Powerlink QUEENSLAND®

WE'RE GOING THE DISTANCE

ANNUAL REPORT 2007/08 ▶

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 +61 7 3860 2111 or writing to:
Corporate Communication Manager, Powerlink Queensland,
PO Box 1193 Virginia Queensland Australia 4014.

Cover: Scott Ferguson, Barehand Live Linesperson, and Andre Leebody, Barehand Live Linesperson, carry out maintenance work on the Woolooga to South Pine transmission line.

Opposite: Matt Bullman, Linesperson, takes a break during maintenance work on the Woolooga to South Pine transmission line.

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.
- BEING A GOOD CORPORATE CITIZEN AND COMMUNITY RECOGNITION OF THIS.
- FAIR, COMMERCIAL AND COURTEOUS DEALINGS WITH OUR SUPPLIERS.

HIGHLIGHTS

2007/08 Annual Report

The Powerlink Annual Report is a summary of our financial and non-financial performance during the 2007/08 year. Powerlink presents this Annual Report to our shareholding Ministers, the Treasurer, and the Minister for Mines and Energy, and other stakeholders with an interest in our activities.

During 2007/08, Powerlink focused on optimising our capabilities and processes to enable us to go the distance in meeting our obligations to plan, build and deliver a record $676 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 +61 7 3860 2111.

- Powerlink invested a record $676 million in capital works during 2007/08, and expects to invest more than $2.9 billion over the five year period to 2012/13 to develop our transmission network ahead of electricity demand growth. Refer to page 20
- Powerlink continued to deliver the largest capital works program in the electricity transmission sector in Australia. Refer to page 10
- Nineteen major transmission line and substation projects were under construction, and two new substations and four new major transmission lines were commissioned. Refer to page 26
- Powerlink was clearly positioned as a world leader in network reliability and cost-effectiveness by the International Transmission Operation and Maintenance Study 2007, confirming that our network strategies are delivering world's best practice. Refer to page 14
- New live line and live substation processes further improved our operational efficiency by minimising the number of outages on our network for maintenance or construction projects. Refer to page 22
- We delivered strong network performance to exceed the reliability targets set by the Australian Energy Regulator. Refer to page 19
- We negotiated connection agreements with four power generators and are progressing works that will connect to our transmission network over the next two years. Refer to page 19
- More than 50 worthwhile community projects were funded through three Community Benefits Programs, providing tangible and lasting benefits to local communities in proximity to our new transmission lines. Refer to page 42
- We implemented initiatives to reduce Powerlink's business-related greenhouse emissions by actively targeting waste, energy, water, transport, and emissions inventories. Refer to page 36
- We invested in programs to train and develop our people to ensure we have the skills, management and leadership competencies to meet Powerlink's future capability requirements. Refer to page 48

At right: Sean Conlan, Lines Inspector, supervises construction of the Bohle River to Townsville GT Power Station project.

PROFILE

Powerlink Queensland owns, develops, operates and maintains a world class transmission network that keeps pace with Queensland's economic growth, and which forms the backbone of secure and reliable electricity supply throughout the State and across the border into New South Wales.

Powerlink's $4.6 billion transmission network transports at high voltages the electricity generated at power stations throughout the State and delivers it 'in bulk' to major electricity consumers and electricity distributors (primarily ENERGEX and Ergon Energy) who supply more than 1.8 million customers. Powerlink also transports electricity to large Queensland customers such as aluminum smelters, and to and from New South Wales via the Queensland/New South Wales Interconnector (QNI).

Powerlink's transmission network extends 1,700 kilometres from north of Cairns to the New South Wales border—approximately half of Australia's eastern seaboard.

Our work includes planning and building new high voltage transmission lines and substations to provide continued security and reliability of the Queensland electricity grid. We implement innovative improvements to our asset strategies and work practices to ensure our network's performance continues to benchmark in the top quartile internationally in terms of reliability and cost efficiency.

As a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM), Powerlink operates its transmission system to transfer power between participants within the NEM. Powerlink does not buy or sell electricity.

We provide access to Powerlink's network under a non-discriminatory, open-access regime. Powerlink is a regulated monopoly business, with revenues set every five years by the Australian Energy Regulator (AER).

Powerlink is a Queensland Government Owned Corporation established on 1 January 1995 under the *Government Owned Corporations (GOC) Act 1993*. Powerlink is governed by a Board of Directors, and its activities and operations are undertaken in compliance with the *Electricity Act 1994*, the *National Electricity Law* and *Rules*, and other relevant legislation.

At right: Live line work greatly enhances Powerlink's ability to safely refurbish, maintain and augment the transmission network without network outages.

Powerlink goes the distance in every way to ensure our transmission network reliably meets the fastest growing electricity demand in the National Electricity Market.

FINANCIAL OVERVIEW

BUSINESS PROFITABILITY AND DIVIDENDS

Powerlink's Net Profit After Tax (NPAT) for 2007/08 is $103.1 million. While slightly lower than 2006/07, this is attributable to increased finance costs for the higher debt borrowings to accommodate Powerlink's growing capital expenditure program.

Earnings Before Interest and Tax (EBIT) of $297.9 million is 2.4 percent higher than 2006/07, attributable to both the increase in the 2007/08 regulated revenue cap, and additional revenue from new non-regulated transmission network connections during the year.

The Return on Total Assets (ROA) of 6.6 percent for 2007/08 is also lower than the previous financial year (2007: 7.5 percent). The reduction is consistent with expectations set out in the business plan, and is related to the significant increase in Powerlink's capital expenditure program in 2007/08 ($676.5 million). With long-life assets such as the transmission network, Powerlink finances the up-front capital investment and then receives a stable revenue stream over the life of the asset, resulting in a lower, initial Return on Total Assets that progressively increases in subsequent years.

The Powerlink Board approved a dividend of 80 percent of Net Profit After Tax, excluding the share of net profits/(losses) of associates, consistent with the corporation's business plan forecasts. The 2007/08 dividend provided for is $84.4 million. Dividends will be paid by 30 December 2008, in accordance with requirements of the *Government Corporations Act 1993*.

REVENUE

The principal source of Powerlink's revenue is derived from the transport of electricity over the Queensland transmission grid. This revenue is regulated by the Australian Energy Regulator (AER). The AER finalised its determination of Powerlink's regulated revenue stream in June 2007, establishing Powerlink's allowable regulated revenues for the five year period from 1 July 2007 until 30 June 2012. The 2007/08 financial period is the first year in this regulatory period.

Powerlink also receives revenue from the provision of non-regulated transmission network services in accordance with the National Electricity Rules (the Rules). Whilst the revenue from the provision of these services continues to grow as new generators and major loads connect directly to the Queensland transmission grid, it represents less than five percent of Powerlink's total grid revenue.

The growth in revenue in 2007/08 was approximately 4.8 percent and is attributable to the increase in grid services revenue.

Powerlink also receives distributions from its investment in ElectraNet SA, the South Australian transmission network service provider, the provision of wholesale telecommunication services and the provision of technical services.

EXPENSES AND FINANCE COSTS

Powerlink's controllable operating costs as a proportion of the gross book value of fixed assets remain constant at approximately 1.8 percent. This reflects Powerlink's ability to continue to harness economies of scale within the business.

Finance costs in 2007/08 totalled $146.7 million, a 26 percent increase from the previous year. Other than depreciation, this represents Powerlink's largest single operating expense. The increase in finance costs is attributable to new borrowings in 2007/08 ($509.5 million) as Powerlink funds its major capital investment program.

CAPITAL INVESTMENT AND BORROWINGS

The Queensland economy continues to expand at a rapid rate, and the capacity of the electricity transmission grid must keep pace with this growth.

In 2007/08, capital expenditure totalled $676.5 million, a record expenditure program for Powerlink since the corporation was formed in 1995. Approximately 75 percent of this expenditure was debt funded. Borrowings from Queensland Treasury Corporation (QTC) now total more than $2.5 billion.

Notwithstanding this significant increase in borrowings, Powerlink's Debt to Fixed Asset ratio of 54.7 percent continues to remain within the target capital structure for the corporation.

Assets totalling $679 million were capitalised in the year, commensurate with the increased capital expenditure program. The total value of Powerlink's property, plant and equipment asset is now around $4.6 billion.

GRID SUPPORT

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

Seasonal (such as hydro generation availability in North Queensland) and demand factors can vary the level of Grid Support. Grid Support payments in 2007/08 totalled $27.3 million.

BUSINESS PLANNING

The following table summarises the key financial and non-financial indicators, as incorporated in its *Statement of Corporate Intent (SCI)*, which Powerlink uses to measure and monitor its performance.

FINANCIAL INDICATORS	2005/06	2006/07	2007/08
	$MILLION	$MILLION	$MILLION
Revenue Grid Services	488.0	531.4	561.3
Total Revenue	533.8	583.9	611.6
Operating Expenses	262.2	293.1	313.7
Earnings Before Interest and Tax (EBIT)	271.7	290.8	297.9
Net Profit After Tax (NPAT)	119.0	115.8	103.1
Capital Works Expenditure	346.7	583.5	676.5
Dividend Proposed/Paid	95.2	92.6	84.4
	%	%	%
Dividend Payout Ratio	80	80	80
Return on Total Assets	7.9	7.5	6.6
Return on Average Equity - Post Tax [1]	0.0	7.4	6.1
Debt/Debt + Equity Ratio	52.2	55.4	58.9
Debt/Fixed Assets Ratio	48.7	51.3	54.7
Interest Cover (times)	2.8 times	2.5 times	2.0 times
SYSTEM PERFORMANCE INDICATORS			
Energy Flowing into the Grid (GWh)	47,734	47,750	48,576
Energy Delivered to Customers (GWh)	46,065	46,025	46,083
Peak Maximum Demand (MW)	8,295	8,589	8,082
Loss of Supply Events > 0.2 System Minutes	2	2	3
Loss of Supply Events > 1.0 System Minutes	0	1	1
SAFETY INDICATORS			
Lost Time Calculation (LTC)	0.0	0.3	1.3

[1] *Definition is now based on Average Equity.*

CHAIRMAN'S REVIEW

Queensland's economy continues to strengthen with significant development occurring in a number of regions in our State. In support of that rapid development, Powerlink is expanding its transmission grid to keep pace with electricity demand growth, and to continue to provide a secure and reliable supply of high voltage electricity.

DELIVERING CAPITAL WORKS

In 2007/08, Powerlink delivered a $676 million capital works program involving network augmentations and network replacement projects, an investment which represents Powerlink's most significant capital expenditure program since incorporation in 1995.

Powerlink's Net Profit After Tax of $103.1 million was slightly lower than 2006/07 due to the increased finance costs for the higher borrowings required to accommodate Powerlink's growing capital expenditure program.

During the next five years between 2007/08 and 2012/13, Powerlink expects to invest more than $2.9 billion to develop our transmission network ahead of electricity demand growth. This investment is reflective of the strong growth in electricity demand in Queensland which is expected to continue over the next 10 years and beyond.

WORLD CLASS NETWORK PERFORMANCE

Powerlink participated in the International Transmission Operation and Maintenance Study (ITOMS) 2007 to benchmark our network performance and practices against other electricity transmission entities from around the world. The result of ITOMS 2007 recognises Powerlink as a world leader in the reliability and cost-effectiveness of transmission services, and evidences the effectiveness of Powerlink's asset strategies and work practices.

During the past nine years, Powerlink has consistently benchmarked in the top quartile of ITOMS participants. This sustained best practice performance has enabled Powerlink to provide a secure and reliable high voltage electricity supply to support our customers, industry and electricity users at large.

INTERNATIONAL ENVIRONMENTAL RECOGNITION

Earlier this year, I was proud to accept the United Nations Greening the Boardroom Award on behalf of Powerlink. The award was presented in recognition of the environmental responsibility taken by Powerlink when building electricity transmission lines, and is a tribute to the efforts throughout the organisation to continually improve environmental performance.

