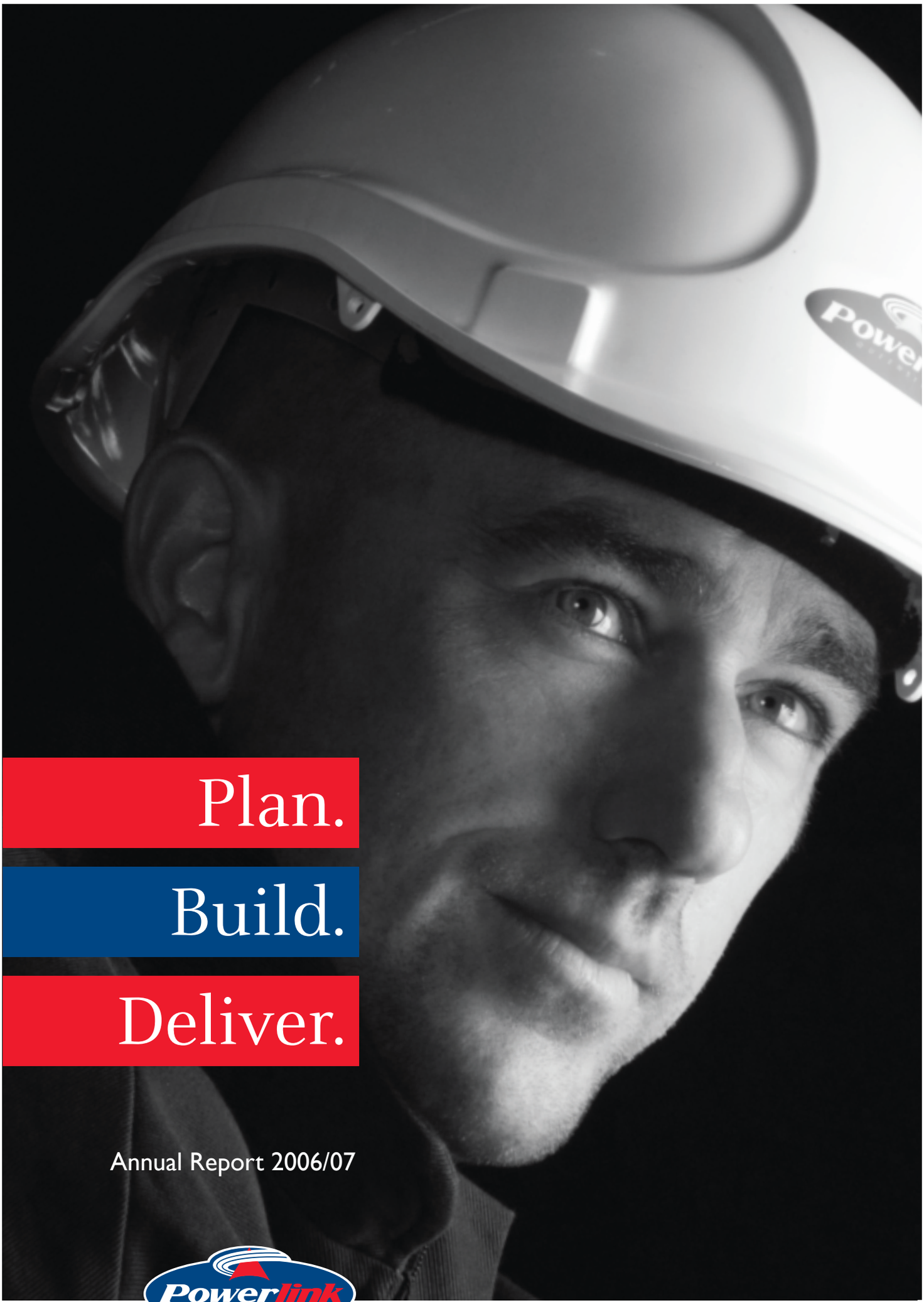


Plan.
Build.
Deliver.

Annual Report 2006/07

Powerlink QUEENSLAND®

Contents

This report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* and the *Financial Administration and Audit Act 1977*. It is submitted to our shareholding Ministers for presentation to the Legislative Assembly Queensland. Further copies may be obtained by telephoning (07) 3860 2111 or writing to:
Corporate Communication Manager, Powerlink Queensland, PO Box 1193 Virginia Queensland Australia 4014.

Pictured Front Cover:
Andre Leebody, Trade Technical – Barehand Live Linesperson

Pictured at right:
Top: *Gary Edwards, Maintenance Services Manager*
Middle: *Brett Handley, Project Delivery Engineer*
Bottom: *Geoff Dusha, Secondary Systems Specialist*

Plan.

Powerlink's long term strategic planning ensures Queensland's future electricity transmission network needs will be met.

Build.

Our dedicated people are working hard to build our network and expand its capacity in the most efficient way.

Deliver.

Powerlink is performing to world's best standards, delivering the best value service to the people of Queensland.

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.

Helicopter stringing of the Belmont to Murarrie transmission line in Brisbane.

Highlights

- Electricity demand in Queensland grew to record highs, driven by the worldwide resources boom, strong industrial and population growth and the increased use of domestic air conditioning. Refer to page 20.
- Powerlink invested a record $583 million in capital works during 2006/07 and expects to invest more than $2.6 billion over the next five years to develop our transmission network ahead of electricity demand growth. Powerlink continued to be the fastest growing Transmission Network Service Provider in the National Electricity Market. Refer to page 23.
- The Australian Energy Regulator finalised its determination of Powerlink's regulated revenue stream for the period 1 July 2007 until 30 June 2012. The determination enables Powerlink to affirm our commitment to the timely delivery of our large capital works program to support Queensland's growth. Refer to page 19.
- Twenty major transmission line and substation projects were under construction, and seven major projects were commissioned during the year. Refer to page 30.
- Three Rule Consultation and Regulatory Tests recommending future augmentations to our network in Northern, Central and Southern Queensland were completed. Refer to page 28.
- Easements for nine new transmission lines and six new substations that will be developed in the future to meet Queensland's emerging electricity needs were gazetted. Refer to page 26.
- Initiatives to improve operating efficiencies and network performance were implemented. Refer to page 23.
- A range of water management efficiencies to further enshrine responsible water use throughout our operations was introduced. Refer to page 36.
- Several new research projects to identify opportunities to improve the effectiveness of our land management practices were initiated. Refer to page 37.
- Eleven new projects in Townsville and Thuringowa were funded by the Community Environment Fund to enhance the environmental properties, and to minimise the visual impact of Powerlink's transmission infrastructure in the area. Refer to page 40.
- Two new levels of management development were launched to complement our existing leadership programs, and to develop our people to meet Powerlink's future capability requirements. Refer to page 49.

2006/07 Annual Report

The Powerlink Annual Report is a summary of our financial and non-financial performance during the 2006/07 year. Powerlink presents this Annual Report to our shareholding Ministers and other stakeholders with an interest in our activities.

During 2006/07, Powerlink focused on optimising our capabilities and processes to plan, build and deliver a record $583 million capital works program to meet the forecast electricity demand growth. Within this context, this Annual 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 Annual Reports and additional information about Powerlink's activities are available at *www.powerlink.com.au* or by calling 07 3860 2111.

In Profile

Our business: Powerlink owns, develops, operates and maintains the high voltage electricity transmission network that underpins Queensland's economic prosperity.

We plan our network development to ensure a secure, reliable, safe and cost effective high voltage electricity grid for Queensland customers.

We build our network by applying leading engineering and environmental solutions, and with respect for the landowners and communities we encounter.

We deliver a world class transmission service, operated by highly skilled people applying leading edge technology and processes.

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 the Queensland electricity grid. Our 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 facilitate the transfer of power between participants within the NEM. We do not buy or sell electricity.

We work closely with our 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).

We are committed
to achieving operational excellence
in all facets of Powerlink's business.

Brett Hanan, Training and Safety Advisor, and Darren Pegram, Electrical Safety Advisor, at Alligator Creek Substation near Mackay.

In Profile

Our strategic direction

We are committed to achieving operational excellence in all facets of Powerlink's business – safety, network performance, environment and cost efficiency. This strategic direction is underpinned by our corporate, team and individual strategies and actions.

For the past eight years, Powerlink's network has benchmarked in the top quartile internationally, in terms of network reliability and cost efficiency.

Our demonstrated performance, together with our commitment to continuous improvement, promotes our stakeholders' confidence in our ability to continue to deliver a safe, reliable high voltage electricity supply to meet the fast growing Queensland demand.

Queensland's high voltage electricity transmission network

Our organisation

Powerlink is a Queensland Government owned corporation established on 1 January 1995 under the *Government Owned Corporations (GOC) Act 1993*. Our shareholding Ministers for the 2006/07 financial period were the Deputy Premier, Treasurer and Minister for Infrastructure, and the Minister for Mines and Energy.

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

The Powerlink Board is responsible for the overall corporate governance of the corporation and its subsidiary companies, setting the organisation's strategic direction, setting 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 ensures accountability throughout Powerlink that is in the best interests of the corporation, shareholders and other stakeholders.

Our network

Powerlink's $3.9 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 102 high voltage substations and more than 12,000 circuit kilometres of high voltage transmission lines.

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

Our growth

We plan and develop Powerlink's high voltage electricity network to power Queensland's economic growth. As the resources boom, industrial development, population growth and uptake of air conditioning continue to drive up the demand for electricity, we have demonstrated the effectiveness of our proactive forward planning process. Statewide peak summer electricity demand has increased by 29 percent over the past five years and is forecast to increase by an average of 3.9 percent per annum in the decade to 2016/17. Queensland electricity demand growth is much greater than any other Australian State participating in the NEM. Queensland's energy needs are growing 35 percent faster than New South Wales' energy needs and around twice the rate of other States' energy needs.

Queensland's total electrical energy needs are also forecast to increase by 4.4 percent per annum over the next five years, which is almost double the NEM-wide growth rate.

Powerlink has the largest capital works program in the electricity transmission sector in Australia with $1.6 billion in projects currently approved and underway, and an expected investment of more than $2.6 billion over the next five years. This 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 1.8 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. We undertake joint planning activities with the distribution network corporations to forecast and respond to the emerging needs of our customers.

Our additional services

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

Our community relationships

We seek to generate and maintain goodwill with affected landowners, Councils, interest groups and residents of the 73 cities and shires in which we operate. We foster and value long term relationships that endure throughout the planning, development and maintenance of our transmission assets.

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

Our environment

Our network traverses diverse environments presenting unique and emerging challenges for construction, operation and maintenance. As we undertake our significant capital works program, we have introduced improvements and increased monitoring to ensure that our people and contractors maintain our rigorous environmental compliance standards.

We continue to invest in research and development to identify opportunities to improve our work practices, and reduce or mitigate the impact of our operations on the environment.

Our people

Our workforce of 843 forms 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 have successfully implemented strategies to ensure we continue to attract and retain people of the highest calibre to enable us to deliver our demanding works program. We are committed to providing development opportunities for our people to further their skills and careers at Powerlink.

Corporate

Financial Overview

Business profitability

Powerlink is the owner and operator of the Queensland electricity transmission network. Regulated revenue from grid users, as determined by the Australian Energy Regulator (AER), is the major source of income for the business. Regulated revenue is collected primarily from electricity distributors and, to a lesser extent, power stations and major industrial users who are directly connected to the grid.

A smaller portion of the corporation's revenue is sourced from non-regulated electricity transmission infrastructure assets that connect power stations and major industrial users to the transmission network.

Powerlink's other revenue streams arise from the provision of contestable asset management consulting services, distributions from its investment in ElectraNet SA, the transmission network provider in South Australia, and the provision of wholesale telecommunication services.

Powerlink's Earnings Before Interest and Tax (EBIT) for 2006/07 of $290.8 million was higher than last year, reflecting Powerlink's continued investment in capital works in response to the sustained growth in electricity demand in the State.

Capital investment and borrowings

The demand for electricity in Queensland continues to grow in line with forecasts.

Powerlink has responded to this demand growth with continued investment in the transmission network. Capital expenditure in 2006/07 amounted to just over $583 million, a record capital expenditure program for Powerlink since its incorporation in 1995, and an increase of more than 68 percent from the previous year.

Powerlink's borrowings in 2006/07 to fund the capital investment program were almost $362 million. Debt for the business now totals $2,006 million. At 30 June 2007, Powerlink's capital structure (debt to debt + equity ratio) was 55.4 percent.

This remains under the benchmark 60 percent gearing adopted by the AER for regulatory purposes, and positions Powerlink to prudently fund its increasing capital investment program over the next five years.

All new borrowings were provided through the Queensland Treasury Corporation.

Dividends

The Powerlink Board approved a dividend of 80 percent of the Net Profit After Tax result for the year, in line with its business plan forecasts. On this basis, an amount of $92.6 million has been provided for 2006/07.

Powerlink aims to deliver reasonable returns to its shareholders, while maintaining an investment grade credit rating.

Dividends will be paid by 31 December 2007, in accordance with requirements of the *Government Corporations Act 1993*.

Grid support costs

In line with the provisions of the National Electricity Rules, Powerlink sources non-network solutions, such as grid support from local generators, where those are more economic than a network upgrade.

Grid support payments to generators in 2006/07 totalled almost $18.8 million.

Business planning

Powerlink's key financial and non-financial indicators, as incorporated in the *Statement of Corporate Intent*, are shown in the following table.

FINANCIAL INDICATORS	2004/05	2005/06	2006/07
	$ MILLION	$ MILLION	$ MILLION
Revenue Grid Services	429.1	488.0	**531.4**
Total Revenue	464.9	533.8	**583.9**
Operating Expenses	231.8	262.2	**293.1**
Earnings Before Interest and Tax (EBIT)	233.1	271.7	**290.8**
Net Profit After Tax (NPAT)	103.3	119.0	**115.8**
Capital Works Expenditure	191.0	346.7	**583.5**
Dividend Proposed/Paid	82.6	95.2	**92.6**
	%	%	%
Dividend Payout Ratio	80	80	**80**
Return on Assets	7.4	7.9	**7.5**
Return on Equity – Post Tax	6.6	7.8	**7.2**
Debt/Debt + Equity Ratio	48.3	52.2	**55.4**
Debt/Fixed Assets Ratio	48.2	48.7	**51.3**
Interest Cover (times)	2.6 times	2.8 times	**2.5 times**
Dividend Yield	20.6	23.7	**23.1**

SYSTEM PERFORMANCE INDICATORS	2004/05	2005/06	2006/07
Energy Flowing into the Grid (GWh) [1]	46,170	47,734	**47,750**
Energy Delivered to Customers (GWh) [1]	44,357	46,065	**46,025**
Peak Maximum Demand (MW)	8,232	8,295	**8,589**
Loss of Supply Events > 0.2 System Minutes	3	2	**2**
Loss of Supply Events > 1.0 System Minutes	0	0	**1**

SAFETY INDICATORS	2004/05	2005/06	2006/07
Lost Time Calculation (LTC)	0.01	0.02	**0.32**

[1] – From March 2006, Energy Delivered to Customers and Energy Flowing into the Grid excludes Terranora (NSW) load due to a change in National Electricity Market Management Company (NEMMCO) definitions.

Chairman's Review

As Queensland continues to prosper, we are developing our transmission network to keep pace with the growing demand for electricity.

Else Shepherd, Chairman, is pictured during the Powerlink Board of Directors' tour of projects in the Mackay region, including the new Nebo to Pioneer Valley transmission line.

Powerlink has the largest capital works program in the electricity transmission sector in Australia. Strong economic growth, sustained expansion in the resources sector, and the influx of people making their homes in our State are all leading to an ever-increasing electricity demand in Queensland. In 2006/07, we successfully delivered a record capital works program to ensure that our high voltage transmission network reliably continues to provide bulk electricity supplies to meet the demand.

Our investment of just over $583 million in the transmission network in this financial period represents our most significant capital expenditure program since Powerlink's incorporation in 1995, and an increase of more than 68 percent from the previous year. Powerlink's Earnings Before Interest and Tax (EBIT) for 2006/07 of $290.8 million, also an increase from 2005/06, reflects the sustained growth in our business.

Revenue review confirms future network development

In June 2007, the Australian Energy Regulator (AER) finalised its determination of Powerlink's regulated revenue stream for the next five years. A critical outcome of this process is our ability to affirm our commitment to the timely delivery of Powerlink's large capital works program. This enables us to continue to support Queensland's economic growth by providing a reliable, safe and cost effective transmission service.

The AER's revenue determination process has been a key focus for the Board, Executive Leadership Team and Powerlink people during the past two years. The outcome reflects the robustness of the supporting information we were able to provide to the AER, which in turn reflects the knowledge and dedication of the many Powerlink specialists who were actively involved.

Informing the market about planning issues

Powerlink's 2007 *Annual Planning Report*, released in June, forms the cornerstone of our forward planning process for the Queensland grid. It identifies the forecast electricity demand growth and our plans to develop the network in response to this growth. The *Report* is a result of a comprehensive annual planning and analysis process that helps to ensure Queenslanders continue to benefit from one of the world's most reliable and cost efficient electricity transmission networks.

In addition to the comprehensive information provided in the *Annual Planning Report*, we contributed to the National Electricity Market Management Company (NEMMCO) *Annual National Transmission Statement* which provides an integrated overview of current and potential future development of national transmission flow paths.

Network growth supports Queensland prosperity

As Queensland continues to prosper, we are developing our transmission network to keep pace with the growing demand for electricity. During 2006/07 we invested a record $583 million in capital works, with twenty major projects and numerous smaller projects under construction throughout the State. These projects include new transmission lines and substations, scheduled refurbishment or replacement of ageing assets, and planned upgrades to enhance the capacity of existing assets.

The momentum of our capital works program will continue into the future. We expect to invest more than $2.6 billion over the next five years to meet our obligation to develop our transmission network in time to meet the expected electricity demand growth.

Valuing community and environment performance

We understand the value of our relationships with members of the communities in which we operate and the need to work to earn and maintain the respect of individuals within those communities.

Our Greening Lockyer program, a partnership with Esk, Gatton and Laidley Shire Councils, has delivered significant environmental and social benefits to the Lockyer Valley during both its active and maintenance phases. This year we proudly accepted a Prime Minister's Award for Excellence in Community Business Partnerships, in recognition of the achievements of the Greening Lockyer program.

Developed using the same successful model, the Community Environment Fund in partnership with Townsville and Thuringowa City Councils is now in its final year and has funded 26 exceptional projects to improve the environmental amenity around Powerlink infrastructure in the area.

We look forward to finalising plans for a new community partnership program in southern Queensland during 2007/08, which will enable Powerlink to establish and strengthen relationships with our stakeholders in this strategic region.

In addition to the Goodwill programs which provide a broader community benefit, we recognise the need to maintain good communication and relationships with landowners directly affected by our transmission lines and easements. To ensure our representatives are accountable for their interactions with landowners, we introduced a code of conduct for our contractors and consultants, which include measurable performance items.

Powerlink has the largest capital works program in the electricity transmission sector in Australia.

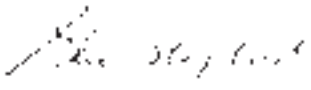
We have joined other Queenslanders in taking steps to increase our certainty that water is used responsibly across the organisation, including at our office facilities and at all construction and maintenance sites. These steps have incorporated a number of initiatives to minimise dust during construction works and the use of alternative water supplies where possible.

Powerlink people shine

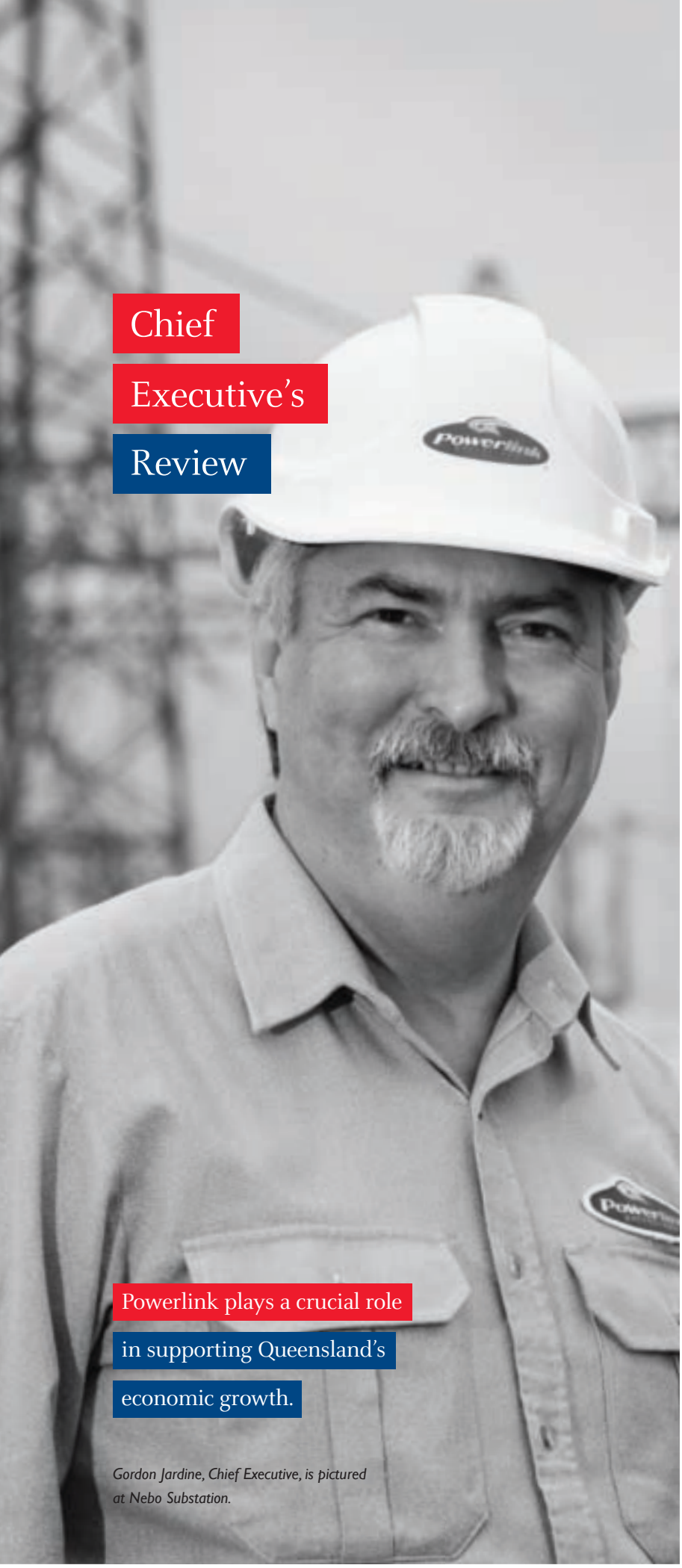
Our workforce has grown in response to the demands of the intense capital works program, and I warmly welcome new employees who have joined Powerlink throughout the year. At the same time I acknowledge the commitment and valued experience of our longer-serving employees who perform their roles with dedication and enthusiasm.

