mineral resource developments in excess of $500 million.

The Queensland Government and the private sector are investing in infrastructure development to support the fast-growing mining industry with increased rail, port, water and energy services.

Powerlink plays a crucial role in the export infrastructure chain, through the provision of secure, reliable and cost effective high voltage electricity supply, achieved by the efficient operation of our network, and augmentation of the network to meet the electricity demand growth.

Expanding capital works program

Powerlink currently has $1.2 billion in capital works projects approved and under construction, and expects to invest about $2.4 billion in its capital works program over the next five years. Our projects to augment Queensland's high voltage electricity network will enable the delivery of the secure, safe and reliable bulk electricity supply necessary for the State's future economic growth and prosperity.

Our planned program includes an increase in expenditure on the construction of transmission lines and substations. During 2005/2006, we invested more than $300 million in capital works, an increase on the $190 million invested in 2004/2005.

This rise in capital works expenditure reflects the investment required to augment our high voltage network in response to the forecast rising electricity demand and the increase in construction and materials costs experienced by Australian infrastructure developers.

In anticipation of the ramp up of capital projects, we have implemented and continue to implement a range of strategies across the business—including a new approach to relationships with our contractors, new information technology and process improvement solutions to gain efficiencies, innovative human resources approaches to attract and retain highly skilled employees and programs to assist individuals and teams to continue to work more productively.

(From left) Gary Wardrop, Principal Engineer Network Service Planning, Powerlink, worked closely with Bevan Holcombe, Network Strategic Investment Manager, ENERGEX, to plan the CityGrid project.

Network service delivery programs

Powerlink's substantial capital works program requires our project management processes to be even more streamlined. A number of initiatives have been implemented that will position Powerlink to manage the increased workload. The initiatives focus on:

- Planning and approval of projects;
- Program management of projects;
- Easement and site acquisition;
- Automation and protection design;
- Project staging and implementation;
- Procurement; and
- Coordination of outages, testing and commissioning.

Operational efficiency

One of our corporate strategies is to achieve operational excellence in all aspects of our business. We are always seeking opportunities to improve our operating efficiencies in an environment shaped by high electricity demand growth and increasing network development and augmentation. We are committed to meeting the service standards established by the Australian Energy Regulator (AER) aimed at delivering consumer reliability and minimising the impacts of our activities on the NEM.

Powerlink must schedule planned transmission outages from time to time in order to maintain and repair equipment and allow augmentation of our network. We aim to manage outages to minimise the associated customer impact and achieve our annual maintenance plan and capital works program. In compliance with the National Electricity Rules (the Rules), Powerlink produces a 13 month outage plan, updated on a monthly basis, to inform and assist NEM participants.

During the past three years, a continuous process improvement methodology has been applied to map, review and revise our outage management processes. A reference group has been established to monitor and manage improvements in outage management over the longer term.

Security management initiatives

In recognition of our commitment to the safety of our people and the public, the management and protection of our network, and the need to ensure business continuity, we have undertaken a review of Powerlink's approach to security management.

A new security policy has been developed and implemented, providing a more coordinated approach to the management of security within Powerlink and in compliance with the requirement of the Federal Government's *National Guidelines for Protecting Critical Infrastructure from Terrorism* and the State Government's *Queensland Plan for the Protection of Critical Infrastructure from Terrorism*.

Powerlink is a member of and participant in the International Electricity Infrastructure Assurance Forum, currently funded by the United States Department of Energy.

LOOKING FORWARD TO 2006/2007

- We expect to target an investment of more than $450 million in capital works during 2006/2007.
- We will continue to implement and refine network service delivery initiatives to further enhance our project management processes.
- We will test our new security policy in simulated emergency exercises.

◀ case study

"The CityGrid project is one example of the importance of joint planning to identify an optimal solution."

> The CityGrid project will meet the high growth in electricity consumption driven by increased domestic air-conditioning, new high-rise developments, inner-city and foreshore commercial redevelopments and industrial growth.

JOINT PLANNING APPROACH DELIVERS THE OPTIMAL SOLUTION

A coordinated approach to planning the development of the electricity transmission and distribution networks in Queensland is critical to ensuring customers receive a secure and reliable electricity supply at the lowest overall cost.

Gary Wardrop, Principal Engineer Network Service Planning, Powerlink, said planners from Powerlink meet regularly with their colleagues at Ergon Energy and ENERGEX to compile and compare information, identify emerging future limitations on their networks and find collectively feasible solutions.

"When we were addressing the need to augment electricity supplies to Brisbane's Central Business District, inner suburbs and the Australia TradeCoast, we met with the ENERGEX planning team frequently to identify and evaluate the potential options," Gary said.

"The complex nature of the electricity network supplying Brisbane and the Australia TradeCoast meant there were many options to examine, but our joint investigations identified the optimal solution," he said.

Powerlink and ENERGEX then took the project forward by jointly undertaking the Regulatory Test consultation

Brisbane's city lights.

required by the National Electricity Rules. The outcome was the CityGrid project, one component of which is the 275 kilovolt Belmont to Murarrie transmission line, currently being constructed by Powerlink in Brisbane's southern suburbs.

"The CityGrid project will meet the high growth in electricity consumption driven by increased domestic air-conditioning, new high-rise developments, inner-city and foreshore commercial redevelopments and industrial growth," Gary said.

Bevan Holcombe, Network Strategic Investment Manager, ENERGEX, said ENERGEX was also progressing with significant capital works for the CityGrid project.

"The CityGrid project is one example of the importance of joint planning to identify an optimal solution. The high load growth forecast for the South East corner over the next five to 10 years requires us to work even more closely with Powerlink to ensure our projects work together to meet electricity demand in growth areas," Bevan said.

cyclone larry

restoring power to devastated communities

A transmission tower brought down by Cyclone Larry.

A special report by Simon Bartlett, Chief Operating Officer

On the morning of 20 March 2006, Cyclone Larry crossed the Far North Queensland coastline, the eye of the cyclone passing directly over the township of Innisfail. Gale force winds battered the countryside for hundreds of kilometres in all directions. While its devastating effects will be etched in the minds of many Queenslanders for years to come, the disaster has proven Powerlink's capability and efficiency in restoring its high voltage network, and the deep commitment and expertise of our people.

With wind speeds well in excess of 200 kilometres per hour, Cyclone Larry was one of the most destructive cyclones in our State's history—leaving in its wake a trail of destroyed homes and buildings, flattened crops, stripped vegetation and damaged infrastructure. When I arrived at the scene the following day, as Powerlink's Emergency Manager, the extent of the devastation was enormous.

In the cyclone's aftermath, seven of Powerlink's high voltage transmission lines, spanning more than 300 kilometres, and five high voltage substations were out of service. Cyclonic winds had totally collapsed five steel transmission towers and badly damaged another two towers. The damage extended to more than 60 kilometres inland where trees had collapsed onto transmission lines, snapping conductors, and rainforest debris had been carried onto the transmission lines. Both transmission lines that supplied power to Innisfail and the surrounding areas had been severely damaged.

Together with Ergon Energy, the local electricity distributor and our maintenance services provider in regional Queensland, we immediately put into action our emergency management plans, and began a highly coordinated restoration effort to return the electricity network to service.

(From left) Henry Hawes, Manager Line Field Services, and Simon Bartlett, Chief Operating Officer, discuss plans to restore high voltage electricity supply to Innisfail.

One of five transmission towers toppled by Cyclone Larry's destructive force.

"Powerlink and Ergon both did outstanding work…When we tell the story of the cyclone, I believe, their names will be up there with great prominence as champions of the relief effort."

Major General Peter Cosgrove, Townsville Bulletin, *29 April 2006.*

Cyclone Larry

Ergon Energy's work crews from across Queensland were rushed to the affected areas to assess the damage, diagnose the problems and begin on-ground works, while working in very wet conditions. Faced with poor visibility, heavy rain and local flooding that prevented inspection by helicopter or vehicle, crews were forced at times to resort to entering the Wet Tropics Rainforest on foot to assess and repair the damage to our transmission lines. From dawn until dusk, they undertook the difficult and painstaking task of inspecting some 800 transmission towers and hundreds of kilometres of transmission line to locate and remove cyclone-carried vegetation.

Behind the scenes, our operations people coordinated the switching and earthing of the faulted lines and substations so that work could proceed safely. They also commenced planning for the progressive safe return to service of transmission lines and substations after repairs had been completed.

At the same time, we liaised with the State Government's frontline counter disaster recovery teams, and made arrangements for the Australian Defence Force and the Department of Main Roads to assist with the restoration of the transmission network. We also kept the community and other key stakeholders regularly informed of the progress toward restoring high voltage electricity supply.

By the second day, two transmission lines and three substations had been returned to service. Bulk electricity supply was restored to the cyclone-devastated communities of Far North Queensland within five days.

Our response to Cyclone Larry is a striking example of the innovation and dedication that lie at the heart of Powerlink's approach to managing and operating our transmission network.

Our people's performance in managing the restoration efforts was strongly supported by the cooperative assistance and vast efforts of other organisations involved in the cyclone response, including the Department of Emergency Services, Department of Main Roads, the Australian Defence Force and Ergon Energy.

(From left) Simon Bartlett, Chief Operating Officer, Gordon Jardine, Chief Executive, and Henry Hawes, Manager Line Field Services, on the ground in Babinda.

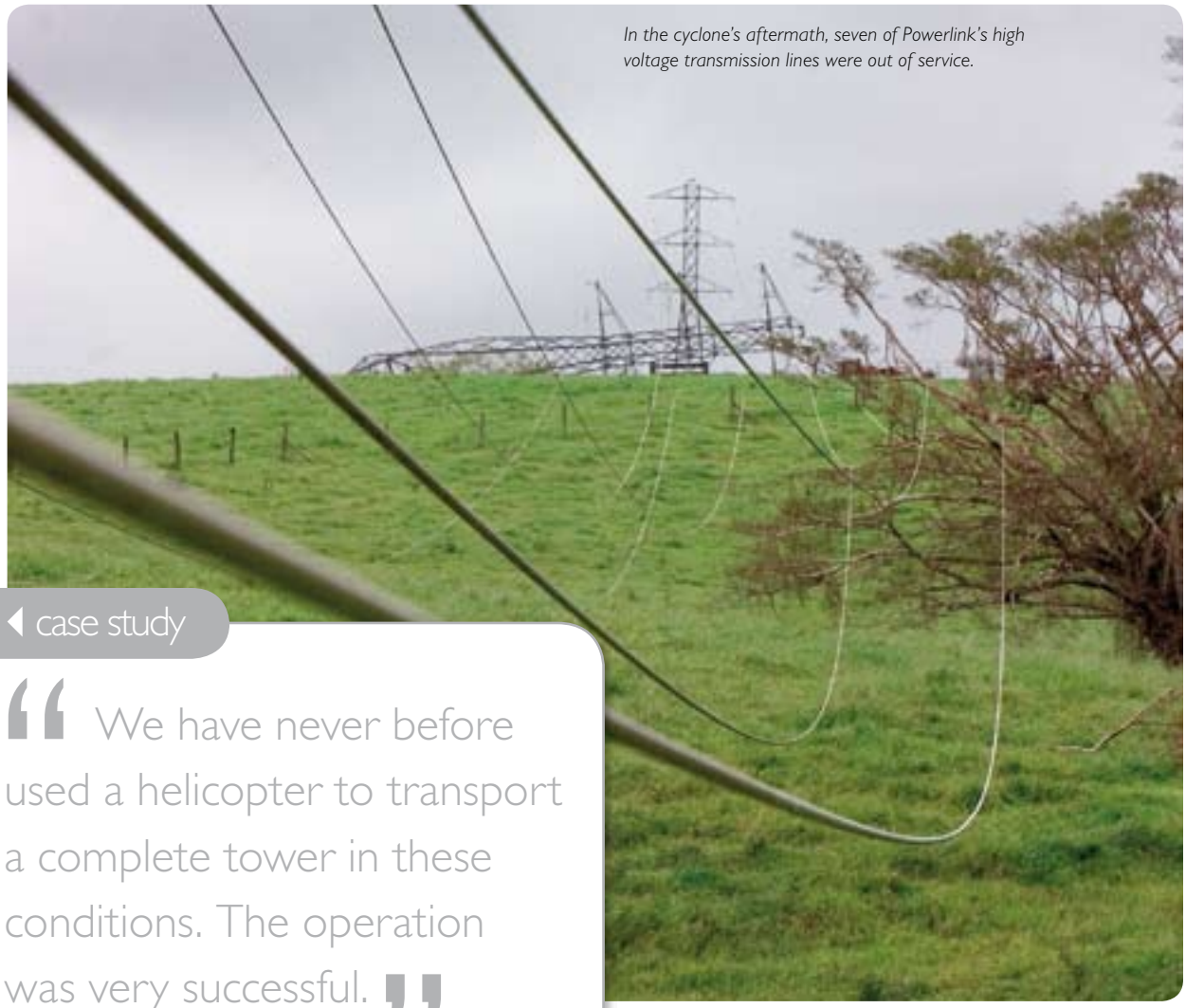
A SECURE ELECTRICITY SUPPLY FOR INNISFAIL

While Powerlink restored high voltage electricity supply to Innisfail just five days after Cyclone Larry, the area was reliant on a single source of high voltage electricity, placing it at risk of an unplanned interruption. Additional restoration works were critical to improve the security of electricity supply to the area.

Most of this complex and difficult exercise was undertaken with the existing line in service. However the final cutover required a four hour interruption to bulk electricity supply to the Innisfail community to enable seven final steps to be undertaken simultaneously.

To minimise impacts on the community, the outage was scheduled to begin at dawn on Sunday and an open and comprehensive communication campaign explained the need for the outage and provided advance notice to the community. The work was also carefully planned and scheduled to minimise the duration of the outage.

The work was completed successfully within the predicted timeframe, providing Innisfail with a more secure and reliable electricity supply, as the town's citizens undertook the challenge of rebuilding after Cyclone Larry.



In the cyclone's aftermath, seven of Powerlink's high voltage transmission lines were out of service.

case study

"We have never before used a helicopter to transport a complete tower in these conditions. The operation was very successful."

> The Defence Force responded to the call by providing a Chinook helicopter to lift the 32 metre high, four tonne steel transmission tower.

AIR-LIFT MANOEUVRE SAVES RESTORATION TIME

Following Cyclone Larry, it was critical that electricity supply be quickly restored to the Innisfail area to power essential services such as water supply and sewerage, and to facilitate the cyclone relief efforts. Powerlink brought in transmission crews from Brisbane and immediately set about replacing a steel transmission tower that had been destroyed by cyclonic winds in a flooded cane field near Babinda.

The relentless wet weather made groundwork difficult and flooded rivers blocked road transport of a spare transmission tower from Townsville. Faced with these obstacles, Simon Bartlett, Chief Operating Officer, Powerlink, said the Emergency Management Team found creative solutions to the complex logistical problems created by Cyclone Larry.

"Through the Counter Disaster Committee in Cairns, we obtained assistance from the Australian Defence Force to air-lift the tower from Townsville to Babinda, and from the Department of Main Roads to construct a temporary access road to carry the required 48 tonne crane across the flooded cane field," Simon said.

An Australian Defence Force Chinook helicopter air-lifts the transmission tower. Photograph courtesy of the Cairns Post.

"The Defence Force responded to the call by providing a Chinook helicopter to lift the 32 metre high, four tonne steel transmission tower required to replace the fallen tower. The tower was air-lifted from a transmission training facility near Townsville and placed alongside the transmission line in the cane field at Babinda, about 200 kilometres away, in just one and half hours.

"We have never before used a helicopter to transport a complete tower in these conditions. The operation was very successful.

"Most importantly, it enabled us to restore bulk electricity supply to Innisfail within five days by avoiding delays that would have been caused by road transport attempting to navigate flooded rivers and roads," Simon said.

network development

at a glance

- Nine Regulatory Test consultation processes were completed, identifying future network augmentations.
- The outcomes of a study investigating options for upgrading the capability of the Queensland/New South Wales Interconnector were reported to the National Electricity Market.

We are managing the fastest-growing transmission network in Australia

Future network needs

When Powerlink's planning process forecasts a potential limitation in network capacity, we apply the Australian Energy Regulator's (AER) Regulatory Test, a process that involves rigorous investigation by Powerlink and consultation with market participants to identify the most economic solution. In 2005/2006, we completed nine network augmentation consultation processes. The recommended augmentations are now being constructed and network support arrangements are being implemented.

During 2005/2006, we also initiated two consultation processes that will be completed in the next year:

- Supply to the Bowen area; and
- Supply to the Thuringowa area.

Regulatory Test processes completed in 2005/2006

Consultation process	Outcomes/commitments
Supply to Inland Central Queensland	Lilyvale to Blackwater 132kV line.
Supply to Mackay to Proserpine area	Nebo to Pioneer Valley 132kV line and Alligator Creek to Mackay 132kV line reconfiguration.
Supply to Townsville area	Ross to Townsville South to Townsville East 132kV line and 132/66kV substation at Townsville East.
Supply to Wide Bay area	275/132kV substation at Teebar Creek.
Supply to Ipswich area	275/110kV substations at Goodna and Abermain.
Supply to South Eastern Queensland	Middle Ridge to Greenbank 275/330kV line and capacitor banks at various South Eastern Queensland locations.
Supply to North and Far North Queensland	Broadsound to Nebo to Strathmore to Ross 275kV line and 275kV Static Var Compensator at Strathmore, and network support from electricity generators and co-generators.
Supply to Cairns area	Energisation of second Chalumbin to Woree line at 275kV and second 275/132kV transformer at Woree.
Supply to Gladstone area	275/132kV substation at Larcom Creek and new 275kV line from Larcom Creek to a location to be determined based on potential industrial developments.

(From left) Live Substation Technicians, Lorne Markham and Scott Zillman, perform works at Swanbank Substation, near Ipswich.

- Thirteen major projects were under construction in Queensland to provide continued reliability in the face of high forecast electricity demand growth.
- Case study—Belmont to Murarrie transmission line reinforcement project: Coordination drives helicopter stringing success.

network development

Major projects under construction in 2005/2006

Region	Project	Brief description	Project purpose	Milestones achieved
North Queensland	Woree Static Var Compensator	Installation of a 132kV Static Var Compensator at Woree Substation.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Cairns and Far North Queensland areas.	Commissioned in December 2005.
Central Queensland	Nebo and Railways Static Var Compensator	Replacement of the control system and associated works on the Static Var Compensator at Nebo and Railways Substations at Mt McLaren, Gregory, Moranbah, Dysart, Dingo, Blackwater, Grantleigh, Oonooie and Coppabella.	Replacement of assets at the end of their technical life to ensure continued reliability of electricity supply to the Queensland Rail Coal Haul Network throughout Central Queensland.	Construction began in October 2005.
	Nebo to Pioneer Valley Transmission Line	Construction of a 132kV transmission line between Nebo and Pioneer Valley Substations and associated substation works.	To reinforce electricity supply to the Mackay area to meet mandated reliability of supply standards.	Construction began in June 2006.
Southern Queensland	Algester Substation	Construction of 110/33kV substation at Algester.	To ensure continued reliability of electricity supply to meet growth in electricity demand in the Algester, Calamvale, Drewvale and Stretton areas.	Construction began in January 2006.

Major projects under construction in 2005/2006 (continued)

Region	Project	Brief description	Project purpose	Milestones achieved
Southern Queensland continued	Belmont to Murarrie Transmission Line	Construction of a 275kV transmission line between Belmont and Murarrie Substations and associated substation works.	To reinforce the electricity supply to the Brisbane CBD, Australia TradeCoast region, South Eastern suburbs of Brisbane and surrounding areas to maintain reliability of supply.	Construction began in February 2005.
	Braemar Power Station Connection	Construction of a 275kV transmission line between Braemar Power Station and the Braemar Substation.	To connect the Braemar Power Station (which is under development) to the transmission network.	Construction was completed in May 2006.
	Goodna Substation	Construction of 275/110kV sections within Goodna Substation.	To ensure reliability of electricity supply and meet increasing electricity demand in South West Brisbane and the Ipswich area, including a proposed new industrial development.	Construction began in September 2005.
	Greenbank to Maudsland Transmission Line	Construction of a 275kV transmission line between Greenbank and Maudsland Substations and construction of a new substation at Greenbank.	To reinforce electricity supply to the Gold Coast and Tweed regions, and to meet reliability of supply standards.	Construction of the Greenbank Substation began in December 2004. Construction of the transmission line began in May 2005.

network development

Major projects under construction in 2005/2006 (continued)

Region	Project	Brief description	Project purpose	Milestones achieved
Southern Queensland continued	Kogan Creek Power Station Connection	Construction of a 275kV transmission line between Kogan Creek Power Station and Braemar Substation.	To connect the Kogan Creek Power Station (which is under development) to the transmission network.	Commissioned in June 2006.
	Middle Ridge to Greenbank Transmission Line	Construction of a 275kV/330kV transmission line between Middle Ridge and Greenbank Substations.	To ensure continued reliability of electricity supply for the Logan and Gold Coast regions, and to reinforce the electricity network supplying South East Queensland.	Construction began in June 2006.
	Molendinar 110kV Substation Replacement	Re-development of the 110kV section of the Molendinar Substation, including a range of works.	To ensure continued reliability of electricity supply in the northern Gold Coast region.	Construction began in July 2005.
	South Pine Substation Refurbishment	Major refurbishment and plant uprating of the 275kV section of the South Pine Substation.	To ensure continued reliability of electricity supply in Brisbane and the South East corner of Queensland.	Construction began in May 2005.
	Sumner Substation	Construction of a 110/11kV substation at Sumner.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Sumner, Jindalee, Darra and West Darra areas.	Construction began in July 2005.

Helicopter stringing of the Belmont to Murarrie transmission line.

Queensland/New South Wales Interconnector

The Queensland/New South Wales Interconnector (QNI) was commissioned in 2000 and since then has delivered substantial benefits to the National Electricity Market (NEM) by enabling the sharing of generation capability between Queensland and the other States, and by enabling Queensland to trade electricity with other States in the NEM, effectively increasing the size of the NEM. QNI has a maximum power transfer capability of about 1,100 megawatts southwards (into New South Wales), and 500 megawatts northwards (into Queensland).

In late 2005, Powerlink and TransGrid, the New South Wales Transmission Network Service Provider (TNSP), reported to the NEM on the outcomes of a joint cost/benefit study investigating options for upgrading the capability of QNI.

This pre-feasibility study indicated that an investment of $120 million to achieve an upgrade of around 150 megawatts to 200 megawatts may be justified under the AER Regulatory Test.