COMMUNITY ENGAGEMENT FOR THE LONG-TERM

As Powerlink plans and undertakes its capital works program throughout Queensland, we engage with a broad range of landowners, stakeholders and communities. We are committed to pursuing positive engagement which leads to productive long term relationships.

Through our Community Benefits Program, Powerlink makes an enduring contribution to communities in which we are constructing new transmission lines. With the increase in our construction activities, Powerlink's Community Benefits Program made a significant contribution in 2007/08, providing funding for more than 50 community projects in the vicinity of three transmission line projects, in seven regional council areas. This level of commitment strongly demonstrates our corporate value of community recognition as a good corporate citizen.

The Board of Directors supports Powerlink's ongoing commitment to the Community Benefits Program and the strategic goodwill programs undertaken in key areas traversed by Powerlink's existing and future transmission assets.

THANKING OUR PEOPLE

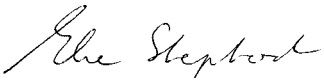
We have a highly skilled, capable and dedicated workforce who come together to identify innovative and cost-effective solutions to challenges throughout our business.

Our workforce continues to grow in number and capability, in response to the demands of our significant capital works program.

On behalf of the Directors, I wish to thank all of our people for their valued contribution to Powerlink's achievements during 2007/08, and to express our confidence in the ability of our people to continue to deliver exceptional performance.

RECOGNISING OUR DIRECTORS

I also thank our Directors for their contribution to Powerlink's current success and strategic direction. In particular, it is fitting that we recognise the significant contribution made by former Director Merv Norman who retired from the Board during 2007/08, following more than 12 years of service. Merv was a member of the founding Board of Directors established upon Powerlink's incorporation in 1995.



Else Shepherd AM
Chairman

CHIEF EXECUTIVE'S REVIEW

Powerlink's robust planning process has forecast strong growth in electricity demand over the next decade, a continuation of the trend established during the past decade in Queensland, and particularly in the south east corner of the State. This growth in demand is driven by ongoing solid economic development, expansion in the mining sector and the increasing population.

Powerlink supports this growth through timely investment in the development of the transmission grid to ensure reliable high voltage electricity supply. In the five year period to June 2013, Powerlink expects to invest $2.9 billion in capital projects—the largest capital program ever undertaken in the electricity transmission sector in Australia.

The 2007/08 year provided opportunities for Powerlink and our people to prove our capability to excel in the management of an expansive capital works program, while operating our existing network to world class standards, and ensuring Powerlink meets its obligations by timely planning for Queensland's future high voltage electricity needs.

At the same time, we have maintained our commitment to the continuous improvement of a culture in which all employees regard safety as their first priority, and where safety is systematically and actively integrated into all work.

CAPITAL PROJECTS COMMISSIONED

This year, Powerlink commissioned two new substations and four new major transmission lines. A further 13 major transmission line and substation projects are under construction throughout Queensland, and we have further developed our capability to manage this significant capital works program.

A key project delivered in 2007/08 was the Middle Ridge to Greenbank transmission line which provides additional power transfer capability into the fast-growing South East Queensland region.

Stages one and two of the Central Queensland to North Queensland transmission reinforcement are currently under construction, and we plan to commence the third (and final) stage in 2009. This major augmentation will significantly increase the supply capacity to North Queensland, providing more competitively priced wholesale electricity in the expanding northern region.

PLANNING FOR EMERGING CHALLENGES

Powerlink has developed a concept plan, utilising 500 kilovolt transmission lines, to enable higher capacity transfers of electricity into the major South East Queensland load centre from this expanding generating region, which is relatively close to the load centre. Our concept plan, published in mid 2008, recognises the need to move to a higher capacity transmission capability while minimising the footprint of the network in this increasingly urbanised area.

Recent changes in federal and state government policy responses to climate change are expected to progressively shift the electricity market towards lower emission generation technologies, a shift which has already begun to occur in Queensland with the rapid growth in coal seam methane gas generation in the Surat and Bowen Basins. In addition, it is expected that there will be a series of new large scale renewables generators (wind, geothermal, solar thermal).

With these new large scale gas and renewables generation developments likely to occur in locations that are outside the major electricity consumption centres in South East Queensland, a stronger transmission grid will be needed to transport electricity from the new generators to consumers. Through our normal transmission planning activities, Powerlink will continue to closely monitor and evaluate any potential effects of this shift. We expect that Powerlink's normal transmission network planning activities will readily cope with the progressive changes in the generation mix.

The large scale and market-based nature of the proposed emissions trading scheme and new mandatory renewables targets is expected to also result in the development of large scale renewables generation in locations which are distant from the existing grid. Powerlink's transmission grid will play a pivotal role in transporting this power to the regions where it will be consumed.

The Minister for Mines and Energy, Geoff Wilson MP (at left), with Gordon Jardine, Chief Executive and Eddie Van Der Draai, Construction Manager for the Nebo to Pioneer Valley transmission line project.

WORKING WITH STAKEHOLDERS

Our significant capital works program is supported by our proactive approach to liaising with the community and local government authorities during planning and construction of our network, and during acquisition of strategic easements for the longer term. We conduct our activities within the framework of the *Integrated Planning Act 1997*, which incorporates processes of proactive consultation with key stakeholders at various stages of the environmental assessment for new lines and substations.

We also have established processes for communicating with landholders over the long-term to help us conduct our ongoing maintenance activities in a way which minimises impacts.

DELIVERING ROBUST OPERATIONAL PERFORMANCE

Our focus on operational excellence across the business has helped Powerlink to deliver strong performance against the Australian Energy Regulator's (AER) network reliability targets. Powerlink's network performance has met, and in many instances, exceeded the performance targets identified by the AER, which include transmission circuit availability, average duration of unplanned outages and the number of loss of supply events on the network.

Powerlink's strong performance further underlines the value of the operational improvement strategies being implemented across the organisation.

ENVIRONMENTAL PERFORMANCE MONITORING

The escalation in Powerlink's capital works has resulted in an increase in the requirement for identifying potential environmental impacts, and formulating management plans to minimise these impacts. We continue to maintain a rigorous process of monitoring all construction activities to ensure environmental compliance, and adherence to Powerlink's commitment to environmentally responsible performance.

Our rational approach to climate change means we are focusing our efforts on matters that are within our control. We have undertaken a number of initiatives to reduce Powerlink's greenhouse emissions in everyday business practices by actively targeting waste, energy, water, transport and emissions inventories, and reinvesting cost efficiency gains into the purchase of green electricity for our premises.

OUR PEOPLE

We continue to invest in developing our people's skills and expertise in technical and leadership arenas, by providing opportunities for our people to be involved in employee development schemes. Together with our strategic recruitment and retention program, this approach ensures we have the capability to meet Powerlink's future business challenges and opportunities.

I appreciate the commitment and motivation of our highly skilled and capable team of people. Their consistent efforts have enabled Powerlink to deliver another year of excellent performance.

Gordon Jardine
Chief Executive

INTERNATIONALLY RECOGNISED NETWORK PERFORMANCE

Powerlink has been recognised as a world leader in the operation and maintenance of transmission services through the International Transmission Operation and Maintenance Study (ITOMS) 2007, confirming that our network strategies are delivering world's best practice.

Powerlink participated in ITOMS 2007 as a means of benchmarking our network's performance and practices against other electricity transmission entities around the world. The performance of each key aspect of the transmission network is measured in terms of cost efficiency and customer service levels (reliability).

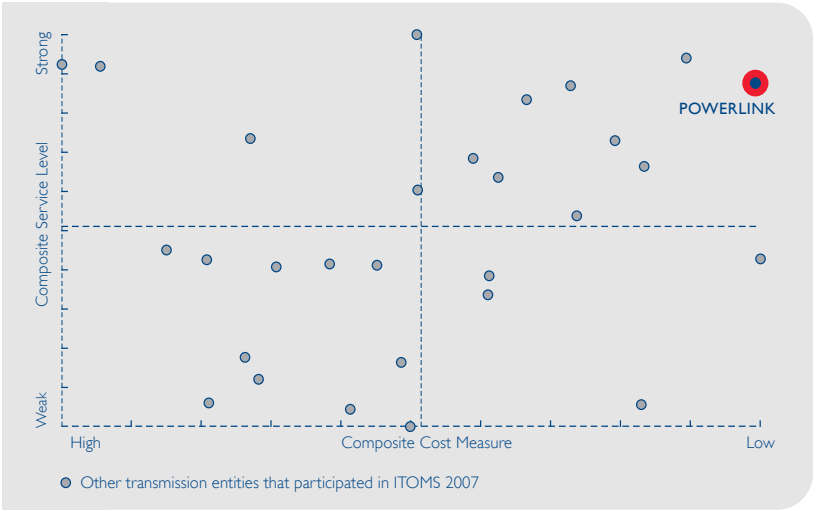
Among the 28 global transmission utilities that participated in ITOMS 2007, Powerlink was clearly positioned as one of two overall best performers in the operation and maintenance of transmission lines and substations against both cost-effectiveness and reliability measures.

Powerlink's leading position in the benchmarking study reflects our focus on making innovative improvements to our asset strategies and work practices. These innovations include the use of live substation work methods and our effective use of remote asset monitoring.

Powerlink has been involved with this biennial international benchmarking program since 1995, and has benchmarked in the top quartile for the past nine years.

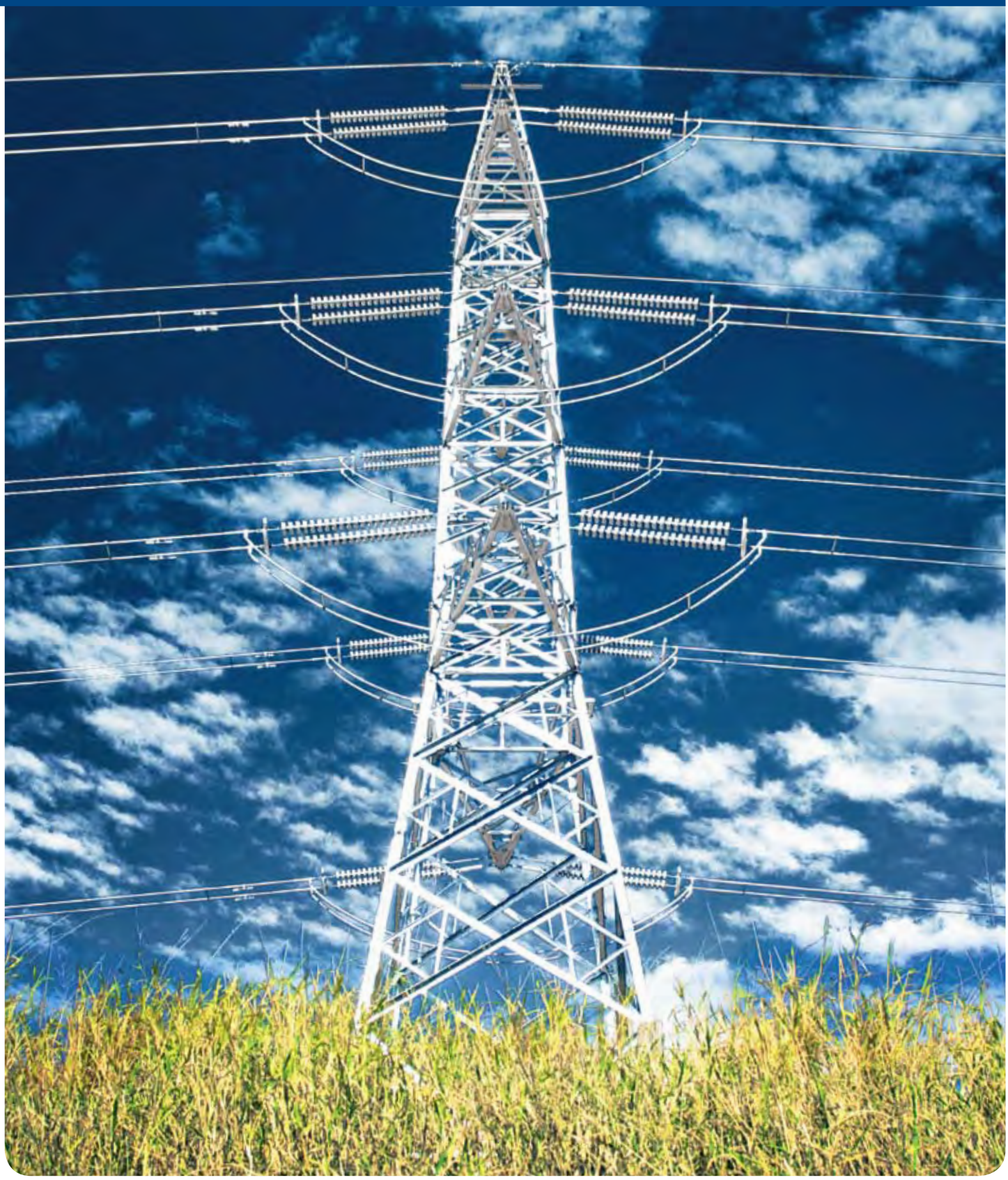
Entities in the top right quadrant of the diagram below are delivering above-average reliability at below-average cost.