Powerlink people have demonstrated their capability to meet the emerging demands of our business and their commitment to our key strategy of achieving operational excellence. On behalf of the Directors, I wish to thank our people for their positive contribution and approach throughout another successful year.

This year we have welcomed two new Directors, John Goddard and Ken Howard, both of whom have brought to the Board astute counsel. I sincerely thank all Board members for their strategic vision and leadership.



Else Shepherd
Chairman



Chief Executive's Review

Powerlink plays a crucial role in supporting Queensland's economic growth.

Gordon Jardine, Chief Executive, is pictured at Nebo Substation.

Powerlink plays a crucial role in supporting Queensland's economic growth. The development of the transmission network, alongside Queensland Government and private sector investment in rail, port and water infrastructure, underpins the State's fast-growing resources sector.

This year has seen further advancement in Powerlink's capability to efficiently and reliably operate and augment our high voltage transmission network.

Developing our network to meet sustained growth in demand

The demand for electricity in Queensland continues to climb, reflecting the consistent strong growth trend and driven by economic expansion, resource and industrial developments, a growing population and the continuing uptake of domestic air conditioning. Peak statewide electricity demand (as generated) hit a record of 8,589 megawatts on 12 March 2007.

Our robust planning indicates the growth in electricity demand will continue, and we are forecasting a statewide average growth rate of 3.9 percent per annum for the decade to 2016/17. The rate of electricity demand growth in Queensland far outpaces all other Australian States in the National Electricity Market.

Powerlink is developing its network in a planned response to this sustained increase in electricity demand to ensure the transmission network continues to successfully underpin the export infrastructure chain and other sectors of the economy.

We invested $583 million in capital works during 2006/07 and expect to invest more than $2.6 billion over the next five years to develop our network. This year's record capital works program has included 20 major transmission line and substation projects throughout the State.

During 2006/07 we commissioned seven major projects:

- Belmont to Murarrie transmission line supplying the Brisbane CBD, Australia Trade Coast region, south east Brisbane and surrounding areas;
- Greenbank to Maudsland transmission line and Greenbank Substation supplying Gold Coast and Tweed region;
- Works on the Static VAr Compensators at Nebo and Railways Substations servicing the Queensland Rail Coal Haul Network throughout Central Queensland;
- Algester Substation supplying Algester and south west Brisbane;
- Goodna Substation supplying south west Brisbane and Ipswich areas;
- Replacement of Molendinar Substation supplying the northern Gold Coast;
- Refurbishment of South Pine Substation supplying Brisbane and South East Queensland; and
- Sumner Substation supplying south west Brisbane.

In addition we completed and commissioned a transmission line connecting the Braemar Power Project to our network at Braemar Substation, enabling this new power station to generate into the electricity grid.

The 2007/08 year will see a new peak in capital works, as we expect to begin construction on five major transmission line projects and four major substation projects throughout the State, and continue or complete the projects we already have underway.

Network service delivery gains

Our ability to sustain and continually improve Powerlink's efficiency while addressing the challenges of our capital works program is the result of the proactive approach including the implementation of strategies to address and deliver important improvements in resourcing, project management, contractual arrangements and other critical operational issues.

To maximise the efficiency of our project management approach, we have established five construction offices in regional Queensland for the project teams which oversee our capital projects.

To protect our ability to deliver a secure and reliable high voltage electricity supply for the long term, and in the interests of providing land-use planning certainty to landowners, Powerlink continues to acquire strategic easements in advance of the need to construct new transmission infrastructure. We are actively acquiring easements in a number of locations throughout Queensland, working closely with affected landowners, Local Government, government agencies, environmental groups and other parties with an interest in the outcome of the easement selection and acquisition process.

This year has seen further advancement in Powerlink's capability to efficiently and reliably operate and augment our high voltage transmission network.

Chief Executive's Review

Our strategic intent

We retain our sharp focus on achieving operational excellence as a key strategy, and review and assess our performance against the four pillars of this strategy: safety, network performance, environment and cost efficiency.

There is no higher priority than the safety of our people and members of the public. This precedence is reflected in our ongoing efforts to ensure safety is integral to all work undertaken by Powerlink people. We are demonstrating leadership in the implementation of a Skills Passport for people accessing and operating our network and in the roll out of new training techniques to ensure safety information is easily accessible to all of our people.

We have implemented strategies to deliver operating efficiencies that minimise customer impacts. We have expanded the capabilities of our live line and live substation teams to enable more work to be carried out without the need to de-energise high voltage equipment, thereby avoiding potential customer impacts. Strategies such as these will also help Powerlink to meet the challenging targets set under the Australian Energy Regulator's (AER) Network Performance Incentive Scheme which applies from July 2007.

We uphold a firm commitment to continuous improvement in environmental performance in all areas of our business. This commitment is demonstrated by our investment in a number of research projects to identify opportunities to improve our long term land management practices. Importantly, we are working together with landowners to investigate and develop these solutions through a partnership approach.

Powerlink remains the most cost efficient Transmission Network Service Provider in the NEM, a reputation we are determined to retain as we deliver our challenging capital works program.

Revenue review process finalised

As a regulated monopoly, Powerlink's regulated revenue is determined every five years by an independent national economic regulator, the AER. In May 2007, the AER delivered its final revenue determination for Powerlink's allowable revenues for the five years from 1 July 2007 to 30 June 2012.

The AER revenue determination allows Powerlink to confidently plan the delivery of the capital works program needed to meet the growing demand for electricity.

Our dedicated Powerlink project team worked cooperatively with the AER and other stakeholders to achieve this positive outcome.

Emergency response in Collinsville

The force of nature tested Powerlink's emergency response capability when a lightning strike extensively damaged our transformer at Collinsville Substation causing an outage affecting households and businesses in the area. Our ability to quickly place key staff in the region, implement our emergency management plans and expedite restoration of supply minimised the impact to customers.

During the complex restoration works, we worked closely with the community providing emergency relief and vouchers to address immediate problems and ease the circumstances for many. The dedication and expertise of our people and the Ergon Energy staff who supported the restoration effort was evidenced by the speedy return of power supplies and the goodwill generated within the community.

Expanding the capabilities of our people

During 2006/07, our workforce expanded by 16 percent, reflecting the increase in our capital works and network maintenance activity. This growth in employee numbers has been carefully considered and planned, with strategies implemented to ensure Powerlink is able to attract, develop and retain the high calibre employees we require to deliver our works program. We have invested in an expanded range of development opportunities for our people, enabling them to gain knowledge and experience in the leadership and specialist capabilities required in our business.

With thanks

I wish to thank our people for their commitment and enthusiasm in meeting the challenges of our business. Our achievements in 2006/07 would not have been possible without the strength of contribution by our people.

Gordon Jardine
Chief Executive

We retain our sharp focus on operational excellence as our overarching strategy.

Gordon Jardine, Chief Executive (right), with Tony Milward, Substation Construction Manager, at Nebo Substation.

Powerlink and the National Electricity Market

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

At a glance

- Powerlink actively participated in processes to further develop the National Electricity Market.
- The Australian Energy Regulator finalised its determination of Powerlink's future regulated revenue stream for the next five years.

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.

The Australian Energy Market Commission (AEMC) is a statutory commission responsible for rule making and market development, including changes to the Rules.

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 minimises the costs and maximises the net benefit to the NEM is implemented.

Powerlink's regulated revenue is determined 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 AER Performance Incentive Scheme for TNSPs has been operating on a trial basis for Powerlink since 2003, with measurement against targets only. Actual financial incentives will apply to Powerlink during the coming regulatory period, commencing July 2007.

Powerlink continued to be an active participant in initiatives to develop the National Electricity Market.

Simon Taylor, Manager Network Customers, at NewGen Power's Braemar Power Station near Dalby. Powerlink completed construction of a 275 kilovolt transmission line to connect the gas-fired power station to the grid in 2006.

Powerlink and the National Electricity Market

Contributing to NEM development

Powerlink continued 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 2006/07, Powerlink participated in the development of a number of key changes to the Rules, including:

- Review of the Rules for the regulation of electricity transmission revenues and pricing. New Rules now cover the procedural requirement for TNSPs to submit their respective Revenue Proposals and pricing methodology to the AER for consideration, guidance to the AER when exercising appropriate discretion, and matters on which the AER must consult;
- Changes to the dispute resolution process for the Regulatory Test. These have resulted in a streamlined and expedited dispute process for network developments required to meet reliability of supply needs;
- The introduction of Regulatory Test Principles, which specify the future form of the Regulatory Test; and
- The introduction of a Transmission Last Resort Planning Power, whereby the AEMC can direct parties to undertake a Regulatory Test and assess an identified new network investment.

Powerlink is currently participating in the following NEM development processes:

- The AEMC's Congestion Management Review which is considering the requirement and scope for enhancing trading arrangements in the NEM to better manage network congestion;
- The introduction of additional TNSP incentive arrangements covering the market impact of transmission congestion; and
- The development by the AER of a number of guidelines for TNSP revenue regulation, following the introduction of the new revenue regulation rules.

Powerlink also provides input and assistance to NEMMCO in the preparation of the *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 transmission network owners in the NEM.

Together with ETNOF, Powerlink actively participated in the Council of Australian Governments (COAG) review of the NEM, which resulted in the decision to create a national transmission planning function.

Transmission pricing

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

Powerlink's allowable regulated revenue for 2006/07 was specified in the revenue determination finalised in November 2001. From these annual revenues, we calculate the transmission prices for our network customers in accordance with the methodology described in the Rules.

In 2006/07, Powerlink's allowable revenue was $510 million, which supported significant network augmentation projects in Queensland. There was a moderate 3.7 percent increase in real terms in the average transmission price for the State compared with the previous year.

The revised AEMC Transmission Pricing Rule, finalised in 2006/07, will not substantially alter Powerlink's methodology for calculating transmission prices, particularly in the short to medium term. Powerlink's transmission pricing for 2007/08 will be calculated in accordance with the existing Rule.

Revenue determination decision

The AER finalised its determination of Powerlink's regulated revenue stream in June 2007, establishing Powerlink's allowable regulated revenues for each financial year from 1 July 2007 until 30 June 2012. Included in the final AER determination is an allowance for capital expenditure of $2.62 billion.

New network performance targets within the AER Performance Incentive Scheme were identified in the final revenue determination.

The revenue determination process was one of cooperative engagement with the AER and key stakeholders, including major electricity users. The process involved a two year exercise by our focused project team, with organisation-wide input to the Revenue Proposal, subsequent submissions and information requests.

New generation drives network connections

We continue to receive a large number of enquiries from industrial developments and potential power generators regarding new connections to our high voltage transmission network, driven by the worldwide resources boom and the resultant economic growth in Queensland.

During 2006/07, Powerlink completed construction of a 275 kilovolt transmission line to connect the Braemar Power Project's stage one 450 megawatt gas turbine to the high voltage electricity grid at Braemar Substation. The transmission connection project was completed on schedule.

In addition, three new power generating projects were announced in Queensland. Each project will require establishment of a new connection to the transmission network. Both Origin Energy's Darling Downs Power Station Project and the Braemar Power Project expansion will be connected to the transmission network at Braemar Substation in 2009. Rio Tinto's expansion of the Yarwun Aluminium Refinery near Gladstone, including a 160 megawatt gas turbine, will require a connection to the transmission network at the new Larcom Creek Substation in 2009.

Pictured: *Merryn York, Manager Revenue Reset Project, and Cameron McLean, Principal Engineer Main Grid Planning, with fellow members of the Revenue Reset Team (from left) Jennifer Harris, Gary Edwards and Grant Robinson.*

In Focus:

Cameron McLean

Principal Engineer

Main Grid Planning

"Preparing for the AER revenue determination was a genuine team effort, involving many people across Powerlink.

Our team of specialist planning engineers determined the demand driven capital expenditure needed so that Powerlink's network can meet the forecast growth in electricity demand and satisfy our performance standards and obligations.

Because of the uncertainty in terms of when and where new generators will be established, we developed a total of 40 different scenarios.

Within each of those scenarios, we identified the emerging limitations on our network, and the augmentations needed to address those limitations. In all, more than 300 projects were scoped and costed to support our revenue proposal to the AER.

To help navigate our way through this huge analysis challenge, we developed new tools and software, and worked closely with Ergon Energy and ENERGEX in joint planning workshops.

Being part of the team that helped to secure the revenue required to develop the network over the next five years was personally very rewarding."

Looking forward to 2007/08

- We will continue to engage in the AEMC's Congestion Management Review which will consider the requirement and scope for enhancing trading arrangements in the NEM to better manage network congestion.
- We will seek to ensure our performance aligns with the new performance targets set within the AER Performance Incentive Scheme and identified in the AER's final revenue determination.
- We will continue to contribute to the AEMC's project to define the responsibilities of the national transmission planning function.
- We will contribute to the NEM Reliability Panel's review of transmission network reliability standards.

Network Strategy

Electricity demand growth: During 2006/07, electricity usage in Queensland increased significantly, reflecting the consistent strong growth trend that has been evident over the past 10 years, and which is expected to continue during the next decade.

At a glance

- Electricity usage in Queensland increased significantly, particularly in South East Queensland and the coal mining regions of the State.
- The rapid growth in electricity demand is forecast to continue during the next decade.
- We invested $583 million in capital works in 2006/07 and expect to invest more than $2.6 billion over the next five years to develop our network ahead of electricity demand growth.
- Our response to a major incident at our Collinsville Substation demonstrated the effectiveness of our emergency response capabilities.

The rate of growth in electricity usage in South East Queensland continues to outpace the rate of growth in other areas of the State. The high growth in electricity usage in Queensland is driven by population growth, the increased uptake of domestic air conditioning, industrial growth and coal mining expansions.

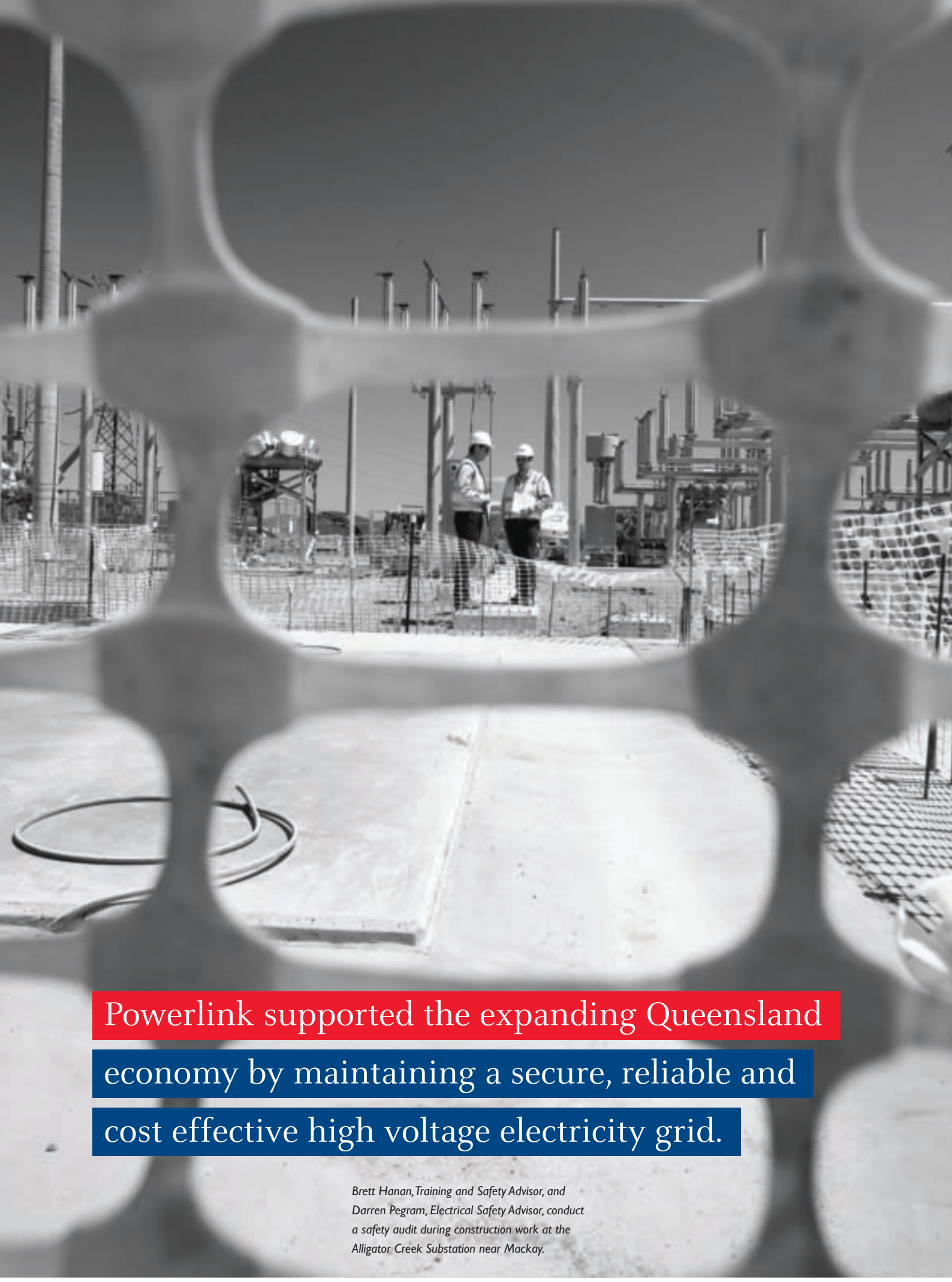
Transmission network planning and development are integral to Powerlink meeting its obligations. Powerlink's *2007 Annual Planning Report* was issued on 29 June to National Electricity Market (NEM) participants and other interested parties. The *Annual Planning Report* presents historical and forecast electricity demand, and Powerlink's plans to develop the transmission network in response to this demand.

The statewide peak electricity demand (as generated) hit a record of 8,589 megawatts on 12 March 2007. On the same day, the statewide summer peak electricity demand for power (corrected for temperature and diversity) as delivered to customers from Powerlink's high voltage network reached a new record high of 7,935 megawatts, an increase of 3.2 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 29 percent, and growth of 38 percent in South East Queensland. With growth forecast at an average rate of 3.9 percent per annum for the decade to 2016/17, Queensland's electricity demand growth is much greater than any other Australian State participating in the NEM. Queensland's energy needs are growing 35 percent faster than New South Wales' energy needs and around twice the rate of other States' energy needs.

Queensland's total electrical energy needs are also forecast to increase by 4.4 percent per annum over the next five years, which is almost double the NEM-wide growth rate.

Our *2007 Annual Planning Report* forecasts continued high growth in electricity demand for the next three years, particularly in South East Queensland, where the electricity demand growth (temperature and diversity corrected) is forecast to be 6 percent per annum. Beyond 2008/09, domestic air conditioning penetration is forecast to slow and, as a result, the annual increase in South East Queensland summer peak electricity demand is forecast to continue at about four percent per annum.



Powerlink supported the expanding Queensland economy by maintaining a secure, reliable and cost effective high voltage electricity grid.

Brett Hanan, Training and Safety Advisor, and Darren Pegram, Electrical Safety Advisor, conduct a safety audit during construction work at the Alligator Creek Substation near Mackay.

Network Strategy

In response to the projected high level of electricity load growth, our planning 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 South East Queensland.

The *2007 Annual Planning Report* is available at **www.powerlink.com.au** in the *Documents* section.

Powering Queensland's economic growth

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 just ahead of electricity demand growth.

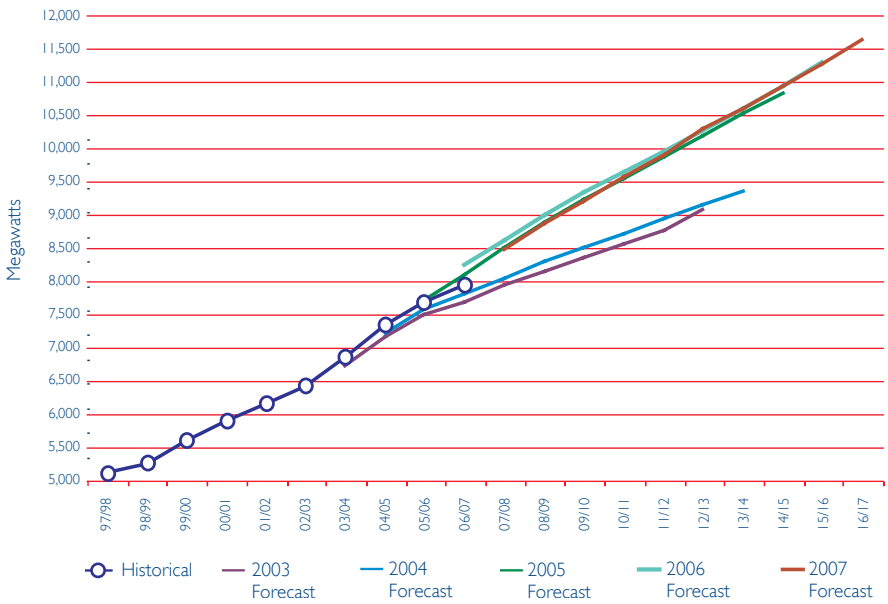
The development of the transmission network, alongside the Queensland Government and private sector investment in rail, port and water infrastructure, underpins the State's fast growing mining industry.

Strong growth in Queensland's resources sector output is expected to continue in step with the increasing global demand for resources. In June 2007, the Australian Bureau of Agricultural and Resource Economics (ABARE) reported $7.6 billion of well advanced mining, energy and mineral processing projects in Queensland. ABARE reports mining and energy projects to the value of $1.2 billion were completed during the period of October 2006 to April 2007.

Capital works program supports Queensland's economy

Powerlink supports the expanding Queensland economy by maintaining a secure, reliable and cost effective high voltage electricity grid. Powerlink currently has $1.6 billion in capital works projects approved and under construction, and expects to invest more than $2.6 billion in its capital works program over the next five years. This investment in the construction of transmission lines and substations will ensure our network continues to underpin the economic prosperity of the State into the future.

Queensland Historical and Forecast Summer Peak Demand Megawatts



During 2006/07, Powerlink invested $583 million in capital works, our most substantial investment to date, and an increase of 68 percent on our capital expenditure in 2005/06. This increase 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.

Strategies to deliver capital works projects

In anticipation of Powerlink's record capital works program, we implemented and continue to implement, a range of strategies to ensure we are equipped with the resources and capabilities to deliver our capital works program and continue to operate and maintain our network to world's best practice.