Powerlink and TransGrid are jointly progressing further detailed technical and economic investigations to define the scope, cost and timing of upgrading the QNI, and to assess the potential benefits. These benefits are sensitive to other changes in the NEM, for example, if new generation capacity becomes committed. Provided that the joint studies still indicate positive net benefits for an upgrade, a formal Regulatory Test will be undertaken.

Information about this study is published on Powerlink's website at www.powerlink.com.au under the Network section.

LOOKING FORWARD TO 2006/2007

- We will finalise the Regulatory Test processes currently under way to identify solutions for two future network needs:
  - Supply to the Bowen area; and
  - Supply to the Thuringowa area.
- We will begin construction on the following transmission line projects:
  - Bohle River to Townsville Gas Turbine Power Station transmission line;
  - Broadsound to Nebo transmission line;
  - Lilyvale to Blackwater transmission line;
  - Townsville South to Townsville East transmission line; and
  - Tully to Innisfail transmission line.
- We will commence the following substation projects:
  - Establish the new 275kV Abermain Substation;
  - Establish the new 132/66kV Townsville East Substation;
  - Install a 275kV Static Var Compensator at Strathmore Substation;
  - Rebuild the 110kV West Darra switchyard; and
  - Plant replacement at the 275kV Tarong Substation.
- We will undertake easement acquisitions for a range of future transmission projects throughout the State.

◀ case study

"The stringing of the Belmont to Murarrie transmission line is a striking example of the excellent skills and experience of our project teams."

> We were very conscious of minimising the disruption to traffic.

COORDINATION DRIVES HELICOPTER STRINGING SUCCESS

Tony Barsby, Lines Construction Manager, Powerlink, and Wayne Ball, Project Manager, Powerlink, for the Belmont to Murarrie transmission reinforcement project agree that a large number of complex crossovers during stringing of the transmission line were challenges that the Powerlink team met with success.

"Constructing a high voltage transmission line that traverses Brisbane suburbs—over koala and squirrel glider habitats, across Bulimba Creek, and across the Gateway Motorway in three places as well as several other major arterial roads, a rail line and energised 110 kilovolt transmission lines—is a complex exercise in project management," Wayne said.

"We have used helicopters to string conductors on many projects. However, the Belmont to Murarrie project required more extensive helicopter use to access tall poles in environmentally sensitive areas and to facilitate the crossing of major roads that had the potential to affect motorists travelling to the CBD, the Brisbane Airport and Australia TradeCoast precinct."

Tony Barsby said Powerlink had a very small window of opportunity to string the conductors across the

Tony Barsby, Lines Construction Manager, Powerlink.

Gateway Motorway—essentially from daybreak until 8am on weekends.

"Each time we flew a conductor across the motorway we had to stop traffic in both directions as a safety precaution. In total we had closures of the Gateway Motorway on nine separate days and major arterial roads on more than 20 separate days," Tony said.

"We were very conscious of minimising the disruption to traffic, which meant coordinating the activities of traffic controllers, crane operators, helicopter pilots, stringing crews and police, and keeping the community informed of the need for the work.

"In all, the helicopter stringing went very smoothly—there were no resulting traffic incidents and generally delays to motorists were no longer than 10 minutes.

"The planning and execution of the stringing of the Belmont to Murarrie transmission line is a striking example of the excellent skills and experience of our project teams," Tony said.

environment

(From left) Elder Arthur Johnson of the Wulgurukaba People with Cliff Mellon, Aboriginal Liaison Officer, Powerlink, at the base of a large eucalypt that will be protected during construction of a transmission line near Townsville.

at a glance

- We completed a research project to better understand the effects on ecosystems of easement maintenance in rainforests.
- We have implemented innovative responses to bird interactions with our transmission assets.
- A new tool that integrates Geographic Information System and Global Positioning System technology has achieved efficiencies in our easement maintenance activities.

Research and innovation contribute to improved environmental performance

Environmental Management System

Our Environmental Management System (EMS) continues to provide a framework for the management and monitoring of our environmental performance. The EMS identifies areas of potential environmental impacts, the measures to mitigate such impacts and the owner of the issue within Powerlink. Progress and performance are assessed quarterly and reported to Powerlink's Executive Environmental Steering Committee.

Performance monitoring systems

Environmental performance on construction projects is monitored through an active schedule of audits and ongoing compliance monitoring by our on-site project Environmental Officers. The results of audits in 2005/2006 were provided to our Environmental Steering Committee and showed improvements in key areas of the business including construction works, easement maintenance and substation maintenance.

No reportable environmental incidents occurred as a result of Powerlink's activities during 2005/2006.

Environmental training

To ensure all our people understand Powerlink's corporate policy and responsibility, as well as their individual responsibility to environmental protection, we continued to offer environmental training programs to new employees and refresher programs to existing employees.

We developed and delivered project-specific environmental inductions for employees and contractors working on Powerlink's construction and easement maintenance projects.

Information sheets on a broad range of operational environmental issues and awareness training for field staff were jointly developed and delivered.

Cultural Heritage

Powerlink takes a cohesive and proactive approach to the management of Cultural Heritage. We are committed to meeting our obligations under State and Federal legislation by taking all reasonable and practical measures to avoid harm to Aboriginal and Historical Cultural Heritage values, sites, and objects.

In addressing our duty of care for avoiding harm to Aboriginal Cultural Heritage, we work with Aboriginal Parties affected by our transmission assets. A significant part of this process is the execution of a *Cultural Heritage Management Plan* (CHMP) for each Powerlink construction project for each Aboriginal Party for the affected area.

To ensure the effective application of our agreements in the field during construction, we provide a separately contracted Aboriginal Liaison Officer to support construction teams during ground disturbance activities. Our goal is to establish positive long-term relationships with Aboriginal Parties, which is based around the CHMP for new assets. Such long-term relationships will facilitate the rapid resolution of any Aboriginal Cultural Heritage matters that may arise not only during construction, but also during the subsequent operation and maintenance activities.

During the year, some Aboriginal Cultural Heritage sites of significance have been found and managed appropriately by our project teams. Protective actions included modifying the design of two transmission lines to protect a significant tree and Aboriginal rock paintings.

Our actions to protect Historical Cultural Heritage sites included preserving a collection of antique bottles discovered on Brisbane's southside during site preparation for a new substation. The collection was provided to The University of Queensland for research purposes.

- No reportable environmental incidents occurred as a result of Powerlink's activities during 2005/2006.

- Case study—Belmont to Murarrie transmission line reinforcement project: Preserving and expanding wildlife habitat.

environment

Reducing Greenhouse impacts

Powerlink remains a signatory to the Greenhouse Challenge Plus, a voluntary program operated by the Federal Government.

During the year, our annual report to the Australian Greenhouse Office advised that we continued to maintain an inventory of sulphur hexafluoride gas (SF_6), which is used exclusively as the insulating medium in extra high voltage switchgear in our network. Powerlink indicated that we are making improvements to the measurement of SF_6 gas and our data collection methods. We continue to recover residue gas from SF_6 supply bottles and apply a fast and cost effective SF_6 detection system, including the use of an SF_6 detection camera to scan live equipment.

In consultation with the University of Sydney, we have developed a new system to remove SF_6 from high voltage equipment in the field in a process that cleans and purifies the gas at the same time. The process uses liquid nitrogen to assist in cleansing contaminated SF_6 allowing it to be recycled for use in high voltage equipment.

The total amount of electricity transported on our network increases in line with the electricity demand, creating an increase in overall heat losses from the network. Heat losses are the energy lost during the transmission of electricity. New transmission lines lower the overall loading on the network elements, resulting in reduced heat losses during transmission. This means less power has to be generated at power stations, reducing the production of greenhouse gases.

Active in pollutant management

Powerlink participated in the Stockholm Convention and continued to monitor our management of Persistent Organic Pollutants in accordance with our national and international commitments. We continued to meet our commitments under a program to remove Polychlorinated Biphenyls (PCBs) from high voltage equipment where PCBs are used as an insulating component.

Improving easement management

Powerlink has developed a new tool that improves the efficiency and effectiveness of our easement maintenance activities and assists our environmental compliance program.

The new system enables employees to access our Geographic Information System (GIS) while undertaking easement patrols, unlocking important information about landowner requirements, vegetation management, Cultural Heritage and other land issues. Armed with immediate access to this comprehensive information, field staff are better equipped to make decisions. The system also facilitates improved communication and relationships with landowners directly affected by our transmission assets.

With integrated Global Positioning System (GPS) technology, the innovative system is used for recording and noting inspection data on an easement, which can then be used to develop work packages for easement maintenance.

LOOKING FORWARD TO 2006/2007

- We will continue to work with other electricity industry participants in Queensland to develop high standard environmental training modules.
- We will continue to develop innovative techniques to mitigate our impacts on communities and the environment as a result of our business activities.
- Outcomes of research into cockatoo damage to composite insulators will enable us to improve the reliability of our high voltage insulators.
- Ecosystem research conducted in North Queensland rainforests will be extended to investigate the effects on savannah ecosystems in Far North Queensland.
- We will finalise research into improved techniques for effective vehicle wash downs to prevent the spread of weeds.

Squirrel gliders shelter in a habitat box installed in trees in Minnippi Parklands, Brisbane, during construction of the Belmont to Murarrie transmission line reinforcement project.

Linear infrastructure and rainforest ecosystems

Powerlink currently has 324 kilometres of transmission line easements in highly valued rainforest areas of Far North Queensland, which are subject to a maintenance program including ground and helicopter patrols and vegetation management. This year saw the completion of a two year research project to provide baseline data to enable better understanding of the effects on ecosystems of easement maintenance in North Queensland rainforests. This increased knowledge has enabled us to better manage our construction and maintenance activities in these sensitive environments.

Wildlife management

Powerlink has actively developed, implemented and communicated wildlife management procedures.

Powerlink field workers modified their work methods to minimise disturbance to a Wedge-Tailed Eagle found nesting in a transmission tower in the Ipswich area. Similarly, an osprey nest identified by workers on a transmission tower near our Mudgeeraba Substation was relocated to a more secure position on the tower in consultation with the Environmental Protection Agency (EPA) and Queensland Museum.

During recent years, we have undertaken ongoing research into the damage that cockatoos can cause to composite polymeric insulators on Powerlink's high voltage network. Additional research was commissioned this year as we became aware that cockatoo damage to insulators could occur rapidly on energised lines, causing potential power disturbances. The research will isolate environmental variables that predispose these insulators to cockatoo attacks, enabling us to improve insulator reliability by identifying potential high risk areas within a transmission line corridor. Our research into cockatoo damage and the development of a risk management model lead the world.

Weed control initiatives

Powerlink seeks to continually improve weed control and management measures during construction and maintenance of our transmission assets. We invest in procedures that assist to maintain weed-free access to our assets, so that vehicle access is not restricted. Where possible, we work cooperatively with landowners to implement weed eradication strategies that have a mutual benefit.

We have continued to work with local agencies and the Toowoomba City Council to combat Privet *(Ligustrum lucidum)*, a declared weed, at our Middle Ridge Substation site and on nearby easements. This long-term commitment has included on-ground control measures on our land, in conjunction with neighbouring landowners.

In 2005/2006, Powerlink established an agreement with the Nebo Shire Council to establish a weed wash down facility in Nebo. The facility will be used by Powerlink and other organisations during construction and maintenance of major infrastructure projects in the region.

Vehicle washdowns assist in weed control.

case study

"Around 80 habitat boxes were installed in the trees surrounding the easement ..."

> “Selective clearing methods helped to minimise the disturbance to the local environment.”

PRESERVING AND EXPANDING WILDLIFE HABITAT

Environmental investigations for the Belmont to Murarrie transmission line reinforcement project identified that the planned alignment would traverse the Minnippi Parklands in Southern Brisbane, home to the largest known population of endangered Squirrel Gliders.

Particular care was needed to ensure the project did not impact on the Squirrel Glider, which is listed as a significant species under the Brisbane City Council’s City Plan. The project’s Environmental Officer, Bruce French, said that Powerlink implemented a number of innovative strategies to manage its operations in this sensitive location.

“We conducted an aerial survey of the route using a laser range finder, to establish the ground and tree canopy heights. Using this data, we produced a computer-generated model to help identify the optimal tower heights that would enable us to retain as much vegetation as possible and preserve the visual amenity. Taller towers were used throughout this area, reducing the amount of vegetation to be removed underneath and alongside the lines,” Bruce said.

“The GIS/GPS technology provided us with real-time positioning, which we applied in the field to assess each

Bruce French, Environmental Officer, Powerlink.

individual tree within the easement to see if it would encroach on the required safety clearance to the new lines.

"It is the first time we have used this process in the field and it enabled us to mark individual trees to indicate if trimming or removal was necessary. These selective clearing methods helped to minimise the disturbance to the local environment.

"To expand the Squirrel Glider habitat, we increased the available food supply by planting strips of low growing flowering plants and other flowering food trees. We also increased the connectivity across the easement under the transmission lines by installing glider poles with shelter boxes on them."

Around 80 specifically designed habitat boxes were installed in the trees surrounding the easement, which provided shelter for Squirrel Gliders and other endemic species.

"This is the first time we have used habitat boxes, but they have proven to be very successful—within a few months of being installed, 90% of the boxes were being used by gliders, birds, possums and other native wildlife," Bruce said.

community

at a glance

- Eight new projects in Townsville and Thuringowa were funded by the Community Environment Fund in Round Two.
- The Greening Lockyer project moved to maintenance phase, having delivered 20 projects with the support of 2,500 community volunteers from the Lockyer Valley.

A Thuringowa City Council Work for the Dole team helps to enhance the environment along the banks of the Ross River as part of a Community Environment Fund project in Townsville.

Making connections with the community to build trust and partnerships

Strengthening community networks

In all that we do, Powerlink strives to exceed its obligations and responsibilities to the people who live near our assets.

Powerlink is committed to building trust and partnerships with communities by joining with them in environmental projects and supporting programs that aid in job creation. Working together has built relationships that have led to practical, hands-on solutions that offer the best possible outcome for both communities and Powerlink. Strong community connections are integral to our business success, and Powerlink's ability to meet our customers' demands for a reliable power supply.

In developing and operating our high voltage network, we continue to work with landowners, Aboriginal Parties, government agencies, community groups, media and other stakeholders with an interest in our projects and plans. It is our aim to establish open, cooperative and enduring relationships.

(From left) Ian Boyd from Townsville Regional Bird Observers and Libby Guest, Community Environment Fund Project Coordinator, at the Upper Ross Wildlife Education and Observation Area project site.

Community Environment Fund projects under way

The Townsville and Thuringowa region is strategically important to Powerlink, with a number of current and future network developments identified. It is among the fastest-growing regions in Australia in terms of population and industrial growth.
The Community Environment Fund is a Powerlink initiative that forms partnerships with residents and community groups and undertakes projects that enhance the environmental properties of the Townsville and Thuringowa region, and minimise the visual impact of Powerlink's transmission infrastructure in the region.

The Community Environment Fund is a three year program funded by community grants from Powerlink and our project partners, Townsville City Council and Thuringowa City Council.

Community groups and agencies apply for grants from the Community Environment Fund through an application and assessment process administered by a taskforce comprising representatives of the community, partner Councils and Powerlink. Funding is available for legacy projects intended to produce an immediate environmental improvement to minimise the visual impact of Powerlink's transmission network, and environmental partnership projects intended to provide more general improved natural environment outcomes for the local community.

Now in its second year, the Community Environment Fund has provided funding for a total of 15 projects, including eight Round Two projects announced in January 2006. New projects that received funding this year include the rehabilitation of riparian areas along the Ross River, planting of native species, erosion management, coastal weed management and dune revegetation, wetland rehabilitation, habitat management and installation of a bird viewing platform and educational material.

- Our sponsorship of the Great Walks Art and Environment Program, an Australian first, funded workshops for emerging or aspiring artists and children, involving them with the environment through art.
- Case study—Belmont to Murarrie transmission line reinforcement project: Building connections with the Gumdale Horse and Pony Club.

community

The seven projects supported in the first funding round in 2004 have been implemented during the year with strong community support, and have now entered their maintenance phase.

The Round One projects have provided practical horticultural experience for 111 people participating in Work for the Dole and Community Jobs Plan programs.

Summary of benefits	
Number of Round One projects undertaken	15 projects
Volunteer participation	> 880 people
Volunteer hours contributed	> 17,200 hours
Trees, shrubs and ground cover planted	> 5,723 plants
Area cleared of weeds	> 40 hectares
Area of restoration works	> 38 hectares
Wildlife corridor restored	> 3.5 kilometres
Field days held	39

More information on the Community Environment Fund can be found on the Powerlink website at www.powerlink.com.au under the Community section.

Greening Lockyer attracts community support

Greening Lockyer is a catchment-wide, three year program initiated by Powerlink in partnership with Esk, Gatton and Laidley Shire Councils and Western Sub-Regional Organisation of Councils (WESROC). The Lockyer Valley is strategically important to the transmission network and Powerlink's ability to provide a safe, secure and reliable high voltage electricity supply throughout South East Queensland.

Greening Lockyer was established as a regional approach to natural resource management and the protection and enhancement of land systems, soil and biodiversity. The program objectives were to build community relationships, support environmental improvements and assist in minimising the visual impact of future transmission infrastructure within the Lockyer Valley.

During 2005/2006, the active project phase of Greening Lockyer came to a conclusion, having delivered 20 sustainable environmental and legacy projects in the Lockyer Valley. Legacy projects have improved the amenity of the area and provided recreational facilities for residents, particularly in the vicinity of Powerlink's infrastructure and easements on public land, while environmental stewardship projects have tackled issues of forest restoration, roadside remnant vegetation, wetland and riparian restoration, and salinity management on public lands.

To ensure the sustainability of the projects undertaken and demonstrate an ongoing commitment to the community, Powerlink has contributed to a subsequent three year maintenance program.

Else Shepherd, Chairman, Powerlink (with shovel), helps Greening Lockyer volunteers (from left) Norbert von Reutzen, Leon Steinhardt and Val Martin plant a native tree at Jensen's Swamp Environmental Reserve.

Community endorsement for Greening Lockyer has been strong, with volunteer participation and in-kind support increasing the value of the project to more than double Powerlink's original grant.

An additional goal of Greening Lockyer to offer education, employment and training was realised through the creation of opportunities for local people and participants in Work for the Dole, Green Corps and Community Jobs Plan projects.

Greening Lockyer projects have also involved schools, and curriculum programs were developed to instil lifelong environmental awareness among young people in the Lockyer Valley and encourage young people to investigate and care for or manage conservation projects by directly funding projects at schools.

Research within the Lockyer Valley community has shown Greening Lockyer to be an effective vehicle for building links with key stakeholders and opening lines of communication with local government and the community.

Summary of benefits	
Number of projects undertaken	20 projects
Volunteer participation	> 2,600 people
Native trees and plants planted	almost 40,000
Work for the Dole, Green Corps and Community Jobs Plan volunteer participants	240 people

More information on Greening Lockyer can be found on the Powerlink website at www.powerlink.com.au under the Community section.

Greening the Gaps in Brisbane

We are now into the second year of the Greening the Gaps program, a three year partnership with Brisbane City Council with the aim of funding revegetation works in and around Powerlink's easements in targeted areas within Brisbane.

Volunteer community groups have worked in conjunction with Brisbane City Council to implement projects at four of the nine sites this year: Pullenvale Forest Park (Pullenvale), Hemmant Road Park (Hemmant), Prout Road Park (Burbank) and Yugarapul Park (Sunnybank). The works undertaken include weed management, revegetation, planting of native species and the construction and maintenance of boardwalks and walking tracks.

These and other projects within the Greening the Gaps program will improve visual amenity along transmission line easements, enhance the habitat through improving the biodiversity value of easement land and wildlife corridor connectivity, achieve efficiencies in easement management and enhance community awareness of vegetation management practices.

Gatton State School students in their outdoor classroom that was developed as part of a Greening Lockyer project at their school.

community

Art and the environment

A partnership between the Environmental Protection Agency (EPA), Arts Queensland and Powerlink under the Queensland Government's Art Built-in Policy has delivered the highly successful Great Walks Art and Environment Program.

The Queensland Government's Great Walks of Queensland are six world class walking tracks through some of the State's most beautiful natural areas. In an Australian first, an innovative public art initiative enabled eight nationally and internationally recognised artists to undertake artist-in-residence programs in national parks to create artworks inspired by the natural attributes of the Great Walks and conduct workshops for local emerging artists and children.

This initiative enabled 58 artists, 300 children and more than 10,000 Queenslanders to explore, experience and enjoy the Great Walks through art.

A significant proportion of Powerlink's funding of the Great Walks Art and Environment Program was directed towards activities in the three Great Walks regions in which we operate: the Wet Tropics, Mackay Highlands and Gold Coast Hinterland. Powerlink-sponsored Art and Environment Workshops in these regions not only encouraged emerging or aspiring artists and children to become involved with the environment through art, but also enhanced participants' experience and enjoyment of the Great Walks.

With Powerlink's support and the coordination of local community arts organisations, well-attended children's workshops were held in Cairns, Mackay, Eungella, Mirani, Gargett, Nebo and the Gold Coast.

In the three Powerlink-sponsored regions, workshops for emerging or aspiring artists were held in addition to the masterclass workshops facilitated by the Great Walks resident artists.

Our contribution also included photographic documentary of the program and production of a catalogue featuring the completed artworks. Artworks created from each regional program were exhibited in local art galleries under the title *Habitus-Habitat*, and the program culminated in an exhibition of the collected works in Brisbane.

More information about the Great Walks Art and Environment Program can be found on our website at www.powerlink.com.au under the Community section.

Marian Drew Light Walk Mackay Highlands.

Enabling the Southside Sustainability Centre

The Bulimba Creek Catchment Coordination Committee (B4C), a community group concerned with the environmental health of the Bulimba Creek Catchment, will develop the Southside Sustainability Centre on land leased from Powerlink under a favourable long-term arrangement. Powerlink is a founding member of the Centre, which will provide local community members with grass-roots education about low cost sustainable living and environmental management, and in the longer term will deliver quality education in sustainability and its practical implementation.

The Southside Sustainability Centre will be constructed on two adjacent properties necessarily acquired by Powerlink to enable the construction of the Belmont to Murarrie transmission line. In addition, B4C will operate a nursery on site, propagating endemic seedlings for the local community to use on revegetation projects and future Powerlink rehabilitation works.

We have worked with B4C to ensure positive environmental outcomes on the Belmont to Murarrie transmission reinforcement project, sections of which run parallel to and across Bulimba Creek. Powerlink's work with B4C to revegetate significantly degenerated areas of land surrounding the new transmission line easement will enhance the visual screening afforded to the local affected communities.