OVERALL COMPOSITE BENCHMARK – WEIGHTED AVERAGE



At right: Middle Ridge to Greenbank transmission line.

We're going the distance to deliver world's best practice.



WE'RE GOING THE DISTANCE IN 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 regulated by the Australian Energy Regulator (AER).

Up close

- Powerlink actively participated in processes to further develop the National Electricity Market.
- Powerlink's network performed strongly in 2007 against the Australian Energy Regulator's reliability targets.
- New connection agreements were negotiated with four power generators committed to constructing new generating capacity in Queensland.

Powerlink is required to efficiently plan, develop, 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 operation of the NEM under the National Electricity Rules (the Rules). Under an Operating Agreement with NEMMCO, Powerlink performs some functions that assist in the secure operation of the Queensland power system.

In July 2009, the Australian Energy Market is scheduled to take the place of the NEM and will include both gas and electricity markets. The Australian Energy Market Operator (AEMO) will take over the role of NEMMCO and a number of gas market operators.

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, and work with equivalent bodies in other States and NEMMCO to assess the capability to transfer electricity to and from other States in the NEM.

When we identify future electricity 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 AER Regulatory Test, we identify and implement the augmentation that meets reliability standards at the lowest cost or otherwise maximises the net market benefits.

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 that includes economic regulation of electricity transmission. As well as setting the revenues that Powerlink is allowed to earn, the AER also sets targets for network reliability.

At right: Powerlink's transmission network plays a crucial role in the export infrastructure chain.

Powerlink efficiently plans, builds, operates and maintains Queensland's high voltage transmission network.

WE'RE GOING THE DISTANCE
IN THE NATIONAL ELECTRICITY MARKET

IN FOCUS: NETWORK PERFORMANCE TARGETS

"For a number of years, we've been focused on Powerlink's goal of achieving operational excellence across the business. It's been a united effort by Powerlink people.

A key aspect of this focus has been to ensure that we met and continue to meet or exceed the network performance targets set for Powerlink by the Australian Energy Regulator (AER).

We established a Steering Committee to oversee the implementation of strategies to optimise the performance of our network against the AER's reliability targets, and to ensure that our performance reflects the significant efforts in the field.

Specifically, we sought opportunities to enhance equipment monitoring and make improvements to our methods for identifying and reviewing technical issues. We worked on process improvements both in the field and in office-based activities. Aspects such as improving data recording and reporting systems are being implemented.

As a result of the strategies we have put into place and the team approach to implementing those strategies, Powerlink's network performance in 2007/08 met or exceeded the AER's reliability targets."

Gary Edwards,
Maintenance Strategies Manager

CONTRIBUTING TO NEM DEVELOPMENT

Powerlink continued to be an active participant in initiatives to develop the NEM and further the National Electricity Objective—to promote an efficient, reliable and safe electricity supply for the long-term interests of consumers.

Powerlink is a member of Grid Australia, the organisation which represents the owners of Australia's electricity transmission networks. Grid Australia is chaired by Powerlink Chief Executive Gordon Jardine, and provides a useful forum for identifying and advancing common matters of interest for transmission network owners.

During the 2007/08 year, Powerlink participated, both directly and via Grid Australia, in the development of a number of key NEM development processes, including:

- The AEMC's project to define the responsibilities of the National Transmission Planner, including the definition of a future National Transmission Network Development Plan. This project also includes reforms to the AER's Regulatory Test and development of a nationally consistent framework for reliability planning standards for electricity transmission;
- The AER's process to finalise a suite of TNSP revenue regulation guidelines following the introduction of the new revenue regulation rules. These guidelines require TNSPs to submit a pricing methodology for AER approval within the revenue determination process;
- The AEMC's consultation on the proposal to increase the threshold value of investment which is subject to the AER's Regulatory Test;

Above: Mark Badrick and Jason Houghton, Live Substation Technicians. Powerlink is the only Australian transmission authority utilising live substation procedures to maximise transmission circuit availability during network maintenance and project work.

Powerlink's revenue supported significant network augmentation projects throughout Queensland.

- The AEMC's Congestion Management Review which considered the requirement and scope for enhancing trading arrangements in the NEM to better manage network congestion; and
- The introduction to the AER's regulatory framework of additional TNSP incentive arrangements linked to the impact TNSP operations may have on market outcomes.

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

REGULATED REVENUE AND 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 the growing electricity demand in Queensland.

Powerlink's allowable regulated revenue is specified in the AER's Final Decision of June 2007 and applies to each financial year from 1 July 2007 to 30 June 2012. From these annual revenues, we determine the transmission prices for our network customers in accordance with the methodology described in the Rules.

In 2007/08, Powerlink's allowable regulated revenue was $536.8 million. This revenue supported significant network augmentation projects in Queensland.

AER NETWORK PERFORMANCE TARGETS

In July 2007, Powerlink's network became subject to targets for network performance (reliability) identified in the AER revenue determination in June 2007. The reliability measures are transmission circuit availability, average duration of unplanned outages and the number of loss of supply events on the network.

Powerlink's performance is measured each calendar year, and reported to the AER. In 2007, Powerlink's network met or exceeded these reliability targets.

In preparation for the implementation of the AER's network performance targets, Powerlink adopted strategies aimed at continuing to improve network performance.

CONNECTING NEW GENERATION

During 2007/08 Powerlink negotiated connection agreements with four power generators committed to constructing new generating capacity in Queensland. Within the next two years, we will construct transmission works to connect the following new generators to our high voltage transmission network:

- ERM's 450 megawatt NewGen Braemar Power Station (coal seam methane gas fired generator) will be connected at Powerlink's Braemar Substation;
- Rio Tinto Alcan's Yarwun Alumina Refinery Stage 2 expansion (including an embedded 160 megawatt cogeneration gas fired turbine) will be connected at Powerlink's new substation at Yarwun in the Gladstone State Development Area;
- Origin Energy's 560 megawatt Darling Downs Power Station (methane gas fired generator) will be connected at Powerlink's Braemar Substation; and
- Origin Energy's 150 megawatt Mt Stuart Power Station Number 3 (jet fuel fired generator) will be connected near Powerlink's Townsville South Substation in the Townsville State Development Area.

The Queensland coal mining and exporting boom and the ongoing growth in electricity usage have resulted in a continued large number of enquiries from both industrial developments (new loads) and potential power generators seeking connections to our high voltage transmission network. A large proportion of enquiries relate to the development of coal seam methane gas fired generators.

Powerlink provides generation proponents with non-discriminatory access to the transmission network and, in the light of government policies on emissions trading and mandatory renewables targets, it is expected that future generation will include renewables generation such as wind, geothermal, and solar thermal.

ON THE HORIZON 2008/09

- We will engage in the AER's review of the regulated rate of return for TNSPs.
- We will monitor and manage potential impacts on our business that are expected to arise from the transition from a National Electricity Market to an Australian Energy Market in July 2009.
- We will further refine our model for transmission connections to accommodate emerging generation technologies.

WE'RE GOING THE DISTANCE WITH OUR NETWORK STRATEGY

Electricity demand growth

Electricity demand in Queensland has grown strongly during the past 10 years, and this trend is expected to continue over the next 10 years.

Up close

- Electricity demand in Queensland is expected to grow strongly over the next decade.
- During 2007/08, Powerlink invested $676 million in capital works and expects to invest more than $2.9 billion in the five years from 2007/08 to 2012/13 to meet the sustained growth in electricity demand in Queensland.
- Powerlink's transmission network was highly utilised due to atypical patterns of power generation arising from drought impacts, without adversely impacting electricity supplies to customers.
- Easements for five new transmission lines and sites for six new substations that will be developed to meet future electricity needs were gazetted or acquired.

The forecast strong growth was confirmed by the record winter peak demands during 2008 however, a combination of unusual circumstances resulted in only a marginal increase in summer maximum electricity demand (corrected for temperature and diversity) for 2007/08 compared to 2006/07. Those circumstances included:

- A very mild summer;
- The diversity of temperatures across Queensland during last summer;
- Additional generation connected to the distribution network partially offsetting the demand;
- Customer delays to the connection of several new industrial loads; and
- A temporary reduction in mining load due to floods in Central Queensland.

Transmission network planning and development are integral to Powerlink meeting its obligations under the National Electricity Rules (the Rules). Powerlink's 2008 Annual Planning Report was issued on 27 June 2008 to National Electricity Market (NEM) participants and other interested parties. The Annual Planning Report presents historical and forecast electricity demand, and outlines Powerlink's plans to develop the transmission network in response to this demand.

Population growth and air conditioning installation continued to be strong over the last two mild summers and accordingly, the 2008/09 forecast for average weather conditions reflects a large increase over the 2007/08 actual values. On average, summer maximum electricity demand is forecast to increase at an average rate of 3.6 percent per annum from 8,729 megawatt in 2008/09 to 12,034 megawatt in 2017/18.

High growth in demand is forecast to continue particularly for the next two summers due to several factors. These include an expected return to more normal weather patterns, ongoing population growth, the connection of several new industrial loads and continued growth in the mining sector. Beyond 2009/10, the penetration of domestic air conditioning is forecast to continue to grow but at a slower rate, and the annual demand growth rate is expected to move closer to the long-term trend.

Queensland's electricity demand growth continues to outstrip other Australian States participating in the NEM.

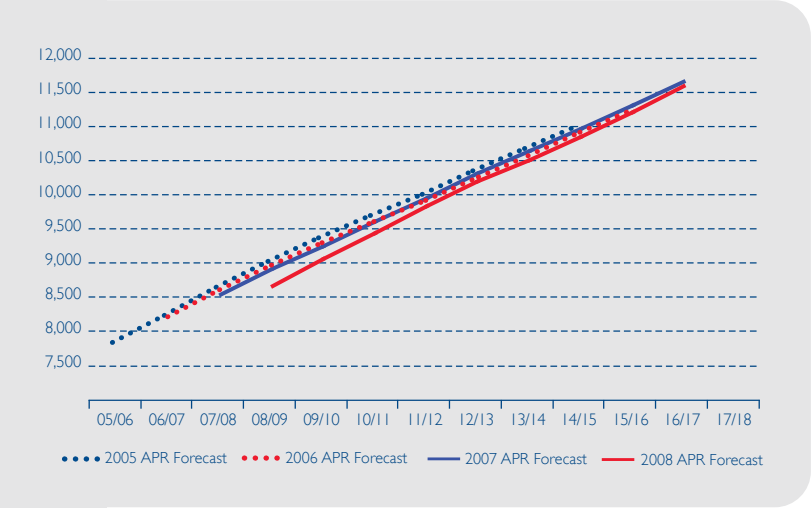
The ongoing and strong demand growth within each of the zones that make up Queensland will require significant future augmentation to the Queensland transmission network to ensure grid capability keeps pace with demand, particularly in the south east corner of the State.