These strategies are delivering significant benefits, including more productive relationships with our contractors, efficiency gains through innovative applications of information technology and process improvements, more cohesive and productive team performance, and raising Powerlink's profile as an employer of choice.

Our focus on project management continues to identify opportunities to improve and to streamline existing processes to better manage our increased capital works program. In particular, we have identified and actioned initiatives to 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.

Powerlink plays a crucial role in the export infrastructure chain. Construction Managers Wes O'Brien and Nicholas Gibson discuss Powerlink's projects to ensure a reliable electricity supply to the Rail Coal Haul Network in Central Queensland.

Powerlink's transmission line connection to Braemar Power Station near Dalby.

Network Strategy

Operational efficiency

In an environment of high electricity demand growth and the resultant increased network development and augmentation, Powerlink continued to implement initiatives to improve operating efficiencies and seek to ensure we meet or exceed the targets for network performance set by the Australian Energy Regulator (AER) under the Performance Incentive Scheme.

From time to time, Powerlink must schedule planned outages to undertake maintenance and repair works, and allow augmentation of our network. In line with our commitment to meeting performance standards, we aim to manage outages to minimise the associated customer impact and, at the same time, achieve our annual maintenance plan and capital works program. In compliance with the National Electricity Rules, Powerlink produces a 13 month outage plan, updated on a monthly basis, to inform and assist NEM participants.

Live line and live substation work is integral to Powerlink's ability to minimise customer impacts by restricting the number of outages required when refurbishing, maintaining and augmenting our network. During 2006/07, some 30 percent of our transmission line maintenance works were undertaken using live line methods and approximately 15 percent of substation maintenance work was undertaken under live conditions (35 percent in South East Queensland).

Powerlink continued to refine existing procedures and implement new procedures to expand the capabilities of our live line and live substation teams. This year, our live substation team developed new equipment and procedures to increase the team's capabilities, including a procedure for live maintenance of line isolators.

To deliver improved operating efficiency, we developed and implemented proactive monitoring of all real-time network management systems used to operate Powerlink's transmission and communications networks. This system provides Powerlink with an enhanced ability to receive early notice of faults and to diagnose faults remotely. It delivered an improvement in our high availability information technology system and is recognised as leading edge within both the electricity industry and other industries employing process control systems.

Upgrading our communications network

Powerlink's extensive telecommunications network is used for the protection and control of our transmission network. It enables remote investigation of network faults, on-line condition monitoring of transmission assets and efficient communication with our regional project offices. During the past decade, Powerlink has progressively developed a telecommunications network in line with the deployment of optical fibres. We have installed Optical Fibre Ground Wire (OPGW) on new transmission lines and retrofitted OPGW on existing transmission lines to achieve coverage that now extends more than 2,500 kilometres, from the Gold Coast to Cairns.

The installation of OPGW showcased the capabilities of Powerlink's engineering, linespersons and operations teams, and our service provider Aeropower. The stringing of 255 kilometres of OPGW between Ross and Chalumbin Substations in Far North Queensland saw our teams working in harsh and varied terrain to deliver the project within a very narrow window of opportunity. The project included the stringing of OPGW across a 1.65 kilometre span over the steep Herbert River Gorge, the single longest span between two towers on Powerlink's transmission network, an endeavour that required complex planning and highly skilled execution.

Corporate emergency response

Consistent with our obligations and strategies to deliver a secure and reliable supply of high voltage electricity to our customers, Powerlink has a suite of well planned, understood and rehearsed emergency response plans. These plans ensure we have the capability to respond quickly and effectively to an incident that impacts our network, the safety of our personnel or our business continuity.

We demonstrated our capability during March 2007 when a lightning strike to our transformer at Collinsville Substation caused extensive damage and resulted in an outage affecting 1,300 households and businesses in the region. Following an immediate and detailed assessment, we identified that it would be necessary to replace the damaged transformer. To expedite the solution and minimise the customer impact, we undertook construction and commissioning works in parallel, addressing the challenge of interfacing the replacement transformer equipment with the existing substation, and working in a difficult environment.

During the complex effort to restore high voltage electricity supply to the region, Powerlink people worked closely with Ergon Energy staff. At the same time, we worked with the local community to ease the difficult circumstances and address any immediate problems during the outage. Our contingency arrangements ensured that electricity supply was restored to essential services within hours, and through the installation of mobile generators, electricity supplies were restored to 80 percent of customers within 48 hours. The effectiveness of our response enabled Powerlink to install a replacement transformer in just six days, a task which would normally be scheduled to take three weeks.

A series of exercises held this year have tested and identified opportunities for further refinement of our emergency management processes and procedures. A review and reissue of our *Corporate Emergency Management Handbook* ensured this critical document continues to be relevant and timely.

Our involvement with the National Pandemic Working Group and the National Energy Infrastructure Advisory Group afforded Powerlink access to information that adds further value to our Emergency Response procedures, and strengthens relationships with key agencies involved in emergency response activities.

Powerlink worked closely with Ergon Energy to restore power to households and businesses in Collinsville after a lightning strike caused extensive damage to a transformer at Collinsville Substation.

Top: *Alf Bonanno, Northern Area Engineer, oversees restoration works at Collinsville Substation.*

Bottom: *Andrew Black, Testing and Commissioning Engineer, and Simon Bartlett, Chief Operating Officer, during testing of the replacement transformer at Collinsville Substation.*

Network Strategy

Steve Saunders, Network Controller, and Rick Santin, Manager Network Operations, in the Network Operations Centre.

Infrastructure security

Our approach to security management has continued to evolve this year with the establishment of focused working groups charged with ongoing implementation and management of our security policy. Our policy recognises Powerlink's 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 continued as participating members of the International Electricity Infrastructure Assurance Forum, which enabled Powerlink to access important security information, training and workshops, ensuring that our security strategies continue to be in line with our contemporaries worldwide. Through the Energy Networks Association, we also participated in an Australian security forum.

Our ongoing involvement with State and Federal Agencies is consistent with 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.*

Planning for growth – securing easements

Our robust planning process identifies emerging requirements for Powerlink's transmission network. Where possible and practical, we seek to acquire easements well in advance of the need to construct new transmission lines. Powerlink takes this approach to provide landowners and the community with certainty about the location of future powerlines, and to allow better land use planning by councils, developers and government agencies.

During 2006/07, Powerlink progressed a number of easement and substation site acquisition projects involving extensive landowner and community consultation, and environmental, technical and economic investigations.

Easements and substation sites gazetted in 2006/07 included:

- Broadsound to Nebo 275 kilovolt transmission line;
- Calvale to Larcom Creek 275 kilovolt transmission line;
- Lilyvale to Blackwater 132 kilovolt transmission line;
- Middle Ridge to Greenbank 330/275 kilovolt transmission line;
- Nebo to Pioneer Valley 132 kilovolt transmission line;
- Nebo to Strathmore 275 kilovolt transmission line;
- Ross to Yabulu South 275 kilovolt transmission line;
- Townsville South to Townsville East 132 kilovolt transmission line;
- Tully to Innisfail 275/132 kilovolt transmission line;
- Abermain 275/110 kilovolt Substation;
- Alligator Creek 275/110 kilovolt Substation;
- El Arish 132/22 kilovolt Substation;
- Oakey 110 kilovolt Substation;
- Teebar Ck 275/132 kilovolt Substation;
- Tully 132/22 kilovolt Substation.

In Focus:

Brad Scott

Works Control Manager

Substation Field Projects

"Australia's only live substation technicians work with Powerlink.

Highly trained in specialist techniques and equipment, they are also specialists in developing new procedures to increase their capability and the range of live work they can undertake. For Powerlink, this means we have more capability to reduce the impact on customers by minimising the number of equipment outages on our network.

In early 2007, we began assessing and preparing a new procedure to disconnect eleven isolators from the live 275 kilovolt bus bars at Tarong Substation, to provide access for the isolators to be replaced without any negative impact on the security of electricity supply to customers.

This first-time procedure involved almost four months of preparation, including a full on-site scoping, structural calculations, plant assessment, and development of new tools and equipment. As this was a critical and complex procedure, we took the additional step of holding an off-site simulation in advance.

The procedure demands a full day to disconnect the isolator, then another day to reconnect after the replacement was completed. So far, we have completed two of 11 bus bar disconnection and reconnections, with both jobs going precisely to plan."

Pictured: *Brad Scott, Works Control Manager – Substation Field Projects, ensures live substation work is going to plan at Tarong Substation. (In background) Live Substation Technicians, Jason Houghton, Mark Badrick and Lorne Markham.*

Looking forward to 2007/08

- We expect to invest more than $680 million in capital works during 2007/08.
- We will continue to refine and improve our project management processes to optimise our capital works program.
- We will continue to retrofit Optical Fibre Ground Wire to key transmission lines on our network to achieve improved control and monitoring of our assets.
- Powerlink will undertake easement acquisition for a range of future transmission projects throughout the State.

Network Development

Future large network assets: Powerlink is required to undertake the assessment process outlined in the National Electricity Rules (the Rules) and apply the Australian Energy Regulator's (AER's) Regulatory Test prior to implementing proposed network developments to address potential limitations on our network.

At a glance

- Three Rule Consultation and Regulatory Test assessments were completed, identifying future network augmentations.
- We are undertaking detailed market simulation studies to evaluate the costs/benefits of upgrading the Queensland/New South Wales Interconnector.
- Seven major projects were commissioned in time to ensure future reliability of electricity supply in Queensland.

Powerlink undertakes rigorous investigation and consultation with market participants to identify the most economic solution to an emerging network limitation.

Powerlink finalised three Rule Consultation and Regulatory Test assessments during the 2006/07 year. The recommended augmentations became committed projects and are included in Powerlink's capital works program. A further three assessment processes were commenced.

Queensland/New South Wales Interconnector

The Queensland/New South Wales Interconnector (QNI) continues to deliver substantial benefits to the National Electricity Market (NEM) by enabling generation capability to be shared between Queensland and other States in the NEM.

During 2006/07, the QNI flowed southwards (into New South Wales) around 96 percent of the time, and northwards (into Queensland) around four percent of the time. The QNI has a maximum power transfer capacity of about 1,100 megawatts southwards and 700 megawatts northwards.

A pre-feasibility study undertaken in 2005 by Powerlink and its New South Wales counterpart, TransGrid indicated that a modest upgrade of the capability of the QNI may be justified under the Regulatory Test. However, there have been recent commitments of new generating capacity in New South Wales which defer the benefits of an upgrade to the QNI.

Powerlink and TransGrid are currently proceeding with detailed market simulation studies of the QNI upgrade options, in order to ascertain when, and if, any upgrades are economically feasible. Powerlink is committed to investing in QNI upgrades that will deliver positive net benefits, as defined by the AER Regulatory Test.

Rule Consultation and Regulatory Test processes completed in 2006/07

Consultation process	Outcome/commitments
Supply to Rockhampton City and the Keppel Coast	Construction of Bouldercombe to Pandoin 132kV transmission line
Supply to the Thuringowa area	Construction of Ross to Yabulu South 275kV transmission line and 132kV substation at Yabulu South
Supply to Southern Queensland	Installation of capacitor banks at Wurdong and Palmwoods

Seven major projects were commissioned in time to ensure future reliability of electricity supply in Queensland.

Construction Managers Tony Janas and Adam Hammersley at Powerlink's new Goodna Substation near Ipswich.

Network Development

Major projects under construction in 2006/07

Region	Project	Brief description	Project purpose	Milestones achieved
NORTH QUEENSLAND	Bohle River to Townsville Power Station Transmission Line	Construction of a 132kV replacement transmission line from Bohle River to Townsville Power Station.	To ensure continued reliability of electricity supply to the Townsville area.	Construction began in April 2006.
	Chalumbin to Woree Transmission Line reconfiguration and Woree Transformer	Reconfiguration of the 275/132kV Chalumbin to Woree transmission line and installation of a second 275/132kV transformer 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.	Works began in March 2006.
	Ross to Townsville South to Townsville East Transmission Line and Townsville East Substation	Construction of a 132kV transmission line between Ross and Townsville South Substations, and between Townsville South and Townsville East Substation, and construction of a new 132/66kV substation at Townsville East.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Townsville South and Townsville East areas.	Construction of the Townsville East Substation began in February 2007. Construction of the transmission lines began in May 2007.
	Strathmore Substation	Installation of a 275kV Static VAr Compensator at Strathmore Substation.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the North and Far North Queensland areas.	Works began in September 2006.
	Tully to Innisfail Transmission Line	Construction of a 132kV transmission line between Tully and Innisfail Substations as a replacement for the ageing Kareeya to Innisfail 132kV Transmission Line.	To ensure continued reliability of electricity supply to Far North Queensland.	Construction began in October 2006.
	Broadsound to Nebo Transmission Line	Construction of a 275kV transmission line between Broadsound and Nebo.	The first of a three-stage solution to ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in North Queensland.	Construction began in February 2007.

Major projects under construction in 2006/07 *(continued)*

Region	Project	Brief description	Project purpose	Milestones achieved
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.	Five Static VAr Compensators have been progressively installed.
	Lilyvale to Blackwater Transmission Line	Construction of a 132kV transmission line between Lilyvale and Blackwater Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the inland Central Queensland mining area.	Construction began in October 2006.
	Nebo to Pioneer Valley Transmission Line	Construction of a 132kV transmission line between Nebo and Pioneer Valley Substations.	To reinforce electricity supply to the Mackay area.	Construction began in June 2006.
	Teebar Creek Substation	Construction of a 275/132kV substation at Teebar.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Wide Bay area.	Construction began in October 2006.
SOUTHERN QUEENSLAND	Abermain Substation	Construction of a 275/110kV substation at Abermain.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Ipswich area.	Construction began in June 2006.
	Algester Substation	Construction of 110/33 kV substation at Algester.	To ensure continued reliability of electricity supply and increase capacity to meet growth in electricity demand in Algester, and the south west Brisbane areas.	Commissioned in March 2007.
	Belmont to Murarrie Transmission Line	Construction of a 275kV transmission line between Belmont and Murarrie Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growth in electricity demand in the Brisbane CBD, Australia TradeCoast region, south eastern suburbs of Brisbane and surrounding areas.	Commissioned in September 2006.

Network Development

Major projects under construction in 2006/07 *(continued)*

Region	Project	Brief description	Project purpose	Milestones achieved
SOUTHERN QUEENSLAND *(CONTINUED)*	Goodna Substation	Construction of 275kV/110kV Goodna Substation.	To ensure continued reliability of electricity supply and increase capacity to meet growth in electricity demand in south west Brisbane and the Ipswich area.	Commissioned in September 2006.
	Greenbank to Maudsland Transmission Line and Greenbank Substation	Construction of a 275kV transmission line between Greenbank and Maudsland Substations and construction of a new substation at Greenbank.	To ensure continued reliability of electricity supply and increase capacity to meet growth in electricity demand in the Gold Coast and Tweed regions.	Commissioned in October 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 region, and to reinforce the electricity network supplying South East Queensland.	Construction began in June 2006.
	Molendinar Substation	Redevelopment of the 110kV section of the Molendinar Substation.	To ensure continued reliability of electricity supply in the northern Gold Coast region.	Commissioned in July 2007.
	South Pine Substation	Major refurbishment and plant uprating of the 275kV section of the South Pine Substation.	To ensure continued reliability of electricity supply and to meet growth in electricity demand in Brisbane and the south east corner of Queensland.	Commissioned in March 2007.
	Sumner Substation	Construction of a 110/11kV substation at Sumner.	To ensure continued reliability of electricity supply and increase capacity to meet growth in electricity demand in the south west Brisbane area.	Commissioned in October 2006.
	West Darra Substation	Replacement of aged equipment at the 110kV West Darra Substation.	To ensure continued reliability of electricity supply in the south west Brisbane area.	Construction began in March 2007.

In Focus:

Max Gardener

Line Construction Manager

Greenbank to Maudsland

Transmission Line Project

"It's vital to have good relationships with the landowners affected by the construction works on a transmission line project. It's in everyone's best interest.

On the Greenbank to Maudsland project we worked with landowners who comprised private individuals, Councils, government agencies and property developers.

Each landowner has his or her own preferences and priorities. We respect that and try to accommodate those as much as we reasonably can within our work program.

While we were building the new line, a number of property developers were also developing parcels of land traversed by, or adjacent to, our easement. We initiated close working relationships with these developers to coordinate aspects of our construction projects.

At times that meant adjusting our construction activities by a week or two, but it ensured both construction programs went ahead to schedule, without unnecessary hold ups.

Our cooperative approach helped us to deliver the Greenbank to Maudsland line in October 2006 on schedule, to reinforce electricity supply to the fast-growing Gold Coast region."

Pictured at top: Max Gardener, Construction Manager, discusses the new Greenbank to Maudsland transmission line with a property owner.

Pictured at bottom: Mike Tomlinson, Construction Manager, and Trent Williams, Line Inspector. (In background) Alf Bonanno, Northern Area Engineer, discusses maintenance of the new Lilyvale to Blackwater transmission line with Ergon Energy.

In Focus:

Mike Tomlinson

Line Construction Manager

Lilyvale to Blackwater

Transmission Line Project

"This new 132 kilovolt transmission line, from Lilyvale to Blackwater, was driven by the growing demand for electricity in the booming southern Bowen Basin area, which produces about 85 percent of Queensland's coal.

We're focused on delivering this project, on schedule, by the coming summer to support the resources industry in towns including Biloela, Moura, Blackwater and Emerald, and the QR coal rail transport network.

There have been a few challenges, but the job is running smoothly. We've built good relationships with landowners and Councils, and work closely with our contractors to ensure we meet our environmental and Cultural Heritage obligations.

We're also using a new pole structure, designed by Powerlink, to deliver a more timely construction program."

Looking forward to 2007/08

- Powerlink will complete the regulatory processes for the following augmentations:
  - Supply to the Bowen area; and
  - Supply to Southern Queensland.
- Construction will commence on the following transmission line projects:
  - Nebo to Strathmore 275 kilovolt transmission line;
  - Bouldercombe to Pandoin 132 kilovolt transmission line;
  - Ross to Yabulu South 275 kilovolt transmission line; and
  - Innisfail to Edmonton 132 kilovolt transmission line.
- Construction will commence on the following substation projects:
  - Pandoin 132/66 kilovolt Substation establishment;
  - Yabulu South 132 kilovolt Substation establishment;
  - South Pine 110 kilovolt Substation replacement; and
  - Belmont 110 kilovolt Substation replacement.

Environment

Environmental Management System: Our Environmental Management System (EMS) provides a framework for the management and monitoring of our environmental performance.

At a glance

- No reportable environmental incidents occurred as a result of Powerlink's activities during 2006/07.
- An audit of our Tully to Innisfail transmission line construction project by the Commonwealth Department of Environment and Water reported a high level of compliance.
- We invested in a number of new research projects to identify opportunities to improve the effectiveness of our land management practices.

The EMS identifies areas of potential environmental impacts, the measures to mitigate impacts and responsibility for those aspects within Powerlink. Progress and performance are assessed quarterly and reported to Powerlink's Executive Environmental Steering Committee.

A review of our EMS was conducted this year, resulting in changes to our management approach. Whereas previously each aspect has been owned by an individual role within Powerlink, we have now migrated ownership of each aspect to a cross-disciplinary team, enabling a cooperative approach to the identification of improvement opportunities and collective actioning of strategies.

Monitoring environmental performance

No reportable environmental incidents occurred as a result of Powerlink's activities during 2006/07.

With an increase in Powerlink's construction activity, additional resources were provided to ensure rigorous environmental performance and compliance monitoring will be maintained. Environmental performance on our construction projects is reported to the Executive Environmental Steering Committee.

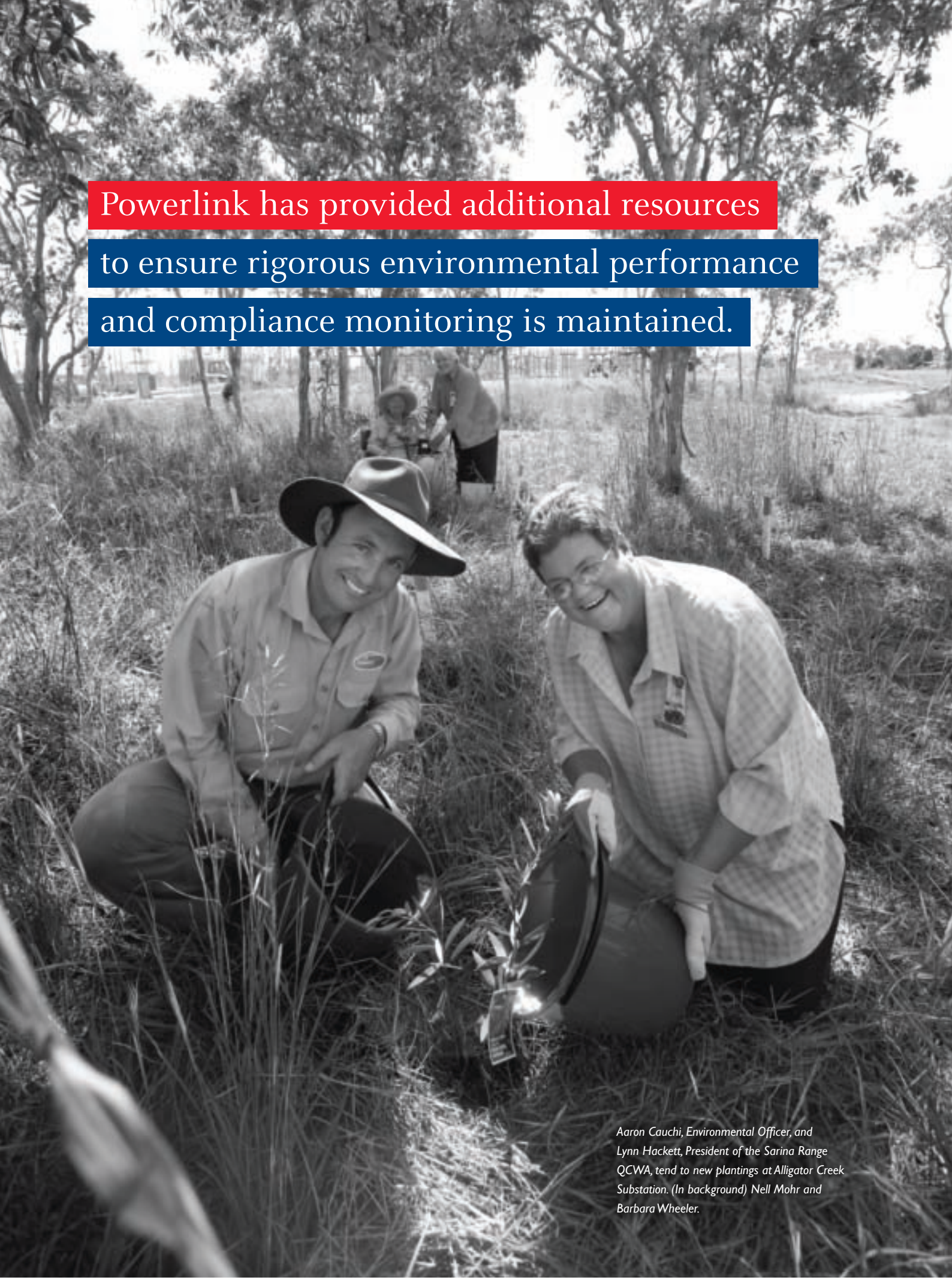
This year we increased the frequency of the environmental performance reports from our service providers from annually to quarterly. These will be verified by regular audits.