Support for Mission Australia

In our fourth year of supporting Mission Australia's Christmas Appeal, Powerlink provided a cash donation and supported employee initiatives to donate toys, food and other items over the Christmas period.

In the lead up to Christmas, 14 employees volunteered in Mission Australia's Café, helping to prepare food and serving meals to café customers, including Mission Australia clients.

Northern wildlife corridor completed

Our support has enabled the successful completion of a revegetation project to re-establish the wildlife corridors and protect the biodiversity of the Walter Hill Ranges, an area between Townsville and Cairns. The area is inhabited by the endangered Southern Cassowary, which seasonally migrates between the low and high lands of the Wet Tropics.

The project was a joint initiative of the Queensland Parks and Wildlife Services' Centre for Tropical Research, with support from Trees for Evelyn and Atherton Tablelands, the Community for Coastal and Cassowary Conservation and the Bureau of Sugar Experiment Stations.

With the final tree plantings undertaken in late 2005, some 20,000 trees have been established, many of which are cassowary food plants. The project has now moved into a maintenance phase.

While the outcomes of the project are still being realised to their fullest potential, early indications suggest that the tree planting sites are allowing greater movement for small mammals and reptiles, and have, most importantly, improved the available habitat for cassowaries.

Working with industry

Powerlink has a comprehensive sponsorship framework that supports strategic partnerships with activities and organisations in the areas of industry education, community and environment. Partnerships have been developed with peak organisations representing the interests of key stakeholders for our organisation, including the Local Government Association of Queensland, the Planning Institute of Australia (Queensland Division), Engineers Australia (Queensland Division) and the Queensland Landcare Foundation.

community

Information on Electric and Magnetic Fields

Powerlink recognises that some members of the community have a concern over the possible long-term health effects of prolonged exposure to the Electric and Magnetic Fields (EMF) associated with high voltage infrastructure. We respond to public enquiries about EMF, and provide information in the form of brochures, videos and website links to authoritative information sources. Powerlink also provides a free magnetic field measurement service to residents living near our assets.

We closely monitor international research on the issue through our membership of the National EMF Committee of the Energy Networks Association. Through this membership, we subscribe to an international EMF update service, which provides regular updates with the latest worldwide developments on the issue.

Powerlink relies on expert advice on this matter from competent health authorities in Australia and from around the world. We practise prudence in the design and siting of our network assets and operate all powerlines within the limits adopted by the National Health and Medical Research Council. Prudence includes avoiding locating transmission lines near homes, schools and community facilities where possible and designing transmission assets for low EMF levels.

The Australian Radiation Protection and Nuclear Safety Agency (ARPANSA), a Federal Government agency, is presently reviewing the current Australian guidelines issued by the National Health and Medical Research Council (1989) and considering the need for an exposure standard. The ARPANSA draft report is expected to be released for public comment in late 2006.

More information about EMF can be found on our website at www.powerlink.com.au under the Community section.

Integrating infrastructure into communities

Powerlink takes a proactive approach to working with local governments, planners and developers to integrate our essential infrastructure into communities.

Powerlink is a referral agency under the *Integrated Planning Act 1997* for Development Applications adjacent to existing lines and easements. We provide planning advice, assistance and tools to planning and development professionals, including easement mapping services, inclusion of transmission easements in Local Government Planning Schemes and easement co-use guidelines.

Sarah Mallory and her horse Zebedee display their show jumping skills at the Gumdale Horse and Pony Club.

Greenview, a residential community being developed by Reana Developments, in Townsville, is one example of how working in partnership with property developers can create a win-win solution for Powerlink and the community. Our collaboration with Reana Developments and a local landscape architect, Laurie Maddern, has resulted in an innovative landscaping solution for Greenview, which is traversed by a transmission line. Walkways, seats and landscaped gardens have been installed on the easement to create a parkland for residents of the estate while meeting Powerlink's requirements for vegetation management and access to the transmission line.

LOOKING FORWARD TO 2006/2007

- The Community Environment Fund second round projects will be implemented and third round projects will be announced.
- We will continue work on strategic community partnership projects in the Nebo and Ipswich area.
- We will continue to work with Brisbane City Council to progress the Greening the Gaps program to enable revegetation works on our easements within Brisbane.

(From left) Jim Read, Reana Developments, and Wayne O'Brien, Assistant Construction Manager, Powerlink, look over the plans that guided the landscaping of the transmission easement through Greenview residential community, Townsville.

◀ case study

"Throughout the Belmont to Murarrie project, we worked with Gumdale Horse and Pony Club members to minimise the disturbance to their activities ..."

> “The safety of our 65 members, their families and our herd of around 20 horses was our main priority. Powerlink demonstrated the same priority...”

MAKING CONNECTIONS WITH THE GUMDALE HORSE AND PONY CLUB

“A slice of rural paradise only 12 kilometres from the CBD,” is how Sue Mallory, of the Gumdale Horse and Pony Club, describes the popular horse sport club on Brisbane’s southside. This was the reason why Pony Club members worked closely with Powerlink to minimise the impacts of construction of the Belmont to Murarrie transmission line though the club’s grounds.

“The safety of our 65 members, their families and our herd of around 20 horses was our main priority,” Sue said.

“Powerlink demonstrated the same priority by installing new fencing and paddocks, and moving the horses off site when necessary during construction.

“Most importantly, Powerlink staff were accessible and kept us informed during the project, so we could be prepared for the construction works.

“Both Powerlink and the Pony Club had to stretch a little—it certainly took some extra organising—but the outcome has been worthwhile.”

(From left) Sarah Mallory and her horse Zebedee with Melanie Edgar, Manager External Communication, Powerlink, and Sue Mallory from the Gumdale Horse and Pony Club.

Melanie Edgar, Manager External Communication, Powerlink, said a great relationship was formed with the Pony Club through the Belmont to Murarrie project.

"We respect that the club is greatly valued by the community because it provides the opportunity for young people to learn about horse training, dressage, show jumping and good horse care, in a supportive family environment," Melanie said.

"Throughout the Belmont to Murarrie project, we worked with club members to minimise the disturbance to their activities while we built four new transmission towers within their grounds," she said.

people

at a glance

- An increase in employee numbers reflects our rapidly growing capital works program and has increased our recruitment activities.
- Powerlink offers an expanded range of training and development opportunities to assist employees to further their careers within Powerlink and meet work challenges.
- The introduction of a skills passport will provide portable evidence of workers' current competencies and authorisation records, further ensuring only competent personnel access and operate our network.

Our skilled people help us to achieve exceptional business performance

Powerlink people

Powerlink employs 726 permanent employees in a variety of professional, technical, trade, specialist and administrative roles. Most employees work at our headquarters in Virginia in Brisbane, although several temporary construction site offices were established throughout Queensland during 2005/2006.

Powerlink employee numbers increased this year by 14 percent, reflecting our rapidly growing capital works program and the associated workload, and resulting in an increase in our recruitment efforts.

We offer an employment proposition that attracts and retains capable and motivated employees. We also endeavour to provide career opportunities to our people, maintaining an open approach to promoting from within. In the past year, more than 45 percent of all recruitment appointments were awarded to existing employees. Offering a rewarding and enjoyable work environment is also a priority, a factor that contributes to our low annual turnover rate of about four percent.

Our focus on providing a supportive culture has assisted us to attract a significant number of new employees to our growing team. Despite this growth 50 percent of our workforce have more than five years of service; with this comes significant organisational capability, and the potential to support our new employees.

Safety at work

Safety is an integral part of the job at Powerlink. We have maintained strategies to help our employees view safety as an essential priority in all aspects of their work. Our "Safety—make it work" campaign has been reinvigorated during the year, focusing our support on employees in the medium to high risk areas of our business.

Our performance in relation to workplace health and safety and electrical safety is measured and reported to the Executive Leadership Team on a monthly basis, and to the Powerlink Board's Audit and Compliance Committee on a quarterly basis.

Powerlink has performed well against the targets set for the 2005/2006 period. There were two lost time injuries during the year. One involved a tick bite while working outdoors and the other a back injury sustained while lifting equipment, resulting in a Lost Time Injury Frequency Rate (LTIFR) of 1.48, which was well below previous levels.

Our planned internal audit targets were met, with several electrical and workplace health and safety compliance audits being performed on the activities of our people, contractors and service providers throughout the State.

Safety audits

To satisfy the requirements of the *Electrical Safety Regulation 2002*, we conduct an annual audit of Powerlink's Safety Management System. The 2005/2006 audit findings identified a continued proactive approach to, and positive attitudes toward, electrical safety and noted the already strong safety culture had strengthened further. The findings also noted the successful integration of electrical safety management into normal business practice was a contributor to the success of Powerlink's electrical safety management.

During the year we also participated in external audits by the electrical safety regulator, the Electrical Safety Office, on Low Voltage Practices and a third party Workplace Health and Safety audit on Powerlink Systems. The audit outcomes did not identify any major non-conformances. We also undertook a structured program of four internal audits for the Electrical Safety System and the High Voltage and Isolation Systems that did not identify any major non-conformances.

(From left) Warren Clayton, Systems Technologist, supervises Electrical Apprentice, Mark Quinlan, at Murarrie Substation, Brisbane.

- An employee opinion survey placed Powerlink in the top quartile against most criteria, among similar sized organisations participating in the survey.

- Case study—Belmont to Murarrie transmission line reinforcement project: Gaining a new perspective on transmission line design.

people

In 2005/2006, an asbestos management project was undertaken, and a comprehensive asbestos register was established. During this process, all Powerlink sites were inspected by a consultant and any asbestos on site was identified and registered. A program is in place to report any suspected exposure to asbestos and Powerlink offers a free medical examination for all current and past employees.

Safety training

We have continued to provide safety training and inductions to ensure our people have the necessary skills and competencies to perform their roles safely and without risk to their health. A new video has been developed to inform our people of the risks and safety control strategies to be implemented when accessing or operating the network.

Implementing skills passports

Powerlink is implementing a skills passport to provide further assurances that only competent personnel access and operate our high voltage network. It aims to improve the effectiveness of safe work systems by providing portable evidence, which can be assessed on-site, of a person's current competencies and authorisation records. To retain a valid skills passport, our people and our contractors will be required to participate in ongoing relevant training to maintain their authorisations.

The skills passport initiative is being implemented under a Memorandum of Understanding with our key service providers and unions, and will be consistent with the principles of the *National Network Passport Guidelines* of the Energy Network Association.

Managing fatigue

Fatigue presents a potential safety risk to our people, particularly those undertaking activities such as construction and maintenance of our high voltage transmission assets. Our fatigue management system enables our people to evaluate their level of risk and work with their manager to identify strategies to manage those risks.

A user-friendly pocket calculator has also been introduced as a simple tool to assist employees to evaluate their level of risk due to fatigue.

Developing our people

Powerlink encourages employees to further develop their skills and pursue their career aspirations in alignment with organisational capability needs through a training and career planning system. This system includes access to internal professional and personal development workshops, financial assistance for relevant tertiary studies and secondment opportunities. We have invested more than $4 million in training and development for our people this year.

Powerlink offers a two day Graduate Engineer Development Program and a five day Management Development Program, which encompass a range of business and personal skills. A record number of 20 employees participated in the Management Development Program this year and continue to meet on a regular basis as a learning group.

Powerlink has initiated a Senior Leadership Development Program, with the aim of developing and enhancing the leadership capability among our people in the present, for the next decade, and in the event of a contingency. The program has been built around eight senior leadership competencies identified as being fundamental to strong leadership at Powerlink. Fourteen participants were selected through a process of application, assessment, interview and evaluation against the senior leadership competencies.

The recipients of the 2005 Queensland Power Engineering Bursaries awarded by the Queensland Electricity Transmission and Distribution Group pictured at Powerlink following the presentation ceremony.

In response to feedback from managers, Powerlink has implemented a series of workshops to increase managers' independence and effectiveness in managing human resources, including recruitment.

Powerlink offers a number of career development programs that assist in growing new skills and capabilities to meet our future needs. This year, we expanded our Traineeship and Graduate Development program to include three new opportunities, recruiting three Graduate Environmental Officers, a Graduate Civil Engineer and a Warehouse Trainee.

Strategic resourcing for the future

Powerlink is developing a long-term resourcing strategy to ensure we meet our future work commitments to maintain the high level of supply reliability on our high voltage transmission network and to attract and retain critical competencies. The strategy supports Powerlink's annual workforce planning process that focuses on a three year window.

The strategy aims to build capability and flexibility and offer effective options for long-term resourcing requirements at a time when Powerlink is challenged by a substantial increase in our works program, coinciding with an Australia-wide technical skills shortage.

Recruitment strategies

To continue attracting high calibre employees, Powerlink has implemented a web based recruitment system that enables more efficient recruitment processes. The system also improves our ability to manage relationships with candidates and undertake research that contributes to the effectiveness of resourcing strategies.

Increasingly, Powerlink is recruiting internationally for certain positions for which the pool of applicants in Australia is limited. We have introduced new processes to assist employees recruited internationally, including information provided by our web-based recruitment system at www.powerlink.com.au under the Careers section. Powerlink also provides relocation support for employees and their families.

Accessing graduate engineers

The promotion of power engineering as a career choice is the aim of the Queensland Electricity Transmission and Distribution (QETD) Group, a partnership between Powerlink, ENERGEX, Ergon Energy and the Queensland University of Technology.

The QETD provides funding, high level support and expertise that focuses on the development of power engineering in Queensland by career promotion to secondary students, undergraduate and postgraduate education programs, developing industry-based graduate development programs, and research and development initiatives.

The QETD has improved Powerlink's access to engineering graduates with power industry skills.

Culture survey

In February 2006, Powerlink conducted an organisation-wide employee opinion survey, the sixth culture survey we have undertaken since 1995.

The results of the survey indicated that Powerlink has generally maintained its top quartile performance levels and, in some instances, made improvements on the result of the previous survey in 2003. Against most criteria, Powerlink has been ranked in the top quartile among similar sized organisations participating in the survey, originally designed in conjunction with the Australian Quality Council against the Business Excellence Framework. Approximately 100 other companies have completed the survey to provide this benchmark group.

The survey results identified opportunities for improvement at a corporate and business unit level. This feedback has been reported to business unit managers and employees. Where relevant, follow-up focus groups were held to gain further insight into issues. The Executive Leadership Team and all business units are developing and implementing action plans to address the identified opportunities and the ongoing development of our workplace culture.

people

Recognition for our people

Powerlink holds annual Innovation and Excellence Awards to acknowledge achievements that are regarded as particularly outstanding. This year, 19 nominations were received from individuals and teams. At a function to celebrate the achievements of employees, one gold, six silver and eight highly commended awards were presented.

Health and wellbeing

The health and general wellbeing of our people are critical to their ability to contribute to Powerlink's future performance.

Powerlink has funded health checks, including chest x-rays, for past and present employees as a component of our strategy for managing asbestos. These examinations are available to individuals who may have been exposed to asbestos as a result of their work in the electricity industry. Each individual is informed of the results of their examination. A confidential report provided to Powerlink identified there were no asbestos-related health issues detected at this time.

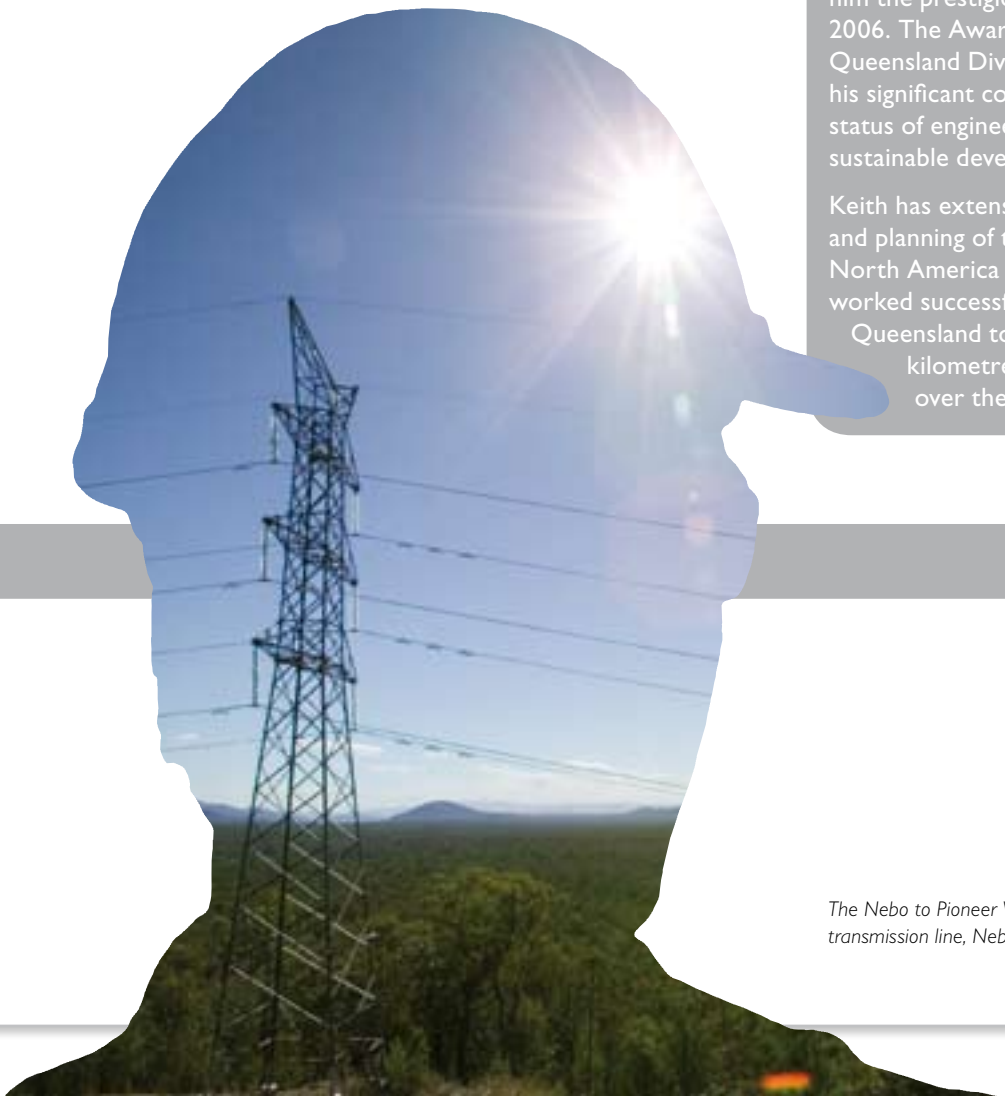
Our Employee Assistance Service, offered through Assure Programs, provides free professional, confidential counselling for Powerlink people and their immediate families who are encountering problems that are affecting, or might affect, their ability to work. During 2005/2006, employees used almost 70 hours of counselling from this independent service. This program also offers free lunch box information sessions for our people at our office, on topics such as stress management and dealing with conflict.

We have a Corporate Health Plan with MBF that results in discounted health cover for our people and we again arranged flu vaccinations for all employees who wished to access this service.

RECOGNITION BY ENGINEERS AUSTRALIA

Engineers Australia has recognised Keith Callaghan, Manager Transmission Environment, by awarding him the prestigious Eric Brier Memorial Award in 2006. The Award was presented to Keith by the Queensland Division of Engineers Australia for his significant contribution to advancing the public status of engineering, particularly in the field of sustainable development.

Keith has extensive experience in the engineering and planning of transmission lines in Australia, North America and South America. He has also worked successfully with communities around Queensland to acquire more than 2,000 kilometres of transmission line easements over the past 10 years.



The Nebo to Pioneer Valley transmission line, Nebo.

Remote employee support

With the increase in capital works projects in regional areas, we have established construction offices in Townsville, Mackay and Innisfail. Powerlink has implemented strategies to minimise the whole-of-life impacts for employees relocating with their families, and when employees are required to travel for their work. These strategies were developed with input from employees.

Workplace expansion

Reflecting the growth in our work program and our workforce, our office complex at Virginia is currently undergoing a substantial extension, with a new building, additional car parking and other facilities under construction. It is expected to be finished in late 2006.

LOOKING FORWARD TO 2006/2007

- We will fully implement the skills passport initiative, ensuring all employees and contractors who work on Powerlink's high voltage network hold appropriate authorisations and competencies.
- Long-term resourcing strategies will be finalised and implemented.
- Office extensions at our Virginia site will be completed, and employees will be relocated within the new office complex.
- We will further realise and exploit the potential of our newly implemented web-based recruitment system.
- e-learning will be revitalised with a new e-learning tool to be implemented that will support training and induction.
- Opportunities for the further development of our workplace culture and environment, as identified through the culture survey, will be implemented.

◀ case study

"The construction management team were always willing to share their knowledge and expertise."

> “Transmission line design is a highly specialised field, so it is great that Powerlink is willing to develop and invest in the development of their employees’ skills.”

GAINING A NEW PERSPECTIVE ON TRANSMISSION LINE DESIGN

A three month field placement on the Belmont to Murarrie transmission line project has given Zac Ilich, a member of the Transmission Line Design team, an invaluable insight into the reality of how his design work translates in the field.

“Since joining Powerlink three years ago, I have been honing my skills in the design of transmission lines based primarily on theory—but the opportunity to gain practical experience has given me a new perspective on design,” Zac said.

“I worked alongside the construction management team assisting with the day-to-day transmission line construction. I found the construction work very interesting and instructional.

“The complexities associated with the drilling of foundations, tower assembly and erection, as well as stringing conductors by helicopter has changed my perception of the challenges facing our construction teams.

(From left) Zac Ilich, Engineering Officer, Powerlink, and Jeff Polkinghorne, Development Engineer, Powerlink, at Murarrie Substation, Brisbane.

"These experiences will improve my ability to design transmission lines by making me more conscious of the impact certain design decisions can have on the practical, safety and environmental constraints.

"The Belmont to Murarrie project was complex and presented many challenges, but the construction management team were always willing to share their knowledge and expertise. Now that I understand their issues better, we can work together more effectively and I can hopefully assist in making their jobs a little easier.

"Transmission line design is a highly specialised field, so it is great that Powerlink is willing to develop and invest in the development of their employees' skills," Zac said.

corporate governance

We aim to deliver the best outcomes for our shareholders and the corporation

Powerlink Queensland is a corporation established under the *Government Owned Corporations Act 1993* (GOC Act). It is a registered public company under the *Corporations Act 2001*.

The Board is responsible for the overall corporate governance of the corporation and its subsidiary companies, setting the organisation's strategic direction and goals for management, and establishing the policies and operational framework for Powerlink.

The Board is committed to governance policies and practices that provide appropriate accountability and control systems to encourage and enhance sustainable business performance. The Board works with the Chief Executive and management to establish and maintain a legal and ethical environment and framework to ensure accountability throughout Powerlink is in the best interests of Shareholders and the corporation.