At right: Live Linespersons Mark Piddington and Clinton Elstob (in elevated work platform) work with fellow Live Linespersons, Matt Bullman, Nicholas Taylor and Scott Ferguson to replace insulators on a transmission tower near Goodna, Ipswich.

Powerlink is currently constructing $1.6 billion in capital works projects.

WE'RE GOING THE DISTANCE WITH OUR NETWORK STRATEGY

QUEENSLAND FORECAST NATIVE SUMMER PEAK DEMAND MW



RECORD CAPITAL WORKS INVESTMENT TO UNDERPIN ECONOMIC DEVELOPMENT

Powerlink's transmission network provides essential support for the rapidly growing Queensland economy, playing a crucial role in the export infrastructure chain through the provision of a secure, reliable and cost-effective electricity supply via the efficient operation of our network, and timely augmentation to meet electricity demand growth. The development of the transmission network, together with the Queensland Government and private sector investment in rail, port and water infrastructure, underpins the State's fast-growing resources industry.

Over the last five years from 2003/04, Powerlink has invested almost $2 billion in upgrading its transmission network, and this expenditure was deemed to be necessary and efficient by the Australian Energy Regulator (AER). Powerlink currently has $1.6 billion of capital works projects under construction. This investment includes a number of major network augmentations and asset replacement projects that will ensure our network continues to support the future economic prosperity of the State.

Over the five years from 2007/08 to 2012/13, Powerlink plans to invest more than $2.9 billion to develop our network ahead of the sustained growth in electricity demand in Queensland.

During 2007/08, Powerlink invested a record $676 million in capital works, an increase of 16 percent on our previous record capital expenditure in 2006/07. This increase in capital works expenditure reflects both the investment required to augment our high voltage network in response to the forecast rising electricity demand and the increases in construction and materials costs being experienced by Australian infrastructure developers.

CONTINUOUS IMPROVEMENTS TO TRANSMISSION SERVICES TO OUR CUSTOMERS

We are focused on implementing a range of strategies to continue to improve the transmission services that we deliver to our customers throughout Queensland. This year we concentrated on ensuring that we are equipped with the resources and capabilities to deliver our large capital works program, and that we continue to improve the cost-effectiveness and performance of our statewide transmission network.

Our strategies are reviewed annually and refocused to leverage off recent improvements and to align with the changing external environment.

The strategies are delivering significant benefits, including effective relationships with our contractors, efficiency gains through innovative applications of information technology and process improvements, and more cohesive and efficient team performance.

Going forward, we will continue to target opportunities to further enhance the:

- Delivery of our capital expenditure program on time, safely and to a high quality;
- Efficient and sustainable operation and maintenance of our network, consistent with the targets set by the AER;
- Performance of our network; and
- Teamwork and collaboration across the business.

DROUGHT IMPACTS ON NETWORK OPERATION

As drought impacted many parts of South Queensland, Powerlink provided technical advice to assist the Queensland Government Taskforce to develop and implement a strategy that would ensure that the electricity industry's response to the ongoing drought and water restrictions could be implemented without impacting on the security of electricity supplies to customers. As a member of the Taskforce, Powerlink provided advice on the requirements for ensuring the continued secure and reliable operation of the transmission network supplying South East Queensland as the government's drought management strategy was being implemented.

Major network augmentations and asset replacement projects will ensure our network continues to underpin the future economic prosperity of the State.

Despite lower than forecast peak electricity demand in summer 2007/08, Powerlink's transmission network was highly utilised due to the atypical patterns of power generation arising from water restricted operation of major power stations in southern Queensland.

The completion of our new 275 kilovolt transmission line between the Middle Ridge Substation (south of Toowoomba) and Greenbank Substation (on the southern outskirts of Brisbane) has increased the power transfer capability into South East Queensland from new power stations situated on the Darling Downs. This new line, together with the return to normal generating patterns by major base load generators with the availability of recycled water, and the addition of new generating capacity, has resulted in a return to more typical transmission network flows.

NOTIFICATION OF PLANNED NETWORK OUTAGES

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 the AER's network performance standards, we attempt to schedule network outages to minimise the associated market and customer impact and, at the same time, achieve our annual maintenance plan and capital works program. In compliance with the Rules, Powerlink provides advanced notification of planned outages that are expected to have a material market impact by publishing a 13 month outage plan, updated on a monthly basis, to inform and assist NEM participants.

A project to further integrate Powerlink's process for notifying the NEM of planned outages is under way, and will deliver a single interface for planning, scheduling and reporting outages. In achieving this outcome, Powerlink will further improve the reliability of outage information provided, enabling NEM trading participants to make more informed decisions.

REDUCING THE NEED FOR PLANNED OUTAGES BY UNDERTAKING WORK LIVE

Live line and live substation work greatly enhances Powerlink's ability to reduce the number of network outages that are required to safely refurbish, maintain and augment our network.

Through a rigorous development and approval process, Powerlink continues to expand the capacity of our live line and live substation teams, delivering further opportunities to reduce the market and customer impacts of our maintenance and construction programs.

The use of live line maintenance has increased consistently since its introduction to Powerlink in 1985. During 2007/08, our live line team developed and implemented procedures for barehand live line replacement and installation of vibration dampeners on energised transmission lines, using an insulated elevated work platform. Live line techniques were also developed for insulator washing on energised transmission lines in difficult to access areas such as urban and industrial environments.

Powerlink is the only Australian transmission entity utilising live substation procedures to carry out substation maintenance and project work on live substation equipment to reduce the outages on our transmission network. In continuing to expand the range of live substation work undertaken, our live substation technicians have implemented a procedure to use a hoist ladder to access the strung conductor in order to undertake various tasks within substations. Live substation technicians have also developed a new disconnection device which enables equipment to be removed from service without the need for an outage.

ENHANCING OUR TELECOMMUNICATIONS 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 to our regional project offices. During the past decade, Powerlink has progressively developed a telecommunications network based on optical fibre technology. We have installed Optical Fibre Ground Wire (OPGW) on new transmission lines and retrofitted OPGW on existing transmission lines to form a reliable, high capacity telecommunications network over more than 2,500 kilometres of transmission lines stretching from the Gold Coast to Cairns.

During 2007/08, we began a staged development to implement Dense Wave Distributed Multiplexing (DWDM) telecommunications technology that will enable us to further benefit from our optic fibre network and efficiently meet our growing demands for higher telecommunications capacity.

WE'RE GOING THE DISTANCE WITH OUR NETWORK STRATEGY

IN FOCUS: TEMPORARY TRANSMISSION TOWERS PROVIDE INNOVATIVE SOLUTION

"In late 2007, to facilitate the safe construction of a new passenger rail line and duplication of the Centenary Highway from Darra to Springfield, Powerlink built two new transmission towers to raise the height of an existing transmission line.

Our goal was to undertake the job safely, within the tight timeframe required by our client, while minimising the outages on our network. So we took an innovative approach.

We recognised that the job was an ideal application for using some temporary transmission line structures that Powerlink holds in readiness for emergency line restoration should there be major damage to a transmission line. These temporary transmission line structures can also be used to construct a temporary diversion around a work site, such as the Centenary Highway site to ensure continued security of electricity supply to our customers, while the construction work proceeds.

The temporary structures are very different in design to our standard transmission towers and poles, and require specialised erection methods. This project provided an opportunity for our people to gain additional training and practical experience in erection of the temporary structures.

The temporary structures were in place for just two months, which allowed construction of permanent towers alongside, and avoided extensive outages to the rest of the transmission network.

This was the first time that temporary structures of this type have been used in Australia for a construction project. The process worked so well and efficiently that we are using the same approach for a similar short duration project in 2008."

Simon Dickie, *Project Manager*

CORPORATE EMERGENCY RESPONSE

Our suite of well-developed, -understood and -rehearsed corporate emergency response plans ensure we have the capability to quickly respond to any network or corporate emergency as part of our strategy to deliver a secure and reliable transmission network to meet our customers' needs.

This year we finalised Powerlink's new Pandemic Emergency Management Plan and reviewed a number of specific response plans and procedures.

Our Corporate Emergency Response Readiness Program identifies a schedule of projects and simulated emergency exercises that ensure our people and systems are experienced and prepared to respond quickly and effectively to an incident that affects our transmission network, the safety of our personnel or our business continuity.

During 2007/08, we undertook simulated emergency exercises on a local, statewide, national and international basis.

Strong demand growth will require significant future augmentation to the Queensland transmission network.

Powerlink is cooperating with the federal Attorney-General's Department in the Critical Infrastructure Protection Modelling Assurance Program and was involved in developing a national template for pandemic emergency management plans for the energy industry through the Pandemic Influenza Planning Working Group. Our ongoing involvement with the National Energy Infrastructure Assurance Advisory Group affords Powerlink access to information that adds further value to our emergency response procedures, and strengthens relationships with key agencies involved in emergency response activities.

INFRASTRUCTURE SECURITY

Our security 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. Our focused working groups have ongoing oversight of the implementation and management of our policy.

We continued as a participating member of the International Electricity Infrastructure Assurance Forum, which enables 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 (ENA) we also participate in the Australian CIP/Energy Security Reference Group.

We provided the Queensland Government with an Annual Assurance Statement which is required of all critical infrastructure providers in Queensland, and which demonstrates the strategies being undertaken to ensure Powerlink meets its security obligations.

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, to allow better land use planning by councils, developers and government agencies and to preserve our ability to construct new infrastructure in increasingly urbanised regions.

During 2007/08, Powerlink progressed a number of transmission line easement and substation site acquisition projects involving extensive landowner and community consultation, and environmental, technical and economic investigations.

Easements and substation sites gazetted in 2007/08 included:

- Belmont 275/110kV Substation (additional area);
- Blackstone 275/110kV Substation;
- Clare 132kV Substation;
- Ferny Hills 110/33kV Substation;
- Woolooga 275/132kV Substation;
- Woree 275/132kV Substation;
- Gladstone to Larcom Creek 275kV transmission line;
- Innisfail to Edmonton 275/132kV transmission line;
- Nebo to QR Bolingbroke 132kV transmission line;
- South Pine to Sandgate 275kV transmission line; and
- Springdale to Halys 500kV transmission line.

ON THE HORIZON 2008/09

- We expect to invest more than $675 million in capital works during 2008/09.
- We will continue to optimise our capability to deliver our capital works program and operations and maintenance programs.
- We will continue to install DWDM technology on our telecommunications network to meet our future needs for telecommunications capacity.
- We will continue to acquire easements for future transmission lines.

Above left: Max Gardener, Construction Manager, with the temporary transmission line structure in place at the Centenary Highway site near Darra, west Brisbane.

WE'RE GOING THE DISTANCE TO DEVELOP OUR NETWORK

Future large network assets

The predominant driver for augmentations to Powerlink's network capability is the need to maintain reliability standards as electricity demand continues to grow.

Up close

- Six major projects were commissioned, helping to ensure the continued reliability of electricity supply in Queensland.
- Three Regulatory Test assessments and consultations were completed, identifying future network augmentations.
- A draft report released by Powerlink and TransGrid concluded that, under the AER Regulatory Test, the optimal timing for a capacity upgrade to the Queensland/New South Wales Interconnector is 2015/16.
- Powerlink has developed a concept plan for a high capacity 500kV network solution that will enable the increased transmission capacity into South East Queensland.
- Nineteen major transmission line and substation projects were under construction to ensure future reliability of electricity supply in Queensland.

Powerlink is required to undertake the assessment process outlined in the National Electricity Rules (the Rules) and apply the Australian Energy Regulator (AER) Regulatory (costs/benefits) Test prior to constructing new transmission lines and substation developments to increase the capacity of our transmission network.