Our Tully to Innisfail transmission line construction project was randomly selected to be audited against compliance with the *Environmental Protection and Biodiversity Conservation (EPBC) Act 1999* by the Commonwealth Department of Environment and Water. This was the first time an electricity industry project has been selected for auditing against the *EPBC Act*. Powerlink's performance was reported to be a generally high level of compliance.

Environmental training

We continued to provide Powerlink employees with environmental training and information to help create a culture where environmental protection is accepted as an intrinsic part of every job. Training for new employees and refresher courses for existing employees ensured all our people understand Powerlink's corporate environmental policy and responsibility, as well as their individual responsibility to environmental protection.

Powerlink has provided additional resources to ensure rigorous environmental performance and compliance monitoring is maintained.



Aaron Cauchi, Environmental Officer, and Lynn Hackett, President of the Sarina Range QCWA, tend to new plantings at Alligator Creek Substation. (In background) Nell Mohr and Barbara Wheeler.

Environment

Powerlink's transmission line connection to Braemar Power Station near Dalby.

We also delivered training on the use of generic Environmental Management Plans developed as a strategy to establish consistent standards of environmental control on all Powerlink projects. A practical workshop was developed to meet the specific needs of a number of work teams, including those involved in construction, maintenance and easement acquisition.

In providing relevant environmental information to our employees, we delivered important operational information, as well as information from a more global perspective, which encourages our people to consider and value their contribution to environmental protection on a broader scale.

Our environmental intranet was reviewed and upgraded during the year to achieve a more user-friendly interface and a more comprehensive information repository for our people and service providers.

Working in cooperation with our service providers, we reviewed technical standards and related training for works undertaken on our network in the Wet Tropics areas of North and Far North Queensland. This will see further improvements in the way we maintain and monitor our assets within the World Heritage area.

In an important step towards the establishment of national standards, we participated in an Energy Networks Association working group to develop national training competencies for environmental issues.

Water management initiatives

A Water Efficiency Management Plan prepared for our Virginia site assessed staff and management attitudes and behaviour toward water use, and recorded actual water use throughout the site. The plan identified opportunities to reduce water consumption, and recover and reuse water for the site, and has already realised significant reductions in our water usage.

We are also progressively installing water monitoring points to review water use at substations connected to town water supplies. Rainwater tanks are already installed at many of our substation sites and a review is underway to investigate other suitable sites around the State.

Powerlink is also reducing water usage on construction sites where water restrictions are in place, while still meeting environmental, community and safety obligations. Methods being used to minimise dust include restricting the speed and movements of construction vehicles, minimising vegetation clearing, using mulch or gravel on exposed soil, and stabilising embankments and stockpiles. When it is necessary to use water for dust suppression, Powerlink is using bore or recycled water in drought affected areas where possible.

To further reduce our water usage, we are trialling a new dust suppression additive which requires less frequent re-application and greatly reduces the amount of water required for dust suppression.

Managing greenhouse performance

Powerlink continued a long term commitment as a signatory to the Greenhouse Challenge Plus, a voluntary program operated by the Federal Government which requires organisations to report annually on their performance against greenhouse targets.

We further progressed and examined the commercial potential for an initiative developed in consultation with the University of Sydney to develop and refine a new system to remove sulphur hexafluoride gas (SF6) from high voltage equipment in the field. The new process cleans and purifies the gas at the same time, allowing it to be recycled for use in high voltage equipment.

Pollution prevention and monitoring

Powerlink undertakes programs to minimise the potential for release of pollutants to the environment as a result of our operations. During 2006/07, we maintained our program of periodic sampling of discharge water from substation separation systems to confirm the efficient and effective operation of the system that prevents the discharge of oil from substation containment systems to the environment.

Oil containing polychlorinated biphenyls (PCB) continued to be removed from service through end of life substation equipment replacement and targeted oil replacement. This program of PCB management is undertaken in support of Australia's implementation of the *Stockholm Convention on Persistent Organic Pollutants*.

Environmental offsets program

Powerlink is committed to operational excellence in its environmental performance, including compliance with our obligations and mitigation of environmental impacts in all of our operations. As an extension to our day-to-day environmental management strategies, we developed a pilot environmental offsets program which will provide funding for worthwhile environmental initiatives and projects in close proximity to our transmission assets.

The pilot program was developed in cooperation with SEQ Catchments and will be implemented during 2007/08. The process will involve a call for project submissions from a designated local area.

Each project will be assessed against the biodiversity objectives for the pilot program, including its ability to protect rare and threatened species, improve or re-establish corridors to link existing remnant areas, or improve existing high conservation areas through weed or other environmental management measures.

The offsets pilot program was developed to be consistent with the framework of the Environmental Protection Agency's Green Invest Program.

Weed control and management

Powerlink is committed to continual improvement in weed control and management measures. We continue to work cooperatively with landowners to implement weed management strategies that deliver a mutual benefit during the construction and maintenance of our transmission assets.

Through management strategies including vehicle washdown regimes and seed destruction, and compliance with Environmental Management Plans, we aim to maintain weed-free access to our assets, so that vehicle access is not restricted.

Research and development

We have a well established and demonstrated commitment to meeting Powerlink's environmental responsibilities by integrating land management principles and practices throughout our operations and activities. This commitment also includes funding environmental research that relates to Powerlink's operations by enhancing our environmental management performance and delivering operational efficiency.

We continued to strengthen our relationships with universities, industry partners and stakeholders to create valuable collaborations in effective land management.

Environment

Top: Kangaroos on the new Lilyvale Blackwater transmission line south west of Emerald.

Bottom: Eddie van der Draai, Construction Manager, washes his vehicle at a weed wash down facility on the Nebo to Pioneer Valley transmission line project in Central Queensland.

North Queensland frog study

Powerlink committed to a long term study of frogs in the lowland Wet Tropics of Queensland, including the area impacted by our Tully to Innisfail transmission line project. The study, being undertaken by James Cook University, will examine interactions of frog populations with habitat use and disease distribution. The James Cook University study will complement a larger project studying frog populations in highland areas and allow comparisons between lowland and highland frog populations.

Researching the impacts of linear infrastructure

This year we extended the research previously undertaken in North Queensland rainforests investigating the effects of linear infrastructure (including transmission lines) and easement maintenance on ecosystems.

Three projects were undertaken by James Cook University, with the aim of increasing Powerlink's knowledge and understanding to assist us in better managing our construction and maintenance activities:

- Review of the impacts from Cyclone Larry on easements and within the rainforest – reported in mid 2007;
- Review of the impacts on the ecosystems on transmission easements at the same monitoring points that were included in the previous rainforest research – to be reported in early 2007/08; and
- Review of linear impacts within savannah ecosystems – to be reported in early 2007/08.

The review of the impacts from Cyclone Larry measured vegetation damage and understorey microclimate six months after the passage of the cyclone and compared this with measurements made at the same study sites prior to the cyclone.

Key findings from the study indicate that vegetation damage and changes in the understorey microclimate regime were slightly reduced near powerline edges. The greater density of canopy and subcanopy foliage at the powerline edges appears to have sealed off the forest edge, offering some degree of protection from severe wind damage.

Investigating arboreal species movement across easements

Powerlink committed to a three year research project, in cooperation with the University of Queensland, to establish strategies to avoid interactions between arboreal species, such as Squirrel Gliders, and high voltage networks.

Research improves revegetation and rehabilitation works

Powerlink is working with environmental consultants Biotropica to undertake research to identify the most effective method of propagating plant species for future rehabilitation work on our easements in the Wet Tropics Rainforest. All stages of the direct seeding process will be examined, including the site preparation, species selection and protection of young seedlings, to identify strategies to maximise the success rate of future plantings. The research project was developed in close consultation with the Wet Tropics Management Authority and affected landowners.

An additional research project being undertaken with Griffith University is examining critical factors in the use of direct seeding technologies for the revegetation of highly disturbed sites in tropical and sub-tropical Queensland.

To ensure the management of erosion and weeds on easements, Powerlink is undertaking research to select a number of region-specific native ground cover species that will grow and thrive in each of the identified agro-climatic zones within Central Queensland. This three year research project with Central Queensland University will create a species list for use during revegetation and maintenance works on Powerlink easements.

Weed seed destruction and mobile cleandown investigations

A three year project is underway with the University of Queensland to investigate the effectiveness of techniques for the destruction of weed seeds, including the use of heat and chemicals, and the practicality of using these techniques in the field. The research project will also examine opportunities for improvements in the washdown methods for vehicles and equipment to identify the best methods for weed control on transmission line easements during construction and maintenance activities.

This project investment demonstrates Powerlink's commitment to continual improvement in weed control and management measures.

Pictured: *Peter Briggs, Environmental Officer, is leading a project to minimise erosion on a Powerlink easement on John and Donna Jackwitz' property at Grandchester, west of Brisbane. (In background) Property Consultant, Neil Young, discusses the new Middle Ridge to Greenbank transmission line with Mr Jackwitz.*

In Focus:

Peter Briggs

Environmental Officer

Middle Ridge to Greenbank Transmission Line Project

"During construction of the Middle Ridge to Greenbank transmission line, we identified that we needed a new approach to manage the easement in high erosion prone areas so that it is stable, not only when we complete construction, but for the long term.

It was essential that the landowner was part of the long term solution, so that future land use does not reverse the good outcomes achieved during construction.

The first step was to minimise the soil disturbance when clearing vegetation. We felled timber by hand, and where possible, let it lay on the contour to create barriers to stop the concentration of any run off which could accelerate erosion. Root balls were also left in the ground to protect subsoil from the elements.

Because this approach could affect the immediate and medium-term land use on the easement, we reached an agreement with each landowner to develop a farm management plan and to reimburse the landholder for any loss of productivity.

Essentially Powerlink has responsibility for proper management of the land in the short term, while the landholder is involved and responsible for the land management in the longer term.

This new approach has been welcomed by Local Government and landowners, who include graziers, millers and developers.

The University of Queensland will undertake research to assess the outcomes of the project and we expect the learnings will be used by Powerlink in the future to work with landowners on land management issues."

Looking forward to 2007/08

- With SEQ Catchments, we will implement a pilot Environmental Offsets Program in South East Queensland to provide funding for worthwhile projects that meet our biodiversity conservation objectives.
- We will participate in the Australian Greenhouse Office's audit of our performance against our commitments in our Greenhouse Challenge Plus agreement.
- We will progress the development of national environmental training competencies through our participation in the Energy Networks Association.
- We will continue to resource and progress our research projects with a view to realising opportunities to further integrate land management principles and practices throughout our operations and activities.

Community

Creating community relationships: We recognise the value of building long term, cooperative partnerships with landowners and communities to deliver positive, sustainable outcomes that benefit individuals, communities and the environment near our assets.

At a glance

- Eleven new projects in Townsville and Thuringowa were funded by the Community Environment Fund.
- The Greening Lockyer program received a 2006 Prime Minister's Award for Excellence in Community Business Partnerships.
- The Greening the Gaps program provided funding for revegetation works in seven Brisbane parks.

Strong community connections are integral to our business success, and Powerlink's ability to meet the growing demand for electricity in Queensland.

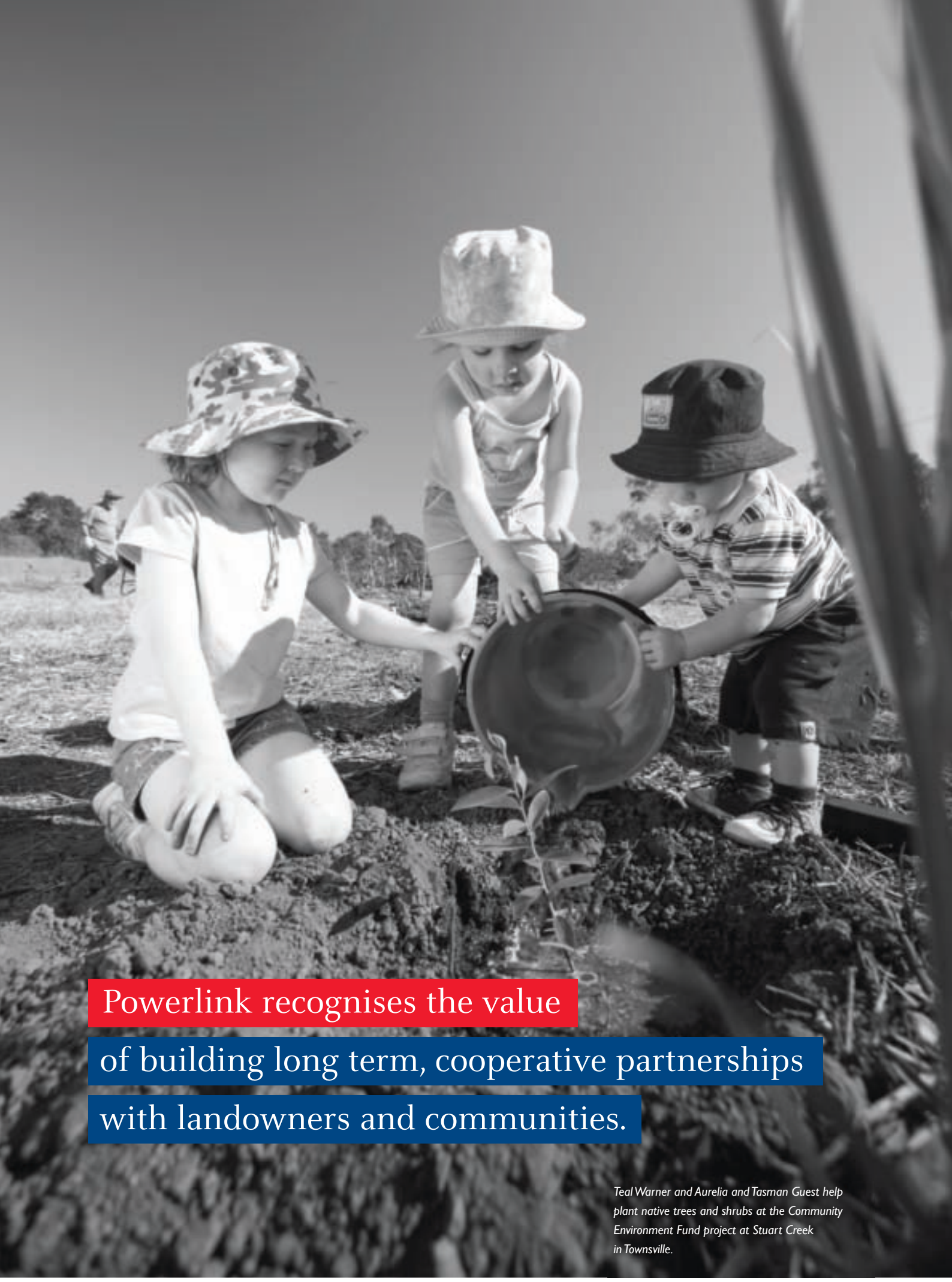
We endeavour to work closely with local communities when developing, maintaining and operating our transmission network. We work with affected stakeholders, landowners, and the local community to minimise the impact of our projects. At the same time, Powerlink must meet its obligation to deliver a reliable and cost effective high voltage electricity supply.

We implemented a Code of Conduct for contractors and consultants, consistent with our Code of Conduct for employees. The Code provides advice on Powerlink's expectations of behaviour displayed by our contractors and consultants when working on a landowner's property. The inclusion of the Code in construction contracts ensures these behaviours are measurable and accountable.

Community Environment Fund forms partnerships

The Community Environment Fund is a three year program funded by community grants from Powerlink and our project partners, the Townsville City Council and Thuringowa City Council. The program aims to enhance the environmental properties of the Townsville and Thuringowa region, and minimise the visual impact of Powerlink's transmission infrastructure in the area. At the same time, the project forms important partnerships with residents and community groups.

The Townsville and Thuringowa area is strategically important to Powerlink, with a number of current and future network developments identified to meet the increasing electricity needs driven by population and industrial growth in one of Australia's fastest growing regions. Additionally, the program provides practical horticultural experience for people participating in Work for the Dole and Community Jobs Plan programs.



Powerlink recognises the value of building long term, cooperative partnerships with landowners and communities.

Teal Warner and Aurelia and Tasman Guest help plant native trees and shrubs at the Community Environment Fund project at Stuart Creek in Townsville.

Community

Dr Greg Baxter and Janelle Zahmel from the UQ Gatton Campus, Powerlink Property Consultant, Neil Young, Wayne Wendt, the Member for Ipswich West, and Mark Glindemann from the UQ Gatton Campus, at an event celebrating the success of the UQ Gatton Campus Environment Precinct, a Greening Lockyer project.

The Community Environment Fund entered its third year, with Round Three projects launched in early 2007. Eleven new projects received funding in Round Three, bringing the total number of projects funded by the Community Environment Fund to 26. As experienced with other projects supported by the Community Environment Fund, the Round Three projects were successful in attracting considerable in-kind support.

Now in its final year, the Community Environment Fund has delivered significant environmental and community outcomes, and has strengthened relationships with community members, environmental groups and Councils within the region.

Summary of benefits to 30 June 2007

Number of Round One projects undertaken	15 projects
Number of Round Two projects undertaken	11 projects
Volunteer participation	1,290 people
Volunteer hours contributed	15,773 hours
Participants – Employment and Training Programs	207 people
Trees, shrubs and ground covers planted	16,305 plants
Work to restore ecosystems	53 hectares
Areas cleared of weeds	55.5 hectares

Greening Lockyer program success

Although the active phase of the Greening Lockyer program has concluded, Powerlink continued to fund a three year maintenance program to ensure the sustainability of projects undertaken by the catchment-wide program. Our program partners, Esk, Gatton and Laidley Shire Councils, are now responsible for the distribution of maintenance project funds to worthwhile projects and initiatives, and are carrying out the maintenance work in association with the community groups originally responsible for the project.

Greening Lockyer provided funding for 20 projects which involved more than 2,600 people and eight schools, saw the planting of close to 40,000 trees, and the creation of 240 employment and training opportunities.

In recognition of the achievements of the program, Greening Lockyer received a 2006 Prime Minister's Award for Excellence in Community Business Partnerships in the Queensland Large Business category. The Awards aim to reward and recognise those businesses and community organisations which come together to generate outcomes that have a long term benefit for the community.

Greening the Gaps revegetates Brisbane parks

Greening the Gaps is a three year partnership with Brisbane City Council that funds revegetation works in and around Powerlink's easements in targeted areas within Brisbane.

This second year of Greening the Gaps saw seven projects completed in parks throughout Brisbane, and a further five projects continued to progress to schedule.

The projects range from weed clearing and management through to amenity plantings and the development of community access tracks, including works to control erosion.

Increasing the habitat value of Bulimba Creek catchment

The Bulimba Creek Oxbow Rehabilitation Project is an alliance between Bulimba Creek Catchment Coordinating Committee (B4C), Greening Australia and government and industry partners, including Powerlink, that was formed to rehabilitate a highly degraded wetland area impacted by significant infrastructure projects.

As a committed member of this alliance, Powerlink continues to work with B4C to achieve positive environmental outcomes on sections of our transmission line easement which runs parallel to and across Bulimba Creek. Our work with B4C to revegetate the significantly degenerated areas of land surrounding the easement has increased the habitat value of the area and enhanced the visual screening afforded to the local community.

B4C continues to progress the development of the Southside Sustainability Centre on land leased from Powerlink under a favourable arrangement. Powerlink is a foundation 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 on sustainability and its practical implementation.

Supporting the Smith Family

In support of the Smith Family's 2006 Christmas sponsorship campaign, Powerlink provided a financial donation and supported employee fundraising initiatives and donations of educational books. In addition, 39 Powerlink people volunteered to pack and distribute goods including hampers and toys at The Smith Family Distribution Centre in the lead up to Christmas.

Community and industry sponsorships

Powerlink's robust sponsorship framework supports strategic partnerships with activities and organisations in the areas of industry education, community and environment. Twenty-nine initiatives received sponsorship support from Powerlink during 2006/07, including proposals made by the Local Government Association of Queensland, the Queensland Energy Museum, Engineers Australia, Nebo Shire Council, the Brisbane North Development Forum, the Innisfail and District Historical Society, and the Collinsville May Day Committee.

Integrating infrastructure into communities

Powerlink works cooperatively with local government, planners and developers to integrate essential transmission infrastructure into communities in a considered way.

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.

Our planned capital works projects are identified in the *South East Queensland Infrastructure Plan and Program* and the *Local Growth Management Strategies* prepared by Local Governments in South East Queensland.

Chris Scott, Strategies and Development Engineer, and Horacio Vallero, Project Manager, volunteering for The Smith Family at Christmas.

Community

Information about Electric and Magnetic Fields

Powerlink recognises that some members of the community have interest regarding the possible long term health effects of prolonged exposure to Electric and Magnetic Fields (EMF) associated with transmission infrastructure. In response to public enquiries about EMF, we provide information in the form of brochures, videos and website references to authoritative information sources. Powerlink also provides a free EMF measurement service to residents living near our assets.

We closely monitor international research on this issue and rely on expert advice from competent health authorities in Australia and from around the world. Powerlink is a member of the National EMF Committee of the Energy Networks Association (ENA), which subscribes to an international EMF update service, providing Powerlink with regular updates on the latest worldwide research and developments on the issue.

Powerlink applies a policy of seeking to locate new powerlines away from houses, schools and other buildings and adheres to all Australian standards regarding Electric and Magnetic Fields (EMF).

In late 2006, the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) released its *Draft Radiation Protection Standard for Exposure Limits to Electric and Magnetic Fields 0HZ-3KHZ* (Draft Standard) and its accompanying Regulatory Impact Statement which applies to EMF from powerlines, electrical wiring and electrical appliances in the home, and electrical machinery in workplaces.

Powerlink participated in the ongoing consultation process and has made a submission on the Draft Standard and the Regulatory Impact Statement. As a member of the ENA, Powerlink has also supported the Association's submission on the Draft Standard.