The corporation's shareholding Ministers at 30 June 2006 were the Deputy Premier, Treasurer, and Minister for State Development, Trade and Innovation, and the Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy.

Board Charter

The Board has developed a Board Charter which sets out the principles for the operation of the Board and describes its functions and responsibilities.

The Directors exercise their business judgment to act in what they reasonably believe to be in the best interests of the corporation and its Shareholders. This includes:

- Setting the corporation's values and standards of conduct and ensuring that these are adhered to;
- Providing leadership of the corporation within a framework of prudent and effective controls;
- Setting the corporation's direction, strategies and objectives;
- Monitoring management's performance and implementation of strategy;
- Informing Shareholders of the corporation's performance, major developments and key issues; and
- Ensuring that an effective system of corporate governance exists.

Board Code of Conduct

The Board has a Code of Conduct that defines the expected standard of behaviour and provides guidance to assist Directors in carrying out their duties and responsibilities to the standards expected by society and the business community.

A summary of the Board Code of Conduct is available under the Corporate Governance section on Powerlink's website.

Corporate governance principles

Shareholding Ministers have issued *Corporate Governance Guidelines for Government Owned Corporations (GOCs)*. These Guidelines provide a framework for GOCs to develop, implement, review and report upon their corporate governance arrangements.

The Guidelines have regard to the Australian Stock Exchange (ASX) *Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations*.

Powerlink has adopted and implemented all requirements of the 10 principles outlined in the Guidelines, including all annual reporting requirements.

(From left) Steve Saunders, Network Controller, and Rick Santin, Manager Network Operations, in the Network Operations Centre.

corporate governance

Board structure

At 30 June 2006, the Board consisted of five independent non-executive Directors. All Directors are appointed by the Governor in Council.

The skills, experience and expertise of each Director are outlined in the Director profiles presented elsewhere in the Annual Report.

The term of appointment of each Director is presented in the notes to the Financial Statements.

Directors' right to independent advice

The Directors, the Board and Board Committees are empowered to seek external professional advice, as considered necessary, at the corporation's expense. In the case of an individual Director seeking external advice, this is subject to prior consultation with the Chairman. If appropriate, any advice received will be made available to other Directors.

Board Committees

To assist in fulfilling its corporate governance responsibilities, the Board has established two Board Committees—the Powerlink Audit and Compliance Committee, and the Powerlink Remuneration Committee. These Committees have documented mandates that are reviewed on a regular basis. The membership of both Committees is comprised of non-executive Directors.

Audit and Compliance Committee (at 30 June 2006)

Chairman	Merv Norman
Members	Christina Sutherland, Patricia Conroy

This Committee reviews, assesses and reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct, business risk management and audit effectiveness.

The Committee endorses the corporation's internal audit program and risk management profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee is responsible for considering the annual statutory financial statements for subsequent approval by the Board.

Committee meeting details are presented in the Directors' Statement.

Remuneration Committee (at 30 June 2006)

Chairman	Walter Threlfall
Members	Merv Norman, Else Shepherd

The Remuneration Committee recommends employee remuneration policies that will attract and retain a skilled and motivated workforce.

Committee meeting details are presented in the Directors' Statement.

Management Committees

A Management Committee structure operates in parallel with the Board Committees to address issues of environmental management, workplace health and safety, security and corporate emergency response.

Management is also required to report to the Board on the effectiveness of risk management and internal control.

Environmental management

The Environmental Steering Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink's policies and relevant environmental legislation. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Workplace health and safety

The Safety Steering Committee develops and directs Powerlink's workplace health and safety management practices, and also ensures that Powerlink complies with relevant workplace health and safety legislation. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Corporate emergency response

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate emergencies. The Committee is responsible for maintaining the Corporate Emergency Management Handbook. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Security

The Security Steering Committee provides guidance in the development and approval of the Powerlink Security Plan. The Committee reviews security incidents and considers necessary amendments to the plan in response to these. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Performance evaluation

A structured internal process has been established to review and evaluate the performance of the Board and its Committees. The annual assessment examined the following issues:

- Performance against Board and Committee Charters;
- Interaction with management and management performance in assisting the Board to meet its objectives;
- Information provided to the Board; and
- Director education and training.

Disclosure requirements

Powerlink has established processes to ensure it meets its disclosure and reporting obligations, including those to shareholding Ministers.

Powerlink adopts a range of disclosure and reporting arrangements that include the Powerlink Annual Report, Powerlink website and other public disclosures.

Shareholder communication

The Powerlink Board aims to ensure that the shareholding Ministers are informed of all major developments affecting the corporation's state of affairs. This includes regular meetings and information communicated through quarterly progress reports and the Annual Report.

Planning, reporting and monitoring

Powerlink prepares an annual Statement of Corporate Intent (SCI) for the forthcoming year and a five year Corporate Plan. These reflect the outcomes of a comprehensive strategic planning and business planning process that involves the Powerlink Board and Executive Leadership Team. Both documents are presented to shareholding Ministers.

Performance is monitored using methods such as monthly reports and business reviews by management for the Powerlink Board, and quarterly reports to shareholding Ministers.

corporate governance

Statement of Corporate Intent

An SCI is required each financial year in accordance with the *GOC Act*. The SCI forms the performance agreement between the Board and shareholding Ministers.

The SCI is tabled in the Legislative Assembly in accordance with Section 132 of the *GOC Act*. In summary, the 2005/2006 Powerlink SCI outlines the nature and scope of the corporation's activities, including its main undertakings and capital investment program for the year.

The key corporate strategies, consistent with Powerlink's Corporate Plan, as contained in the 2005/2006 SCI were to:

- Develop the networks that Powerlink owns;
- Achieve operational excellence in all aspects of the business; and
- Selectively grow non-regulated business profits.

Ethical standards

All Powerlink Directors and management are expected to act with integrity and strive, at all times, to enhance the reputation and performance of the corporation. They have a responsibility to undertake these duties in a lawful, objective and professional manner.

Dividend policy

The Board's recommendation on dividends is made after due consideration of a range of factors including the corporation's financial result, its existing and target capital structure, future capital investment requirements, the return Shareholders expect from their investment, and the capacity to pay given prudent financial management.

Shareholding Ministers' directions

During the year, shareholding Ministers did not issue any directions to Powerlink.

Remuneration policy

Powerlink's remuneration policy is designed to:

a) attract and retain talented people with the skills to plan, develop, operate and maintain a large, world class electricity transmission network; and
b) incentivise and reward those people for exceeding the key business performance targets.

The policy provides for performance-based payments for all permanent employees, with the payments directly linked to the performance of the business, and to the performance of the individual or small team.

Award employees

The *Working at Powerlink 2005 Enterprise Agreement* was certified in the Queensland Industrial Relations Commission on 30 June 2005.

The Enterprise Agreement provides Award employees with annual economic increments (4.5 percent) to their base pay. In addition, employees are able to achieve capability-based increases to their base pay through the acquisition of additional required competencies.

Award employees are also eligible for performance-based payments that are delivered in two forms—gainsharing and performance pay.

Gainsharing is a payment made equally to all Award employees provided that:

a) the corporation's profitability target is exceeded; and
b) a family of key corporate performance measures are achieved.

Performance pay is based on individual or small team performance targets that are reviewed six monthly and rated at the end of the annual performance cycle. The individual performance targets are aligned with the overall corporation business targets.

Contract employees

Managers and senior staff are employed on management contracts. Powerlink's remuneration policy for contract employees uses the concept of Total Fixed Remuneration (TFR), which includes employer superannuation contributions, and provides some flexibility for packaging superannuation and motor vehicle costs.

In order to promote management focus, the policy provides for performance-based payments for outperformance against pre-agreed corporate and individual targets.

The TFR level is reviewed annually based on consideration of economic and capability factors. The economic factors include relevant market indexes including movements in salaries and wages in the electricity industry, and remuneration levels in comparable electricity transmission entities. Capability factors consider the employee's growth in technical, business and leadership capabilities.

Colin Hanson, Trade Technician—Live Line, supervises the installation of optical fibre ground wire on the Redbank Plains to West Darra transmission line near Redbank Plains, Ipswich.

board of directors

ELSE SHEPHERD AM

Hon FIEAust, FTSE
BE (Hons, Elect), CPEng, RPEQ, FAICD, FAIM
Grad Dip Mus (QCM), A Mus A
Chairman of the Board (appointed 1994)

Else is currently a non-executive Director of the National Electricity Market Management Company (NEMMCO) and a Trustee of the Brisbane Girls Grammar School.

Else was awarded a Member of the Order of Australia (AM) in 2003 in recognition of her services to the engineering profession, to education, to the electricity distribution industry and the community. Else was also presented with the Centenary Medal, a commemorative medal awarded by the Governor-General to recognise her achievements and service to Australian society in the field of information technology. She is a fellow of the Australian Academy of Technological Sciences and Engineering and an Honorary Fellow of Engineers Australia.

Else is a member of the Powerlink Board's Remuneration Committee.

PATRICIA CONROY

Board Member (appointed 1999)

A long-time partner in her legal practice, Conroy and Associates, Toowong, Brisbane, Patricia is a Queensland Law Society Councillor; a member of the Queensland Women's Lawyers Association and the Australian Institute of Company Directors.

Prior to 1980, Patricia was an active member of the Mt Isa business community, fulfilling roles as a Mt Isa City Council Alderman, Vice President of the North West Law Association, and partner in her own law firm. Patricia was also a founding member of the Aborigines and Torres Strait Islanders Legal Service in Mt Isa. For three years from 1994, Patricia was a member of the SEQEB Board of Directors and also served on the Board's Audit and Compliance Committee.

MERV NORMAN

FIEAust, CPEng, FAIMM, FAICD, RPEQ, DipMech & ElecEng
Board Member (appointed 1994)

Merv is a Chartered Professional Engineer with more than 40 years of experience in engineering for Australia's natural and primary resource industries.

He began his career in Queensland's sugar industry before broadening his expertise to include design and management of major projects for the mining and metallurgical processing industries. After working at Mt Isa Mines between 1948 and 1955, Merv became a partner in the consulting engineering practice of Ariotti Norman Hamilton and Bruce. He then joined MIM Holdings in Brisbane in 1969, and retired from the company as General Manager Development in 1991. A former District Governor of Lions International, Merv has served on many civic and professional committees during his career. Merv is currently on the Board of several companies.

Merv is Chairman of the Powerlink Board's Audit and Compliance Committee and a member of the Powerlink Board's Remuneration Committee.

CHRISTINA SUTHERLAND

BLaw

Board Member (appointed 2001)

Christina is a solicitor of the Supreme Court of Queensland and the High Court of Australia. She was admitted as a solicitor in 1989 after serving two years of articles with Quinlan Miller and Treston Solicitors. She has approximately 17 years of experience and has provided legal services to many clients. Christina has acted for both plaintiffs and defendants in personal injury claims and has a strong interest in workplace health and safety matters.

She has provided legal advice to insurers, commercial clients and has represented clients in employment and industrial matters and in family law.

Christina is a member of the Powerlink Board's Audit and Compliance Committee.

WALTER THRELFALL

Board Member (appointed 1994)

Walter has been an official of the Electrical Trades Union (ETU) of Australia, Queensland Branch since 1977. He is currently the Assistant State Secretary of the Electrical Trades Union (ETU) of Australia, Queensland Branch, a position he has held since 1983. In this role, Walter represents the interests of ETU members in Northern and Western Queensland.

Early in his career, Walter worked as an Electrical Fitter and Mechanic in the steel manufacturing, electrical contracting and mining industries.

He is Chairman of the Townsville Regional Group Apprenticeship Scheme (TORGAS Inc.), member of the Barrier Reef Institute of TAFE Council, Chairman of the Townsville TAFE Education, Training Advisory Group (ETAG), Director and Fund Secretary of the Sugar Manufacturers of Australia Retirement Trust (SMART). In 2006, Walter became a Director of the Electricity Supply Industry Superannuation Scheme (ESI Super) and was recently appointed a member of the Townsville Skills Formation Strategy Management Committee.

Walter is Chairman of the Powerlink Board's Remuneration Committee.

executive leadership team

GORDON JARDINE

BE (Hons), B Com, MSc (Environmental), FAICD, FAIM

Chief Executive

Since 1995, Gordon has held the position of Chief Executive of Powerlink Queensland. He is also a member of the System Reliability Panel of the National Electricity Market (NEM) and is the Chair of the Electricity Transmission Network Owners Forum (ETNOF).

Before joining Powerlink, Gordon held senior management positions at one of Australia's largest computer software companies, Mincom. During his 14 years with the company, he spent three years in the United States as President of its North American subsidiary, before being appointed Deputy Managing Director of Mincom in 1990. Gordon is a Director of ElectraNet SA (the South Australian electricity transmission utility), following Powerlink's acquisition of a 41 percent interest.

Gordon was seconded to ENERGEX as CEO for nine months during 2004/2005.

SIMON BARTLETT

BE (Hons), BSc, FIEAust, FAICD, CPEng

Chief Operating Officer

In his role as Chief Operating Officer, Simon is responsible for managing all aspects of Powerlink's transmission network to ensure that our transmission services meet Queensland's rapidly growing electricity needs reliably and cost effectively, and in a way that satisfies the emerging expectations of our stakeholders, including our Shareholders, regulator, customers, NEM participants and the community.

Simon is also a Director of ElectraNet SA and provides strategic advice on the development and management of the transmission network in South Australia. Simon has more than 30 years' experience in electricity generation and transmission, including Australian and overseas roles in planning, design and strategic management.

MAURIE BRENNAN

BBus, MBA, CPA, FAICD

Chief Financial Officer

Maurie has provided strategic financial and commercial advice to public sector organisations in Queensland's electricity industry since 1979.

At Powerlink, Maurie manages all finance, tax, treasury, business planning and analysis, corporate services, internal audit, legal and risk services, and Shareholder reporting. In addition, Maurie is Powerlink's Company Secretary.

Maurie is a Director of ElectraNet SA, a member of the ElectraNet SA Audit and Compliance Committee and a member of the ElectraNet SA Treasury Committee.

MICHELLE BERARDONE

BComms, MA, MPRIA

Manager Corporate Communication

Michelle has provided strategic communications counsel for more than eight years within the Queensland electricity industry.
In 2002, Michelle joined Powerlink as Manager Corporate Communication following four years with ENERGEX's Public Affairs team. As Manager Corporate Communication, Michelle is responsible for public relations policy and strategy, corporate communication, media liaison, government relations and internal communication.

In June 2005 Michelle completed a nine-month secondment with ENERGEX as Group Manager Corporate Communication to assist ENERGEX review its communication strategy following the delivery of the *Electricity Distribution and Service Delivery for the 21st Century report*.

HUGH GRANT

BE (Hons), Grad Dip (Management), CPEng, MIEE

Manager Operations

Hugh manages a range of specialist operational services, including network operations, asset monitoring, information technology and telecommunications operations, oil testing and diagnostics, and research and development services. These services are used by Powerlink and other Australian and international clients.

Hugh performs the role of Powerlink's Service Delivery Manager under the Shared Services Agreement with ElectraNet SA. Before joining Powerlink, Hugh gained international experience with various plant manufacturers and service providers to the electricity supply industry.

executive leadership team

GARY JOHNSTON

BA (Hons), MAPS, MAHRI

Manager Human Resources and Development

Gary has responsibility for the development and implementation of Powerlink's effective workplace and industrial relations, occupational health and safety, electrical safety, employee development, equal employment opportunity, technical and training coordination, organisational development and employment systems and services.

Gary manages Powerlink's continuous improvement initiatives that ensure we have a workplace culture that is right for our people and for our business. He is also coordinating initiatives to ensure Powerlink has the right people and capabilities necessary to deliver our current and future business targets.

Gary has more than 30 years of professional experience in clinical and organisational psychology roles, including 18 years in human resource management.

TERRENCE (TERRY) MILLER

BE (Elec)

General Manager Network (acting)

Terry is responsible for strategic business development and asset management to maximise the long-term return on Powerlink's investments in a way that meets the emerging expectations of our stakeholders, including our Shareholders, customers, NEM participants, the Australian Energy Regulator (AER) and the community.

With more than 30 years of experience in the Queensland electricity industry, Terry's career has included experience in network planning, regulatory affairs, customer account management, substation design and distribution network design.

PAUL MARTIN

BE (Elec), MEngSc, MIEAust, RPEQ, AIMM

Manager Grid Planning (acting)

Paul has responsibility for analysis and planning activities for Powerlink's transmission network, including supporting network and investment strategies.

Paul's career in the electricity industry spans 30 years and includes experience in software engineering, control system design, telecommunications design, substation design, engineering sales and marketing and product development.

Paul's extensive experience in project management includes his role as project manager for the Queensland/ New South Wales Interconnector (QNI) project.

GARRY MULHERIN

BE (Elec), RPEQ

Manager Network Field Services

Garry manages Network Field Services' work for Powerlink's transmission network in Southern Queensland, with the objective of maximising system reliability and minimising outage restoration times at optimal cost.

Within the electricity transmission field, Garry has specialised in transmission and sub-transmission line design, and construction and project management. He has also led quality improvement projects in environmental processes, engineering design, project management and overall cost efficiency.

More than 25 years of experience in the electricity industry has provided Garry with a depth of experience in distribution and transmission networks, including management of key business areas and organisational change initiatives.

BRIAN POKARIER

BE, DipBusinessManagement, CPEng, FIEAust

Manager Engineering

Brian manages Powerlink's Engineering Business Unit, which is responsible for the design and delivery of capital projects to augment Powerlink's grid and its technology support systems, leading the organisation's implementation of new technology and innovation to enhance network performance.

Over the past 12 months, Brian has ensured that Powerlink's capital works program has been delivered successfully through effective management of outsourcing partnerships with several companies for design and construction. Brian also manages the provision of consulting services in transmission design, engineering and project management to customers in Australia and overseas.

With more than 30 years of experience in electrical engineering, Brian holds the position of Australian Convenor of the International Council on Large Electric Systems (CIGRE) panel for System Technical Performance and is Chairman of the Australia Standards Committee for overhead lines.

executive leadership team

ROBYN ROBINSON

BSc, MSc(OR), DipCompSc

Manager Corporate Development

As Manager Corporate Development, Robyn's responsibilities include improving Powerlink's business performance through integration of new external business investments and coordination of corporate-wide business process improvement activities.

Robyn is managing a review and refinement of Powerlink's major business processes as a strategy that contributes to achieving operational excellence. Within this initiative, Robyn is coordinating Powerlink's three year Information and Knowledge Excellence Program.

Robyn has more than 25 years of experience in the Queensland electricity industry. Prior to taking up her current position, Robyn held a number of roles associated with the provision of information technology services including IT management, strategy development, and project management. She is a member of the Australian Society for Operations Research and Women in Information Technology.

OWEN WEST

BSc (Hons), BCom, MAICD

Manager Procurement

Owen manages Powerlink's purchases of equipment, materials and services for capital projects and for operation and maintenance activities. His team also has a growing external customer base, for value-added and strategic procurement and commercial services.

Owen has an extensive commercial, sales and purchasing background in the mining and electrical industries, having held senior roles in MIM Holdings Limited, Thiess and CSR.

Owen is a Director of ElectraNet SA. He is the Vice-Chairman of the Asia Pacific Utilities Group and is Powerlink's representative on its steering committee.

MERRYN YORK

BE (Hons 1), MEngSc

Manager Revenue Reset Team

Merryn leads the project to undertake the forthcoming Revenue Reset for Powerlink which will determine its revenue for five years from 1 July 2007. Merryn also manages all revenue regulation matters as part of ongoing reforms to the regulatory process overseen by the AER.

Merryn has more than 18 years of experience in the electricity supply industry. During her career, Merryn has fulfilled a variety of roles, including grid planning, customer management, strategic network development and regulatory affairs.

Since the start of the NEM in 1998, Merryn has been involved with regulatory matters and strategic development of the transmission network.

directors' report

The Directors present their report together with the financial statements of Queensland Electricity Transmission Corporation Limited (Powerlink Queensland) and the consolidated financial statements of the Consolidated Entity, being Powerlink Queensland and its controlled entities, for the year ended 30 June 2006, and the Auditor's Report based on this.

Directors

The names of the Directors of Queensland Electricity Transmission Corporation Limited at any time during or since the financial year are:

- Else Shepherd (Chairman)
- Merv Norman
- Walter Threlfall
- Patricia Conroy (to 30 June 2006)
- Christina Sutherland
- John Goddard (from 1 July 2006).

Company Secretary

Mr Maurice D. Brennan was appointed to the position of Company Secretary in July 1995. Full details of Mr Brennan's qualifications, experience and special responsibilities are provided in this Annual Report.

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were:

- Delivery of a reliable transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points;
- Provision of system operator services to assist NEMMCO to manage power system security in the Queensland region of the NEM;
- Provision of metering services to measure electricity at generation and usage at connection points to the transmission network; and
- Performance of the functions of Jurisdictional Coordinator of Sensitive Loads in Queensland, and Transmission Network Planning in Queensland, as appointed by the Queensland Government.

There were no significant changes in the nature of the activities of the Consolidated Entity during the financial year.

Consolidated results

The consolidated profit for the year, before interest and income tax equivalent attributable to the members of Queensland Electricity Transmission Corporation Limited, was $267.264 million (2005: $229.659 million).

Dividends

The Directors have provided for a final dividend of $95.167 million (2005: $82.649 million), being 80 percent (2005: 80%) of the operating profit and extraordinary items after income tax equivalent. The Board of Directors has made its recommendation on the final dividend to be paid after consultation with shareholding Ministers in accordance with the *GOC Act*.

The final dividend will not be franked.

Significant events subsequent to balance date

There has not arisen, in the interval between the end of the financial year and the date of this report, an item, transaction or event of a material and unusual nature, likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Review of operations

A review of the Consolidated Entity's operations during the financial year, and the results of those operations, are contained in this Annual Report.

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations in future financial years has not been included in this report. Disclosure of such information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

Environmental regulation

The Consolidated Entity is subject to environmental regulations under State and Federal Government legislation with regard to its acquisition and development of transmission

line easements, maintenance and construction activities, and the operation of facilities at its Virginia site.

The Consolidated Entity has an Environmental Steering Committee and Board Audit and Compliance Committee that monitors compliance with environmental regulations. The Directors are not aware of any significant breaches that led to prosecution during the period covered by this report.

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director are included in the table below.

Information on Directors

Details of Directors, their experience and any special responsibilities are in this Annual Report.

Directors' ordinary shares

No Director has an interest in the shares of Powerlink Queensland.

Directors' interests and benefits

Directors' relevant interests in the share capital of Powerlink Queensland are provided above. Since the end of the previous financial year, no Director of Powerlink Queensland has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the consolidated accounts).