Where our planning process identifies that the transmission network supplying a region is approaching its limits in the next few years because of growing electricity demand, Powerlink notifies National Electricity Market (NEM) participants and interested parties of the anticipated limitation and seeks information from those parties on feasible non-network solutions to address the anticipated constraint.

Powerlink then carries out detailed technical and economic analyses to determine the feasible network solutions that address the identified network limitation. Having undertaken this rigorous investigation, Powerlink applies the AER Regulatory Test and consults with NEM participants and interested parties on feasible alternatives to identify the most economic solution to an emerging network limitation.

During 2007/08 Powerlink finalised three Regulatory Test assessments and consultations. The recommended augmentations became committed projects and are included in Powerlink's capital works program. A further three assessment processes were commenced.

REGULATORY TEST PROCESSES COMPLETED IN 2007/08

Identified Need	Description of works
Supply to the North East Brisbane Area	New 275kV transmission line from Powerlink's South Pine Substation to ENERGEX's Sandgate Substation and additional transformer capacity at South Pine.
Supply to South Eastern Queensland	New 275kV Static VAr Compensator (SVC) at Greenbank Substation.
Supply to Southern Queensland	New 275kV Static VAr Compensator (SVC) at Woolooga Substation.

At right: Justin Out, Assistant Construction Manager, supervises construction activities on the Broadsound to Nebo transmission line, the first stage of the Central Queensland to North Queensland Reinforcement Project.

Powerlink augments the network to maintain reliability and meet demand growth.

WE'RE GOING THE DISTANCE TO DEVELOP OUR NETWORK

ASSET REPLACEMENT PROJECTS

In addition to developing Powerlink's network to meet forecast electricity demand, Powerlink is also required to maintain the capability of its existing network. Powerlink undertakes asset replacement projects when assets are approaching the end of their life.

During 2007/08 Powerlink progressed a number of projects to replace ageing transmission lines between Townsville and Cairns.

QUEENSLAND/NEW SOUTH WALES INTERCONNECTOR

The Queensland/New South Wales Interconnector (QNI) delivers substantial benefits to the NEM by enabling generation capability to be shared between Queensland and other States in the NEM, and reducing costs of ancillary services.

During 2007/08, the QNI flowed southwards (into New South Wales) around 92 percent of the time, and northwards (into Queensland) around eight percent of the time. The QNI has a maximum power transfer capacity of about 1,100 megawatts southwards and 700 megawatts northward.

In early 2008, Powerlink and its New South Wales counterpart TransGrid invited NEM participants to make submissions on a draft report on comprehensive market simulation studies into the timing and capacity of a potential future upgrade of the QNI. Coinciding with the release of the report, Powerlink and TransGrid hosted a series of well-attended forums to share information on the analysis and process undertaken.

The draft report concluded that, under the AER Regulatory (costs/benefits) Test, the optimal timing for a capacity upgrade is 2015/16. While there are net market benefits forecast in earlier years, the AER's Regulatory Test requires the optimum completion date to be the year when the net market benefits are maximised (which is 2015/16). As such, Powerlink and TransGrid consider that it is premature to recommend an upgrade at this time.

Powerlink and TransGrid will continue to monitor market developments which could materially impact the optimal timing for upgrading the QNI, and remain committed to progressing any QNI upgrade that meets the economic hurdle in the AER's Regulatory Test.

PLANNING FOR A 500 KILOVOLT NETWORK

As the existing 275 kilovolt transmission network servicing South East Queensland is expected to approach its capacity limits in about five years, Powerlink has developed a concept plan for a high capacity 500 kilovolt transmission network solution to enable the increased transfer of electricity into the fast growing South East Queensland region (which represents about 60 percent of the State's demand) from major generating centres in South West Queensland and beyond.

This fast-paced growth of electricity demand in South East Queensland, together with Government climate change policies, provides opportunities for new generation including coal seam methane-based generation, clean coal and large scale renewable energy options including wind power and geothermal generation. Most of the new generation will be located outside of the south east corner. At the same time, rapid urbanisation is placing significant land use planning constraints on the footprint of the future transmission network.

Powerlink's 500 kilovolt concept plan is based on a progressive development of the following three transmission line segments:

1. Surat Basin to Halys (near Tarong);
2. Halys to Blackwall (near Ipswich, within the South East Queensland load centre); and
3. Halys to Greenbank (in Logan, within the South East Queensland load centre).

Powerlink has already acquired strategic easements specifically for 500 kilovolt transmission lines to meet the longer-term needs of South East Queensland. The precise timing of the development of these 500 kilovolt transmission lines is dependent on the demand growth in South East Queensland, and any changes in generating patterns. Based on current forecasts, they are expected to be progressively required within the next five to 10 years.

Each segment of the 500 kilovolt concept plan will be progressed through Powerlink's ongoing planning process, including the assessment process outlined in the Rules, and the AER Regulatory Test.

Powerlink is planning to develop a high capacity 500 kilovolt network into South East Queensland over the next five to 10 years.

MAJOR PROJECTS UNDER CONSTRUCTION IN 2007/08

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.	Commissioned in October 2007.
	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.	Commissioned in October 2007.
	Innisfail to Edmonton Replacement transmission line	Construction of a transmission line to replace an ageing line between Innisfail and Edmonton.	To ensure continued reliability of supply to Far North Queensland.	Construction began December 2007.
	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 Substations, 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, including the CBD and port.	The Ross to Townville South transmission line was commissioned in December 2007. Construction of the Townsville South to Townsville East transmission line began in May 2007. Construction of the Townville East Substation began in February 2007.
	Ross to Yabulu South transmission line and Yabulu South Substation	Construction of a 275kV transmission line between Ross Substation and Yabulu South Substation and construction of a new 132kV substation at Yabulu South.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Townsville area.	Construction of the transmission line began in September 2007. Construction of the Yabulu South Substation began in May 2008.
	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 to be completed in August 2008.

WE'RE GOING THE DISTANCE
TO DEVELOP OUR NETWORK

Region	Project	Brief description	Project purpose	Milestones achieved
CENTRAL QUEENSLAND	Broadsound to Nebo transmission line	Construction of a 275kV transmission line between Broadsound and Nebo Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in North Queensland.	Construction to be completed in 2008.
	Nebo to Bolingbroke transmission line	Construction of a 132kV transmission line between Queensland Rail's proposed substation at Bolingbroke and Nebo Substation.	To ensure continued reliability of electricity supply and increase capacity to meet the growing electricity demand from coal mining activities in the Bowen Basin.	Construction began in May 2008.
	Nebo to Pioneer Valley transmission line	Construction of a 132kV transmission line between Nebo and Pioneer Valley Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing demand in the Mackay area.	Commissioned in February 2008.
	Nebo to Strathmore transmission line	Construction of a 275kV transmission line between Nebo and Strathmore Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in North and Far North Queensland.	Construction to be completed in 2009/10.
	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.	Commissioned in December 2007.

The Queensland/New South Wales Interconnector delivers significant benefits to the National Electricity Market.

Region	Project	Brief description	Project purpose	Milestones achieved
SOUTH 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 May 2007.
	Alligator Creek Substation	Upgrade of the existing 132/33kV Alligator Creek Substation including installation of a new transformer and associated equipment.	To ensure continued reliability of supply to the coal loading terminals of Hay Point and Dalrymple Bay, and surrounding areas.	Construction began in March 2007.
	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.	Commissioned in February 2007.
	Oakey Substation	Upgrade the existing Ergon Energy Oakey Substation to a 110/33kV electrical substation and construct a 110kV transmission line to connect the Oakey Power Station to the substation.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Oakey area.	Commissioned in May 2008.
	South Pine Substation	Rebuilding and replacement of aged equipment at the 110kV South Pine Substation.	To ensure continued reliability of electricity supply and meet growing electricity demand in North East Brisbane.	Construction began in January 2008.
	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 May 2007.
	Woolooga Substation	Upgrade the existing 275/132kV Woolooga Substation, including installation of a Static Var Compensator.	To ensure continued reliability of electricity supply in South East Queensland.	Construction began in November 2007.

WE'RE GOING THE DISTANCE TO DEVELOP OUR NETWORK

IN FOCUS: CENTRAL TO NORTH QUEENSLAND REINFORCEMENT

SUPPORTING LOAD GROWTH IN NORTH QUEENSLAND

"Powerlink is undertaking a three-staged augmentation to the transmission grid to North Queensland. The project will increase the capacity of the Central to North Queensland transmission system by more than 30 percent to meet future load growth.

Electricity demand in North Queensland is forecast to increase by more than 30 percent over the next five years, making this one of the fastest growing regions in Queensland.

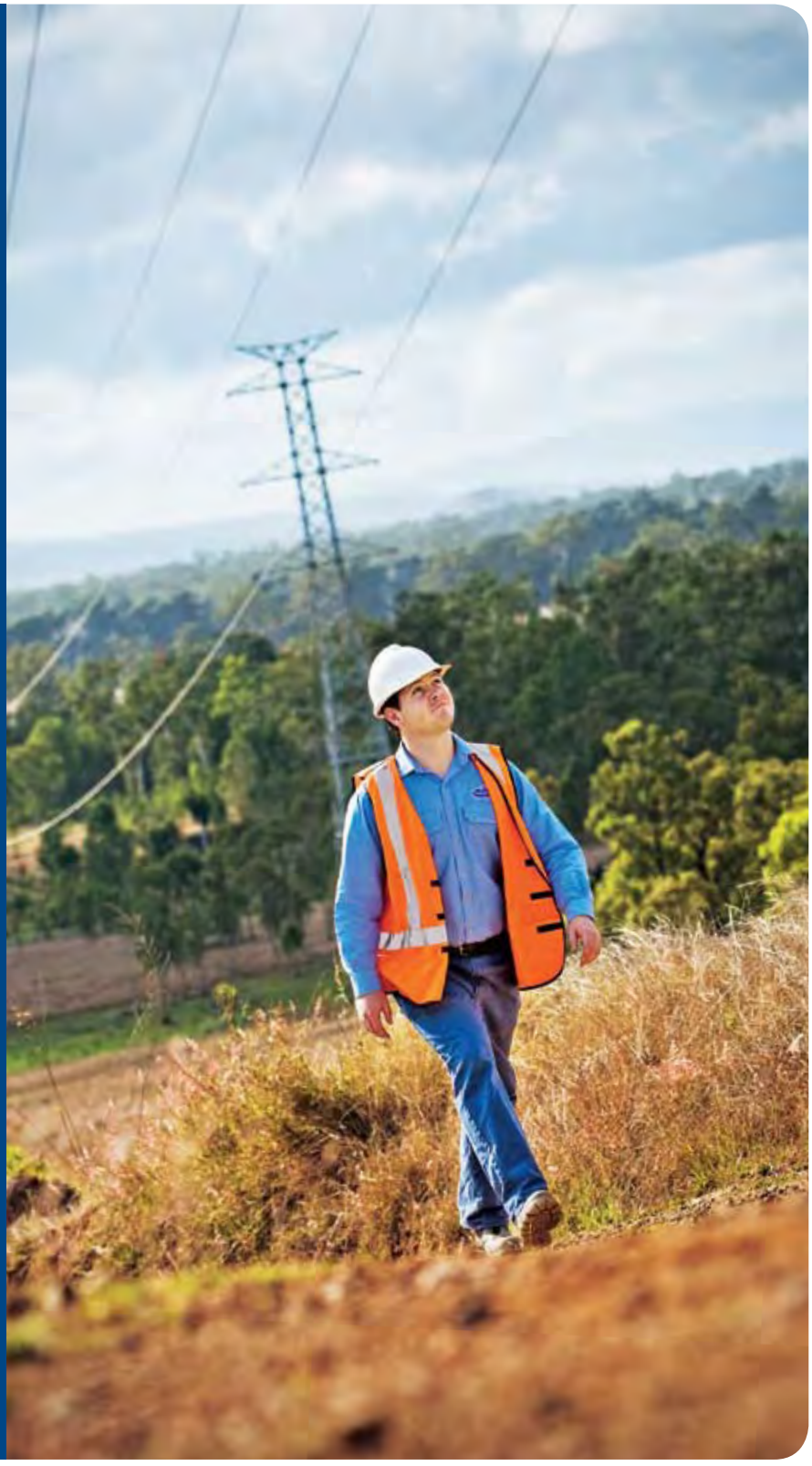
The three stages of augmentation involve construction of more than 500 kilometres of double-circuit 275 kilovolt transmission line. The first stage, between Broadsound and Nebo Substations, will be completed later in 2008. The second stage, between Nebo and Strathmore Substations, is also under construction and will be completed in 2009. The final stage, between Strathmore and Ross Substations, is expected to be completed by late 2010.