In Focus:

Libby Guest

Program Coordinator

Community Environment Fund

"You couldn't ask for better neighbours! Living next door to Powerlink's Ross Substation for more than 15 years, Don and Jan Glasgow had voluntarily revegetated the vacant land adjacent to the substation and their home.

With the construction of the new Ross to Townsville South transmission line, Powerlink needed to remove and trim some of the larger trees that Don and Jan had planted. We worked closely with them to minimise the impact of that work and achieve an outcome that was safe, yet preserved most of the vegetation.

Through the Community Environment Fund, a Powerlink initiative, we were able to access funds to plant an additional 700 trees that are native river vegetation in the same location – enhancing and expanding the wonderful environment that Don and Jan had begun to create.

With continued enthusiasm, Don and Jan have been involved in our community planting days and have taken on responsibility for watering the newly planted vegetation.

Just one of the 26 projects funded by the Community Environment Fund, the revegetation project has established a habitat niche for birds and other wildlife, and creates a screen to reduce the visibility of the new transmission line."

Pictured: *Don Glasgow and his wife Jan (second from right) with Community Environment Fund Coordinator, Libby Guest, and Construction Manager, Wayne O'Brien.*

Looking forward to 2007/08

- The 26 projects funded by the Community Environment Fund will be completed, delivering environmental and social benefits to the Townsville and Thuringowa communities.
- We will advance a new strategic community partnership program in southern Queensland.

People

Our people: Powerlink employs a permanent workforce of 843 in a variety of professional, technical, trade, specialist and administrative roles.

At a glance

- Further development of our recruitment processes has ensured Powerlink continues to attract the skills and capabilities necessary to deliver our record capital works program.
- Scheduled audits of our health and safety performance showed positive outcomes and strong employee commitment to safety.

Our workforce grew by more than 16 percent during 2006/07, compared with 14 percent during 2005/06, as we undertake our most significant capital works program to date.

We continue to review and evolve our employment proposition and recruitment strategies to ensure that we attract and retain motivated and capable employees. Our low turnover rate of 4.2 percent during 2006/07, reflects the value of our rewarding and enjoyable work environment. Despite the growth in employee numbers in recent years, almost 50 percent of our workforce have more than five years of service, a factor which contributes significantly to our organisational capability and potential to support new employees.

During the past year, 37 percent of recruitment appointments were awarded to existing employees, confirming our open approach to promoting from within and our commitment to providing career opportunities for our people.

Most Powerlink employees are based at our head office at Virginia in Brisbane. However, during 2006/07 we established two new temporary site offices, bringing to a total of five the number of temporary construction site offices located throughout Queensland to accommodate project staff.

Safety at work

Powerlink is committed to achieving operational excellence in safety, through the creation and continuous improvement of a culture in which all employees regard safety as their first priority, where there are zero accidents, and where safety is systematically and actively integrated into all work.

Our performance in relation to workplace health and safety and electrical safety is overseen by Powerlink's Safety Steering Committee 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.

Changes in the external environment such as amendments to the *Workplace Health and Safety Act 1995* and the *Electrical Safety Act 2002* necessitate a continual review of our work processes associated with planning, designing, operating and maintaining the transmission network. We continued to monitor and review business processes and work practices to ensure compliance with legislation and best practice.

Powerlink continues to attract and retain people of the highest calibre to enable us to deliver our demanding works program.

Scott Zillman, Live Substation Technician, looks on as Brett Hanan, Training and Safety Advisor, supervises Darrell McPherson, during training at Goodna Substation.

People

Top: *Jason Houghton and Mark Badrick, Live Substation Technicians.*

Bottom: *Robert Persello, Development Engineer, and Josh Reid, Secondary Systems Apprentice.*

Monitoring safety performance

Powerlink achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.32 for 2006/07, well within target expectations for the period. Our planned internal audit targets were also 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.

Audits are one element of our strategy to ensure that we meet Powerlink's health and safety objectives and obligations. Four Corporate Electrical and Workplace Health and Safety System audits and four High Voltage Isolation and Access (HVIA) audits were completed against our asset management standards, and electrical and workplace health and safety legislative requirements. The audits were performed in the southern, central and northern districts on maintenance, network operations and construction activities. The outcomes showed a strong employee commitment to safety. Some medium- to low-risk non-conformances were observed and in each case corrective action was taken.

An annual external audit of Powerlink's Safety Management System was also completed which certified that Powerlink continues to satisfy the requirements of the *Electrical Safety Regulation 2002*. The 2006/07 audit findings identified a number of system improvements which are addressed in Powerlink's Workplace Health and Safety Continuous Improvement Action Plan.

With Powerlink's increased capital works program, additional resources have been dedicated to managing safety compliance, risk management, inspection and general advice for construction projects. Regional Field Safety Advisors were appointed to assist in managing contractor compliance to Powerlink's requirements relating to workplace health and safety and electrical safety.

Consistent with our aims to empower our people to take control of safety in their workplace, we provided training to enable staff to investigate and report on level one (minor) incidents in the workplace.

Skills Passport implementation

Powerlink continued to progress a pilot program in Queensland for the implementation of an Electricity Supply Industry Skills Passport to provide further assurances that only competent personnel access and operate our high voltage network. We are working in cooperation with ENERGEX, Ergon Energy and other stakeholders on this statewide initiative 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. We are undertaking further investigations into the potential application of *smart card* technology to enable integration of the Skills Passport with Powerlink's existing electronic identity card.

To create a consistent foundation for the Skills Passport authorities, Powerlink, ENERGEX and Ergon Energy undertook a training gap analysis to identify commonalities in training and authorisations across the organisations and identify training requirements.

In consultation with ENERGEX, Ergon Energy and other stakeholders, we refined our HVIA procedures to achieve a uniform suite of procedures, with the intention of creating a new industry standard.

eLearning enhances safety training

During the year, we implemented a new eLearning tool, enabling computer-based learning and assessment for safety training including Electrical Safety and HVIA. The tool will establish a platform to assist our people to maintain their work related skills, qualifications and compliance requirements that support the continued safe and reliable operation of the transmission network. Our commitment to delivering instructor-led training and competency assessment will continue in parallel, where appropriate.

The first training module rolled out in the eLearning environment was refresher training for Powerlink's Electrical Safety Rules, targeting all personnel with current competency in the Rules. The primary focus of the eLearning tool is to develop and deliver 11 on-line safety programs to relevant employees. The eLearning environment may then be adopted more widely to deliver appropriate training and assessment across Powerlink.

Health and wellbeing

To ensure our people continue to have access to effective and user-friendly health assessments, we are undertaking a review of the health assessment process with the assistance of rehabilitation and occupational health specialists. The review will ensure that Powerlink's health assessment process adheres to robust standards in methods of attendance, interpretation and reporting of medical assessments, access to second opinions and annual health assessments for identified groups of workers.

This year, we maintained our commitment to health and wellbeing through the continuation of flu vaccinations programs and the addition of a professional skin screening program. This program was aimed at maximising the early detection of skin cancer and minimising the associated trauma in treating late stage skin cancer. Participation in the skin screening program was open to Powerlink people on a voluntary basis.

The program was well supported by our people, with more than 66 percent of employees accessing the service. The program will be offered on an annual basis.

Promoting and benchmarking safety

Powerlink continues to actively participate in various industry bodies, including the Energy Networks Australia (ENA) Health Safety and Environment Committee and the Electricity Technical Regulatory Committee which provide policy advice to ENA on industry guidelines and standards.

To enable us to benchmark Powerlink's safety guidelines and management against other industries, we also retain membership of relevant national and State-based associations and groups, including Standards Australia.

Employee development

Our commitment to developing our employees assisted Powerlink to attract and retain skilled employees and ensured that we have the capability to meet Powerlink's future work requirements.

Our training and career planning system encouraged our people to pursue their skills development and career aspirations in alignment with organisational capability needs. The system includes access to internal professional and personal development workshops, financial assistance for relevant tertiary studies and secondment opportunities. To ensure our people have access to a range of high quality personal and professional opportunities through a range of public programs, we established a panel of three preferred suppliers.

More than 10 percent of our employees are engaged in employee development schemes, including programs for development engineering officers, graduate engineers, information technology graduates, environmental graduates, administrative trainees and apprentices.

Our 2007 intake of development engineering officers successfully filled the 17 available positions, more than doubling the intake in recent years. This development program was revised to provide an improved learning framework and career path, structured around a four year rotational plan.

Leadership programs

This year we launched two new levels of management development, which will be offered in addition to our existing Senior Leadership Development Program.

The first new program, *Managing Self and Teams for Performance* is aimed at new managers or those aspiring to be managers. Participants will be eligible to receive a *Certificate in Frontline Management* over a period of eight months. The second new program *From Management to Leadership* also runs over a period of eight months, but is aimed at more experienced managers.

Both programs are structured to enable action learning to occur, by allowing participants the opportunity to apply their learning in the workplace during the course of the program. Participants are also offered on-line coaching and support.

Apprenticeships

We recruited seven new apprentices during the year to meet our current and future workforce requirements. Our intake of apprentices increased, with 31 people currently participating in our apprenticeship program in the fields of electrical fitter mechanic, transmission linespersons and electronics and communications.

Our promotional activities resulted in an increased level of interest in apprenticeship positions with Powerlink, including a larger number of adult candidates who now comprise more than 40 percent of our apprentices.

People

We continued to review and evolve our apprenticeship program to ensure it offers a beneficial opportunity for candidates and meets Powerlink's workforce requirements. A review of our electrical fitter mechanic apprenticeships resulted in changes to provide a more streamlined career path for our apprentices.

Recruitment strategies

During 2006/07 Powerlink recruited 137 additional people to fill permanent roles, to meet the requirements of our capital works program. At the same time, the recruitment market has been influenced by a boom in the construction, resources and utility sectors. To retain our ability to attract high calibre employees within this competitive market, Powerlink has continued to implement a range of recruitment strategies.

We have further exploited the web based recruitment system that was adopted during the previous year. The second stage of implementation occurred in January 2007, giving greater control and access to the hiring manager, and realising other efficiency gains.

During its first full year of operation, the web based recruitment tool has delivered benefits including cost savings, improved service delivery and increased process ownership.

Promoting to graduate engineers

With the aim of increasing Powerlink's profile among university graduates, we participated in career fairs and career markets at the major electrical and power engineering universities. We also participated in the Indigenous Jobs Market and the National Careers and Employment Expo.

Powerlink is a founding member of the Power Engineering Alliance (PEA), established in late 2006 under an agreement between organisations involved in the electricity industry. The PEA works to enhance the education and professional development of power engineers and the power engineering capability of the universities, building on the foundations of the successful Queensland Electricity Transmission and Distribution (QETD) Group.

The PEA is focused on strategies including targeted promotions to high schools, the provision of a university bursary scheme, assisting with facilities and curriculum for undergraduate students, providing vacation employment opportunities, supporting postgraduate teaching and research, and professional development of power engineers.

Powerlink has invested in the PEA to ensure our continued access to high calibre engineering graduates with power industry skills.

Cultural change strategies

In response to the Culture Survey undertaken by employees in early 2006, we agreed to a range of actions to address opportunities for improvement.

These actions included providing experiential learning opportunities for employees. Managers were encouraged to allow individuals the opportunity to work in different teams and areas of the business. This approach achieved significant benefits for both the individuals and Powerlink by enhancing knowledge, generating a greater appreciation of business issues and facilitating better communication across the business.

A strategy of working with new groups and teams to clarify expectations and help build solid work and communication approaches was implemented to achieve improved collaboration and learning among work teams. This strategy builds on the foundations of the broader collaborative learning initiative underway at Powerlink.

Change management

A review of our approach to Organisational Change Management (OCM) was initiated and additional tools to support staff involved in implementing change are under development. OCM assists us to realise the benefits of change more quickly and makes Powerlink a more change capable organisation.

Driven by the number of significant changes occurring due to Information Technology projects and tasks, this project aims to minimise the impact of change on employees, assist them to understand and respond positively to change, and provide support to help ease the transition to new ways of working.

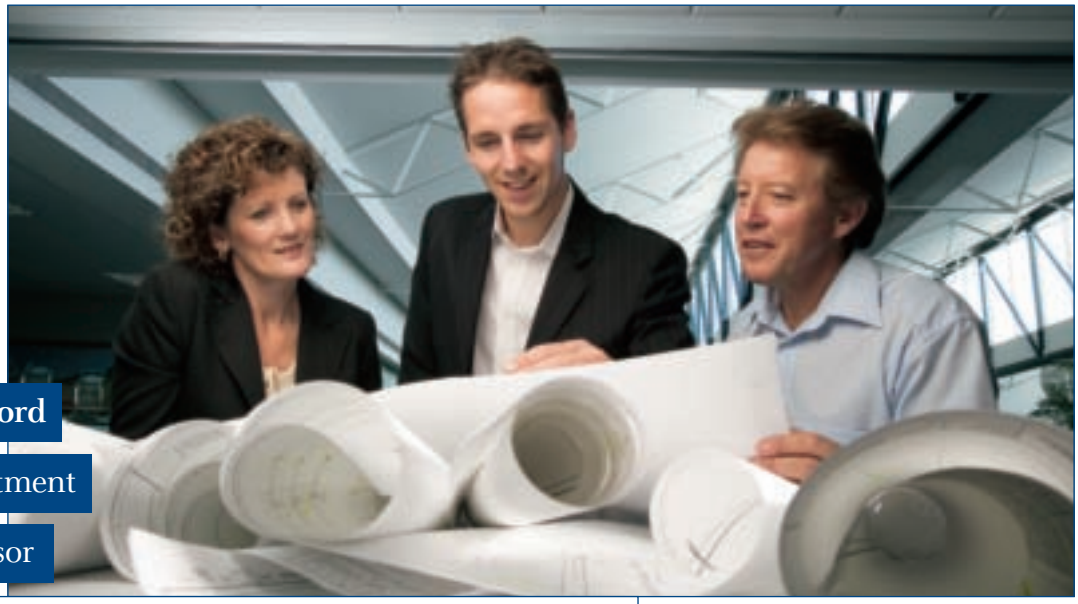
Recognition for our people

Powerlink's annual Excellence Awards recognise and acknowledge achievements by our people that are regarded as particularly outstanding. In 2006/07, 27 entries were received from individuals and teams. At a function to celebrate the achievements of our employees, one gold, six silver and 10 highly commended awards were presented.

In Focus:

Klaas van Noord

Senior Recruitment Services Advisor



"Electricity transmission is a very specialised field, comprising a small pool of highly skilled professionals. The current domestic environment with its booming construction and resources industries has increased the competition for these specialised skills, making recruitment more challenging for Powerlink.

For the first time, we initiated an active international recruitment campaign for a small number of key roles of high value to Powerlink and critical to our business, where extensive domestic recruitment had been unsuccessful in attracting suitably qualified candidates.

Our approach was to carefully identify these key positions, formulate an international recruitment strategy, and then to profile suitable recruitment markets, in particular countries with a high standard of tertiary education and high voltage networks and equipment that are similar to our Queensland network.

Our targeted advertising campaign was very successful in attracting nine highly qualified candidates for the internationally advertised positions in 2006/07. Feedback has shown the process to be a positive addition to our recruitment strategies. Our international recruits are finding a welcoming workplace culture and they are contributing to positive business outcomes for Powerlink."

Pictured: *International recruit Johan Andersson, a Project Initiation Specialist (centre), with team members Karen Wilbrink, Estimating Specialist, and Eugene Tschaut, Estimating Team Leader.*

Looking forward to 2007/08

- We will implement the Skills Passport pilot program to further ensure safe work systems by providing portable evidence of workers' current competencies and authorisation records.
- We will negotiate a replacement of the current Enterprise Bargaining Agreement with our employees and their representatives.
- We will review our information technology graduate program to implement an improved learning framework and career path.
- We will review our health and wellbeing strategy and progressively implement the recommendations of this review.
- We will continue to improve the consistency of performance reporting on workplace health and safety regulations from our construction operations.
- We will train employees in the new organisational change management framework and tools, and apply these to the information technology initiatives.

Corporate Governance

The Corporation

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

The Powerlink Board of Directors is responsible to shareholding Ministers of the Queensland Government. In 2006/07, our shareholding Ministers were:

- The Deputy Premier, Treasurer and Minister for Infrastructure; and
- The Minister for Mines and Energy.

Powerlink's Corporate Governance Principles are derived from *Corporate Governance Guidelines for Government Owned Corporations* (Guidelines). These Guidelines provide the framework to develop, implement, review and report on the corporation's 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.

The Board

Powerlink's Directors are committed to governance policies and practices that provide appropriate accountability and control systems to encourage and enhance sustainable business performance.

The Board is responsible for the overall corporate governance of the corporation and its subsidiaries. The Board has established a Board Charter which sets out the principles for its operation and describes its functions and responsibilities. These responsibilities are to:

- Set the corporation's values and standards of conduct;
- Provide leadership of the corporation within the framework of prudent and effective controls;
- Set the corporation's direction, strategies and objectives;
- Monitor the corporation's implementation of strategy and performance;
- Inform shareholders of key issues, major developments and performance; and
- Ensure that an effective corporate governance system is in place.

Powerlink's Directors are committed to governance policies and practices that provide appropriate accountability.

Kayal Walsh, Senior Contracts Coordinator, welcomes Daniel Andersen to Powerlink's Virginia office. (In background) Len McCall, Manager Logistics, and Lani Cath, Support Services Advisor.

Corporate Governance

The Board has adopted a Code of Conduct and a Share Trading Policy that defines standards of behaviour and guides Directors in carrying out their responsibilities and duties. Summaries of the Code of Conduct and Share Trading Policy are available in the Corporate Governance section on Powerlink's website **www.powerlink.com.au**

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.

Board structure

At 30 June 2007, the Board comprised six independent non-executive Directors. All Directors are appointed by the Governor in Council. All Directors are non-executive Directors (including the Chairman). The skills, experience and expertise of each Director are outlined in the Director Profiles in this Annual Report.

Directors, including the Chairman, are assessed as being independent. The Board assesses the independence of each Director on the basis of interests disclosed by them. Each Director has a responsibility to declare any related interests, which is appropriated recorded. When making the assessment, materiality is judged on a case-by-case basis by reference to declared interests. Where related interests are declared, the Director does not participate in the Board's consideration if the Board determines there is an actual or potential personal interest in the decision.

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

The Directors, the Board and Board Committees are empowered to seek external professional advice, as considered necessary, at the corporation's expense. An individual Director seeking external advice must first consult with the Chairman. If appropriate, any advice received will be made available to other Directors.

Shareholding Ministers' directions

Shareholding Ministers did not issue any directions to Powerlink during the year.

Board committees

The Board has established two Board Committees to assist in fulfilling its corporate governance responsibilities. These committees, the Powerlink Audit and Compliance Committee and the Powerlink Remuneration Committee, 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

Chairman:	Merv Norman
Members:	Christina Sutherland
	John Goddard
	Ken Howard

The Audit and Compliance Committee 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.

Remuneration Committee

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. Each of these committees submits quarterly reports to the Audit and Compliance Committee through the Chief Executive. Management is also required to report to the Board on the effectiveness of risk management and internal control.

The Environmental Steering Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink policies and relevant environmental legislation.

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 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 events.

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate emergencies and is responsible for maintaining corporate emergency management documentation.

Performance evaluation

A structured internal process has been established to review and evaluate performance of the Board and its Committees. Each Board Committee submits an annual report of its activities to the Board for review.

The Board undertook its annual performance review and evaluation in May 2007. The annual assessment considered:

- Performance against the Board Charter.
- Board contribution to strategy.
- Interaction with management and information provided to the Board.
- Achievement of corporate objectives and targets.
- Assessment of Board Committee activities against their approved charters.
- Director education and training.

The Board concluded that it is fulfilling its role with no obvious gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

Corporate Governance

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.

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 their duties in a lawful, objective and professional manner.

In addition, Powerlink has an Employee Code of Conduct that aims to ensure that employees perform their work efficiently, cooperatively, honestly, ethically, and with respect and consideration for others.

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, regulatory reports, 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

Each year Powerlink prepares a *Statement of Corporate Intent* (SCI), and a five year *Corporate Plan* that reflect the outcomes of a comprehensive strategic and business planning process involving the Board and the Executive Leadership Team. Both documents are presented to shareholding Ministers.

The SCI provides a detailed plan outlining the nature and scope of the corporation's activities, including its main undertakings and capital investment program for the forthcoming year, and forms the performance agreement between the Board and shareholding Ministers.

The key corporate strategies contained in the 2006/07 SCI were to:

- Develop the networks that Powerlink owns and manages;
- Achieve operational excellence in all aspects of the business – safety, network performance, environment and cost efficiency; and
- Selectively grow non-regulated business profits.

Quarterly SCI progress reports provide regular performance monitoring and communication from the Board to shareholding Ministers.

The SCI is tabled in the Legislative Assembly with the corporation's Annual Report.

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) reward and provide incentives 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 teams.

Award employees

The Working at Powerlink 2005 Enterprise Agreement was certified in the Queensland Industrial Relations Commission on 30 June 2005. The agreement expires on 4 March 2008.

The agreement provides award employees with annual economic increments of 4.5 percent to base pay rates. In addition, employees are able to achieve capability-based increases to their base pay via the acquisition of additional required competencies.

Award employees are also eligible for performance-based payments that are delivered as gain-sharing and performance pay. Gain-sharing is a payment made to all award employees provided that the corporation's profitability target has been exceeded, and that key performance measures are achieved.

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

Management contracts

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 out-performance against pre-agreed corporate and individual targets.

The TFR level is reviewed annually based on consideration of economic and capacity 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.

Board of Directors

Else Shepherd

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 a non-executive Director of the National Electricity Market Management Company (NEMMCO), Director of Microwave and Materials Designs Pty Ltd and its subsidiaries, Executive Director of Mosaic Information Technology Pty Ltd, 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 Member of the Council Board of the International Electrotechnical Commission, 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.

John Goddard

F. Fin, MAICD

Board member (appointed 2006)

John is a senior executive of the Bendigo Bank Group and the Managing Director's representative in Queensland. He joined the Bank in 1997 as CEO of Cassa Commerciale Australia Ltd and, from 2000, drove the Bank's acquisition and integration of Ipswich-based First Australian Building Society.

John's previous career included senior executive posts at St George Bank and the World Bank in Papua New Guinea.

John is Deputy Chair of iTEL Community Telco Ltd, a Director of Careflight Medical, Willowbank Developments Pty Ltd, and Chairman of Trustees of the Ipswich Arts Foundation. He is also an advisory committee member of the University of Queensland Community Engagement Centre.

John is a published author and is a Fellow of the Financial Services Institute of Australia.

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

Ken Howard

CFA, LLB, BEcon

Board Member (appointed 2007)

Ken holds a senior position at ABN AMRO Morgans Ltd, Australia's largest retail stockbroking firm. He advises retail clients on the full range of financial planning and investment matters with a particular focus on shares traded on the Australian Stock Exchange.