All paid shares are held by Shareholders on behalf of the State of Queensland.

Indemnities and insurance

Powerlink Queensland indemnifies the Directors and each employee of the corporation and its controlled entities.

The indemnity relates to any liability:

- To a third party (other than the company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and
- For costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

No liability has arisen under these indemnities as at the date of this Annual Report.

Insurance

During the financial year, Powerlink Queensland insured the Directors and employees of the Consolidated Entity. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or employees in their capacity as Directors or employees of the Consolidated Entity.

The Directors have not included details of the amount of premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

	Board Meetings	Meetings of Committees	
		Audit	Remuneration
Number of meetings held:	11	4	3
Number of meetings attended:			
Else Shepherd	11	*	3
Patricia Conroy	11	4	*
Merv Norman	11	4	3
Walter Threlfall	10	*	3
Christina Sutherland	9	4	*

* Not a member of the relevant committee.

Directors' and officers' remuneration

Directors' emoluments are set by shareholding Ministers in accordance with the Company's Constitution, with other fees determined on the basis of meetings attended by them to perform their roles as Directors of Powerlink Queensland. The Remuneration Committee of the Board of Directors of Powerlink Queensland is responsible for determining and reviewing compensation arrangements for the Chief Executive and senior management.

Director remuneration information is included in Note 30 "Key Management Personnel Disclosures" of the financial statements and supporting notes. Remuneration information for the executive positions having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity is also included in Note 30.

Details of the nature and amount of each element of the emolument of each director of the company and for each of the specified executive positions of the company and the Consolidated Entity are included in Note 30.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is enclosed with this report.

Non audit services

The Consolidated Entity has not employed the auditor on assignments in addition to statutory audit duties.

Rounding

The corporation is of a kind referred to in Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

E.E. Shepherd
Chairman

auditor's independence declaration

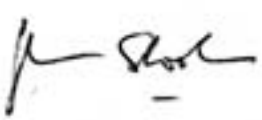
To the Directors of Queensland Electricity Transmission Corporation Limited

This audit independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 2006, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.



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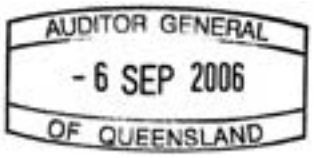
Queensland Audit Office



Auditor-General of
Queensland Brisbane

financials

The Queensland/New South Wales Interconnector (QNI) crosses the Dumaresq River along the Queensland / New South Wales border.

income statement

Year ended 30 June 2006

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Revenues from continuing operations	3	**533 837**	462 256	**524 965**	459 936
Less:					
Expenses from continuing operations excluding finance costs expense	4	**262 171**	231 391	**262 146**	231 370
Finance costs	5	**96 802**	89 878	**96 802**	89 878
Share of net profits (losses) of associates accounted for using the equity method	12	**(4 402)**	(1 206)	**–**	–
Profit/(loss) from continuing operations before income tax equivalent expense		**170 462**	139 781	**166 017**	138 688
Less:					
Income tax equivalent expense/(benefit) relating to continuing operations	6	**51 503**	42 756	**47 721**	40 740
Profit (loss) from continuing operations after related income tax equivalent expense		**118 959**	97 025	**118 296**	97 948
Net profit (loss) for the period		**118 959**	97 025	**118 296**	97 948
Net profit attributable to members of Queensland Electricity Transmission Corporation Limited	22	**118 959**	97 025	**118 296**	97 948

The above income statement should be read in conjunction with the accompanying notes.

balance sheet

At 30 June 2006

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2006	2005	**2006**	2005
ASSETS		**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	8	**75 540**	46 165	**64 089**	39 590
Trade and other receivables	9	**53 555**	37 833	**54 204**	38 256
Inventories	10	**15 749**	16 324	**15 749**	16 324
Other financial assets	13	**35 000**	85 000	**35 000**	85 000
Other current assets	11	**8 755**	3 017	**8 755**	3 017
Total current assets		**188 599**	188 339	**177 797**	182 187
Non current assets					
Investments accounted for using the equity method	12	**22 761**	26 875	**–**	–
Other financial assets	13	**61 200**	61 200	**62 955**	62 955
Property, plant and equipment	15	**3 380 537**	3 050 703	**3 380 537**	3 050 703
Defined benefit superannuation fund asset	27	**20 922**	13 698	**20 922**	13 698
Deferred tax assets	6.1	**10 568**	11 292	**10 563**	11 287
Total non current assets		**3 495 988**	3 163 768	**3 474 977**	3 138 643
TOTAL ASSETS		**3 684 587**	3 352 107	**3 652 774**	3 320 830
LIABILITIES					
Current liabilities					
Trade and other payables	16	**135 180**	148 914	**135 182**	148 899
Interest bearing loans and borrowings	17	**–**	4 001	**–**	4 001
Current tax liabilities		**10 448**	(3 142)	**10 448**	(3 142)
Provisions	18	**105 554**	92 449	**105 554**	92 449
Other current liabilities	19	**5 748**	7 811	**5 748**	7 811
Total current liabilities		**256 930**	250 033	**256 932**	250 018
Total non current liabilities					
Interest bearing loans and borrowings	17	**1 645 320**	1 465 320	**1 645 320**	1 465 320
Deferred tax liabilities	6.2	**236 708**	202 382	**214 595**	179 779
Provisions	18	**22 035**	19 941	**22 035**	19 941
Other non current liabilities	19	**14 856**	14 193	**14 857**	14 193
Total non current liabilities		**1 918 919**	1 701 836	**1 896 807**	1 679 233
TOTAL LIABILITIES		**2 175 849**	1 951 869	**2 153 739**	1 929 251
NET ASSETS		**1 508 738**	1 400 238	**1 499 035**	1 391 579
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	20	**401 000**	401 000	**401 000**	401 000
Reserves	21	**143 968**	57 164	**133 307**	53 405
Retained earnings	22	**963 770**	942 074	**964 728**	937 174
TOTAL EQUITY		**1 508 738**	1 400 238	**1 499 035**	1 391 579

The above balance sheet should be read in conjunction with the accompanying notes.

statement of cash flows

Year ended 30 June 2006

	NOTES	CONSOLIDATED		POWERLINK QLD	
CASH FLOWS FROM OPERATING ACTIVITIES		**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Receipts from customers		**470 458**	421 135	**469 761**	420 438
Intra Regional Settlements Residue (IRSR)		**(29 618)**	13 516	**(29 618)**	13 516
Payments to suppliers and employees		**(128 588)**	(106 646)	**(128 563)**	(106 626)
Interest received		**13 607**	13 062	**1 080**	1 706
Dividends received		**257**	241	**6 824**	9 734
Finance costs paid		**(96 660)**	(89 816)	**(96 660)**	(89 816)
Income tax equivalent paid		**(44 281)**	(49 140)	**(43 142)**	(46 499)
Goods and services tax paid		**1 266**	808	**1 266**	808
Other operating receipts		**28 955**	19 324	**28 955**	19 324
Other operating payments		**(878)**	(835)	**(878)**	(835)
Income tax equivalent expense under tax funding agreement		**(3 299)**	(201)	**(2 682)**	–
Net cash flows from/(used in) operating activities	23	**211 219**	221 448	**206 343**	221 750
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		**(326 932)**	(191 301)	**(326 932)**	(191 301)
Proceeds from sale of property, plant and equipment		**1 737**	2 648	**1 737**	2 648
Payments for investments		**50 000**	(55 000)	**50 000**	(55 000)
Net cash flows from/(used in) investing activities		**(275 195)**	(243 653)	**(275 195)**	(243 653)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**176 000**	56 901	**176 000**	56 901
Dividends paid		**(82 649)**	(87 924)	**(82 649)**	(87 924)
Net cash flows from/(used in) financing activities		**93 351**	(31 023)	**93 351**	(31 023)
Net increase/(decrease) in cash and cash equivalents held		**29 375**	(53 228)	**24 499**	(52 926)
Cash and cash equivalents at beginning of period		**46 165**	99 393	**39 590**	92 516
Cash and cash equivalents at end of year	8	**75 540**	46 165	**64 089**	39 590

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

statement of recognised income and expense

Year ended 30 June 2006

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Gain on revaluation of property, plant and equipment, net of tax	21	**86 732**	57 164	**81 193**	53 405
Change in associates' fair value of derivatives, net of tax, 1 July 2005		**(8 526)**	–	**–**	–
Changes in the fair value of cash flow hedges, net of tax	21	**72**	–	**(1 291)**	–
Actuarial gains/losses on defined benefit superannuation fund	22	**6 430**	(3 415)	**4 425**	(1 585)
Net income recognised directly in equity		**84 708**	53 749	**84 327**	51 820
Profit for the period		**118 959**	97 025	**118 296**	97 948
Total recognised income and expense for the period		**203 667**	150 774	**202 623**	149 768
Attributable to:					
Equity holders of the parent		**203 667**	150 774	**202 623**	149 768
Total recognised income and expense for the period		**203 667**	150 774	**202 623**	149 768

The above statement of recognised income and expense should be read in conjunction with the acompanying notes.

1. CORPORATE INFORMATION

ABN 82 078 849 233

This financial report covers both Queensland Electricity Transmission Corporation Limited as an individual entity and the Consolidated Entity comprising Queensland Electricity Corporation Limited and its subsidiaries. The Consolidated Entity's functional and presentation currency is Australian dollars ($).

A description of the Consolidated Entity's operations and of its principal activities is included in the review of the operations and activities in the Directors' Report. The Directors' Report is not part of the financial report.

Queensland Electricity Corporation Limited (Powerlink Queensland) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Queensland Electricity Transmission
Corporation Limited
33 Harold Street
Virginia Queensland 4014

The financial report for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 8 September 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report includes separate financial statements for Powerlink Queensland (the Company) as an individual entity and the Consolidated Entity consisting of Powerlink Queensland and its subsidiaries.

2.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (AIFRS).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to AIFRS. The accounting policies have been applied consistently by all entities in the Consolidated Entity.

The financial report has been prepared on the basis of historical costs, except for the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

2.2 Compliance with AIFRS

The financial report complies with Australian Accounting Standards, which include AIFRS. Compliance with AIFRS ensures the financial report, comprising the financial statements and notes thereto, complies with IFRS.

This is the Consolidated Entity's first financial report prepared in accordance with AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Consolidated Entity has adopted the exemption available under AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Consolidated Entity and the Company is provided in Note 34.

Except for the revised AASB 119 *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to account policy	Application date of standard*	Application date for Consolidated Entity
2005–1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Future impacts are yet to be assessed.	1 January 2006	1 July 2006
2005–5	AASB 1: *First Time Adoption of AIFRS*, AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Future impacts are yet to be assessed.	1 January 2006	1 July 2006
2005–6	AASB 3: *Business Combinations*	No change to accounting policy required. Future impacts are yet to be assessed.	1 January 2006	1 July 2006
2005–10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per Share*, AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 1: *First Time Adoption of AIFRS*, AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, and AASB 1038: *Life Insurance Contracts*	No change to accounting policy required. Future impacts are yet to be assessed.	1 January 2007	1 July 2007
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Future impacts are yet to be assessed.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Consolidated Entity and therefore have no impact

AASB AMENDMENTS	AFFECTED STANDARDS
2005–2	AASB 1023: *General Insurance Contracts*
2005–4	AASB 139: *Financial Instruments: Recognition and Measurement*
	AASB 132: *Financial Instruments: Disclosure and Presentation*
	AASB 1: *First Time Adoption of AIFRS*
	AASB 1023: *General Insurance Contracts*
	AASB 1038: *Life Insurance Contracts*
2005–9	AASB 4: *Insurance Contracts, AASB 1023 General Insurance Contracts*
	AASB 139: *Financial Instruments: Recognition and Measurement*
	AASB 132: *Financial Instruments: Disclosure and Presentation*
2005–12	AASB 1038: *Life Insurance Contracts* and AASB 1023: *General Insurance Contracts*
2005–13	AASB 25: *Financial Reporting by Superannuation Plans*

2.3 Significant accounting judgements, estimates and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

In the process of applying the Consolidated Entity's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effects on the amounts recognised in the financial statements.

- *Defined benefit plans*

  Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the related carrying amounts are discussed in Note 27.

- *Operating lease commitments— Consolidated Entity as lessor*

  The Consolidated Entity has entered into commercial property leases on some of its property assets. The Consolidated Entity has determined that it retains all the significant risks and benefits of ownership of these properties and has thus classified the leases as operating leases.

2.4 Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland as at 30 June 2006 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries are referred to in this financial report as the Consolidated Entity.

Subsidiaries are all those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries in the Company's financial statements.

Intercompany transactions, balances and unrealised gains on transactions between entities in the economic entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Associates

Associates are those entities, over which the economic entity exercises significant influence but not control over the financial and operating policies. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Consolidated Entity's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movement in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

Unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associate. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

2.5 Foreign currency translation

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the rates of exchange ruling on that date.

Exchange differences arising on translation are recognised in the income statement.

2.6 Derivatives

Derivative financial instruments and hedging

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

The Consolidated Entity uses derivative financial instruments such as forward currency contracts and forward rate agreements to hedge its risks associated with foreign currency fluctuations and interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flows hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of forward rate agreement contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; and
- Cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship to which the Consolidated Entity wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedges

Fair value hedges are hedges of the Consolidated Entity's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured to fair value and gains and losses from both are taken to profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Consolidated Entity discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Consolidated Entity revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

(ii) Cash flow hedges

Cash flow hedges are hedges of the Consolidated Entity's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

Accounting policies applicable for the year ending 30 June 2005

(i) Forward exchange contracts

The Consolidated Entity enters into forward exchange contracts whereby it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies to protect the Consolidated Entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts were recognised at the date the contract was entered into. Exchange gains or losses on forward exchange contracts were recognised in net profit except those relating to hedges of specific commitments, which were deferred and included in the measurement of the sale or purchase.

(ii) Forward rate agreements

The Consolidated Entity enters into rate forward rate agreements whereby it agrees to borrow specified amounts in the future at a predetermined interest rate. The Forward Rate Agreements are entered into with the objective of reducing the risk of rising interest rates.

It was the Consolidated Entity's policy to recognise forward rate agreements at historical cost. Net receipts and payments were recognised as an adjustment to interest expense.

(iii) Specific hedges

When a purchase or sale was specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction were deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date were taken to net profit.

2.7 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2.8 Investments

Associates

Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount in the consolidated financial report (refer Note 12).

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount (refer Note 14).

2.9 Inventories

Inventories shown as current assets are not for resale but are used in maintenance and construction and are valued at the lower of average cost and net realisable value.

2.10 Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of Goods and Services Tax (GST).

(i) Grid sales revenue

Grid sales revenue comprises revenue earned from the provision of regulated and non regulated transmission grid services. Sales revenue is recognised when the services are provided.

Regulated sales revenue is subject to the application of an annual revenue cap determined for the Company. Transmission Use of System (TUOS) prices are initially set to achieve the annual revenue cap.

While the actual regulated revenue collected in a period may vary from the annual revenue cap, the annual revenue cap is brought to account as revenue on the basis that the Company is able to recover, or is required to refund, amounts that have been under or over collected in the current period. Amounts over collected are recognised as unearned revenue in Other Liabilities and any shortfalls are recovered from regulated customers in the following year (refer Note 2.23).

(ii) Interest income

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounting policies applicable for the year ending 30 June 2005

Revenue is recognised when the Consolidated Entity's right to receive payment is established.

(iii) Dividends

Revenue is recognised when the Consolidated Entity's right to receive the payment is established.

(iv) Other Revenue

Other revenue is earned from the provision of property searches, customer works, wholesale telecommunication services and various miscellaneous works and services. Revenue is recognised when the customer is invoiced.

2.11 Income tax equivalents regime

The Consolidated Entity is required to make tax equivalent payments to the State Government based on the value of benefits derived because it is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation.

These payments are made pursuant to Section 155(4) of the *Government Owned Corporations Act 1993* and are based upon rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* (refer Note 6).

Income Tax Equivalent

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Powerlink Queensland and its 100 percent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. Powerlink Queensland is the head entity of the tax consolidated group. The head entity, Powerlink Queensland, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Powerlink Queensland also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to, or distribution from, wholly owned tax consolidated entities.

Contributions to fund the current tax liabilities are payable as per the tax funding agreement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

2.12 Property, plant and equipment

Acquisition of assets

The cost method of accounting is used for all acquisition of assets. Cost is determined as the fair value of consideration given plus costs incidental to the acquisition.

The cost of property, plant and equipment constructed by the Consolidated Entity includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads and the cost of funds employed during construction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost can be reliably measured.

Revaluation

Supply system assets and other land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

The valuation policy of the Consolidated Entity provides for a review of the valuation to be undertaken at five yearly intervals in harmonisation with the Australian Energy Regulator's regulatory revenue cap determination process for the Company, and for the application of relevant Australian Bureau of Statistics indices at the end of each intervening year. The application of this policy is reviewed by the Directors at each reporting date to ensure that the carrying value of supply system assets and other land and buildings does not differ materially from fair value.

The Australian Energy Regulator (AER) is currently undertaking a regulatory valuation of Powerlink Queensland's assets as part of its revenue cap determination process for the regulatory period 1 July 2007 to 30 June 2012.

Within the other land and buildings category, the fair value for easements is based on historic purchase cost increased by relevant Australian Bureau of Statistics (ABS) indices.

On 1 July 2004, the date of transition to AIFRS, certain items of property, plant and equipment that had been revalued to fair value on or prior to that date were measured at deemed cost, being the revalued amount at that date of that revaluation.

Additions to property, plant and equipment during the year, except for newly commissioned supply system assets, are not subject to revaluation using price indices in the year of acquisition.

The valuation of the asset category Other Property, plant and equipment (refer Note 15) does not take into account price index movements.

Revaluation increments, net of tax, are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments applying to the particular asset and any excess is recognised as an expense.

Potential capital gains tax is not taken into account when determining revaluation amounts unless there is an intention to sell the assets concerned. In the opinion of Directors based on advice received, it is not expected that any material capital gains effect will result from the sale of the Consolidated Entity's assets.

Any gain or loss on the disposal of property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal and is reflected in the accounts in the year of disposal.

Impairment of assets

The carrying amounts of the Consolidated Entity's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

For other plant and equipment, recorded at cost, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal of assets

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year in which the asset is derecognised.

Depreciation

Depreciation is calculated on the straight line method by reference to the estimated useful lives of each part of an item of property, plant and equipment. Depreciation commences from the time units of property, plant and equipment are brought into commercial operation and is provided on all assets with the exception of land and easements.

The expected useful lives are as follows:

• Supply system assets	12–50 years
• Buildings	7–40 years
• Other property, plant and equipment	2–10 years

2.13 Leased non current assets

Domestic leases

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be obtained from the leased property.

Payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Cross border lease

Powerlink Queensland has entered into a structured financing arrangement involving the sale and subsequent lease back of assets. This arrangement was entered into in conjunction with Queensland Treasury Corporation (QTC) and was a United States of America cross border lease transaction over Powerlink Queensland's regulated transmission assets.

The cross border lease involved a series of hire purchase and lease transactions involving Wachovia Bank, Powerlink Queensland and QTC.

The transaction comprised four tranches and was completed in January 2001 and the date of expiry of the lease agreement is 2 January 2027.

2.14 Employee benefits

Provision has been made for annual leave, long service leave and 'Time Off in Lieu' leave payable to employees and performance pay remuneration.

Annual leave and 'Time Off in Lieu' leave

Annual leave and 'Time Off in Lieu' leave represent the amount which the Consolidated Entity has as a present obligation to pay resulting from employees' services provided up to 30 June 2006. Liabilities for annual leave and 'Time Off in Lieu' leave expected to be settled within 12 months of the reporting date have been calculated at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled including related on-costs. Liability for annual leave expected to be settled beyond 12 months of the reporting date has been calculated based on the present value of expected future payments when the liability is settled including related on-costs.

Long service leave

The provision for employees' long service leave represents the present value of the estimated future cash flows to be made by the Consolidated Entity resulting from employees' services provided at 30 June 2006. The measurement techniques consider expected future salary levels, experience of employee departures and periods of service. Expected future payments were discounted using the market yield on a Federal Government guaranteed security with a term to maturity that matched, as closely as possible, the estimated future cash flows.

At-risk performance remuneration

All employees of the Consolidated Entity are eligible for performance payments based on individual and small team performance during the year. In addition, award employees are eligible for a gainsharing payment based on corporate results (refer Note 27).

The amounts provided have been apportioned between current and non current liabilities (refer Note 18).

Termination benefits on redundancy

All employees are entitled to a severance payment on redundancy. This severance payment is based on years of service and is capped at 75 weeks of salary.

Superannuation Benefit Obligations

All employees of the Consolidated Entity are entitled to benefits on retirement, disability or death from the Consolidated Entity's superannuation scheme. The Consolidated Entity has a defined benefit section and a defined contribution section within the scheme. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Consolidated Entity and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

An asset or liability in respect of the defined benefit superannuation scheme is recognised on the balance sheet and measured as the fair value of the superannuation fund's assets less the present value of the defined benefit obligation at the reporting date. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated by an independent actuary. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on Federal Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actual gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income. Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods (refer Note 26).

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition interest bearing borrowings are stated at amortised cost with any difference between cost and the redemption amount is recognised in the income statement over the period of the borrowings on an effective interest basis.

Principal repayments have been deferred in line with the Company's borrowing program. Interest expense is accrued over the period it becomes due and is recorded as part of trade and other payables.

2.16 Borrowing costs

Borrowing costs include interest and costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred.

2.17 Segment reporting

A segment is a distinguishable component of the Consolidated Entity that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Consolidated Entity operates in the one industry being the transmission of electricity and one geographical segment—Australia, and is reported accordingly.

2.18 Trade and other receivables

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade receivables, which generally have 30–90 day terms, are recognised initially at fair value and subsequently at amortised cost.

An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off when identified.

Accounting policies applicable for the year ending 30 June 2005

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

2.19 Trade and other payables

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade accounts are non interest bearing and are normally settled within 30 days (refer Note 16).

Accounting policies applicable for the year ending 30 June 2005

Trade and other payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Trade accounts are non interest bearing and are normally settled within 30 days (refer Note 16).

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

2.20 Provisions

Provisions are recognised when the Consolidated Entity has a present, legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or recommended on or before the reporting date.