The augmentations will deliver substantial benefits to North Queensland customers. The majority of electricity required in North Queensland is transported via the transmission network. The new lines help to maintain a reliable high voltage supply and meet the fast-growing electricity demand. As a byproduct, the stronger grid will enable larger scale new generators to connect in North Queensland than at present, without adversely impacting system security.

The upgrade also significantly reduces transmission losses, resulting in lower wholesale electricity prices in North Queensland.

The benefits to North Queensland's customers are already becoming apparent in the progressive reductions in the published marginal transmission loss factors (MLFs) for North Queensland. In NEMMCO's MLF report for 2008/09, marginal loss factors are forecast to reduce by around seven percent, a reduction largely attributed to the Central to North Queensland transmission reinforcements."

Simon Bartlett,
Chief Operating Officer



IN FOCUS: MIDDLE RIDGE TO GREENBANK TRANSMISSION LINE

A POWER INJECTION FOR SOUTH EAST QUEENSLAND'S GROWING DEMAND

At far left: Justin Out, Assistant Construction Manager, on the Broadsound to Nebo transmission line.

At left: The new Middle Ridge to Greenbank transmission line.

"Electricity demand in South East Queensland is growing more quickly than any other region in the National Electricity Market, and this region represents about 60 percent of the total State demand. Powerlink is required to augment its transmission network linking into the south east corner to meet the rapidly increasing electricity demand, in the most cost-effective way. This is achieved by accessing power from the nearest major generating centre, which is on the Darling Downs, where new power stations are being developed.

Our Middle Ridge to Greenbank transmission line, commissioned in 2007/08, along with works under way within existing substations in South East Queensland, provides sufficient additional transmission capacity to reliably cover the forecast growth in demand in the region over the next five years.

The new line is an important addition to the Millmerran to Middle Ridge transmission line, commissioned in 2005. Together these lines form a second major transmission path into South East Queensland from the Darling Downs, where a number of new efficient power stations are being developed.

The Middle Ridge to Greenbank transmission line also played a role in the broader strategy put in place in 2007 to mitigate the risks to electricity customers from the potential impacts relating to the ongoing drought and the associated constraints on some electricity generators.

This successful project is a striking example of our effective project management approach, the teamwork across the project team, and our positive engagement with local stakeholders, affected landowners and the local community."

Simon Bartlett,
Chief Operating Officer

ON THE HORIZON 2008/09

- Powerlink will complete the Regulatory Test processes for the following augmentations:
  - Supply to North and Far North Queensland;
  - Supply to South East Queensland; and
  - Supply to the Bowen Area.
- Construction will commence on the following transmission line projects:
  - Bouldercombe to Pandoin 132kV transmission line;
  - Larcom Creek to Yarwun 132/275kV transmission line;
  - Strathmore to Ross 132/275kV transmission line;
  - South Pine to Sandgate 275kV transmission line; and
  - Yabulu South to Ingham 132/275/kV Replacement transmission line.
- Construction will commence on the following substation projects:
  - Establishment of Mudgeeraba 110/33kV Substation;
  - Establishment of Pandoin 132/66kV Substation;
  - Installation of a Static VAr Compensator at Greenbank Substation;
  - Installation of an additional 275/110kV transformer at Murarrie Substation; and
  - Upgrade of Belmont 275/110kV Substation.

WE'RE GOING THE DISTANCE FOR THE ENVIRONMENT

Managing environmental performance

Environmental management remains an integral part of Powerlink's business. In 2007/08, Powerlink continued its commitment to achieving operational excellence in environmental management.

Up close

- No significant environmental incidents occurred as a result of Powerlink's activities during 2007/08.
- A number of initiatives under way to reduce the controllable greenhouse emissions in our premises and fleet are expected to deliver a reduction of approximately 50 percent on our controllable emissions in those areas.
- We have reduced our water consumption at our Virginia head office to almost one third of our 2004/05 consumption through the implementation of a number of water efficiency initiatives.
- We maintain our commitment to research projects that identify opportunities to improve the effectiveness of our land management practices.

At right: A comprehensive Environmental Management Plan guides the construction of all Powerlink projects. The new Tully to Innisfail transmission line traverses rainforest areas and agricultural land.

Our Environmental Management System identifies areas of potential environmental impact and provides a framework for the management, monitoring, reporting and review of our environmental performance. Environmental Strategy Plans are developed to manage and mitigate environmental aspects by establishing targets, objectives and responsibilities to minimise risks associated with each aspect.

Our Executive Environmental Steering Committee identifies the aspects to be addressed by Environmental Strategy Plans and reviews progress made against targets on a quarterly basis. Progress against targets is reported on a monthly basis. Responsibility for each aspect rests with a multi-disciplinary team, enabling a broader engagement in Environmental Strategy Plan outcomes.

ENVIRONMENTAL MONITORING

With an increase in Powerlink's construction activity, rigorous environmental performance and compliance monitoring has been maintained, and environmental performance is reported to the Environmental Steering Committee. No significant environmental incidents occurred as a result of Powerlink's activities during 2007/08.

To measure and better understand Powerlink's environmental performance, we have investigated environmental monitoring programs within the business and identified opportunities to deliver improvements.

Powerlink has implemented asset handover strategies to ensure custodianship of environmental matters is comprehensively transferred from the construction phase to the maintenance phase, so that overall environmental management commitments are maintained throughout the project life cycle.

In 2007/08, we also undertook a review of environmental performance measures for our contractors, reviewing the tools currently used by Powerlink to monitor contractor compliance, performance and selection.

CULTURAL HERITAGE

Powerlink takes a cohesive and positive approach to the management of cultural heritage on our easements and substation sites.

In addressing our duty of care for avoiding harm to Aboriginal Cultural Heritage, we work with Aboriginal Parties associated with the land our proposed transmission assets pass over. A significant part of this process is the execution of a Cultural Heritage Management Plan specific to each Aboriginal Party with an interest in the land associated with each Powerlink construction project.

Our goal is to engage with Aboriginal Parties and to establish positive long-term relationships to enable the management of cultural heritage on Powerlink's transmission line easements and substation sites.

Water saving initiatives are in place at our offices and construction sites.

WE'RE GOING THE DISTANCE FOR THE ENVIRONMENT

Powerlink partnered with the Cairns Regional Council to upgrade weed wash down facilities in Gordonvale and Babinda (near Cairns).

Powerlink works to build relationships and partnerships with Aboriginal Parties in advance of construction projects to facilitate the effective resolution of any Aboriginal Cultural Heritage matters that arise not only during construction, but also during the subsequent operation and maintenance activities.

During the development of Powerlink's Teebar Creek Substation, a site of significance was identified by the Kabi Kabi People. Through engagement with Kabi Kabi Elders, an agreement was reached on how to best manage the site to protect the cultural heritage of the site and complete the building work.

A significant site of Historic Cultural Heritage was found during the development of the Abermain Substation. Powerlink is working with the Ipswich Rotary Club to manage the restoration works for this site, significant for its European mining history. Powerlink and the Ipswich Rotary Club intend to place the site on the State Historic Register and see its inclusion in the Mining Heritage Trail.

WORKING WITH LANDOWNERS

Powerlink endeavours to work closely with landowners to minimise impact on their activities during the construction of new transmission infrastructure.

Powerlink has developed a new process to increase landowner involvement in ensuring the stability and security of work sites on their property at the close of construction projects. Landowners are encouraged to work with Powerlink to identify solutions to property-related matters which satisfy the needs of the landowner and Powerlink.

WEED MANAGEMENT

Powerlink is committed to continual improvement in weed control and management measures. To this end, we work cooperatively with landowners to implement weed management strategies that deliver a mutual benefit during construction and maintenance of our transmission assets.

In partnership with Cairns Regional Council, Powerlink contributed to major upgrades of weed wash down facilities at Council facilities in Gordonvale and Babinda (near Cairns). The upgraded facilities include environmental best practice equipment such as high pressure hoses, sediment traps, and oil and water separators. These facilities will be used by Powerlink employees and contractors during construction and maintenance activities in the region, and by Council employees and contractors.

GREENHOUSE RESPONSE

Powerlink is adopting a proactive approach to climate change by focusing our efforts on matters that are within our control. This involves a focus on our premises and fleet.

Under the *National Greenhouse and Energy Reporting Act 2007*, Powerlink will be required to report annually on greenhouse gas emission and energy use from 2008/09. Powerlink is working cooperatively with other Transmission Service Providers to develop a robust reporting system to meet the requirements of the National Greenhouse and Energy Reporting System (NGERS).

Powerlink rigorously monitors environmental performance and compliance on its construction projects.

The federal and state government policy responses are expected to progressively shift the electricity market towards lower emission generation technologies. This has already been demonstrated in Queensland with the rapid growth in coal seam methane gas generation in the Surat Basin. We expect that Powerlink's normal transmission network planning activities will readily cope with the ongoing progressive changes in the generation mix.

The large scale and market-based nature of the proposed emissions trading scheme and new mandatory renewables targets are expected to result in the development of large scale renewables generation in locations which are distant from the major load centres. Powerlink's transmission grid will play a pivotal role in transporting this power to the regions where it will be consumed.

GREENHOUSE CHALLENGE PLUS

Powerlink continues as a signatory to the federal government's Greenhouse Challenge Plus (GCP) (formerly the Greenhouse Challenge), a commitment first made by our organisation in 1999. Consistent with the obligations of voluntary signatories to the program, Powerlink prepared an Annual Report on our performance against our greenhouse targets, which we submitted to the Greenhouse Challenge Office.

An Independent Verification audit of our performance against our commitments was undertaken by the Australian Greenhouse Office during 2007/08 and confirmed that Powerlink's processes for the collection and reporting of data are robust.

In future, reporting under the GCP will be aligned with requirements under the NGERS, allowing a single streamlined method for reporting.

GREENHOUSE GAS ABATEMENT INITIATIVES

We have undertaken a number of initiatives to reduce Powerlink business related greenhouse emissions in everyday business practices by actively targeting waste, energy, water, transport, and emissions inventories.

Emission abatement iniativies include:

- Reducing energy usage—through personal computer power reduction, adjustments to air conditioning, changes to lighting and data centre power saving strategies;
- Reducing fleet emissions—through the use of ethanol petrol blend and biodiesel, selective use of smaller engine capacity vehicles and LPG fuel vehicles;
- Reducing, reusing and recycling waste streams generated on site; and
- Reducing Sulphur Hexafluoride (SF_6) emissions—through improvements to our SF_6 management practices.

As we realise cost efficiency gains through the implementation of these iniativies, Powerlink is reinvesting those gains into the purchase of green electricity for Powerlink's premises, delivering a further reduction in emissions.

NETWORK HEAT LOSSES

When electricity is transported over long distances, some energy is lost via heat losses from the conductor wires. This is termed 'network losses', and amounts to about four percent of the energy delivered by our network. Network losses are predominantly determined by factors beyond Powerlink's control, including energy demand by end users (higher demand means more heat losses), and where generators choose to locate (greater transmission distances mean more heat losses).