Prior to joining the Powerlink Board of Directors, Ken was a Director of ENERGEX Retail Pty Ltd.

Ken is a member of the Chartered Financial Analyst (CFA) Institute, the Australian Shareholders Association, the Securities and Derivatives Industry Association and the Australian Institute of Company Directors. From 1991 to 1998, Ken was an Infantry Officer in the Australian Army Reserve.

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

The Powerlink Board of Directors were photographed at Nebo Substation, during their tour of projects in the Mackay region.

Merv Norman

FIEAust, CPEng, DipMech & Elect. Eng, FAIMM, FAICD, RPEQ

Board Member (appointed 1994)

Merv Norman is a Chartered Professional Engineer with more than 40 years 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 Sutherland 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 Quinland Miller and Treston Solicitors. She has approximately 20 years experience and has provided legal service 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, and 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 Threlfall has been an official of the Electrical Trades Union (ETU) of Australia–Queensland Branch since 1977. In 2006, he retired as Assistant State Secretary of the Queensland Branch, a position he held since 1983. In this role, Walter represented 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). Walter is a Director of the Electricity Supply Industry Superannuation Scheme (ESI Super) and is 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.

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

B Bus, MBA, CPA, FAICD

Chief Financial Officer

Maurie Brennan 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 nine 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.

Hugh Grant

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

Operations Manager

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 professional experience in clinical and organisational psychology roles, including 19 years in human resource management.

Greg Kenny

B Comm, B Econ

Manager Procurement (acting)

As Manager Procurement, Greg had responsibility for setting contractual terms and conditions, sourcing suppliers, determining market strategies, management of the supply chain, and the commercial administration of supply arrangements for Powerlink's capital projects and operations. In addition, Greg had oversight of the delivery of procurement services to ElectraNet SA, under the Shared Services Agreement.

Greg has more than 20 years of experience in the electricity industry and has lectured in contract law and administration at universities and regional centres in Queensland and overseas. Greg is Vice-Chair of the Asia Pacific Utilities Group, and has acted as Powerlink's 'Principal' in all contractual dealings with contractors during the past decade.

Greg performed the role of (acting) Manager Procurement from October 2006 to June 2007.

Terrence (Terry) Miller

BE (Elec)

General Manager Network (acting)

As General Manager Network, Terry's responsibilities include 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 and the community.

With more than 30 years 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.

In July 2007, Terry was appointed to the position of Manager Network Development, a new role created through a restructure of Powerlink's planning, strategic business development and asset management functions. In this new role, Terry will be responsible for planning of Powerlink's future network investments and timely acquisition of transmission easements to meet future development needs.

Paul Martin

BE (Elec), MEngSc, MIAust, RPEQ

Manager Grid Planning (acting)

Paul has held 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.

Paul performed the role of (acting) Manager Grid Planning from July 2006 to July 2007.

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 objectives 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 29 years experience in the electricity industry have provided Garry with a depth of experience in distribution and transmission networks, including management of key business areas and organisational change initiatives.

Executive Leadership Team

Brian Pokarier

BE, DipBusinessManagement, CPEng, FIEAust

Manager Engineering

Brian manages the Engineering Business Unit, which is responsible for the delivery of capital works and refurbishment, and leading the organisation's development and assessment of new technologies to enhance network performance.

Over the past 12 months, Brian has ensured that Powerlink's record $583 million capital works program was delivered successfully through the effective management of a large, highly skilled team based at the Brisbane head office and five construction site offices located throughout Queensland. Brian has also overseen the further development of Powerlink's partnerships with several companies for the design and construction of substations and transmission lines.

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 Australian Standards Committee for overhead lines.

Robyn Robinson

BSc, MSc(OR), Dip CompSc

Manager Corporate Development

As Manager Corporate Development, Robyn's responsibilities focus on improving Powerlink's business performance through the development and coordination of corporate-wide business improvement activities.

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

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

Merryn York

BE (Hons), MEngSc, Grad Cert AppLAW

Manager Revenue Reset Project

Merryn led the project team which engaged with the Australian Energy Regulator during its determination of Powerlink's regulated revenue stream for the five years from 1 July 2007. Merryn also managed all revenue regulation matters as part of ongoing reforms to the regulatory process overseen by the Australian Energy Regulator.

Merryn has more than 18 years experience in the electricity supply industry, 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.

In July 2007, Merryn was appointed to the position of Manager Network Strategy and Performance, a role created through a restructure of Powerlink's planning, strategic business development and asset management functions

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 2007, 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
- Christina Sutherland
- John Goddard
- Kenneth Howard (from 1 January 2007)

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 National Electricity Market;
- 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 Co-ordinator 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 expense attributable to the members of Queensland Electricity Transmission Corporation Limited, was $290.804 million (2006: $271.667 million).

Dividends

The Directors have provided for a final dividend of $92.606 million (2006: $95.167 million), being 80 percent (2006: 80%) of the profit after income tax equivalent expense. The Board of Directors has made its recommendation on the final dividend to be paid after consultation with shareholding Ministers in accordance with the *Government Owned Corporations Act 1993*.

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.

Directors' Report

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 were:

		Meetings of Committees	
	Board Meetings	Audit	Remuneration
NUMBER OF MEETINGS HELD:	11	4	5
NUMBER OF MEETINGS ATTENDED:			
Else Shepherd	10	*	5
Kenneth Howard (from 1 January 2007)	5	*	*
Merv Norman	11	4	5
Walter Threlfall	11	*	5
Christina Sutherland	11	4	*
John Goddard	11	4	*

* Not a member of the relevant committee

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.

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 key management personnel.

Director remuneration information is included in Note 30 "Key Management Personnel Disclosures" of the financial statements and supporting notes. Remuneration information for the key management personnel 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 key management personnel 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.

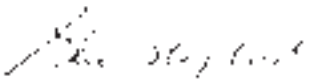
Non audit services

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

Dated: 21 September 2007

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 30 June 2007, I declare that, to the best of my knowledge and belief, there have been –

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

T. G. G. Biggs

as Delegate of the Auditor-General of Queensland, Brisbane

Financials

Income Statement

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED		POWERLINK QUEENSLAND	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Revenues from continuing operations	3	**583 858**	533 837	**577 963**	524 965
Less:					
Expenses from continuing operations excluding finance costs expense	4	**293 054**	262 171	**293 029**	262 146
Finance costs	5	**116 074**	96 802	**116 074**	96 802
Share of net profits (losses) of associates accounted for using the equity method	12	**(2 963)**	(4 402)	**-**	-
Profit/(Loss) from continuing operations before income tax equivalent expense		**171 767**	170 462	**168 860**	166 017
Less: Income tax equivalent expense/(benefit) relating to continuing operations	6	**56 009**	51 503	**52 914**	47 721
Profit (Loss) from continuing operations after related income tax equivalent expense		**115 758**	118 959	**115 946**	118 296
Net profit (loss) for the period		**115 758**	118 959	**115 946**	118 296
Net profit attributable to members of Queensland Electricity Transmission Corporation Limited	22	**115 758**	118 959	**115 946**	118 296

The above Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 JUNE 2007

	NOTE	CONSOLIDATED		POWERLINK QUEENSLAND	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**109 133**	75 540	**93 460**	64 089
Trade and other receivables	9	**50 188**	53 555	**53 611**	54 204
Inventories	10	**20 249**	15 749	**20 249**	15 749
Other financial assets	13	**-**	35 000	**-**	35 000
Other current assets	11	**1 741**	8 755	**1 741**	8 755
Total current assets		**181 311**	188 599	**169 061**	177 797
Non current assets					
Investments accounted for using the equity method	12	**25 227**	22 761	**-**	-
Other financial assets	13	**61 790**	61 200	**62 955**	62 955
Property, plant and equipment	15	**3 915 299**	3 380 537	**3 915 299**	3 380 537
Defined Benefit Superannuation Fund Asset	27	**31 312**	20 922	**31 312**	20 922
Total non current assets		**4 033 628**	3 485 420	**4 009 566**	3 464 414
TOTAL ASSETS		**4 214 939**	3 674 019	**4 178 627**	3 642 211
LIABILITIES					
Current Liabilities					
Trade and other payables	16	**168 348**	135 180	**168 374**	135 182
Current tax liabilities		**12 531**	10 448	**12 531**	10 448
Provisions	18	**107 545**	109 139	**107 545**	109 139
Other current liabilities	19	**4 264**	5 748	**4 264**	5 748
Total current liabilities		**292 688**	260 515	**292 714**	260 517
Non current liabilities					
Interest bearing loans and borrowings	17	**2 006 920**	1 645 320	**2 006 920**	1 645 320
Deferred tax liabilities	6.2	**268 243**	226 140	**244 872**	204 032
Provisions	18	**19 543**	18 450	**19 543**	18 450
Other non current liabilities	19	**10 892**	14 856	**10 892**	14 857
Total non current liabilities		**2 305 598**	1 904 766	**2 282 227**	1 882 659
TOTAL LIABILITIES		**2 598 286**	2 165 281	**2 574 941**	2 143 176
NET ASSETS		**1 616 653**	1 508 738	**1 603 686**	1 499 035
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	20	**401 000**	401 000	**401 000**	401 000
Reserves	21	**220 474**	143 968	**205 407**	133 307
Retained earnings	22	**995 179**	963 770	**997 279**	964 728
TOTAL EQUITY		**1 616 653**	1 508 738	**1 603 686**	1 499 035

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED		POWERLINK QUEENSLAND	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**536 148**	470 458	**532 978**	469 761
Intra Regional Settlements Residue (IRSR)		**(34 498)**	(29 618)	**(34 498)**	(29 618)
Payments to suppliers and employees		**(110 647)**	(128 588)	**(110 617)**	(128 563)
Interest received		**13 480**	13 607	**3 114**	1 080
Dividends received		**242**	257	**7 653**	6 824
Finance costs paid		**(115 697)**	(96 660)	**(115 697)**	(96 660)
Income tax equivalent paid		**(44 944)**	(47 580)	**(43 661)**	(45 824)
Goods and services tax paid		**(1 087)**	1 266	**(1 087)**	1 266
Other operating receipts		**35 576**	28 955	**35 576**	28 955
Other operating payments		**(1 112)**	(878)	**(1 112)**	(878)
Net cash flows from/(used in)/operating activities	23	**277 461**	211 219	**272 649**	206 343
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		**(546 245)**	(326 932)	**(546 245)**	(326 932)
Proceeds from sale of property, plant and equipment		**1 534**	1 737	**1 534**	1 737
Proceeds/(payments) for investments		**34 410**	50 000	**35 000**	50 000
Net cash flows from/(used in) investing activities		**(510 301)**	(275 195)	**(509 711)**	(275 195)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		**361 600**	176 000	**361 600**	176 000
Dividends paid		**(95 167)**	(82 649)	**(95 167)**	(82 649)
Net cash flows from/(used in) financing activities		**266 433**	93 351	**266 433**	93 351
Net increase/(decrease) in cash and cash equivalents held		**33 593**	29 375	**29 371**	24 499
Cash and cash equivalents at beginning of period		**75 540**	46 165	**64 089**	39 590
Cash and cash equivalents at end of year	8	**109 133**	75 540	**93 460**	64 089

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	CONSOLIDATED		POWERLINK QUEENSLAND	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
Gain on revaluation of property, plant and equipment, net of tax	21	**76 322**	86 732	**71 315**	81 193
Change in associates' fair value of derivatives, net of tax	22	**-**	(8 526)	**-**	-
Changes in the fair value of cash flow hedges, net of tax	21	**184**	72	**785**	(1 291)
Change in 2005/06 value of associate	22	**(1 731)**	-	**-**	-
Actuarial gains/losses on defined benefit superannuation fund	22	**9 988**	6 430	**9 211**	4 425
Net income recognised directly in equity		**84 763**	84 708	**81 311**	84 327
Profit for the period		**115 758**	118 959	**115 946**	118 296
Total recognised income and expense for the period		**200 521**	203 667	**197 257**	202 623
Attributable to:					
Equity holders of the parent		**200 521**	203 667	**197 257**	202 623
Total recognised income and expense for the period		**200 521**	203 667	**197 257**	202 623

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

1. CORPORATE INFORMATION

ABN 82 078 849 233

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

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

Queensland Electricity Transmission Corporation Limited
33 Harold Street
Virginia Qld 4014

The ultimate parent of Powerlink Queensland is the State of Queensland, which owns 100% of the shares.

The financial report for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 20 September 2007.

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 (IFRS) 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. 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 at fair value, through the Income Statement, of financial assets and liabilities (including derivative instruments); and
- revaluation of certain classes of property, plant and equipment and investment property.

2.2 Compliance with AIFRS

Australian Accounting Standards include equivalents to AIFRS. Compliance with AIFRS ensures the consolidated financial statements and notes of Powerlink Queensland comply with IFRS. Powerlink Queensland's financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

Early adoption of standards

The Consolidated Entity has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2006:

- Revised AASB 101 *Presentation of Financial Statements* (issued October 2006).

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have been omitted.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Consolidated Entity's and Powerlink Queensland's assessment of the impact of these new standards and interpretations is set out below:

- AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* {*AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038*}

  AASB 7 and AASB 2005-10 are applicable to annual reporting periods on or after 1 January 2007. The Consolidated Entity has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's and Powerlink Queensland's financial instruments.

- AASB-1 10 *Interim Financial Reporting and Impairment*

  AASB-1 10 is applicable to reporting periods commencing on or after 1 November 2006. The Consolidated Entity has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period and subsequently reversed the impairment loss in the annual report. Application of the standard will therefore have no impact on the Consolidated Entity's or Powerlink Queensland's financial statements.

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

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 judgements about the carrying amounts 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 2007 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. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Powerlink Queensland.

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain hedges as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

The Consolidated Entity documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 35. Movements in the hedging reserve in shareholders equity is shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item, for which the effective interest method is used, is amortised to the Income Statement over the period to maturity, using a recalculated effective interest rate.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement with other income or other expense.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item affects profit or loss (when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non-financial asset (fixed asset), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity, and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement and are included in other income or other expense.

(iv) Forward Starting Loans

The Consolidated Entity enters into Forward Starting Loans whereby it agrees to borrow specified amounts in the future at a pre-determined interest rate. The Forward Starting Loans are entered into with the objective of reducing the risk of rising interest rates.

It is the Consolidated Entity's policy to recognise Forward Starting Loans at historical cost. Net receipts and payments are recognised as an adjustment to interest expense.

2.7 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, 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 in associates

The Consolidated Entity's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Consolidated Entity has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Consolidated Entity's share of the net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Entity determines if it is necessary to recognise any impairment loss with respect to the Consolidated Entity's net investment in the associates.

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 movements 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 holding company's Income Statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long term receivables and loans, the Consolidated Entity does not recognise any further losses, unless it has incurred obligations or made long term payments on behalf of the associate.

The reporting dates of the associates and the Consolidated Entity are identical and the associates' accounting policies conform to those used by the Consolidated Entity for like transactions and events in similar circumstances.

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).

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

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 and measured at the fair value of the consideration received or receivable, net of the amount of Goods and Services Tax (GST), to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenues can be measured reliably.

(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 grid 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.

(ii) Interest income

Interest income 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. This 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.

(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 temporary difference 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 or loss 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 credits 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 or loss 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 profits 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 profits 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 profits 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.

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

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% 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 carrying amount 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 amount of supply system assets and other land and buildings does not differ materially from fair value.

The Australian Energy Regulator has recently undertaken 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 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. As supply system assets and land and buildings are measured at revalued amounts, impairment losses 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 the Income Statement 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

Leases of property, plant and equipment, where the Consolidated Entity, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity, as lessee, are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

Lease income from operating leases, where the Consolidated Entity is a lessor, is recognised as income on a straight line basis over the lease term.

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

2.14 Employee benefits

Salary and wages

Liabilities for wages and salaries in respect of employees' services up to 30 June 2007 are measured at the amounts expected to be paid when the liabilities are settled.

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 2007. Liabilities for annual leave and "Time off in Lieu" leave expected to be settled within 12 months of the reporting date are 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 is 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 up to 30 June 2007. The measurement techniques consider expected future salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the market yield on a national 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).

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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 seventy-five (75) weeks of salary.

Superannuation benefit obligations

All employees of the Consolidated Entity are entitled to benefits on resignation, 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur and are charged or credited to retained earnings.

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 27).

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 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

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are generally due for settlement within 30 days.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due, according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and the default or delinquency in payments (more than 60 days overdue) are considered indicators that a trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

2.19 Trade and other payables

Trade and other payables are carried at amortised cost. They 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 payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

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Provisions are measured at the present value of management's best estimates of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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 2006/07 the amount of IRSR applied to offset regulated network charges totalled $102.1 million (2005/06: $79.9 million).

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

At 30 June 2007, the IRSR balance, including interest earned and net of fees was $59.7 million (2006: $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 Tax 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.

Cashflows 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 cashflows.

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 Starting Loans 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.

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3. REVENUES FROM CONTINUING OPERATIONS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Grid sales revenue	**531 415**	488 031	**531 415**	488 031
Total grid sales revenue	**531 415**	488 031	**531 415**	488 031
Other revenue				
Dividends	**-**	-	**7 653**	6 824
Interest	**16 747**	16 776	**3 199**	1 080
Other	**35 696**	29 030	**35 696**	29 030
Total other revenue	**52 443**	45 806	**46 548**	36 934
Total revenues from continuing operations	**583 858**	533 837	**577 963**	524 965

4. EXPENSES FROM CONTINUING OPERATIONS, EXCLUDING FINANCE COSTS EXPENSE

Network operations	**9 710**	8 953	**9 710**	8 953
Network maintenance	**63 223**	53 345	**63 223**	53 345
Grid support	**18 762**	21 462	**18 762**	21 462
Corporate/business support	**38 053**	38 969	**38 028**	38 944
Other	**14 395**	11 154	**14 395**	11 154
Depreciation	**148 911**	128 224	**148 911**	128 224
Net loss on disposal of property, plant and equipment	**-**	64	**-**	64
Total expenses from continuing operations, excluding finance costs expense	**293 054**	262 171	**293 029**	262 146
Employee benefit expenses included in the Income Statement	**46 276**	48 344	**46 276**	48 344
Defined contribution superannuation expense included in the Income Statement	**2 854**	2 354	**2 854**	2 354

5. FINANCE COSTS

Interest expense	**107 785**	89 667	**107 785**	89 667
Other	**8 289**	7 135	**8 289**	7 135
Total finance costs	**116 074**	96 802	**116 074**	96 802

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6. INCOME TAX EQUIVALENT EXPENSE

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Recognised in the Income Statement:				
Current income tax equivalent expense				
Current year	**48 978**	45 168	**44 927**	41 209
Adjustments for prior years	**-**	551	**-**	73
	48 978	45 719	**44 927**	41 282
Deferred income tax equivalent expense				
Relating to origination and reversal of temporary differences	**7 992**	7 181	**7 987**	6 439
Associates accounted for using the equity method	**(961)**	(1 397)	**-**	-
Total income tax equivalent expense reported in the Income Statement	**56 009**	51 503	**52 914**	47 721
Reconciliation between income tax equivalent expense and pre-tax net profit				
Profit before tax from continuing operations	**171 767**	170 462	**168 860**	166 017
Income Tax Equivalent using the Company tax rate of 30% (2006: 30%)	**51 530**	51 139	**50 658**	49 805
Increase in income tax equivalent expense due to:				
Non-deductible expenses	**22**	906	**22**	906
Temporary differences	**52 081**	48 673	**52 081**	48 673
Decrease in income tax equivalent expense due to:				
Tax exempt revenues	**(1 056)**	(954)	**(3 279)**	(2 924)
Building write-off	**(306)**	(30)	**(306)**	(30)
Temporary differences	**(23 707)**	(55 221)	**(23 707)**	(55 221)
Adjustments to asset revaluation reserve	**(30 542)**	(36 140)	**(30 542)**	(36 140)
Other movements in deferred tax	**7 987**	42 579	**7 987**	42 579
Under/(over) provided in prior years	**-**	551	**-**	73
Income tax equivalent expense on pre-tax net profit	**56 009**	51 503	**52 914**	47 721
Deferred tax equivalent recognised directly in equity				
Net deferred tax – debited/(credited) to equity	**33 121**	34 083	**30 900**	36 141
	33 121	34 083	**30 900**	36 141
6.1 Deferred income tax equivalent assets				
Deferred tax assets are attributable to the following:				
Accruals	**53**	1 408	**53**	1 408
Provisions	**9 749**	8 585	**9 745**	8 581
Hedges	**217**	575	**217**	574
	10 019	10 568	**10 015**	10 563
Equivalent				
Set-off of deferred tax assets pursuant to set-off provisions	**10 019**	10 568	**10 015**	19 563
Net deferred tax equivalent assets	**-**	-	**-**	-

6. INCOME TAX EQUIVALENT EXPENSE (CONTINUED)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Movements				
Opening balance – 1 July	**10 568**	11 292	**10 563**	11 287
Credited/(charged) to the Income Statement	**(191)**	(1 299)	**(189)**	(1 299)
Credited/(charged) to equity	**(358)**	575	**(359)**	575
Closing balance – 30 June	**10 019**	10 568	**10 015**	10 563
Deferred tax equivalent assets to be recovered within 12 months	**4 188**	4 184	**4 184**	4 180
Deferred tax equivalent assets to be recovered after more than 12 months	**5 831**	6 384	**5 831**	6 383
Closing balance – 30 June	**10 019**	10 568	**10 015**	10 563
6.2 Deferred income tax equivalent liabilities				
Deferred tax liabilities are attributable to the following:				
Property, plant and equipment	**244 547**	204 267	**244 547**	204 267
Receivables	**934**	3 848	**934**	3 848
Inventory	**49**	66	**49**	66
Prepayments	**(37)**	115	**(37)**	115
Hedges	**-**	22	**-**	22
Defined benefit fund surplus	**9 393**	6 277	**9 393**	6 277
Associates accounted for using the equity method	**22 421**	21 162	**-**	-
Interest receivable	**955**	951	**-**	-
	278 262	236 708	**254 887**	214 595
Set-off of deferred tax equivalent assets pursuant to set-off provisions	**10 019**	10 568	**10 015**	10 563
Net deferred tax equivalent liabilities	**268 243**	226 140	**244 872**	204 032
Movements:				
Opening Balance – 1 July	**236 708**	202 382	**214 595**	179 779
Charged/(credited) to the Income Statement	**6 839**	(332)	**7 798**	(1 900)
Charged/(credited) to equity	**32 763**	34 658	**30 542**	36 716
Prior year adjustment	**1 952**	-	**1 952**	-
Closing balance – 30 June	**278 262**	236 708	**254 887**	214 595
Deferred tax liabilities to be settled within 12 months	**1 901**	5 003	**947**	4 051
Deferred tax liabilities to be settled after more than 12 months	**276 361**	231 705	**253 940**	210 544
	278 262	236 708	**254 887**	214 595

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7. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Final dividends proposed				
Unfranked dividends	**92 606**	95 167	**92 606**	95 167
	92 606	95 167	**92 606**	95 167

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

In consultation with shareholding Ministers, dividends have been recommended at 80% (2006: 80%) of the operating profit after income tax equivalents.