A provision for environmental restoration has been recognised for the estimated costs associated with the removal and destruction of polychlorinated biphenyl contaminated liquids and solid wastes from power transformers. The costs have been determined on a discounted basis based on current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

2.21 Other liabilities

Other liabilities include amounts for unearned revenues which represent moneys received by the Consolidated Entity for which the Consolidated Entity has not provided the corresponding goods and services (refer Note 2.10)

2.22 Dividend determination

Recommendation of the dividend to be paid is determined after consultation with the shareholding Ministers in accordance with the *GOC Act 1993*. No distributions are franked.

2.23 Electricity market operations

National Electricity Market

Under the National Electricity Rules (the Rules), NEMMCO processes all electricity market settlement transactions for Queensland and transfers the residual Inter and Intra Regional Settlements Residue (IRSR) to Powerlink Queensland as the appropriate Transmission Network Service Provider (TNSP).

Pursuant to the Rules, the IRSR balance is held by Powerlink Queensland and is applied to offset transmission network charges. In 2005/2006 the amount of IRSR applied to offset regulated network charges totalled $79.9 million (2004/2005: $44.2 million).

Full details of movements in the IRSR balance are presented in Note 33.

At 30 June 2006, the IRSR balance, including interest earned and net of fees was $94.2 million.

2.24 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except where the amount of GST incurred is not recoverable from the Australian 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 the expense.

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

The net amount of GST recoverable from, or payable to, the ATO is included with Trade and Other Receivables or Payables in the Balance Sheet.

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

2.25 Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks including foreign exchange risk, commodity price risk, credit risk and interest rate risk. The Consolidated Entity has a Market Risk Management Policy to manage foreign exchange risk and commodity price risk. Forward Rate Agreements and refinancing strategies are used to manage interest rate risk within the regulatory environment in which the business operates.

The overall risk management program seeks to minimise the potential adverse effects on the financial performance of the group (refer Note 32).

2.26 Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. REVENUES FROM CONTINUING OPERATIONS

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Grid sales revenue		**488 031**	429 066	**488 031**	429 066
Total grid sales revenue		**488 031**	429 066	**488 031**	429 066
Other revenue					
Dividends		**–**	–	**6 824**	9 734
Interest		**16 776**	13 760	**1 080**	1 706
Other		**29 030**	19 430	**29 030**	19 430
Total other revenue		**45 806**	33 190	**36 934**	30 870
Total revenues from continuing operations		**533 837**	462 256	**524 965**	459 936

4. EXPENSES FROM CONTINUING OPERATIONS, EXCLUDING FINANCE COSTS EXPENSE

Network operations	**8 953**	8 107	**8 953**	8 107
Network maintenance	**53 345**	46 489	**53 345**	46 489
Grid support	**21 462**	15 323	**21 462**	15 323
Corporate/business support	**38 969**	36 829	**38 944**	36 808
Other	**11 154**	6 269	**11 154**	6 269
Depreciation	**128 224**	117 895	**128 224**	117 895
Net loss on disposal of property, plant and equipment	**64**	479	**64**	479
Total expenses from continuing operations, excluding finance costs expense	**262 171**	231 391	**262 146**	231 370
Employee benefit expenses included in the income statement	**48 344**	48 846	**48 344**	48 846

5. FINANCE COSTS

Interest expense	**89 667**	83 126	**89 667**	83 126
Other	**7 135**	6 752	**7 135**	6 752
Total finance costs	**96 802**	89 878	**96 802**	89 878

6. INCOME TAX EQUIVALENT EXPENSE

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Recognised in the income statement					
Current income tax equivalent expense					
Current year		**45 168**	30 009	**41 209**	27 559
Adjustments for prior years		**551**	155	**73**	155
		45 719	30 164	**41 282**	27 714
Deferred income tax equivalent expense					
Relating to origination and reversal of temporary differences		**7 181**	13 026	**6 439**	13 026
Associates accounted for using the equity method		**(1 397)**	(434)	**–**	–
Total income tax equivalent expense reported in the income statement		**51 503**	42 756	**47 721**	40 740
Reconciliation between income tax equivalent expense and pre-tax net profit					
Profit before tax from continuing operations		**170 462**	139 781	**166 017**	138 688
Income tax equivalent using the company tax rate of 30% (2005: 30%)		**51 139**	41 935	**49 805**	41 607
Increase in income tax equivalent expense due to:					
Non-deductible expenses		**906**	45	**906**	45
Building write-off		**–**	20	**–**	20
Timing differences		**48 673**	105 970	**48 673**	105 970
Decrease in income tax equivalent expense due to:					
Tax exempt revenues		**(954)**	2 848	**(2 924)**	–
Building write-off		**(30)**	–	**(30)**	–
Timing differences		**(55 221)**	(120 084)	**(55 221)**	(120 084)
Adjustments to asset revaluation reserve		**(36 140)**	(22 318)	**(36 140)**	(22 318)
Tax funding agreement adjustment		**–**	(1 160)	**–**	–
Other movements in deferred tax		**42 579**	35 345	**42 579**	35 345
Under/(over) provided in prior years		**551**	155	**73**	155
Income tax equivalent expense on pre-tax net profit		**51 503**	42 756	**47 721**	40 740
Deferred tax equivalent recognised directly in equity					
Relating to revaluation of property, plant and equipment		**34 797**	21 816	**34 797**	21 816
		34 797	21 816	**34 797**	21 816

6. INCOME TAX EQUIVALENT EXPENSE (CONTINUED)

6.1 Deferred income tax equivalent assets

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Deferred tax assets are attributable to the following:					
Accruals		**1 413**	1 441	**1 408**	1 436
Provisions		**8 581**	9 851	**8 581**	9 851
Hedges		**574**	–	**574**	–
		10 568	11 292	**10 563**	11 287
Movements					
Opening balance 1 July		**11 292**	10 444	**11 287**	10 444
Credited/(charged) to the income statement		**(1 299)**	848	**(1 299)**	843
Credited/(charged) to equity		**575**	–	**575**	–
Closing balance		**10 568**	11 292	**10 563**	11 287

6.2 Deferred income tax equivalent liabilities

Property, plant and equipment		**204 267**	163 175	**204 267**	163 175
Receivables		**4 799**	9 459	**3 848**	9 250
Inventory		**66**	3 134	**66**	3 134
Prepayments		**115**	111	**115**	111
Hedges		**22**	–	**22**	–
Defined benefit fund surplus		**6 277**	4 109	**6 277**	4 109
Associates accounted for using the equity method		**21 162**	22 394		
		236 708	202 382	**214 595**	179 779
Movements					
Opening balance 1 July		**202 382**	144 509	**179 779**	144 509
Charged/(credited) to the income statement		**(332)**	13 618	**(1 900)**	13 843
Charged/(credited) to equity		**34 658**	44 255	**36 716**	21 427
Closing balance		**236 708**	202 382	**214 595**	179 779

7. DIVIDENDS PAID OR PROVIDED FOR

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Final dividends proposed					
Unfranked dividends		**95 167**	82 649	**95 167**	82 649
		95 167	82 649	**95 167**	82 649

Pursuant to the National Tax Equivalent Manual, Powerlink Queensland and its controlled subsidiaries are not required to maintain a franking account.

8. CASH AND CASH EQUIVALENTS

Cash balance comprises:				
Cash on hand	**3**	3	**3**	3
Cash on deposit with QTC	**15 820**	7 274	**4 374**	703
Cash on deposit with QTC—IRSR account (refer Note 33)	**59 204**	38 822	**59 204**	38 822
Cash at bank	**513**	66	**508**	62
Closing cash balance	**75 540**	46 165	**64 089**	39 590

Deposits at call
Cash on deposit with QTC earns interest at floating rates based on daily QTC deposit rates.
Cash at bank earns interest at floating rates based on daily bank deposit rates.

9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade debtors	**53 555**	37 833	**50 385**	37 136
Less allowance for doubtful debts	**–**	–	**–**	–
	53 555	37 833	**50 385**	37 136
Other	**–**	–	**3 819**	1 120
	53 555	37 833	**54 204**	38 256

10. INVENTORIES (CURRENT)

Maintenance and construction stocks	**15 749**	16 324	**15 749**	16 324
	15 749	16 324	**15 749**	16 324

11. OTHER CURRENT ASSETS

Work in progress—customer works	**6 895**	1 237	**6 895**	1 237
Prepayments	**1 744**	1 666	**1 744**	1 666
Other	**116**	114	**116**	114
	8 755	3 017	**8 755**	3 017

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
The Consolidated Entity has the following investments in associates	12(a)	**22 761**	26 875	**–**	–

(a) Interest in associates

NAME	BALANCE DATE	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY		INVESTMENT CARRYING AMOUNT	
		2006 %	2005 %	**2006 '000**	2005 '000
ElectraNet Pty Ltd	30 June 2006	**41.11**	41.11	**22 515**	26 614
ElectraNet Transmission Services Pty Ltd	30 June 2006	**41.11**	41.11	**246**	261
				22 761	26 875

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Principal activity

ElectraNet Pty Ltd trading as ElectraNet SA is a provider of electricity transmission services in the State of South Australia. ElectraNet Transmission Services Pty Ltd is a provider of asset management services principally to ElectraNet Pty Ltd.

	NOTES	CONSOLIDATED	
		2006 $'000	2005 $'000
Share of the associates' balance sheets:			
Current assets		**20 424**	30 628
Non current assets		**556 261**	506 956
		576 685	537 584
Current liabilities		**30 403**	30 793
Non current liabilities		**523 521**	480 857
		553 924	511 650
Net assets		**22 761**	25 934
Adjustment variation in accounting policies		**–**	941
Total share of associates		**22 761**	26 875
Share of the associates' profit or loss:			
Revenue		**127 541**	111 898
Profit/(loss) before income tax		**(3 970)**	295
Income tax expense		**509**	(98)
Adjustment variation in accounting policies		**(941)**	(1 403)
Profit/(loss) after income tax		**(4 402)**	(1 206)
Commitments			
Share of associates' capital expenditure commitments contracted for but not provided for and payable:			
Payable not later than one year		**1 463**	3 013
		1 463	3 013
Share of associates' operating lease commitments payable:			
Payable not later than one year		**1 286**	1 462
		1 286	1 462
Share of associates' finance lease commitments payable:			
Payable not later than one year		**1 323**	1 285
Payable later than one year and not later than five years		**1 824**	3 147
		3 147	4 432
Less:			
Future finance charges		**(195)**	(383)
		2 952	4 049

Contingent liabilities

There were no known contingent liabilities of a significant nature as at 30 June 2006

13. OTHER FINANCIAL ASSETS

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current					
Fixed term deposit*		**35 000**	85 000	**35 000**	85 000
		35 000	85 000	**35 000**	85 000
Non current					
Investments in associates:					
Unlisted shareholder loan notes		**61 200**	61 200	**–**	–
Investments in controlled entities:					
Unlisted shares at cost		**–**	–	**1**	1
Unsecured loan#		**–**	–	**62 954**	62 954
		61 200	61 200	**62 955**	62 955

* Represents investment of IRSR Funds (refer Notes 2.23, 33).

Represents unsecured advances to Harold Street Holdings Pty Ltd of $62,950,044 (2005: $62,950,044) and Powerlink Transmission Services Pty Ltd $4,025 (2005: $4,025). Both companies are wholly owned subsidiaries of Powerlink Queensland (refer also Note 14).

14. CONSOLIDATED ENTITY

The consolidated financial statements include the financial statements of Powerlink Queensland and the subsidiaries listed in the following table.

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY		INVESTMENT	
		2006 %	2005 %	**2006 $'000**	2005 $'000
Harold Street Holdings Pty Ltd	Australia	**100**	100	**12**	12
Powerlink Transmission Services Pty Ltd	Australia	**100**	100	**1002**	1002

15. PROPERTY, PLANT AND EQUIPMENT

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Supply system assets subject to cross border lease					
At directors' valuation 30 June 2006		**2 901 814**	2 587 817	**2 901 814**	2 587 817
Less: accumulated depreciation		**(276 695)**	(126 536)	**(276 695)**	(126 536)
		2 625 119	2 461 281	**2 625 119**	2 461 281
Other supply system assets					
At directors' valuation 30 June 2006		**219 212**	166 980	**219 212**	166 980
Less: accumulated depreciation		**(32 355)**	(21 458)	**(32 355)**	(21 458)
		186 857	145 522	**186 857**	145 522
Total supply system assets		**2 811 976**	2 606 803	**2 811 976**	2 606 803
Other land and buildings					
Freehold land and easements					
At directors' valuation 30 June 2006		**305 601**	268 998	**305 601**	268 998
		305 601	268 998	**305 601**	268 998
Buildings					
At directors' valuation 30 June 2006		**43 855**	23 370	**43 855**	23 370
Less: accumulated depreciation		**(2 180)**	(1 172)	**(2 180)**	(1 172)
		41 675	22 198	**41 675**	22 198
Total other land and buildings		**347 276**	291 196	**347 276**	291 196
Other property, plant and equipment					
At cost		**32 756**	27 685	**32 756**	27 685
Less: accumulated depreciation		**(5 216)**	(5 752)	**(5 216)**	(5 752)
		27 540	21 933	**27 540**	21 933
Work in progress					
At cost		**193 745**	130 771	**193 745**	130 771
		193 745	130 771	**193 745**	130 771
Total property, plant and equipment		**3 380 537**	3 050 703	**3 380 537**	3 050 703

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	SUPPLY SYSTEM	OTHER LAND AND BUILDINGS	OTHER PROPERTY, PLANT AND EQUIPMENT	WORK IN PROGRESS	TOTAL
	$'000	$'000	$'000	$'000	$'000
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Carrying amount at beginning of year	2 606 803	291 196	21 933	130 771	3 050 703
Additions	–	–	–	343 868	343 868
Disposals	–	(458)	(1 342)	–	(1 800)
Depreciation	(118 804)	(713)	(8 707)	–	(128 224)
Revaluation increments/decrements	103 257	12 733	–	–	115 990
Transfers	(489)	–	489	–	–
Transfers from works in progress	221 209	44 518	15 167	(280 894)	–
Carrying amount at end of year	**2 811 976**	**347 276**	**27 540**	**193 745**	**3 380 537**

16. TRADE AND OTHER PAYABLES—CURRENT

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Trade creditors		**35 754**	19 434	**35 739**	19 419
Deposits		**346**	336	**346**	336
IRSR (refer Notes 2.23, 33)		**94 204**	123 822	**94 204**	123 822
Other		**4 876**	5 322	**4 893**	5 322
		135 180	148 914	**135 182**	148 899

17. INTEREST BEARING LIABILITIES

Current				
QTC—unsecured (refer Note 25)	–	4 001	–	4 001
	–	4 001	–	4 001
Non current				
QTC—unsecured (refer Note 25)	**1 645 320**	1 465 320	**1 645 320**	1 465 320
	1 645 320	1 465 320	**1 645 320**	1 465 320

18. PROVISIONS

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current					
Dividends		**95 167**	82 649	**95 167**	82 649
Environmental restoration		**228**	228	**228**	228
Employee benefits		**9 918**	9 331	**9 918**	9 331
Other		**241**	241	**241**	241
		105 554	92 449	**105 554**	92 449
Non current					
Environmental restoration		**1 898**	2 014	**1 898**	2 014
Employee benefits		**20 137**	17 927	**20 137**	17 927
Other		**–**	–	**–**	–
		22 035	19 941	**22 035**	19 941
Reconciliations					
Reconciliations of the carrying amount of each class of provision, except for employee benefits are set out below:					
Dividends					
Carrying amount at the beginning of the year		**82 649**	87 924	**82 649**	87 924
Provisions made during the year—final dividend		**95 167**	82 649	**95 167**	82 649
Payments made during the period		**(82 649)**	(87 924)	**(82 649)**	(87 924)
Carrying amount at the end of the year		**95 167**	82 649	**95 167**	82 649
Environmental restoration					
Current					
Carrying amount at the beginning of the year		**228**	265	**228**	265
Provisions made during the year		**–**	–	**–**	–
Provisions used during the year		**–**	(37)	**–**	(37)
Carrying amount at the end of the year		**228**	228	**228**	228
Non current					
Carrying amount at the beginning of the year		**2 014**	2 087	**2 014**	2 087
Provisions made during the year		**110**	37	**110**	37
Provisions used during the year		**(226)**	(110)	**(226)**	(110)
Carrying amount at the end of the year		**1 898**	2014	**1 898**	2 014

19. OTHER LIABILITIES

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current					
Refund capital contributions		**544**	670	**544**	670
Unearned revenue		**3 286**	7 037	**3 286**	7 037
Other		**1 918**	104	**1 918**	104
		5 748	7 811	**5 748**	7 811
Non current					
Refund capital contributions		**905**	1 449	**905**	1 449
Unearned revenue		**12 995**	11 893	**12 995**	11 893
Other		**956**	851	**957**	851
		14 856	14 193	**14 857**	14 193

20. CONTRIBUTED EQUITY

Issued and paid up capital				
401 000 000 ordinary shares of $1.00 each fully paid	**401 000**	401 000	**401 000**	401 000
			2006 $	2005 $
Consists of:				
'A' class (voting) ordinary shares of $1.00 each fully paid			**2**	2
'B' class (non voting) ordinary shares of $1.00 each fully paid			**400 999 998**	400 999 998
Total issued and paid up capital			**401 000 000**	401 000 000

	2006		2005	
	Number of Shares '000	**$'000**	Number of Shares '000	$'000
Movements in shares on issue				
Balance at beginning of the financial year	**401 000**	**401 000**	401 000	401 000
Balance at end of the financial year	**401 000**	**401 000**	401 000	401 000

21. RESERVES

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Hedging		**72**	–	**(1 291)**	–
Asset revaluation		**143 896**	57 164	**134 598**	53 405
		143 968	57 164	**133 307**	53 405
Movements in reserves					
Asset revaluation					
Balance at beginning of year		**57 164**	–	**53 405**	–
Revaluation increments		**115 990**	75 220	**115 990**	75 220
Deferred tax (refer Note 6)		**(34 797)**	(21 815)	**(34 797)**	(21 815)
Revaluation decrements					
Share of associates' reserve increments arising during the year		**7 913**	6 354	**–**	–
Deferred tax (refer Note 6)		**(2 374)**	(2 595)	**–**	–
Balance at end of year		**143 896**	57 164	**134 598**	53 405
Hedging					
Balance at beginning of year		**–**	–	**–**	–
Change in accounting policy, associate, 1 July 2005		**1 584**	–	**–**	–
Deferred tax (refer Note 6)		**(475)**	–	**–**	–
Revaluation—gross (refer Note 32)		**(1 481)**	–	**(1 844)**	–
Deferred tax (refer Note 6)		**444**	–	**553**	–
Balance at end of year		**72**	–	**(1 291)**	–

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve is used to record the net revaluation increments and decrements arising from the revaluation of non current assets, and investment in associates measured at fair value in accordance with applicable Australian Accounting Standards. The reserve can only be used to pay dividends in limited circumstances.

Hedging

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity as described in Note 2.6. Amounts are recognised in the income statement when the associated hedged transaction affects profit and loss.

22. RETAINED EARNINGS

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Movements in retained earnings were as follows:					
Retained earnings at the beginning of the year		**942 074**	929 258	**937 174**	921 605
Actuarial gain/(loss) on defined benefit superannuation plan, net of tax		**6 430**	(3 415)	**4 425**	(1 585)
Tax effects of IFRS adjustments			1 855		1 855
Changes in fair value of derivatives, associates, 1 July 2005		**(8 526)**	–	**–**	–
Net profit attributable to members of Powerlink Queensland		**118 959**	97 025	**118 296**	97 948
Total available for appropriation		**1 058 937**	1 024 723	**1 059 895**	1 019 823
Dividends provided for or paid		**(95 167)**	(82 649)	**(95 167)**	(82 649)
Retained earnings at the end of the year		**963 770**	942 074	**964 728**	937 174

23. RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Profit from ordinary activities after income tax equivalent		**118 959**	97 025	**118 296**	97 948
Add/(Less) items classified as investing/financing					
Net Profit/(loss) on sale of non current assets		**64**	479	**64**	479
GST investing activities		**–**	–	**–**	–
Add/(Less) non cash items					
Depreciation		**128 224**	117 895	**128 224**	117 895
Amounts set aside to provisions		**12 617**	13 115	**12 617**	13 115
Dividends received from associates		**257**	241	**–**	–
Share of associates net (profits)/losses		**4 402**	1 206	**–**	–
Net cash provided by (used in) operating activities		**(264 523)**	229 961	**259 201**	229 437
Changes in assets and liabilities					
(Increase)/decrease in inventories		**575**	(913)	**575**	(913)
(Increase)/decrease in prepayments		**(78)**	(550)	**(78)**	(550)
(Increase)/decrease in debtors		**(21 397)**	(6 299)	**(18 906)**	(6 298)
Increase/(decrease) in creditors		**(26 137)**	12 703	**(28 837)**	13 094
Increase/(decrease) in provision for income tax equivalent payable		**9 512**	(20 184)	**10 909**	(19 750)
Increase/(decrease) in provision for deferred income tax equivalent		**(8 997)**	14 806	**(9 739)**	14 806
Increase/(decrease) in future income tax equivalent benefit		**723**	(814)	**723**	(814)
Increase/(decrease) in other provisions		**(7 505)**	(7 262)	**(7 505)**	(7 262)
Net cash flow provided by (used in) operating activities		**211 219**	221 448	**206 343**	221 750

24. NON CASH FINANCING AND INVESTING ACTIVITIES

No financing or investing activities were undertaken by the economic entity during the period which did not result in cash flows during this period.

25. FINANCING ARRANGEMENTS

Loan facilities

Loan moneys required by Powerlink Queensland are borrowed within annual limits agreed in the Company's Statement of Corporate Intent (SCI). Powerlink Queensland has a $20 million Working Capital Facility with QTC.

Loan moneys are acquired through the QTC and are unsecured (refer Note 17).

26. EXPENDITURE COMMITMENTS

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Capital expenditure commitments*					
Estimated capital expenditure contracted for at balance date but not provided for:					
Payable not later than one year		**81 184**	103 763	**81 184**	103 763
Payable later than one year but not later than five years		**6 000**	16 200	**6 000**	16 200
		87 184	119 963	**87 184**	119 963
Lease expenditure commitments*					
Operating leases (non cancellable)					
Payable not later than one year		**554**	524	**554**	524
Payable later than one year and not later than five years		**653**	723	**653**	723
Payable later than five years		**481**	580	**481**	580
Aggregate lease expenditure contracted for at balance date		**1 688**	1 827	**1 688**	1 827

* Excludes commitments of associates accounted for using the equity method (refer Note 12).

Operating leases

The Consolidated Entity leases property primarily for placement of communication equipment.
The leases are non-cancellable operating leases expiring within one to twenty-six years.
The leases have varying terms, escalation clauses and renewable rights.
On renewal the terms of the leases are renegotiated.