WE'RE GOING THE DISTANCE
FOR THE ENVIRONMENT

As the energy represented as lost in transmitting electricity is generated at power stations, Powerlink does not have direct control over the intensity of greenhouse gas emissions associated with transmission losses. Those emissions are ultimately determined by the emission intensity of the generation sources, which in turn depends on the generation technology and generation mix. Powerlink is obligated to provide all generators with non-discriminatory access to our network, irrespective of their fuel source, emission intensity and location.

Consistent with our focus on energy efficiency, Powerlink will continue to pursue opportunities to reduce transmission losses to the extent that they are within our control. The construction of new transmission lines reduces transmission losses by reducing the loading on each circuit.

MANAGING SF_6

SF_6 is an insulating gas for high voltage switchgear. SF_6 is also a greenhouse gas, and as such Powerlink is working on continuous improvement in the management of SF_6 to minimise the potential for losses to atmosphere. Fugitive losses (leakage) of SF_6 to the atmosphere will be reportable under NGERS.

Powerlink is continuing to focus on capturing high quality data on SF_6 emissions to allow ongoing improvements in loss prevention. Wherever practical, Powerlink cleans used SF_6 and reuses the gas in electrical equipment.

Powerlink has contributed to the development of nationally consistent guidelines for SF_6 management, through chairing an Energy Networks Association (ENA) national working group. The guidelines are presently undergoing stakeholder consultation before being finalised in late 2008.

MANAGING WATER USE

A number of water efficiency upgrades have been undertaken during 2007/08, as recommended in the Water Efficiency Management Plan for Powerlink's Virginia head office prepared in early 2007. The majority of Powerlink's water consumption occurs at the Virginia site. A significant reduction in water use at our Virginia site has been achieved through the retrofitting of plumbing devices, installation of water tanks and changes to internal and external irrigation. With overall annual water consumption at Virginia now reduced to almost a third of the 2004/05 consumption, Powerlink maintains a commitment to encouraging behavioural changes to further reduce our water usage.

Water saving initiatives have been implemented on Powerlink-controlled construction sites where water restrictions are in place, including the use of recycled water for dust suppression, rescheduling of works in very windy and dry conditions, and minimising vegetation clearing.

We are targeting improvements to our everyday business practices in our premises and fleet to reduce our greenhouse emissions.

REDUCING WASTE

Powerlink has implemented various recycling initiatives to minimise our resource usage and reduce waste, including recycling a range of electronic equipment such as information technology and telecommunications equipment, small household appliances and rechargeable batteries. Additionally, Powerlink introduced recycling of various office waste products.

TRANSFORMER OIL

Powerlink continues to remove oil containing polychlorinated biphenyls (PCBs) from service in transformers as the item of equipment reaches the end of its operational life or requires refurbishment. Oil containing PCBs is sent to specialist facilities for destruction of the PCB content.

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.

We continued to participate in an ENA working group to develop national training competencies for environmental issues.

EQUINE INFLUENZA RESPONSE

Powerlink was among the first organisations in Queensland to prepare and adopt Equine Influenza protocols to ensure we played our part in stemming the spread of Horse Flu. We adopted the Department of Primary Industries approved protocols for use by our personnel and contractors when working on properties with premises or paddocks that held horses.

Our Equine Influenza protocols ensured Powerlink employees did not contribute to the spread of the disease in any of the affected areas on any of our projects by allowing only emergency work to be carried out on declared properties, and following the protocols. The protocols specify hygiene, wash downs and other processes to be carried out to ensure our activities did not cause harm to landowners.

RESEARCH AND DEVELOPMENT

Powerlink's commitment to the integration of land management principles and practices throughout our operations and activities includes our commitment to funding environmental research that enhances our environmental performance. We work in close cooperation with universities, industry partners and stakeholders to create valuable collaborations in effective land management.

NORTH QUEENSLAND FROG STUDY

Powerlink is committed to a long term study of frogs in the lowland Wet Tropics of Queensland, including in the vicinity of our Tully to Innisfail transmission line project. The study, being undertaken by James Cook University, examines interactions of frog populations with habitat use and disease distribution, and investigates the impact of the construction and maintenance of transmission towers on frog habitats.

The study will complement a larger James Cook University project studying frog populations in highland areas, and allow comparisons between lowland and highland frog populations.

Helicopter stringing, used during construction of the Middle Ridge to Greenbank transmission line, helps to minimise environmental impact.

WE'RE GOING THE DISTANCE FOR THE ENVIRONMENT

IN FOCUS: PROTECTING THE KABI KABI PEOPLE'S HERITAGE NEAR TEEBAR CREEK SUBSTATION

"We worked closely with the Kabi Kabi People, the Aboriginal Party for the area, while Powerlink was developing the 275/132kV Teebar Creek Substation in Central Queensland. During the construction of the substation, the Kabi Kabi People identified a site of significant Aboriginal Cultural Heritage.

Through engagement with Kabi Kabi Elders, we agreed on how to best manage the site so as to protect its cultural heritage, while still completing the building work which was necessary to meet the electricity needs in the Wide Bay area.

We saw this as an opportunity to cement a positive and enduring relationship between Powerlink and the Kabi Kabi People.

When the construction work was completed, we planted indigenous trees, established a rock formation as a monument, and erected a plaque bearing a message written by the senior Kabi Kabi Elders to recognise the significance of the site.

The plaque reads "'Gudjela'—Guardian of the last Fullblood. We dedicate this area on behalf of the Kabi Kabi People in partnership with and assistance of Powerlink Queensland to the memory of Kabi Kabi ancestors who traversed this sacred country, and to the present and future generations of Kabi Kabi and all Australians who may visit these traditional grounds.

This is an outstanding outcome and testament to the cooperation and goodwill of the Kabi Kabi People and Powerlink Queensland and proves again that Traditional Owners can work with Governments and other bodies in unity and true partnership. May you feel the sacred presence."

Members of the Kabi Kabi People and Powerlink representatives participated in a special ceremony on site during which we unveiled the plaque, and naming rights to the street leading into the substation were awarded to the Elders of the Kabi Kabi People. The event was very moving and the Elders spoke of its significance to their people."

Delyna Baxter,
Cultural Heritage Specialist

By working with landowners, Powerlink identifies cooperative solutions to land management near its transmission lines.

INVESTIGATING MAHOGANY GLIDER MOVEMENTS

In cooperation with the University of Queensland, CSIRO and Environmental Protection Agency, Powerlink is undertaking a project to investigate the movements of the Mahogany Glider *(Petaurus gracilis)* on our line assets and easements. The Mahogany Glider is listed as an endangered species under both state and federal legislation.

The project aims to identify strategies to improve management of our assets in high risk Glider areas to reduce our effects on arboreal species such as the Mahogany Glider. Project field work is expected to begin at a site on our Cardwell to Ingham transmission line in late 2008.

IMPROVING REHABILITATION WORKS

Powerlink is working with environmental consultants Biotropica and Griffith University to identify the most effective method of propagating plant species for future rehabilitation works on our easements in the Lockyer Valley, Central Queensland and North Queensland.

To ensure the management of erosion and weeds on easements, Powerlink is also undertaking research with Central Queensland University 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. The research project will identify a species list for use during revegetation and maintenance works on Powerlink easements.

INVESTIGATING EFFECTIVE WEED SEED DESTRUCTION

To optimise the weed management strategies we implement on our transmission easements, Powerlink is working 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 project will also examine opportunities for improvements in the wash down methods for vehicles and equipment to ensure weed control on transmission line easements during construction and maintenance activities.

TRIALLING VETIVER GRASS

Powerlink has undertaken a pilot project to trial the use of vetiver grass to stabilise soils and prevent erosion at disturbed areas such as tower sites on transmission line easements. The use of vetiver grass can avoid the need for an engineering solution to stabilise highly erosive areas, minimising the environmental impacts and providing a cost-effective solution.

At left: Kabi Kabi Elders (from left) Helen Hunt, Lorna Stephenson and Uncle Cliff with Powerlink representatives (from left) Delyna Baxter, Cultural Heritage specialist, Tony Janas, Construction Manager, and Malcolm Connolly, Cultural Heritage Manager.

ON THE HORIZON 2008/09

- We will benchmark against other linear infrastructure providers to ensure the effectiveness of our processes and tools for monitoring the environmental performance, compliance and selection of our contractors.
- We will report on greenhouse gas emission and energy use using the National Greenhouse and Energy Reporting System (NGERS), under the *National Greenhouse and Energy Reporting Act 2000.*
- We will continue to resource and progress our research projects with a view to realising opportunities to further integrate land management principles and practices across our operations and activities.

WE'RE GOING THE DISTANCE WITH THE COMMUNITY

Building effective relationships

Powerlink fosters and values long-term relationships that endure throughout the planning, development and maintenance of our assets and deliver outcomes that benefit individuals, communities and the environment near our assets.

Up close

- Three Community Benefits Programs associated with new transmission line projects provided funding for more than 50 worthwhile community projects in North, Central and South East Queensland.
- The Community Environment Fund has provided financial support for 26 projects which enhance the environmental properties of the Townsville and Thuringowa region, and minimise the visual impact of Powerlink's transmission infrastructure in the area.
- Powerlink has provided funds for the Wolston Creek Bushcare Group to undertake revegetation and visual screening plantings around the perimeter of the West Darra Substation.

We implement strategies to build and maintain cooperative relationships with affected landowners, Councils, interest groups and residents of the 30 city and regional council areas in which we operate.

We work closely with these stakeholders to minimise the impacts of our projects and maximise the benefits of our goodwill projects, whilst ensuring Powerlink continues to meet the growing demand for electricity in Queensland and deliver a reliable and cost-effective high voltage electricity supply.

Powerlink's Code of Conduct for employees, contractors and consultants provides advice on our expectations of behaviour displayed when working on a landowner's property.

COMMUNITY BENEFITS PROGRAM

For more than 10 years, our Community Benefits Program has provided funding for selected community projects that provide tangible and lasting benefits to local communities in proximity to Powerlink's new transmission lines. Through this program we aim to partner with local groups to deliver benefits and important facilities and services to communities near our assets. Funding provided through the Community Benefits Program is separate, and in addition to, compensation that is paid directly to landowners affected by new transmission line easements.

During 2007/08, Powerlink provided funding for more than 50 worthwhile community projects through three Community Benefits Programs associated with new transmission line projects:

- The Tully to Innisfail Transmission Line Community Benefits Program distributed funds to 14 community groups from the Cassowary Coast Regional Council area (formerly the Johnstone and Cardwell Shires) in October 2007.

  Projects funded included construction of all weather covered areas at Tully State High School, installation of a new roof on the El Arish Community Hall, revegetation of fields and repairs to goal posts at Silkwood Junior Soccer Club, and the purchase of mobile radios to improve emergency communication for the Community Emergency Support Group.
- The Middle Ridge to Greenbank Transmission Line Community Benefits Program distributed funds to 31 community groups from the Ipswich City Council, Scenic Rim Regional Council and Lockyer Valley Regional Council areas (formerly the Ipswich, Beaudesert, Gatton and Laidley Shires) in December 2007.

At right: Powerlink builds and maintain relationships with landowners with transmission lines and easements on their properties. Nicholas Gibson, Construction Manager on the Broadsound to Nebo transmission line project, with Ted Scrivener on a property near Mackay

Powerlink's actions help to foster and value long-term community relationships.

WE'RE GOING THE DISTANCE
WITH THE COMMUNITY

Projects funded included providing wheelchair access to Postman's Ridge Pioneers Memorial Hall, delivering a revegetation program at Greenbank State School, a first aid trailer for St John's Ambulance Ipswich and establishing trails to provide safe access during firefighting for the Blenheim and District Rural Fire Brigade.