8. CASH AND CASH EQUIVALENTS

Cash balance comprises:				
Cash on hand	**7**	3	**7**	3
Cash on deposit with Queensland Treasury Corporation (QTC)	**48 823**	15 820	**33 154**	4 374
Cash on deposit with QTC - IRSR account (refer Note 33)	**59 706**	59 204	**59 706**	59 204
Cash at bank	**597**	513	**593**	508
Closing cash balance	**109 133**	75 540	**93 460**	64 089

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 receivables	**50 188**	53 555	**47 005**	50 385
Less: Allowance for impairment loss	**-**	-	**-**	-
	50 188	53 555	**47 005**	50 385
Other	**-**	-	**6 606**	3 819
	50 188	53 555	**53 611**	54 204

(a) Impaired trade receivables

The Consolidated Entity has recognised a loss of $90 thousand (2006: $5 thousand) in respect of impaired trade receivables during the year ended 30 June 2007.

10. INVENTORIES (CURRENT)

Maintenance and construction stocks	**20 249**	15 749	**20 249**	15 749
	20 249	15 749	**20 249**	15 749

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11. OTHER CURRENT ASSETS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Work in progress – customer works	**265**	6 895	**265**	6 895
Prepayments	**1 396**	1 744	**1 396**	1 744
Other	**80**	116	**80**	116
	1 741	8 755	**1 741**	8 755

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) The Consolidated Entity has the following investments in associates:

Investment in associates	**25 227**	22 761	**-**	-

(b) Interest in associates

NAME	BALANCE DATE	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY		INVESTMENT CARRYING AMOUNT	
		2007 %	2006 %	2007 $'000	2006 $'000
ElectraNet Pty Ltd	30 June 2007	**41.11**	41.11	**24 977**	22 515
ElectraNet Transmission Services Pty Ltd	30 June 2007	**41.11**	41.11	**250**	246
				25 227	22 761

The Consolidated Entity's proportion of voting power held in each associate is the same as its ownership interest.

The Consolidated Entity's investments in the associates are accounted for in accordance with the accounting policy described in Note 2.4.

Both associates are proprietary companies, are incorporated in Australia, and have 30 June reporting dates.

(c) Impairment

The Consolidated Entity's investments in the abovementioned associates were not impaired during the year (2006: NIL).

(d) 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.

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

	CONSOLIDATED	
	2007 $'000	2006 $'000
(e) Share of the associates' balance sheets:		
Current assets	**25 404**	20 424
Non current assets	**593 249**	556 261
	618 653	576 685
Current liabilities	**32 219**	30 403
Non-current liabilities	**561 207**	523 521
	593 426	553 924
Net assets	**25 227**	22 761
Total share of associates	**25 227**	22 761
(f) Share of the associates' profit or loss:		
Revenue	**138 022**	127 541
Profit/(loss) before income tax	**(3 502)**	(3 970)
Income tax expense	**539**	509
Adjustment variation in accounting policies	**-**	(941)
Profit/(loss) after income tax	**(2 963)**	(4 402)
(g) Commitments		
Share of associates' capital expenditure commitments contracted for but not provided for and payable:		
Not later than one year	**2 932**	1 463
	2 932	1 463
Share of associates' operating lease commitments payable:		
Not later than one year	**2 104**	1 286
Later than one year and not later than five years	**188**	-
Later than five years	**162**	-
	2 454	1 286
Share of associates' finance lease commitments payable		
Not later than one year	**1 824**	1 323
Later than one year and not later than five years	**-**	1 824
	1 824	3 147
Less:		
Future finance charges	**(67)**	(195)
	1 757	2 952

(h) Contingent liabilities

There were no known contingent liabilities of a significant nature as at 30 June 2007 (2006: NIL).

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13. OTHER FINANCIAL ASSETS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Current				
Fixed term deposit *	**-**	35 000	**-**	35 000
	-	35 000	**-**	35 000
Non current				
Investments in associates				
Unlisted shareholder loan notes	**61 790**	61 200	**-**	-
Investments in controlled entities (at cost):				
Unlisted shares at cost	**-**	-	**1**	1
Unsecured loan #	**-**	-	**62 954**	62 954
	61 790	61 200	**62 955**	62 955

Represents unsecured advances to Harold Street Holdings Pty Ltd of $62,950 thousand (2006: $62,950 thousand) and Powerlink Transmission Services Pty Ltd $4 thousand (2006: $4 thousand). Both companies are wholly owned subsidiaries of Powerlink Queensland (refer also Note 14).

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

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	
		2007 %	2006 %	**2007 $**	2006 $
Harold Street Holdings Pty Ltd	Australia	**100%**	100%	**12**	12
Powerlink Transmission Services Pty Ltd	Australia	**100%**	100%	**1 002**	1 002

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15. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Supply system assets				
Supply system assets subject to cross border lease				
At Directors' valuation 30 June 2007	**3 103 741**	2 837 788	**3 103 741**	2 837 788
Less: accumulated depreciation	**(330 507)**	(212 668)	**(330 507)**	(212 668)
	2 773 234	2 625 120	**2 773 234**	2 625 120
Other supply system assets				
At Directors' valuation 30 June 2007	**228 513**	202 608	**228 513**	202 608
Less: accumulated depreciation	**(25 675)**	(15 751)	**(25 675)**	(15 751)
	202 838	186 857	**202 838**	186 857
Total supply system assets	**2 976 072**	2 811 977	**2 976 072**	2 811 977
Other land and buildings				
Freehold land and easements				
At Directors' valuation 30 June 2007	**338 143**	305 601	**338 143**	305 601
	338 143	305 601	**338 143**	305 601
Buildings				
At Directors' valuation 30 June 2007	**45 322**	43 351	**45 322**	43 351
Less: accumulated depreciation	**(2 806)**	(1 677)	**(2 806)**	(1 677)
	42 516	41 674	**42 516**	41 674
Total other land and buildings	**380 659**	347 275	**380 659**	347 275
Other property, plant and equipment				
At cost	**57 708**	43 748	**57 708**	43 748
Less: accumulated depreciation	**(25 906)**	(16 208)	**(25 906)**	(16 208)
	31 802	27 540	**31 802**	27 540
Work in progress				
At cost	**526 766**	193 745	**526 766**	193 745
	526 766	193 745	**526 766**	193 745
Total property, plant and equipment	**3 915 299**	3 380 537	**3 915 299**	3 380 537

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2007	SUPPLY SYSTEM $'000	OTHER LAND & BUILDINGS $'000	OTHER PROPERTY PLANT & EQUIP $'000	WORK IN PROGRESS $'000	TOTAL $'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 – 1 July 2006	2 811 977	347 275	27 540	193 745	3 380 537
Additions	-	-	-	583 243	583 243
Disposals	(96)	(143)	(1 211)	-	(1 450)
Depreciation	(137 835)	(1 130)	(9 946)	-	(148 911)
Revaluation increments/(decrements)	90 658	11 222	-	-	101 880
Transfers	-	(2 422)	2 422	-	-
Transfers from works in progress	211 368	25 857	12 997	(250 222)	-
Carrying amount at end of year – 30 June 2007	**2 976 072**	**380 659**	**31 802**	**526 766**	**3 915 299**

2006	SUPPLY SYSTEM $'000	OTHER LAND & BUILDINGS $'000	OTHER PROPERTY PLANT & EQUIP $'000	WORK IN PROGRESS $'000	TOTAL $'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 – 1 July 2005	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	221 210	44 517	15 167	(280 894)	-
Carrying amount at end of year – 30 June 2006	**2 811 977**	**347 275**	**27 540**	**193 745**	**3 380 537**

16. TRADE AND OTHER PAYABLES – CURRENT

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade payables	**103 773**	35 754	**103 763**	35 739
Deposits	**291**	346	**291**	346
IRSR (refer Notes 2.23, 33)	**59 706**	94 204	**59 706**	94 204
Other	**4 578**	4 876	**4 614**	4 893
	168 348	135 180	**168 374**	135 182

17. INTEREST BEARING LOANS AND BORROWINGS

Non current

Queensland Treasury Corporation – unsecured (refer Note 25)	**2 006 920**	1 645 320	**2 006 920**	1 645 320
	2 006 920	1 645 320	**2 006 920**	1 645 320

18. PROVISIONS

Current

Dividends	**92 606**	95 167	**92 606**	95 167
Environmental restoration	**269**	228	**269**	228
Employee benefits	**14 670**	13 503	**14 670**	13 503
Other	**-**	241	**-**	241
	107 545	109 139	**107 545**	109 139

Non current

Environmental restoration	**1 994**	1 898	**1 994**	1 898
Employee benefits	**17 549**	16 552	**17 549**	16 552
	19 543	18 450	**19543**	18 450

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 – 1 July	**95 167**	82 649	**95 167**	82 649
Provisions made during the year – final dividend	**92 606**	95 167	**92 606**	95 167
Payments made during the period	**(95 167)**	(82 649)	**(95 167)**	(82 649)
Carrying amount at the end of the year – 30 June	**92 606**	95 167	**92 606**	95 167

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18. PROVISIONS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Environment restoration				
Current				
Carrying amount at the beginning of the year – 1 July	**228**	228	**228**	228
Provisions made during the year	**41**	-	**41**	-
Provisions used during the year	**-**	-	**-**	-
Carrying amount at the end of the year – 30 June	**269**	228	**269**	228
Non current				
Carrying amount at the beginning of the year – 1 July	**1898**	2 014	**1 898**	2 014
Provisions made during the year	**333**	110	**333**	110
Provisions used during the year	**(237)**	(226)	**(237)**	(226)
Carrying amount at the end of the year – 30 June	**1 994**	1 898	**1 994**	1 898
Other				
Current				
Carrying amount at the beginning of the year – 1 July	**241**	241	**241**	241
Provisions made during the year	**-**	-	**-**	-
Provisions used during the year	**(241)**	-	**(241)**	-
Carrying amount at the end of the year – 30 June	**-**	241	**-**	241

19. OTHER LIABILITIES

Current				
Refund capital contributions	**-**	544	**-**	544
Unearned revenue	**3 541**	3 286	**3 541**	3 286
Other	**723**	1 918	**723**	1 918
	4 264	5 748	**4 264**	5 748
Non current				
Refund capital contributions	**-**	905	**-**	905
Unearned revenue	**9 934**	12 995	**9 934**	12 995
Other	**958**	956	**958**	957
	10 892	14 856	**10 892**	14 857

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20. CONTRIBUTED EQUITY

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Issued and paid up capital				
401 000 000 ordinary shares of $1.00 each fully paid	**401 000**	401 000	**401 000**	401 000

	2007 $	2006 $
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

Movements in shares on issue

	2007		2006	
	Number of Shares '000	**$'000**	Number of Shares '000	$'000
Balance at beginning of the financial year – 1 July	**401 000**	401 000	**401 000**	401 000
Balance at end of the financial year – 30 June	**401 000**	401 000	**401 000**	401 000

Terms and conditions of contributed equity – ordinary shares

All ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

Holders of Class "A" ordinary voting shares are entitled to one vote per share at shareholders' meetings.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital, and issued shares do not have a par value.

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FOR THE YEAR ENDED 30 JUNE 2007

21. RESERVES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Hedging	**256**	72	**(506)**	(1 291)
Asset revaluation	**220 218**	143 896	**205 913**	134 598
	220 474	143 968	**205 407**	133 307
Movements in reserves				
Asset revaluation				
Balance at beginning of year – 1 July	**143 896**	57 164	**134 598**	53 405
Revaluation increments	**101 880**	115 990	**101 880**	115 990
Deferred tax	**(30 565)**	(34 797)	**(30 565)**	(34 797)
Share of associates' reserve increments arising during the year	**7 153**	7 913	**-**	-
Deferred tax	**(2 146)**	(2 374)	**-**	-
Balance at end of year – 30 June	**220 218**	143 896	**205 913**	134 598
Hedging				
Balance at beginning of year – 1 July	**72**	-	**(1 291)**	-
Change in accounting policy, associate, 1 July 2006	**-**	1 584	**-**	-
Deferred tax	**-**	(475)	**-**	-
Revaluation – gross – refer Note 32	**1 120**	(1844)	**1 120**	(1 844)
Deferred tax	**(335)**	553	**(335)**	553
Share of associates' reserve increments arising during the year	**(859)**	363	**-**	-
Deferred tax	**258**	(109)	**-**	-
Balance at end of year – 30 June	**256**	72	**(506)**	(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.

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22. RETAINED EARNINGS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Movements in retained earnings were as follows:				
Retained earnings at the beginning of the year – 1 July	**963 770**	942 074	**964 728**	937 174
Actuarial gain/(loss) on defined benefit superannuation plan, net of tax	**9 988**	6 430	**9 211**	4 425
Change in 2005/06 value of Associates *	**(1 731)**	-	**-**	-
Changes in fair value of derivatives, Associates, 1 July 2005	**-**	(8 526)	**-**	-
Net profit attributable to members of Powerlink Queensland	**115 758**	118 959	**115 946**	118 296
Total available for appropriation	**1 087 785**	1 058 937	**1 089 885**	1 059 895
Dividends provided for or paid	**(92 606)**	(95 167)	**(92 606)**	(95 167)
Retained earnings at the end of the year – 30 June	**995 179**	963 770	**997 279**	964 728

* Change in 2005/06 Retained Earnings of Associates through omission of change in the fair value of derivatives.

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

Profit from continuing operations after income tax equivalent	**115 758**	118 959	**115 946**	118 296
Add/(Less) items classified as investing/financing				
Net profit/(loss) on sale of non current assets	**(115)**	64	**(115)**	64
Add/(Less) non cash items				
Depreciation	**148 911**	128 224	**148 911**	128 224
Dividends received from associates	**242**	257	**-**	-
Share of associates net (profits)/losses	**2 963**	4 402	**-**	-
Net cash provided by (used in) operating activities	**267 759**	251 906	**264 742**	246 584
Changes in assets and liabilities				
(Increase)/Decrease in inventories	**(4 500)**	575	**(4 500)**	575
(Increase)/Decrease in prepayments	**348**	(78)	**348**	(78)
(Increase)/Decrease in debtors	**3 359**	(21 397)	**3 389**	(18 906)
Increase/(Decrease) in creditors	**(3 534)**	(26 137)	**(6 314)**	(28 837)
Increase/(Decrease) in provision for income tax equivalent payable	**(1 647)**	9 512	**(686)**	10 909
Increase/(Decrease) in provision for deferred income tax equivalent	**9 754**	(8 997)	**9 750**	(9 739)
Increase/(Decrease) in deferred tax assets	**192**	723	**190**	723
Increase/(Decrease) in other provisions	**5 730**	5 112	**5 730**	5 112
Net cash flow provided by (used in) operating activities	**277 461**	211 219	**272 649**	206 343

24. NON CASH FINANCING AND INVESTING ACTIVITIES

No financing or investing activities were undertaken by the Consolidated 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*. Powerlink Queensland has a $20 million Working Capital Facility with Queensland Treasury Corporation which is unused at balance date.

Loan moneys are acquired through the Queensland Treasury Corporation and are unsecured – refer Note 17.

Forward Starting Loans

Powerlink Queensland has an agreement with Queensland Treasury Corporation whereby it agrees to borrow specified amounts in the future at a predetermined interest rate.

26. EXPENDITURE COMMITMENTS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Capital expenditure commitments*				
Estimated capital expenditure contracted for at balance date but not provided for:				
Property, plant and equipment				
Payable not later than one year	**203 890**	81 184	**203 890**	81 184
Payable later than one year but not later than five years	**156 715**	6 000	**156 715**	6 000
	360 605	87 184	**360 605**	87 184
Lease expenditure commitments*				
Operating leases (non-cancellable)				
Payable not later than one year	**818**	554	**818**	554
Payable later than one year and not later than five years	**1 180**	653	**1 180**	653
Payable later than five years	**496**	481	**496**	481
Aggregate lease expenditure contracted for at balance date	**2 494**	1 688	**2 494**	1 688
Other				
Estimated expenditure contracted for at balance date but not provided for:				
Payable not later than one year	**1 791**	-	**-**	-
Payable later than one year but not later than five years	**1 154**	-	**-**	-
	2 945	-	**-**	-

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

Operating leases

Property leases

The Consolidated Entity leases property primarily for placement of communication equipment.

The leases are non-cancellable operating leases expiring within one to 26 years.

The leases have varying terms, escalation clauses and renewable rights.

On renewal the terms of the leases are renegotiated.

Novated leases

The Consolidated Entity provides the option of novated leases for its employees. These leases are non-cancellable operating leases expiring from one to five years.

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27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Employee benefits				
The aggregate employee benefits liability is comprised of:				
Provisions (current) – refer Note 18	**14 670**	13 503	**14 670**	13 503
Provisions (non current) – refer Note 18	**17 549**	16 552	**17 549**	16 552
	32 219	30 055	**32 219**	30 055

Number of employees

Number of employees (full time equivalents) at year end: 843 (2006: 726)

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. 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 $'000	TOTAL FIXED SALARIES AND WAGES PAYMENTS $'000	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS Number
2006/07	**4 142**	**81 988**	**714**
2005/06	3 549	61 310	649

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

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 2006/07 year were granted/approved by shareholding Ministers on 18 December 2006. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

Performance payments – 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 2006/07 year were granted/approved by the Board on 19 September 2006. There have not been any alterations of the terms and conditions to 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 2006/07 was granted/approved by the Board on 19 September 2006. There have not been any alternations of the terms and conditions to the grant since the grant/approval date.

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Superannuation commitments

The Consolidated Entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Ltd (Fund). 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 plan is only open to existing employees who have always been on the plan, and is not open to new employees.

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 $1 000. 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.

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Defined benefit plan asset included in the balance sheet				
Fair value of defined benefit plan assets	**88 891**	77 081	**88 891**	77 081
Present value of defined benefit plan obligation	**(57 579)**	(56 159)	**(57 579)**	(56 159)
Surplus of net market value of plan assets over accrued benefit – Net defined benefit asset (non current)	**31 312**	20 922	**31 312**	20 922
Defined benefit plan expense recognised in the Income Statement				
Current service costs	**2 732**	2 868	**2 732**	2 868
Interest costs	**2 508**	2 099	**2 508**	2 099
Expected return on plan assets	**(4 707)**	(4 450)	**(4 707)**	(4 450)
TOTAL	**533**	517	**533**	517
Defined benefit plan amounts recognised in the Statement of recognised income and expense				
Actuarial gain/(loss) recognised in the year	**10 321**	9 138	**9 211**	6 322
Cumulative actuarial gains/(losses) recognised in the Statement of recognised income and expense	**18 429**	8 108	**17 118**	7 907

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

Categories of defined benefit plan assets

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

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 %	2006 %	**2007 %**	2006 %
Cash	**5.7**	4.9	**5.7**	4.9
Fixed Interest	**23.0**	23.1	**23.0**	23.1
Domestic equities	**26.0**	29.1	**26.0**	29.1
Alternatives	**4.9**	3.1	**4.9**	3.1
International equities	**29.1**	29.0	**29.1**	29.0
Property	**11.3**	10.8	**11.3**	10.8
TOTAL	**100.00**	100.00	**100.00**	100.00

Principal actuarial assumptions

The principal economic assumptions used were as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 %	2006 %	**2007 %**	2006 %
Discount rate	**5.3**	4.9	**5.3**	4.9
Future salary increases – long term	**4.5**	4.5	**4.5**	4.5
Expected return on plan assets	**6.5**	6.5	**6.5**	6.5

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these categories.

Employer contributions

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

Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 1 July 2006.

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 plan's future experience, the plan's actuary has not recommended that additional contributions beyond the current contribution level be made.

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Reconciliation of the present value of the defined benefit plan assets				
Opening fair value of plan assets	**77 081**	65 210	**77 081**	65 210
Member contributions	**856**	803	**856**	803
Company contributions	**1 657**	1 660	**1 657**	1 660
Expected return on assets	**4 707**	4 450	**4 707**	4 450
Estimated benefit payments, expenses and tax	**(2 696)**	(612)	**(2 696)**	(612)
Actuarial gain/(loss)	**7 286**	5 570	**7 286**	5 570
TOTAL	**88 891**	77 081	**88 891**	77 081
Reconciliation of the present value of the defined benefit obligation				
Opening defined benefit obligation	**56 159**	51 512	**56 159**	51 512
Company service cost	**2 732**	2 868	**2 732**	2 868
Member contributions	**856**	803	**856**	803
Interest cost	**2 508**	2 099	**2 508**	2 099
Estimated benefit payments, expenses and tax	**(2 696)**	(612)	**(2 696)**	(612)
Actuarial (gain)/loss	**(3 824)**	(1 776)	**(3 824)**	(1 776)
Provisions for contributions tax	**1 844**	1 265	**1 844**	1 265
	57 579	56 159	**57 579**	56 159

Historic Summary

	2007 $'000	2006 $'000	2005 $'000
Defined benefit plan assets	**88 891**	77 081	65 210
Defined benefit plan obligations	**57 579**	56 159	51 512
	31 312	20 922	13 698

	2007 $'000	2006 $'000	2005 $'000
Experience adjustments arising on plan assets	**7 286**	5 570	4 942
Experience adjustments arising on plan liabilities	**1 358**	(2 059)	(3 119)

Information for years prior to 2005 is not available.

28. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities of a significant nature at 30 June 2007 (2006: NIL).

29. SUBSEQUENT EVENTS

No events have occurred subsequent to 30 June 2007 (2006: NIL) that materially affect the results disclosed in these financial statements.