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee benefits

The aggregate employee benefits liability is comprised of:

Provisions (current) (refer Note 18)	**9 918**	9 331	**9 918**	9 331
Provisions (non current) (refer Note 18)	**20 137**	17 927	**20 137**	17 927
	30 055	27 258	**30 055**	27 258

Number of employees

Number of employees (full time equivalents) at year end: 726 (2005: 611)

Performance payments to employees

All employees at Powerlink are eligible for performance payments based on individual and small team performance during the financial year. In addition, award employees are also eligible for a gainsharing payment based on corporate results, and this gainsharing remuneration is included in the figures below.

The aggregate at-risk employee remuneration relevant to the financial year is presented in the table below:

FINANCIAL YEAR	AGGREGATE AT RISK PERFORMANCE REMUNERATION	TOTAL FIXED SALARIES AND WAGES PAYMENTS	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS
	$'000	$'000	Number
2005/2006	**3 549**	**61 310**	**649**
2004/2005	3 501	51 195	590

Information in respect of each category of performance related payment is as follows:

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Performance payments other key management personnel

Performance payments to other key management personnel are dependent on individual key management personnel outperforming pre-agreed business and individual targets. The performance payments made in the 2005/2006 year were granted/approved by the shareholding Ministers on 29 November 2005. There have not been any alterations of the terms and conditions of the grant since the grant/approval date.

Performance payments to all other employees

Performance payments to all other employees are dependent on employees outperforming individual/small team pre-agreed performance targets. The performance payments made in the 2005/2006 year were granted/approved by the Board on 20 September 2005. There have not been any alterations of the terms and conditions of the grant since the grant/approval date.

Gainsharing payments

Gainsharing payments are available to all award employees based on company results. The amount is a fixed sum for all eligible employees. The payment made in 2005/2006 was granted/approved by the Board on 20 September 2005. There have not been any alternations of the terms and conditions of the grant since the grant/approval date.

Superannuation commitments

The Consolidated Entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Ltd. Members, after serving a qualifying period, are entitled to benefits from this scheme on retirement, resignation, retrenchment, disability or death. The Consolidated Entity has one plan with a defined benefit section and a defined contribution section.

The defined benefit account of this fund provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the scheme are based on various percentages of their salaries and wages. The Consolidated Entity also contributes to the plan.

The Electricity Supply Industry Superannuation Fund does not impose a legal liability on the Consolidated Entity to cover any deficit that exists in the fund. If the fund wound up, there would be no legal obligation on the Consolidated Entity to make good any shortfall. The Trust Deed of the Fund, states that, if the Fund winds up, after the payment of all costs and the payment of all member benefits in respect of the period up to the date of termination, any remaining assets are to be distributed by the Trustee of the Fund, acting on the advice of an actuary to the participating employers.

The Consolidated Entity may at any time, by notice to the Trustee, terminate its contributions. The employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the Fund.

The Consolidated Entity may benefit from any surplus in the Fund in the form of a contribution holiday or contribution reduction. Any reduction in contributions would normally be implemented only after advice from the Fund's actuary.

All monetary amounts are in Australian dollars and have been rounded to the nearest thousand dollars. Actuarial gains or losses associated with the defined benefit plan are recognised directly in retained earnings.

The following sets out details in respect of the defined benefit section only.

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Defined benefit asset included in the balance sheet					
Fair value of plan assets		**77 081**	65 210	**77 081**	65 210
Present value of defined benefit obligation		**(56 159)**	(51 512)	**(56 159)**	(51 512)
Surplus of net market value of plan assets over accrued benefit— net defined benefit asset (non current)		**20 922**	13 698	**20 922**	13 698
Defined benefit expense recognised in the income statement					
Current service costs		**2 868**	1 578	**2 868**	1 578
Interest costs		**2 099**	2 117	**2 099**	2 117
Expected return on plan assets		**(4 450)**	(4 256)	**(4 450)**	(4 256)
Prior service costs		**–**	3 940	**–**	3 940
TOTAL		**517**	3 379	**517**	3 379

The Electricity Supply Industry Superannuation (Qld) Ltd have advised the following asset classifications:

	CONSOLIDATED		POWERLINK QLD	
	2006 %	2005 %	**2006 %**	2005 %
Cash	**4.9**	8.3	**4.9**	8.3
Fixed interest	**23.1**	17.2	**23.1**	17.2
Domestic equities	**29.1**	30.1	**29.1**	30.1
Private equity	**3.1**	2.9	**3.1**	2.9
International equities	**29.0**	30.4	**29.0**	30.4
Property	**10.8**	11.1	**10.8**	11.1
TOTAL	**100.00**	100.0	**100.00**	100.0
Principal actuarial assumptions The principal economic assumptions used were as follows:				
Discount rate	**4.9**	4.3	**4.9**	4.3
Future salary increases—long-term	**4.5**	4.5	**4.5**	6.5
Expected return on plan assets	**6.5**	7.0	**6.5**	7.0

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Employer contributions

Employer contributions to the defined benefit section of the plan take into account recommendations by the plan's actuary.

Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 July 2005.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective the actuary has adopted a method of funding benefits known as the aggregate funding method.

This funding method seeks to have benefits funded by a total contribution which is expected to be a constant percentage of members' salaries and wages over their working lifetimes.

Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates.

Using the funding method described above and the abovementioned actuarial assumptions as to the plan's future experience, the plan's actuary has not recommended that additional contributions beyond the current contribution level be made.

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Reconciliation of the present value of the defined benefit plan assets					
Opening fair value of plan assets		**65 210**	57 844	**65 210**	57 844
Member contributions		**803**	687	**803**	687
Company contributions		**1 660**	1 375	**1 660**	1 375
Expected return on assets		**4 450**	4 256	**4 450**	4 256
Estimated benefit payments, expenses and tax		**(612)**	(3 894)	**(612)**	(3 894)
Other cash flows (including benefit payments)					
Actuarial gain/(loss)		**5 570**	4 942	**5 570**	4 942
TOTAL		**77 081**	65 210	**77 081**	65 210
Reconciliation of the present value of the defined benefit obligation					
Opening defined benefit obligation		**51 512**	37 264	**51 512**	37 264
Company service cost		**2 868**	1 578	**2 868**	1 578
Member contributions		**803**	687	**803**	687
Interest cost		**2 099**	2 117	**2 099**	2 117
Estimated benefit payments, expenses and tax		**(612)**	(3 894)	**(612)**	(3 894)
Prior service cost recognition		**–**	3 940	**–**	3 940
Actuarial (gain)/loss		**(1 776)**	7 403	**(1 776)**	7 403
Provisions for contributions tax		**1 265**	2 417	**1 265**	2 417
		56 159	51 512	**56 159**	51 512

28. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities of a significant nature at 30 June 2006.

29. SUBSEQUENT EVENTS

No events have occurred subsequent to 30 June 2006 that materially affect the results disclosed in these financial statements.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

Directors of Powerlink Queensland are appointed by the shareholding Ministers for a fixed term with specified expiry dates. The following persons were directors of Powerlink Queensland during the financial year:

NAME	POSITION	FIRST APPOINTED	EXPIRY DATE	CURRENT TERM
Else Shepherd	Chairman	September 1994	30 June 2008	Three years
Merv Norman	Director	September 1994	30 September 2007	One year three months
Patricia Conroy	Director	July 1999	30 June 2006	Not re-appointed
Christina Sutherland	Director	July 2001	30 June 2008	Three years
Walter Threlfall	Director	September 1994	30 September 2009	Three years three months

(b) Remuneration of Directors

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers and as at 30 June 2006 were the Hon. Reginald John Mickel, Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy, on behalf of the State of Queensland, and the Hon. Anna Maria Bligh, Deputy Premier, Treasurer, and Minister for State Development, Trade and Innovation, on behalf of the State of Queensland.

Each Director receives an annual fee for being a Director of the Company. An additional fee is also paid for each Board Committee on which the Director sits and for any special meetings of the Board.

Directors are not eligible to receive any performance related remuneration.

Details of the nature and amount of each major element of the remuneration to each Director are:

	SHORT-TERM FIXED REMUNERATION		POST EMPLOYMENT SUPER CONTRIBUTIONS		TOTAL FIXED REMUNERATION	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Else Shepherd (Chairman)	**49**	50	**4**	5	**53**	55
Merv Norman (Director)	**40**	40	**–**	–	**40**	40
Walter Threlfall (Director)	**26**	31	**2**	3	**28**	34
Patricia Conroy (Director)	**27**	29	**3**	3	**30**	32
Christina Sutherland (Director)	**28**	31	**3**	3	**31**	34
	170	181	**12**	14	**182**	195

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Directors' remuneration excludes insurance premiums paid by Powerlink Queensland in respect of Directors' and Officers' liability insurance contracts and premiums in respect of Directors' and Officers' supplementary legal expenses as the contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to the insurance contracts is set out in the Directors' Report.

(c) Other key management personnel

The following positions also had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, during the financial year:

- Chief Executive;
- Chief Operating Officer;
- Chief Financial Officer; and
- Human Resources and Development Manager.

(d) Remuneration of other key management personnel

The Remuneration Committee of the Board of Directors is responsible for establishing remuneration policy, and for determining and reviewing the remuneration arrangements for other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions to assist the Company to attract, retain and motivate high calibre individuals. Shareholder guidelines and policy in relation to remuneration of key management personnel are followed.

The remuneration arrangements include a total fixed remuneration component, which provides some flexibility for packaging of superannuation, motor vehicles and other costs, as well as a performance pay component, which rewards outperformance of pre-agreed business and individual targets.

Other key management personnel are employed under employment agreements. The current employee agreements do not have an expiry date. The agreements provide for a five week notice period and a provision for severance payment should the Company elect to terminate the agreement. The severance payment is based on years of service and is capped at 75 weeks of salary.

Details of the nature and amount of each major element of the remuneration to each of the key management personnel, exclusive of performance payments are included in the table below.

Other key management personnel remuneration excludes insurance premiums paid by the parent entity in respect of Directors' and Officers' liability insurance contracts and premiums in respect of Directors' and Officers' supplementary legal expenses as the contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to the insurance contracts is set out in the Directors' Report.

	SHORT-TERM FIXED REMUNERATION		POST EMPLOYMENT SUPER CONTRIBUTIONS#		TOTAL FIXED REMUNERATION	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Chief Executive	**383**	423	**65**	58	**448**	481
Chief Operating Officer	**292**	337	**74**	45	**366**	382
Chief Financial Officer	**215**	232	**36**	32	**251**	264
Human Resources and Development Manager	**182**	194	**35**	30	**217**	224
	1 072	1 816	**210**	165	**1 282**	1 351

Includes employee and employer superannuation contributions.

31. AUDITOR'S REMUNERATION

Remuneration for audit or review of the financial statements of Powerlink Queensland or any entity in the Consolidated Entity.

Amounts received or due and receivable by the auditors of Queensland Electricity Corporation Limited:

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Queensland Audit Office		**146**	138	**131**	123
		146	138	**131**	123

32. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the business of the economic entity. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

(a) Credit risk

Powerlink Queensland is exposed to credit related losses through its provision of electricity transmission services to a small number of large customers (electricity generators and distributors), but it is not expected that any of these customers will fail to meet their obligations.

The credit risk on financial assets of the economic entity which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest rate risk

The economic entity's exposure to interest rate risk and the effective weighted average interest rates of financial assets and financial liabilities at the balance date, are as follows:

2006		FIXED INTEREST RATE MATURING IN:					
FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE	1 YEAR OR LESS	1–5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 $'000	2006 %
(i) Financial assets							
Cash assets	75 537	–	–	–	3	75 540	6.08
Receivables	–	–	–	–	53 555	53 555	–
Other financial assets	61 200	35 000	–	–	–	96 200	12.59
Total financial assets	**136 737**	**35 000**	**–**	**–**	**53 558**	**225 295**	**–**
(ii) Financial liabilities							
Interest bearing liabilities	1 322 937	–	319 340	3 043	–	1 645 320	6.46
Payables	–	–	–	–	135 180	135 180	–
Dividends payable	–	–	–	–	95 167	95 167	–
Total financial liabilities	**1 322 937**	**–**	**319 340**	**3 043**	**230 347**	**1 875 667**	**–**

32. FINANCIAL INSTRUMENTS (CONTINUED)

2005		FIXED INTEREST RATE MATURING IN:					
FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE	1 YEAR OR LESS	1–5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 $'000	2005 %
(i) Financial assets							
Cash	46 162	–	–	–	3	46 165	5.75
Receivables	–	–	–	–	37 833	37 833	–
Other financial assets	61 200	85 000	–	–	–	146 200	10.19
Total financial assets	**107 362**	**85 000**	**–**	**–**	**37 836**	**230 198**	**–**
(ii) Financial liabilities							
Interest bearing liabilities	329 420	–	1 139 901	–	–	1 469 321	6.26
Payables	–	–		–	148 914	148 914	–
Dividends payable	–	–	–	–	82 649	82 649	–
Total financial liabilities	**329 420**	**–**	**1 139 901**	**–**	**231 563**	**1 700 884**	**–**

(c) Foreign exchange risk

Cash flow hedges

The economic entity enters into forward foreign exchange contracts to hedge a proportion of anticipated purchase commitments denominated in foreign currencies subject to Board approved limits.

At 30 June 2006, the Consolidated Entity held a forward currency contract designated as a hedge of contracted future purchases from European suppliers for which the Consolidated Entity has firm commitments.

The foreign currency contract being used to hedge the foreign currency risk of the firm commitments and the terms of these contracts are as follows:

Forward contracts to hedge expected future purchases

	MATURITY	EXCHANGE RATE
Buy		
Euro 901 358	07/07/2006	A$/Euro .58494

The terms of the forward currency contract have been negotiated to match the terms of the commitments.

The cash flow hedge of the expected future purchase was assessed to be highly effective and an unrealised gain of $74 651 with a related deferred tax charge of $24 395 relating to the hedging instrument is included in equity.

(d) Commodity price risk

The Consolidated Entity enters into forward exchange contracts to hedge a proportion of anticipated purchase commitments in aluminium subject to Board approved limits.

32. FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2006, the Consolidated Entity held a forward contract designated as a hedge of contracted future purchases from suppliers in Bahrain for which the Consolidated Entity has firm commitments.

The forward commodity contracts are being used to hedge the commodity price risk for firm commitments. The terms of these contracts are as follows:

Forward contracts to hedge expected future purchases

	0–9 MONTHS MATURITY TONNAGE	AVERAGE CONTRACT RATE
Buy		
Aluminium	6 587	A$3 672.02

The terms of the forward commodity contracts have been negotiated to match the terms of the commitments.

The commodity hedge of the expected future purchases was assessed to be highly effective and an unrealised loss of $1 918 235 with a related deferred tax charge of $575 470 relating to the hedging instruments are included in equity.

(e) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the economic entity on the following basis:

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Derivatives

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

The aggregate net fair values of financial assets and financial liabilities together with the carrying amounts shown in the balance sheet are as follows:

	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET		AGGREGATE NET FAIR VALUE	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Financial assets				
Cash assets	**75 540**	46 165	**75 540**	46 165
Trade and other receivables	**53 555**	37 833	**53 555**	37 833
Other financial assets	**96 200**	146 200	**96 200**	146 200
Total financial assets	**225 295**	230 198	**225 295**	230 198
Financial liabilities				
Trade and other payables	**135 180**	148 914	**135 180**	148 914
Interest bearing liabilities	**1 645 320**	1 469 321	**1 642 072**	1 480 260
Dividends payable	**95 167**	82 649	**95 167**	82 649
Total financial liabilities	**1 875 667**	1 700 884	**1 872 419**	1 711 823

32. FINANCIAL INSTRUMENTS (CONTINUED)

Although borrowings are carried in the balance sheet at an amount different from the aggregate net fair value, the Directors have not caused those liabilities to be adjusted to the aggregate net fair value as it is intended to retain those liabilities until maturity.

(f) Transition to AASB 132 and AASB 139

The Consolidated Entity has adopted the exemption available under AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments Recognition and Measurement* from 1 July 2005. At the date of transition to these standards of 1 July 2005 there were no material impacts on the Consolidated Entity or Powerlink Queensland.

33. SETTLEMENTS RESIDUE (IRSR)

	2006 $'000	2005 $'000
Opening balance	**123 822**	110 305
Residue transferred from NEMMCO	**44 017**	52 753
Interest earned	**6 268**	4 964
Transfer to Powerlink Queensland—to offset network charges	**(79 903)**	(44 200)
Balance of settlements residue as at 30 June 2006 (refer Notes 2.23, 8.16)	**94 204**	123 822

34. RELATED PARTIES

The Consolidated Entity has a related party relationship with its parent entity (includes other agencies and departments of the State of Queensland), Director-related entities, subsidiaries and associates.

(a) Parent entities

The parent entity within the Consolidated Entity is Queensland Electricity Corporation Limited (Powerlink Queensland). The ultimate Australian parent entity is the State of Queensland which at 30 June 2006 owns 100 percent of the issued ordinary capital of Powerlink Queensland (refer Note 20).

(b) Subsidiaries

Interest in subsidiaries is set out in Note 14.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 30.

(d) Director related entities

The Chairman of Powerlink Queensland, Else Shepherd, is also a Director of NEMMCO—the company responsible for the operation of the National Electricity Market (NEM). Powerlink Queensland paid NEMMCO for services associated with the operation of the NEM and received money from NEMMCO for services associated with transmission network system security and the electricity market.

(e) Directors' shareholdings

No shares in Powerlink Queensland were held by Directors of the Company and Consolidated Entity or their Director-related entities.

(f) Loans to Directors

No loans have been made or are outstanding to Directors of the Company, Consolidated Entity or their Director-related entities.

34. RELATED PARTIES (CONTINUED)

(g) Transactions with related parties

The following transactions occurred with related parties:

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Sales of goods and services					
Parent entity		**457 341**	393 834	**457 341**	393 834
Associates		**7 616**	8 665	**7 616**	8 665
Director-related entities		**673**	1 041	**673**	1 041
Purchases of goods and services					
Parent entity		**51 911**	45 382	**51 911**	45 382
Associates		**532**	22	**532**	22
Director-related parties		**8**	44	**8**	44
Interest revenue					
Parent entity		**1 525**	1 947	**1 029**	1 657
Associates		**15 189**	11 757	**–**	–
Borrowing costs					
Parent entity		**96 802**	89 878	**96 802**	89 878
Dividend revenue					
Subsidiaries		**–**	–	**6 824**	9 734
Associates		**257**	241	**–**	–
Dividend payments					
Parent entity		**82 649**	87 924	**82 649**	87 924
Subsidiaries		**–**	–	**6 824**	9 734

34. RELATED PARTIES (CONTINUED)

(h) Outstanding balances arising from transactions with related parties

	NOTES	CONSOLIDATED		POWERLINK QLD	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Current receivables#					
Parent entity		**36 386**	2 842	**36 386**	2 842
Associates		**1 556**	646	**1 556**	646
Current payables					
Parent entity		**1 923**	1 252	**1 923**	1 252
Associates		**9**	–	**9**	–
Directed related parties		**–**	14	**–**	14
Loans to/from related parties					
Loans to subsidiaries					
Balances at beginning of the year		**–**	–	**62 954**	62 954
Balances at the end of the year		**–**	–	**62 954**	62 954
Investments in related parties					
Investments in associates using the equity method		**22 761**	26 875	**–**	–
Loans from parent entity					
Balances at beginning of the year		**1 469 320**	1 412 419	**1 469 320**	1 412 419
Loans advanced		**176 000**	56 901	**176 000**	56 901
Borrowing costs charged		**96 802**	89 878	**96 802**	89 878
Borrowing costs paid		**(96 802)**	(89 878)	**(96 802)**	(89 878)
Balances at the end of the year		**1 645 320**	1 469 320	**1 645 320**	1 469 320

No allowance for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(i) Terms and conditions

All transactions were made on normal commercial terms and conditions except that there are no fixed terms for the repayment of loans to wholly owned subsidiaries and loans from QTC. Loans to wholly owned subsidiaries are currently on an interest free basis. Outstanding balances are unsecured and are repayable in cash.

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to AIFRS.

As stated in the significant accounting policies Note 2, these are the Consolidated Entity's first consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Consolidated Entity's date of transition).