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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	3 years
John Goddard	Director	July 2006	30 September 2009	3 years 3 months
Kenneth Howard	Director	January 2007	30 September 2009	2 years 9 months
Merv Norman	Director	September 1994	30 September 2007	1 year 3 months
Christina Sutherland	Director	July 2001	30 June 2008	3 years
Walter Threlfall	Director	September 1994	30 September 2009	3 years 3 months

(b) Remuneration of Directors

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, and as at 30 June 2007 were the Hon. Geoff Wilson, Minister for Mines and Energy, on behalf of the State of Queensland, and the Hon. Anna Maria Bligh, Deputy Premier, Treasurer and Minister for Infrastructure 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		POST EMPLOYMENT		TOTAL	
	FIXED REMUNERATION		SUPER CONTRIBUTIONS		TOTAL FIXED REMUNERATION	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Else Shepherd (Chairman)	**53**	49	**5**	4	**58**	53
John Goddard (Director)	**29**	-	**3**	-	**32**	-
Kenneth Howard (Director)	**13**	-	**1**	-	**14**	-
Merv Norman (Director)	**40**	40	**-**	-	**40**	40
Christina Sutherland (Director)	**30**	28	**3**	3	**33**	31
Walter Threlfall (Director)	**24**	26	**3**	2	**27**	28
	189	143	**15**	9	**204**	152

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
- Manager Human Resources and Development

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30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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 out-performance of pre-agreed business and individual targets.

Other key management personnel are employed under employment agreements. The current employment agreements do not have an expiry date. The agreements provide for a five (5) 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 seventy-five (75) weeks of salary.

Details of the nature and amount of each major element of the remuneration to each of the other key management personnel, exclusive of performance payments are:

	SHORT TERM		POST EMPLOYMENT		TOTAL	
	FIXED REMUNERATION		SUPERANNUATION CONTRIBUTIONS#		TOTAL FIXED REMUNERATION	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Chief Executive	**399**	383	**67**	65	**466**	448
Chief Operating Officer	**308**	292	**70**	74	**378**	366
Chief Financial Officer	**225**	215	**38**	36	**263**	251
Manager Human Resources & Development	**190**	182	**37**	35	**227**	217
	1 122	1 072	**212**	210	**1 334**	1 282

Includes employee and employer superannuation contributions.

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.

31. AUDITORS' 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 Transmission Corporation Limited:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Queensland Audit Office	**180**	146	**170**	131
	180	146	**170**	131

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

32. FAIR VALUE AND INTEREST RATE RISK

(a) Fair values

All assets and liabilities recognised in the Balance Sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value, unless otherwise stated in the applicable notes.

(b) Interest rate risk

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

2007

		FIXED INTEREST RATE MATURING IN:				
FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE 2007 $'000	YEARS 0 – < 1 2007 $'000	YEARS > 1 – < 5 2007 $'000	MORE THAN 5 YEARS 2007 $'000	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET 2007 $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE 2007 %
(i) Financial assets						
Cash assets	109 133	-	-	-	109 133	6.43
Other financial assets	61 790	-	-	-	61 790	16.18
Total financial assets	**170 923**	**-**	**-**	**-**	**170 923**	
(ii) Financial liabilities						
Interest bearing liabilities	(59 119)	181 219	1 046 526	838 294	2 006 920	6.46
Total financial liabilities	**(59 119)**	**181 219**	**1 046 526**	**838 294**	**2 006 920**	

2006

		FIXED INTEREST RATE MATURING IN:				
FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE 2007 $'000	YEARS 0 – < 1 2007 $'000	YEARS > 1 – < 5 2007 $'000	MORE THAN 5 YEARS 2007 $'000	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET 2007 $'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE 2007 %
(i) Financial assets						
Cash assets	75 540	-	-	-	75 540	6.08
Other financial assets	61 200	35 000	-	-	96 200	12.59
Total financial assets	**136 740**	**35 000**	**-**	**-**	**171 740**	
(ii) Financial liabilities						
Interest bearing liabilities	1 322 937	-	319 340	3 043	1 645 320	6.46
Total financial liabilities	**1 322 937**	**-**	**319 340**	**3 043**	**1 645 320**	

Trade Receivables and Trade Payables have not been included in the above tables as there is no interest rate risk.

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

32. FAIR VALUE AND INTEREST RATE RISK (CONTINUED)

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

Interest bearing loans and borrowings:

Fair value is calculated based on discounted expected future principal and interest cash flows.

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	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Financial assets				
Cash assets	**109 133**	75 540	**109 133**	75 540
Other financial assets	**61 790**	96 200	**61 790**	96 200
Total financial assets	**170 923**	171 740	**170 923**	171 740
Financial liabilities				
Interest bearing liabilities	**2 006 920**	1 645 320	**1 953 763**	1 642 072
Total financial liabilities	**2 006 920**	1 645 320	**1 953 763**	1 642 072

Although borrowings are carried in the Balance Sheet at an amount different to 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.

33. SETTLEMENTS RESIDUE (IRSR)

	2007 $'000	2006 $'000
Opening balance	**94 204**	123 822
Residue transferred from NEMMCO	**64 234**	44 017
Interest earned	**3 088**	6 268
Transfer to Powerlink Queensland – to offset network charges	**(102 061)**	(79 903)
Miscellaneous	**241**	-
Balance of settlements residue as at 30 June 2007 (refer Notes 2.23, 8, 16)	**59 706**	94 204

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 Transmission Corporation Limited (Powerlink Queensland). The ultimate Australian parent entity is the State of Queensland, which at 30 June 2007 owns 100% of the issued ordinary capital of Powerlink Queensland (refer Note 20).

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

34. RELATED PARTIES (CONTINUED)

(b) Subsidiaries and associates

Interest in subsidiaries is set out in Note 14 and investments in associates are set out in Note 12.

(c) Other 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.

(g) Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Sales of goods and services				
Parent entity	**576 019**	457 341	**576 019**	457 341
Associates	**7 190**	7 616	**7 190**	7 616
Director-related entities	**1 068**	673	**1 068**	673
Purchases of goods and services				
Parent entity	**52 446**	51 911	**52 446**	51 911
Associates	**38**	532	**38**	532
Director-related parties	**42**	8	**42**	8
Interest revenue				
Parent entity	**3 600**	1 525	**2 986**	1 029
Associates	**12 728**	15 189	**-**	-
Borrowing costs				
Parent entity	**116 065**	96 802	**116 065**	96 802
Dividend revenue				
Subsidiaries	**-**	-	**7 653**	6 824
Associates	**242**	257	**-**	-
Dividend payments				
Parent entity	**95 167**	82 649	**95 167**	82 649

34. RELATED PARTIES (CONTINUED)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
(h) Outstanding balances arising from transactions with related parties				
Current receivables#				
Parent entity	**38 809**	36 386	**38 809**	36 386
Associates	**751**	1 556	**751**	1 556
Current payables				
Parent entity	**2 431**	1 923	**2 431**	1 923
Associates	**-**	9	**-**	9
Loans to/from related parties				
Loans to subsidiaries				
Balances at beginning of the year – 1 July	**-**	-	**62 954**	62 954
Balances at the end of the year – 30 June	**-**	-	**62 954**	62 954
Investments in related parties				
Investments in associates using the equity method	**25 227**	22 761	**-**	-
Loans from parent entity				
Balances at beginning of the year – 1 July	**1 645 320**	1 469 320	**1 645 320**	1 469 320
Loans advanced	**361 600**	176 000	**361 600**	176 000
Borrowing costs charged	**116 065**	96 802	**116 065**	96 802
Borrowing costs paid	**(116 065)**	(96 802)	**(116 065)**	(96 802)
Balances at the end of the year – 30 June	**2 006 920**	1 645 320	**2 006 920**	1 645 320

No allowance for impairment loss 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 the ultimate parent entity (Queensland Treasury Corporation loans). Outstanding balances are unsecured and are repayable in cash. Loans to wholly owned subsidiaries are currently on an interest free basis.

Notes to

and forming part of the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

35. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Consolidated Entity in the normal course of business in order to hedge exposure to fluctuations in interest and foreign currency exchange rates, in accordance with the Consolidated Entity's financial risk management policies.

(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, distributors and direct connect loads). It is not expected that any of these customers will fail to meet their obligations.

The credit risk on financial assets of the Consolidated Entity which have been recognised on the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any impairment.

(b) Foreign exchange risk

Cash flow hedges

The Consolidated Entity enters into forward foreign exchange contracts to hedge a proportion of anticipated capital purchase commitments denominated in foreign currencies, subject to Board approved limits. The contracts are timed to mature when payments for major shipments of capital purchases are scheduled to be made.

At 30 June 2007, the Consolidated Entity held forward currency contracts designated as a hedge of contracted future purchases from overseas suppliers for which the Consolidated Entity has firm commitments.

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

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2007 $'000	2006 $'000	**2007**	2006
Buy Chinese Yuan				
Maturity				
0 – 13 Months	**2 624**	-	**6.0913**	-
Buy Euros				
Maturity				
0 – 14 months	**8 325**	1 541	**0.5856**	0.5849
Buy US Dollars				
Maturity				
0 – 2 months	**2 743**	-	**0.78395**	-

Amounts disclosed above represent currency sold, measured at the contracted rate.

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

35. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Consolidated Entity adjusts the initial measurement of the component recognised in the Balance Sheet by the related amount deferred in equity.

Consolidated entity

At balance date, these contracts were liabilities of $12 407 thousand (2006: $1 542 thousand). In the year ended 30 June 2007, there was a loss from the decrease in fair value of the liability of $723 thousand (2006: gain of $74 thousand).

During the year ended 30 June 2007 a loss of $1 475 thousand (2006: gain $152 thousand) was removed from equity and included in the acquisition cost of capital purchases.

Powerlink Queensland

At balance date, these contracts were liabilities of $12 407 thousand (2006: $1 542 thousand). In the year ended 30 June 2007, there was a loss from the decrease in fair value of the liability of $723 thousand (2006: gain/of $74 thousand).

During the year ended 30 June 2007, a loss of $1 475 thousand (2006: gain $152 thousand) was removed from equity and included in the acquisition cost of capital purchases.

(c) 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.

The forward commodity contracts are being used to hedge the commodity price risk for firm commitments.

At 30 June 2007, the Consolidated Entity did not hold any commodity forward exchange contracts.

The terms of these contracts at 30 June 2006 were as follows:

	0-9 MONTHS MATURITY TONNAGE	AVERAGE CONTRACT RATE
Forward contracts to hedge expected future purchases		
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 were assessed to be highly effective and an unrealised loss of $Nil (2006: $1 918 thousand), with a related deferred tax charge of $Nil (2006: $575 thousand) relating to the hedging instruments, are included in equity.

(d) Interest rate risk exposures

Refer to Note 32 for the Consolidated Entity's exposure to interest rate risk.

Directors' Declaration

In the opinion of the Directors of Queensland Electricity Transmission Corporation Limited:

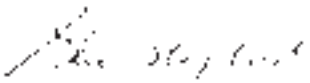
(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2007 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

Dated: 21 September 2007

Independent Auditor's Report

TO THE MEMBERS OF QUEENSLAND ELECTRICITY TRANSMISSION CORPORATION LIMITED

Matters relating to the electronic presentation of the audited financial report

The audit report relates to the financial report of Queensland Electricity Transmission Corporation Limited for the financial year ended 30 June 2007 included on the Queensland Electricity Transmission Corporation Limited website. The Directors are responsible for the integrity of the Queensland Electricity Transmission Corporation Limited website. We have not been engaged to report on the integrity of the Queensland Electricity Transmission Corporation Limited website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Queensland Electricity Transmission Corporation Limited, to confirm the information included in the audited financial report presented on this website. These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the financial report

I have audited the accompanying financial report of Queensland Electricity Transmission Corporation Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and Queensland Audit Office authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities/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.

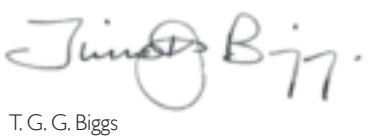
In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with.

Auditor's opinion

In my opinion, the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



T. G. G. Biggs

as Delegate of the Auditor-General of Queensland, Brisbane

Statistical Summary

ADDED IN 2006/07

TRANSMISSION LINES AND UNDERGROUND CABLES (AS CONSTRUCTED VOLTAGES)

	TRANSMISSION LINES		UNDERGROUND CABLES		LOCATION
	Route km	Circuit km	Route km	Circuit km	
330kV	0	0	0	0	
275kV	48	96	0	0	Greenbank to Maudsland; Belmont to Murrarie
132kV	28	28	0	0	Nebo to Mindi
110kV	-82	-164	0	0	Removal of Middle Ridge to Swanbank
66kV	0	0	0	0	
Total	**-6**	**-40**			

SUBSTATION/SWITCHING STATIONS AND TRANSFORMERS

	SUBSTATIONS	TRANSFORMERS		CABLE TRANSITIONS	
Voltage	Total Number	Total Number	Total Rating	Total Number	Location
330kV	0	0	0		
275kV	2	2	750		Goodna, Greenbank
132kV	3	3	320		QR Mindi, King Creek, Stony Creek
110kV	2	7	680	1	Sumner, Algester, Carindale Cable Transition
Total	**7**	**12**	**1 750**	**1**	

CIRCUIT BREAKERS

	CIRCUIT BREAKERS	
Voltage	Total Number	Location
330kV	0	
275kV	27	Middle Ridge, Goodna, Greenbank
132kV	18	Nebo, Lilyvale, Woree, Blackwater, Townsville South, Gladstone South, QR Mindi, King Creek, Stony Creek
110kV	41	South Pine, Belmont, Woolooga, Molendinar, Goodna, Sumner, Algester
66kV	0	
Total	**86**	

Statistical Summary

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

	CAPACITOR BANKS		SHUNT REACTOR		STATIC VAR COMPENSATOR		
Voltage	Total Number	Total Rating	Total Number	Total Rating	Total Number	Total Rating	Location
330kV	0	0	0	0	0	0	
275kV	2	280	0	0	0	0	Capacitor Banks: Greenbank
132kV	3	125.1	0	0	0	0	Capacitor Banks: Woree, Townsville South, Gladstone South
110kV	3	125.1	0	0	0	0	Capacitor Banks: Molendinar, Goodna, Algester
Total	**8**	**530.2**	**0**	**0**	**0**	**0**	

COMMUNICATION SITES

COMMUNICATIONS SITE	
Total Number	Location
2	Bohle, Warra

AS AT JUNE 2007

SUBSTATION, CABLE TRANSITION AND COMMUNICATION SITES

	SUBSTATION	CABLE TRANSITION	COMMS SITE
Voltage	Total Number	Total Number	Total Number
330kV	4	0	
275kV	31	1	
132kV	53	0	
110kV	14	2	
Total	**102**	**3**	**89**

Statistical Summary

TRANSFORMERS

	TRANSFORMERS	
Voltage	Total Number	Total Rating
330kV	4	3 475
275kV	57	14 920
132kV	83	4 882.5
110kV	26	1 900
Total	**170**	**25 177.5**

CIRCUIT BREAKERS

	CIRCUIT BREAKERS
Voltage	Total Number
330kV	27
275kV	346
132kV	384
110kV	272
66kV	26
Total	**1055**

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

	CAPACITOR BANKS		SHUNT REACTOR		STATIC VAR COMPENSATORS	
Voltage	Total Number	Total Rating	Total Number	Total Rating	Total Number	Total Rating
330kV	0	0	4	144	0	0
275kV	18	2 200	12	387	4	820
132kV	23	950.4	0	0	10	851
110kV	30	1 575.4	0	0	0	0
66kV	8	231.8	4	96	0	0
Total	**79**	**4 957.6**	**20**	**627**	**14**	**1 671**

Statistical Summary

FIVE YEAR HISTORY OF TRANSMISSION LINES AND UNDERGROUND CABLES

AS AT 30 JUNE 2007

	2007		2006		2005		2004		2003		2002		2001		2000	
			Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission Lines (as constructed voltages)																
330kV	**347**	**691**	347	691	347	691	253	505	253	505	253	505	253	505		
275kV	**5 227**	**6 852**	5 179	6 669	5 151	6 641	5 035	6 525	4 962	6 393	4 834	6 192	4 751	6 084	4 621	5 825
132kV	**2 651**	**4 151**	2 623	3 961	2 623	3 961	2 621	3 901	2 621	3 959	2 620	3 958	2 620	3 958	2 620	3 958
110kV	**238**	**422**	320	602	316	593	312	569	312	569	285	528	285	528	280	524
66kV	**1**	**1**	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Lines	**8 464**	**12 117**	**8 470**	**11 924**	**8 438**	**11 887**	**8 222**	**11 501**	**8 149**	**11 427**	**7 993**	**11 184**	**7 910**	**11 076**	**7 522**	**10 308**
Underground Cables																
275kV	**2**	**5**	2	5	2	5	2	5	2	5	2	5	2	5	2	5
132kV	**1**	**2**	1	2	1	2	1	2	1	2	0	0	0	0	0	0
110kV	**3**	**7**	3	7	3	7	3	7	3	6	3	6	3	6	7	10
66kV	**1**	**1**	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Cables	**7**	**15**	**7**	**15**	**7**	**15**	**7**	**15**	**7**	**14**	**6**	**12**	**6**	**12**	**10**	**16**
Total Lines & Cables	**8 471**	**12 132**	**8 477**	**11 939**	**8 445**	**11 902**	**8 229**	**11 516**	**8 156**	**11 441**	**7 999**	**11 196**	**7 916**	**11 088**	**7 532**	**10 324**

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Glossary of Terms and Abbreviations

AASB	Australian Accounting Standards Board
ABARE	Australian Bureau of Agricultural and Resource Economics
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AIFRS	Australian equivalents to International Financial Reporting Standards
ANTS	Annual National Transmission Statement
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
ASX	Australian Stock Exchange
B4C	Bulimba Creek Catchment Coordinating Committee
Debt to Equity	Debt/Debt + Equity
EBIT	Earnings Before Interest and Tax
EMF	Electric and Magnetic Fields
EMS	Environmental Management System
ENA	Energy Networks Association
ETNOF	Electricity Transmission Network Owners Forum
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.
Grid	The high voltage electricity transmission network
GST	Goods and Services Tax
HVIA	High voltage isolation and access
IFRA	International Financial Reporting Standards
Interest cover	EBIT/gross interest expense
LTC	Lost Time Calculation
LTIFR	Lost Time Injury Frequency Rate
MCE	Ministerial Council on Energy
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
OCM	Organisational change management
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.
OPGW	Optical fibre ground wire
PCB	Polychlorinated biphenyl
PEA	Power Engineering Alliance
Performance Incentive Scheme	Performance targets for TNSPs set by the Australian Energy Regulator and linked to financial incentives.
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 National Electricity Rules, requires TNSPs to identify the solution that maximises the net benefit to the NEM when addressing emerging network limitations.

Glossary of Terms and Abbreviations

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
SF6	Sulphur hexafluoride gas
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 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.

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 million 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
Megawatt 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.

Acknowledgements

Production notes:
Stock used in the report is acid free to ensure long archival life, produced using no chlorine gasses or compounds, and is EMAS Accredited and manufactured under ISO 14001 Environmental Management System, using pulp sourced from commercially managed forests.

This report has been printed using a waterless printing system with vegetable based inks.

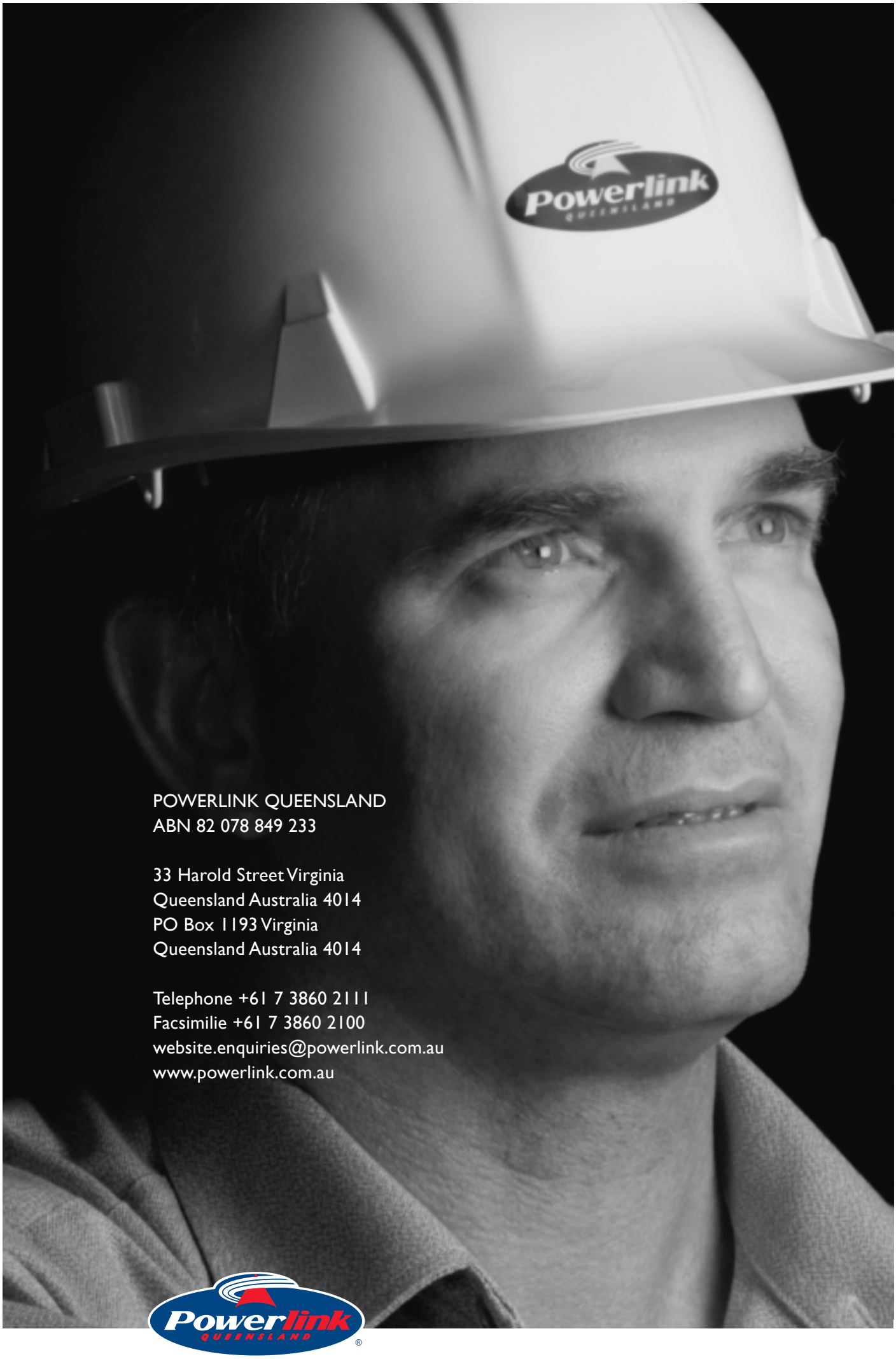
Pictured at right:
Top: *Angela Robinson, Network Assessments Consultant*
Middle: *David Sinnamon, Line Fields Projects Manager*
Bottom: *Alan Green, Line Works Control Manager*

Pictured Back Cover:
Malcolm Bates, Facilities Coordinator


Plan.


Build.


Deliver.



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