In preparing its opening AIFRS balance sheet, the Consolidated Entity has adjusted amounts reported previously in financial statements prepared in accordance with AGAAP. An explanation of how the transition from AGAAP to AIFRS has affected the Consolidated Entity's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

(1) At the date of the transition to AIFRS 1 July 2004

		CONSOLIDATED			POWERLINK QLD		
	NOTES TO RECONCILIATION NOTE 35	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		99 393	–	99 393	92 516	–	92 516
Receivables	5(c)	35 578	–	35 578	35 720	16	35 736
Inventories		15 411	–	15 411	15 411	–	15 411
Other financial assets		–	–	–	–	–	–
Other		1 649	–	1 649	1 649	–	1 649
Total current assets		152 031	–	152 031	145 296	16	145 312
NON CURRENT ASSETS							
Investments accounted for using the equity method	5(f)	48 206	(23 624)	24 582	–	–	–
Other financial assets	5(a)	91 200	–	91 200	92 955	–	92 955
Property, plant and equipment		2 901329	–	2 901 329	2 901 329	–	2 901 329
Deferred tax assets	5(c)	10 490	–	10 490	10 490	(5)	10 485
Defined benefit superannuation fund asset		–	17 493	17 493	–	17 493	17 493
Total non current assets		3 051 225	(6 131)	3 045 094	3 004 774	17 488	3 022 262
TOTAL ASSETS		3 203 256	(6 131)	3 197 125	3 150 070	17 504	3 167 574

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

	NOTES TO RECONCILIATION NOTE 35	CONSOLIDATED			POWERLINK QLD		
		PREVIOUS AGAAP	EFFECT OF TRANSITION TO AIFRS	AIFRS	PREVIOUS AGAAP	EFFECT OF TRANSITION TO AIFRS	AIFRS
		$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Current liabilities							
Payables		137 322	–	137 322	137 309	–	137 309
Interest bearing liabilities		–	–	–	–	–	–
Current tax liabilities		16 858	–	16 858	16 858	–	16 858
Provisions		95 632	–	95 632	95 632	–	95 632
Other		8 063	–	8 063	8 063	–	8 063
Total current liabilities		257 875	–	257 875	257 862	–	257 862
NON CURRENT LIABILITIES							
Interest bearing liabilities		1 412 420	–	1 412 420	1 412 420	–	1 412 420
Deferred tax liabilities	5(b)	37 493	113 853	151 346	37 493	106 798	144 291
Provisions		17 329	–	17 329	17 329	–	17 329
Other		12 847	–	12 847	12 847	–	12 847
Total non current liabilities		1 480 089	113 853	1 593 942	1 480 089	106 798	1 586 887
TOTAL LIABILITIES		1 737 964	113 853	1 851 817	1 737 951	106 798	1 844 749
NET ASSETS		1 465 292	(119 984)	1 345 308	1 412 119	(89 294)	1 322 825
EQUITY							
Parent entity interest		–	–	–	–	–	–
Contributed equity		401 000	–	401 000	401 000	–	401 000
Reserves	5(e)	1 018 312	(1 018 312)	–	947 800	(947 800)	–
Retained profits		45 980	898 328	944 308	63 319	858 506	921 825
TOTAL EQUITY		1 465 292	(119 984)	1 345 308	1 412 119	(89 294)	1 322 825

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(2) At the end of the last reporting period under previous AGAAP: 30 June 2005

	NOTES TO RECONCILIATION NOTE 35	CONSOLIDATED PREVIOUS AGAAP $'000	CONSOLIDATED EFFECT OF TRANSITION TO AIFRS $'000	CONSOLIDATED AIFRS $'000	POWERLINK QLD PREVIOUS AGAAP $'000	POWERLINK QLD EFFECT OF TRANSITION TO AIFRS $'000	POWERLINK QLD AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		46 165	–	46 165	39 590	–	39 590
Receivables		37 833	–	37 833	37 582	674	38 256
Inventories		16 324	–	16 324	16 324	–	16 324
Other financial assets		85 000	–	85 000	85 000	–	85 000
Other		3 017	–	3 017	3 017	–	3 017
Total current assets		188 339	–	188 339	181 513	674	182 187
NON CURRENT ASSETS							
Investments accounted for using the equity method	5(f)	58 450	(31 575)	26 875	–	–	–
Other financial assets		61 200	–	61 200	62 955	–	62 955
Property, plant and equipment		3 050 703	–	3 050 703	3 050 703	–	3 050 703
Deferred tax assets	5(c)	11 304	(12)	11 292	11 304	(17)	11 287
Defined benefit superannuation fund asset		–	13 698	13 698	–	13 698	13 698
Total non current assets		3 181 657	(17 889)	3 163 768	3 124 962	13 681	3 138 643
TOTAL ASSETS		3 369 996	(17 889)	3 352 107	3 306 475	14 355	3 320 830
LIABILITIES							
Current liabilities							
Payables		148 914	–	148 914	148 899	–	148 899
Interest bearing liabilities		4 001	–	4 001	4 001	–	4 001
Current tax liabilities	5 (c)	(2 640)	(502)	(3 142)	(2 640)	(502)	(3 142)
Provisions		92 449	–	92 449	92 449	–	92 449
Other		7 811	–	7 811	7 811	–	7 811
Total current liabilities		250 535	(502)	250 033	250 520	(502)	250 018

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

		CONSOLIDATED			POWERLINK QLD		
	NOTES TO RECONCILIATION NOTE 35	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
NON CURRENT LIABILITIES							
Interest bearing liabilities		1 465 320	–	1 465 320	1 465 320	–	1 465 320
Deferred tax liabilities	5(b)	52 299	150 083	202 382	52 299	127 480	179 779
Provisions		19 941	–	19 941	19 941	–	19 941
Other		14 193	–	14 193	14 193	–	14 193
Total non current liabilities		1 551 753	150 083	1 701 836	1 551 753	127 480	1 679 233
TOTAL LIABILITIES		1 802 288	149 581	1 951 869	1 802 273	126 978	1 929 251
NET ASSETS		1 567 708	(167 470)	1 400 238	1 504 202	(112 623)	1 391 579
EQUITY							
Parent entity interest		–	–	–	–	–	–
Contributed equity		401 000	–	401 000	401 000	–	401 000
Reserves	5(e)	1 100 065	(1 042 901)	57 164	1 020 520	(967 115)	53 405
Retained profits		66 643	875 431	942 074	82 682	854 492	937 174
TOTAL EQUITY		1 567 708	(167 470)	1 400 238	1 504 202	(112 623)	1 391 579

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(3) Reconciliation of profit for the year ended 30 June 2005

	NOTES TO RECONCILIATION NOTE 35	CONSOLIDATED PREVIOUS AGAAP $'000	CONSOLIDATED EFFECT OF TRANSITION TO AIFRS $'000	CONSOLIDATED AIFRS $'000	POWERLINK QLD PREVIOUS AGAAP $'000	POWERLINK QLD EFFECT OF TRANSITION TO AIFRS $'000	POWERLINK QLD AIFRS $'000
REVENUE							
Grid sales revenue		429 066	–	429 066	429 066	–	429 066
Other operating revenue	5(e)	35 838	(2 648)	33 190	33 518	(2 648)	30 870
Share of profit/(loss) from associates	5(f)	1 452	(2 658)	(1 206)			
Total revenues		466 356	(5 306)	461 050	462 584	(2 648)	459 936
Less:							
Network operations		8 107	–	8 107	8 107	–	8 107
Network maintenance		46 489	–	46 489	46 489	–	46 489
Grid support		15 323	–	15 323	15 323	–	15 323
Corporate/business support	5(a)	34 619	2 210	36 829	34 598	2 210	36 808
Other		6 269	–	6 269	6 269	–	6 269
Depreciation		117 895	–	117 895	117 895	–	117 895
Loss on disposal of non current assets	5(e)	3 127	(2 648)	479	3 127	(2 648)	479
Profit before financing costs		234 527	(4 868)	229 659	230 776	(2 210)	228 566
Less:							
Borrowing costs expense	5(d)	87 378	2 500	89 878	87 378	2 500	89 878
Profit before income tax equivalent expense		147 149	(7 368)	139 781	143 398	(4 710)	138 688
Less:							
Income tax equivalent expense	5(a)	43 837	(1 081)	42 756	41 387	(647)	40 740
Profit for the year		103 312	(6 287)	97 025	102 011	(4 063)	97 948
Profit attributable to members of Queensland Electricity Corporation Limited		103 312	(6 287)	97 025	102 011	(4 063)	97 948

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

(4) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

(5) Notes to the reconciliations

(a) Employee benefits

Powerlink Queensland is the sponsor of an employee defined benefit superannuation plan. Under previous AGAAP, cumulative actuarial gains and losses on the plan were not recognised on the balance sheet. At the date of transition an asset is recognised in respect of retirement benefit obligations. It is measured as the difference between the present value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The effect of this is:

(i) At 1 July 2004
For the Consolidated Entity, there has been an increase in defined benefit superannuation plan assets of $17 493 000 with an increase in retained earnings of $12 245 000. Deferred tax liabilities have increased by $5 248 000. The effect is the same for Powerlink Queensland.

(ii) At 30 June 2005
For the Consolidated Entity there has been a decrease of $3 795 000 in the defined benefit superannuation plan assets with a decrease in retained earnings of $1 585 000 and an increase in employee costs for the year of $2 210 000. The effect is the same for Powerlink Queensland.

(b) Income tax

Under AIFRS, AASB 112 *Income Taxes* uses a 'Balance Sheet approach' of calculating income tax balances rather than the 'Income Statement approach' applied under previous AGAAP. The Balance Sheet approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The effect of this is:

(i) At 1 July 2004
The impact on the Consolidated Entity at the date of transition from the application of AIFRS has been an increase in deferred tax liabilities of $113 853 000 (Powerlink Queensland $106 798 000) and a decrease in retained earnings of $113 853 000 (Powerlink Queensland $106 798 000).

(ii) At 30 June 2005
The impact on the Consolidated Entity has been an increase in deferred tax liabilities of $150 083 000 (Powerlink Queensland: $127 480 000) and a decrease in retained earnings of $150 083 000 (Powerlink Queensland: $127 480 000).

(iii) For the year ended 30 June 2005
For AIFRS comparative purposes, the impact on the Consolidated Entity's tax expense has been a decrease of $1 081 000 (Powerlink Queensland: $647 000).

(c) Tax consolidation

Powerlink Queensland and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. Under previous AGAAP, the parent entity recognised current and deferred tax amounts relating to transactions, events and balances of then tax consolidated entities as if those transactions, events and balances were its own.

Under AIFRS, UIG 1052 *Tax Consolidation Accounting*, the parent entity recognises only the current tax payable and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(i) At 1 July 2004
There was no effect on the Consolidated Entity.
There were no material effects on Powerlink Queensland.

(ii) At 30 June 2005
There was no effect on the Consolidated Entity.
There were no material effects on Powerlink Queensland.

(iii) For the year ended 30 June 2005
There was no effect on the Consolidated Entity.
There were no material effects on Powerlink Queensland.

(d) Borrowing costs

Under AIFRS, AASB 123 *Borrowing Costs*, borrowing costs may be either recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset, they may be capitalised as part of the cost of the asset.

35. TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)

The Consolidated Entity has applied the benchmark treatment allowed under AASB 123 *Borrowing Costs* and has ceased its policy of capitalising interest where it is directly attributable to the acquisition, construction or production of a qualifying asset. The effect of this is:

(i) *At 1 July 2004*
There was no impact on the Consolidated Entity or Powerlink Queensland at the date of transition.

(ii) *At 30 June 2005*
There was no impact on the Consolidated Entity or Powerlink Queensland.

(iii) *For the year ended 30 June 2005*
The impact on the Consolidated Entity has been an increase in borrowing costs of $2 500 000 (Powerlink Queensland: $2 500 000) and an increase in the asset revaluation reserve of $2 500 000 (Powerlink Queensland: $2 500 000).

(e) Property, plant and equipment

Valuation

Certain items of Property, plant and equipment have continued to be valued at fair value and there is no change to the Consolidated Entity's asset valuation policy with the implementation of AIFRS. However, on transition to AIFRS, the Consolidated Entity has elected to adopt the exemption allowed under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* that allows a previous revaluation to be an asset's deemed cost. As a result of adopting the permitted option, any asset revaluation reserve as at the transition date has been derecognised and transferred to retained earnings. The effect of this is:

(i) *At 1 July 2004*
The impact on the Consolidated Entity has been a decrease in the asset revaluation reserve of $1 018 312 000 (Powerlink Queensland: $947 800 000) and an increase in retained earnings of $1 018 312 000 (Powerlink Queensland: $947 800 000).

(ii) *At 30 June 2005*
There has been no impact on the Consolidated Entity or Powerlink Queensland.

(iii) *For the year ended 30 June 2005*
There has been no impact on the Consolidated Entity or Powerlink Queensland.

Derecognition

Under AIFRS, AASB 116 *Property, plant and equipment*, the gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised. Previously under AGAAP, the consideration received was recognised separately as revenue and the carrying amount of non current assets disposed was recognised as an expense. The effect of this is:

(i) *At 1 July 2004*
There was no impact on the Consolidated Entity or Powerlink Queensland.

(ii) *At 30 June 2005*
There was no impact on the Consolidated Entity or Powerlink Queensland.

(iii) *For the year ended 30 June 2005*
For the Consolidated Entity, there was a decrease in revenue of $2 648 000 (Powerlink Queensland: $2 648 000) and a decrease in expenses of $2 648 000 (Powerlink Queensland: $2 648 000).

(f) Investments accounted for using the equity method

The Consolidated Entity, through the wholly owned subsidiaries, has a 41.11 percent interest in associates which is accounted for under the equity method (refer Note 12). Changes in the profits and balance sheets of the associates through application of AIFRS have been incorporated in the valuation of the investments. The effect of this is:

(i) *At 1 July 2004*
The impact on the Consolidated Entity has been a decrease in the equity accounted value of the investment of $23 624 000 (Powerlink Queensland: $NIL) and a decrease in retained earnings of $23 624 000 (Powerlink Queensland: $NIL).

(ii) *At 30 June 2005*
The impact on the Consolidated Entity has been a decrease in the equity accounted value of the investment of $31 575 000 (Powerlink Queensland: $NIL) and a decrease in retained earnings of $31 575 000 (Powerlink Queensland: $NIL).

(iii) *For the year ended 30 June 2005*
The impact on the Consolidated Entity has been a decrease in equity accounted profits of $2 658 000 (Powerlink Queensland: $NIL) and a decrease in income tax expense of $434 000 (Powerlink Queensland: $NIL).

directors' declaration

In the opinion of the Directors of Queensland Electricity Transmission Corporation Limited:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of the Company and economic entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

E.E. Shepherd
Chairman
8 September 2006.

independent audit report

To the Members of Queensland Electricity Transmission Corporation Limited

Scope

The Financial Report

The financial report of Queensland Electricity Transmission Corporation Limited consists of the income statements, balance sheets, statements of recognised income and expenses, statements of cash flows, accompanying notes to the financial report, and the Directors' declarations, for both Queensland Electricity Transmission Corporation Limited (the company) and the Consolidated Entity for the year ended 30 June 2006. The Consolidated Entity comprises both the company and the entities it controlled during that year.

Directors' responsibility

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

Audit approach

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

Audit procedures included:

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

Independence

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

The Auditor-General is the auditor of all government owned corporations and their controlled entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

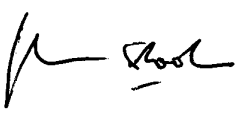
The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

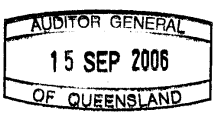
No events have occurred that would require any changes to the audit independence declaration previously provided to the Directors on 6 September 2006.

Audit opinion

In my opinion, the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:
  (i) giving a true and fair view of the company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2007;
(b) other mandatory financial reporting requirements in Australia.





KF G G POOLE FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

statistics

TRANSMISSION LINES AND UNDERGROUND CABLES

Added in 2005/2006

	TRANSMISSION LINE		UNDERGROUND CABLES		LOCATION
Voltage	Route (km)	Circuit (km)	Route (km)	Circuit (km)	
330kV	0	0	0	0	
275kV	28	28	0	0	Kogan Creek, Braemar Power Station, Greenbank
132kV	0	0	0	0	
110kV	4	9	0	0	Belmont to Murarrie rearrangements
TOTAL	**32**	**37**	**0**	**0**	

SUBSTATION/SWITCHING STATIONS AND TRANSFORMERS

Added in 2005/2006

	SUBSTATIONS	TRANSFORMERS (THREE-PHASE)		LOCATION
Voltage	Total Number	Total Number	Total Rating MVA	
330kV	0	0	0	
275kV	0	4	1,500	South Pine, Murarrie, Lilyvale
132kV	0	2	250	Woree, Dan Gleeson
110kV	0	0	0	
TOTAL	**0**	**6**	**1,750**	

CIRCUIT BREAKERS

Added in 2005/2006

	CIRCUIT BREAKERS	LOCATION
Voltage	Total Number	
330kV	0	
275kV	12	Belmont, South Pine, Braemar, Ross, Nebo
132kV	11	Palmwoods, Woree, Nebo, Rockhampton, Biloela, Dan Gleeson
110kV	15	South Pine, Belmont, Mudgeeraba, Rocklea, Murarrie, Loganlea, Runcorn, Ashgrove West
66kV	1	Woree
TOTAL	**39**	

statistical summary

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

Added in 2005/2006

	CAPACITOR BANKS		SHUNT REACTORS		STATIC VAR COMPENSATORS		LOCATION
Voltage	Total Number	Total Rating MVar	Total Number	Total Rating MVar	Total Number	Total Rating MVar	
330kV	0	0	0	0	0	0	
275kV	0	0	0	0	1	230	Woree
132kV	1	48	0	0	0	0	Rockhampton
110kV	10	287.5	0	0	0	0	South Pine, Belmont, Palmwoods, Rocklea, Murarrie, Loganlea, Runcorn, Ashgrove West
TOTAL	**11**	**335.5**	**0**	**0**	**1**	**230**	

SUBSTATION/SWITCHING STATIONS

as at 30 June 2006

	SUBSTATIONS
	Total Number
330kV	4
275kV	30
132kV	51
110kV	13
TOTAL	**98**

TRANSFORMERS

as at 30 June 2006

	TRANSFORMERS (THREE-PHASE)	
	Total Number	Total Rating MVar
330kV	4	3 475
275kV	55	14 170
132kV	82	4 599.5
110kV	19	1 220
TOTAL	**160**	**23 464.5**

CIRCUIT BREAKERS

as at 30 June 2006

	Total Number
330kV	27
275kV	320
132kV	365
110kV	224
66kV	26
TOTAL	**962**

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

as at 30 June 2006

	CAPACITOR BANKS		SHUNT REACTORS		STATIC VAR COMPENSATORS	
Voltage	Total Number	Total Rating MVar	Total Number	Total Rating MVar	Total Number	Total Rating MVar
330kV	0	0	4	144	0	0
275kV	16	1 920	12	387	5	1 050
132kV	19	712.7	0	0	9	417
110kV	28	1 200	0	0	0	0
66kV	8	231.8	4	96	0	0
TOTAL	**71**	**4 064.5**	**20**	**627**	**14**	**1 467**

statistical summary

FIVE YEAR HISTORY OF TRANSMISSION LINES AND UNDERGROUND CABLES

as at 30 June 2006

	2006		2005		2004		2003		2002	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
TRANSMISSION LINES (AS CONSTRUCTED)										
330kV	**347**	**691**	347	691	253	505	253	505	253	505
275kV	**5 179**	**6 669**	5 151	6 641	5 035	6 525	4 962	6 393	4 834	6 192
132kV	**2 623**	**3 961**	2 623	3 961	2 621	3 959	2 621	3 959	2 620	3 958
110kV	**320**	**602**	316	593	312	585	312	584	285	528
66kV	**1**	**1**	1	1	1	1	1	1	1	1
TOTAL LINES	**8 470**	**11 924**	**8 438**	**11 887**	**8 222**	**11 575**	**8 149**	**11 442**	**7 993**	**11 184**
UNDERGROUND CABLES										
275kV	**2**	**5**	2	5	2	5	2	5	2	5
132kV	**1**	**2**	1	2	1	2	1	2	0	0
110kV	**3**	**7**	3	7	3	7	3	6	3	6
66kV	**1**	**1**	1	1	1	1	1	1	1	1
TOTAL CABLES	**7**	**15**	**7**	**15**	**7**	**15**	**7**	**14**	**6**	**12**
TOTAL LINES AND CABLES	**8 477**	**12 013**	**8 445**	**11 902**	**8 229**	**11 590**	**8 156**	**11 456**	**7 999**	**11 196**

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glossary

of terms and abbreviations

AARNet	Australian Academic and Research Network
AASB	Australian Accounting Standards Bureau
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalent to International Financial Reporting Standards
ANTS	Annual National Transmission Statement
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
ASIC	Australian Securities and Investmant Commission
ASX	Australain Stock Exchange
B4C	Bulimba Creek Catchment Coordination Committee
CHMP	Cultural Heritage Management Plan
CPI	Consumer Price Index
Debt to Equity	Debt/Debt + Equity
EMF	Electric and Magnetic Fields
EMS	Environmental Management System
ETNOF	Electricity Transmission Statement
EUAA	Energy Users Association of Australia
GIS	Geographic Information System
GOC	Government Owned Corporation
Goodwill partnership	A strategic partnership between Powerlink and other parties with a common goal to achieve community and/or environmental benefits.
GPS	Global Positioning System
Grid	The high voltage electricity transmission network
IFRS	International Financial Reporting Standards
IRSR	Intra Regional Settlements Residue
Interest cover	EBIT/Gross interest expense
ITOMS	International Transmission Operations and Maintenance Study
LTC	Lost Time Calculation
LTIFR	Lost Time Injury Frequency Rate

glossary of terms and abbreviations

MCE	Ministerial Council on Energy
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
Operating Agreement	The Operating Agreement is the agreement between Powerlink and NEMMCO which establishes Powerlink as the System Operator under the National Electricity Rules. The Agreement defines the geographical areas for direct and indirect oversight for operational control. The Agreement also defines the extent to which NEMMCO's powers have been delegated to Powerlink.
QETC	Queensland Electricity Transmission Company (trading as Powerlink Queensland)
QETD	Queensland Electricity Transmission and Distribution Group
QNI	Queensland/New South Wales Interconnector
QTC	Queensland Treasury Corporation
Regulatory Test	The Regulatory Test, promulgated by the AER under the Rules, requires TNSPs identify the solution that maximises the net benefit to the NEM when addressing emerging network limitations.
Return on Assets	Earnings before interest and tax and after abnormals (EBIT)/Average total assets
Return on Equity	Operating profit after income tax/Average total equity
Rules	National Electricity Rules
SCI	Statement of Corporate Intent
SF_6	Sulphur hexafluoride gas
South East Queensland peak summer electricity demand	The peak power (in MW) delivered from Powerlink's network into South East Queensland during summer. This demand is corrected to the four 50 percent probability of exceedence reference temperatures used in Queensland.
Sponsorship	Involves a contribution by Powerlink to an organisation or activity that meets our sponsorship policy requirements.
Statewide peak summer electricity demand (as delivered to customers)	The peak power (in MW) delivered from Powerlink's network during summer. This demand is corrected to the four 50 percent probability of exceedence reference temperatures used in Queensland.
Statewide peak summer electricity demand (as generated)	The peak power (in MW) as generated by Queensland power stations and including interconnector flows in Queensland during summer.
Static Var Compensator	A Static Var Compensator (or SVC) is a specialised part of a substation that provides fast-acting reactive power compensation to control such issues as uneven loads and voltage regulation on high-voltage electricity transmission networks.

TFR	Total Fixed Remuneration
TNSP	Transmission Network Service Provider
Total electrical energy needs	The total per annum (financial year) Queensland energy requirements (in GWh) at the generator terminals.
TUOS	Transmission Use of System

Terms of measurement

Gigawatt (GW)	One gigawatt = 1,000 megawatts or 1,000 million watts
Gigawatt hour (GWh)	One gigawatt hour = 1,000 megawatt hours or one mission kilowatt hours
Kilovolt (kV)	One kilovolt = 1,000 volts (a volt is a unit of potential or electrical pressure)
Kilowatt (kW)	One kilowatt = 1,000 watts (a watt is a unit of electrical power or the rate of doing work)
Kilowatt hour (kWh)	The standard unit of energy representing consumption of electrical energy at the rate of one kilowatt over a period of one hour.
m	million
Megawatt (MW)	One megawatt = 1,000 kilowatts or one million watts
Meagwatt hour (MWh)	One megawatt hour = 1,000 kilowatt hours
System minute	One system minute = a measure of energy not supplied during transmission disturbances. One system minute is the amount of energy that would be transported during one minute at the system maximum demand.


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Members of the Live Line team unroll cable at the Redbank Plains Substation, Ipswich. From left: Alan Phizacklea, Darren Sheedy, Daron Taylor, and Gareth Jones.

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