- The Bowen Basin Community Benefits Program distributed funds to 14 community groups from the Isaac Regional Council, Mackay Regional Council and Central Highlands Regional Council areas (formerly the Nebo, Mackay, Peak Downs, Broadsound and Duaringa Shires) in February 2008. The Community Benefits Program was associated with several Powerlink projects in the Bowen Basin region, including new powerlines between Broadsound and Nebo Substations, Nebo and the Pioneer Valley Substations, Nebo Substation and Queensland Rail's Mindi Substation, and Lilyvale and Blackwater Substations.

  Projects funded included enhancing an activity centre in Blackwater, installing shade structures at Eton State School, improvements to the Capella Early Childhood Centre and helping to install a bore, pump and pipeline to establish a permanent water supply at the Clarke Creek Community Precinct.

GOODWILL PROGRAMS

Goodwill programs are proactive, community-based projects that build relationships with local Councils, communities and other key stakeholders in key areas traversed by Powerlink's existing or future transmission assets. The programs aim to reduce the visual impact of new or existing transmission infrastructure, provide environmental outcomes and long-term benefits to communities, and generate lasting positive relationships at all levels of the community.

Powerlink is currently committed to a number of goodwill programs in North Queensland and South Queensland. This year we worked closely with regional stakeholders in South Queensland to develop a new strategic goodwill program which will be launched in late 2008.

GREENING LOCKYER

Greening Lockyer is a catchment-wide goodwill program initiated with a grant from Powerlink, and implemented in partnership with the Lockyer Valley Regional Council and Somerset Regional Council (formerly the Esk, Gatton and Laidley Shire Councils) and the Western Sub-Regional Organisation of Councils (WESROC). Although the active phase of the Greening Lockyer Program concluded in 2005, Powerlink continues to fund a three year maintenance program that will conclude in late 2008. The maintenance program has been successful in ensuring the sustainability of 20 community and environment projects funded by the Greening Lockyer Program.

The Greening Lockyer Program saw the planting of more than 40,000 trees by 2,600 volunteer community members and 240 participants in employment and training programs.

Powerlink partners with local groups to deliver benefits and important facilities and services to communities near its assets.

SUMMARY OF COMMUNITY ENVIRONMENT FUND BENEFITS TO 30 JUNE 2008

Number of projects undertaken	27
Value of projects (including in-kind support)	$2.4 million
Number of trees, shrubs and ground covers planted	18,850 plants
Areas cleared of weeds	58 hectares
Volunteer participation	More than 1,400 people
Volunteer hours contributed	More than 18,000 hours
Participants—Employment and Training Programs	260

COMMUNITY ENVIRONMENT FUND

The Community Environment Fund is a three year goodwill program funded by community grants from Powerlink and our partner Townsville City Council (formerly Townsville City Council and Thuringowa City Council). The program has funded 26 projects which enhance the environmental properties of the Townville and Thuringowa region, and minimise the visual impact of Powerlink's transmission infrastructure in the area. At the same time, the project has formed important partnerships with residents and community groups, and has provided practical horticultural experience for people participating in Work for the Dole and Community Jobs Plan programs.

In addition to the funds provided by the Community Environment Fund, prudent management and community networking has ensured the projects were successful in attracting significant in-kind support, considerably increasing the value of the projects.

The highly successful projects facilitated by the Community Environment Fund included a project with Saunders Beach CoastCare to trial a native grass' capacity to vegetate dune areas, a project with Woodstock Horse Sport Club to rehabilitate the banks of the creek running through the Sport and Recreation Reserve, as well as the establishment of a bikeway and wildlife corridor along a powerline easement running through a residential area in Thuringowa.

WOLSTON CREEK REHABILITATION PROJECT

The Wolston Creek Bushcare Group undertakes important environmental work in a 56 hectare parkland near Powerlink's West Darra Substation at Riverhills.

Powerlink is undertaking a project to replace aged equipment in the West Darra Substation to ensure continued reliability of electricity supply and to meet growing electricity demand in the south west Brisbane area. In conjunction with these construction activities, Powerlink has provided funding for the Wolston Creek Bushcare Group to undertake revegetation and visual screening planting around the substation's perimeter and provided funds for a storage facility for tools and equipment, which also serves as a collection point for rain water to feed into existing tanks. The new facility delivers benefits to the Group and 11 other environmental groups in the district.

WE'RE GOING THE DISTANCE WITH THE COMMUNITY

IN FOCUS: INNISFAIL OUTRIGGER CANOE CLUB BENEFITS FROM FUNDING

"The funding provided to the Coconuts Outrigger Canoe Club through the Powerlink's Community Benefits Program made it possible for our club to buy 24 approved lifejackets, which have recently become mandatory for all paddlers participating in training and racing," said Miles Darveniza, club member.

"Our Club is based at Innisfail but we travel to regattas taking place anywhere between Bundaberg and Port Douglas. In 2008, we will take part in seven regattas and will also be hosting a regatta."

"We're a small club with about 40 members, and it would certainly have been very difficult for us to raise the money needed to buy the lifejackets, without Powerlink's support. Now that we have the required safety equipment, we can continue with our plans to broaden our membership and compete in more regattas over coming years," Miles said.

"The Coconuts Outrigger Club was one of 14 community groups to receive funding through the Community Benefits Project associated with Powerlink's Tully to Innisfail transmission line project," said Jeff Castles, Powerlink Assistant Construction Manager.

"It is rewarding to see that Powerlink's support can make a tangible and lasting contribution to the Club, whose members live in the vicinity of the new transmission line," Jeff said.

Miles Darveniza,
Coconuts Outrigger Canoe Club Member

Jeff Castles,
Assistant Construction Manager
Tully to Innisfail transmission line project

Above: Jeff Castles, Assistant Construction Manager on the Tully to Innisfail transmission line project, with Miles Darveniza, Coconuts Outrigger Canoe Club member.

Goodwill programs can reduce the visual impact of our infrastructure and deliver environmental and community benefits.

WEED WASH DOWN FACILITIES

In collaboration with the Bundaberg Regional Council, Powerlink contributed to the construction of a new weed wash down facility in Gin Gin (near Bundaberg). Consistent with Powerlink's commitment to weed control and management, this facility will be used by Powerlink employees and contractors during construction and maintenance activities in the region.

The facility will provide additional benefits through its accessibility to Council employees and contractors.

COMMUNITY AND INDUSTRY SPONSORSHIP

One of the ways Powerlink delivers on its value to achieve community recognition as a good corporate citizen is through sponsorship activities, which support education, the community and the environment.

Our robust sponsorship framework supports strategic partnerships with aligned activities and organisations in regional Queensland, as well as mutually beneficial sponsorship arrangements with key industry and community groups such as the Local Government Association of Queensland, Landcare Queensland, Planning Institute Australia, Engineers Australia and The Smith Family.

QUEENSLAND WEEDS SYMPOSIUM

Powerlink once again demonstrated its commitment to weed management through the sponsorship of the Queensland Annual Weeds Symposium, a forum for regulatory authorities, weed researchers, spraying contractors, inventors, weed management specialists and industries to showcase weed management practices and discuss environmental and legislative weed management issues.

IPSWICH KOALA PROTECTION SOCIETY

With Powerlink's support, the Ipswich Koala Protection Society opened a new rescue and rehabilitation centre at Mt Forbes, as a rural base for volunteers working to rescue and care for wildlife in the region. The facility is used to assess, rehabilitate and release injured wildlife found in the Ipswich, Lockyer Valley and surrounding areas.

Powerlink worked closely with the Ipswich Koala Protection Society in ensuring the protection of fauna during the construction of the Middle Ridge to Greenbank transmission line.

SUPPORT FOR THE SMITH FAMILY

Powerlink provided financial support to The Smith Family's 2007 Christmas sponsorship campaign and supported employee fundraising initiatives and donations of books and gifts. A number of Powerlink people also volunteered to assist The Smith Family by packing and distributing goods including hampers and toys in the lead up to Christmas.

INTEGRATING INFRASTRUCTURE INTO COMMUNITIES

Powerlink continued to work 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 Local Growth Management Strategies* prepared by local governments in South East Queensland.

ON THE HORIZON 2008/09

- We will continue to work with regional stakeholders to plan and implement a new goodwill program in South Queensland.
- We expect to undertake Community Benefits Programs associated with construction projects in areas including North Queensland, Central Queensland and South East Queensland.

WE'RE GOING THE DISTANCE WITH OUR PEOPLE

A growing workforce

As we undertake our significant capital works program, Powerlink's workforce grew by more than five percent during 2007/08, compared with 16 percent in 2006/07 and 14 percent in 2005/06. This brings our workforce to a total of 887 people, employed in a variety of professional, technical, trade, specialist and administrative roles.

Up close

- We offered a suite of programs to develop management and leadership competencies within our workforce to ensure we have the capabilities required to meet Powerlink's future business challenges.
- Powerlink played a lead role in the development of the Queensland Electricity Entity Procedures for Safe Access to High Voltage Electrical Apparatus.
- An annual external audit certified our Safety Management System and noted Powerlink's continued focus on electrical safety at various levels of the business.

Notwithstanding this recent growth in employee numbers, more than 45 percent of our workforce has more than five years of service. This longevity of service and our low turnover rate reflect the value our employees place on our rewarding and enjoyable work environment, and the success of our strategies to attract and retain high calibre, motivated and capable employees.

Most Powerlink employees are based at our head office at Virginia in Brisbane. However, four temporary construction site offices are located throughout Queensland to accommodate project staff.

During 2007/08, we began negotiations to develop a new Workplace Agreement with our employees and their representatives.

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.

Powerlink's Safety Steering Committee oversees our performance in relation to workplace health and safety and electrical safety, and reports on this performance to the Executive Leadership Team on a monthly basis, and to the Powerlink Board's Audit and Compliance Committee on a quarterly basis.

We continually monitor and review business processes and work practices to ensure compliance with legislation and best practice, and in response to changes in the legislative environment.

This year, we established a Height Safety Steering Committee to oversee various activities relating to safety when working at heights, and to ensure a consistent standard is applied across Powerlink and its major contractors.

Powerlink has played a lead role in the development of the Queensland Electricity Entity Procedures for Safe Access to High Voltage Electrical Apparatus, which has been the result of consultation between ENERGEX, Ergon Energy, Powerlink and industry union representatives. The new statewide procedures have been developed to support the objectives of the National Electricity Safety Code and are consistent with the Energy Networks Association (ENA) National Guidelines.

At right: Hugh Keschenski, Line Inspector, during construction of the Middle Ridge to Greenbank transmission line.

Powerlink encourages its people to develop skills and career aspirations in line with organisational needs.

WE'RE GOING THE DISTANCE
WITH OUR PEOPLE

Heshala Devasirie, Development Engineer, is part of Powerlink's graduate development program.

Powerlink continued to actively participate in a number of external bodies with an interest in policy, guidelines and standards, including the ENA Technical and Regulatory Committee, ENA Health Safety and Environment Committee, Queensland Utilities and Services Industry Training and Advisory Board, and Standards Australia.

MONITORING SAFETY PERFORMANCE

Powerlink's Lost Time Injury Frequency Rate (LTIFR) of 3.57 for 2007/08 is consistent with industry norms. Our planned internal audit program was met, with numerous electrical and workplace health and safety compliance audits being performed on the activities of our people, contractors and service providers throughout the State.

An annual external audit of Powerlink's Safety Management System was completed, certifying that Powerlink continues to satisfy the requirements of the *Electrical Safety Act 2002*, the *Electrical Safety Regulation 2002*, and the *Guide to Safety Management Systems*.

SAFETY IN DESIGN

Recent changes to the *Workplace Health and Safety Act 1995* necessitated a review of Powerlink's approach to incorporating safety at the design stage to ensure that safety during construction, operation and maintenance is a consideration in the design of new infrastructure. Powerlink has developed an implementation plan for safety in design which guides the identification and adoption of specific changes to work practices and processes and will ensure consistency of process, communication and training across the business.

RECOGNISING OUR PEOPLE

Powerlink's annual Excellence Awards were again presented to employees in 2007/08, in recognition of outstanding achievements. The 2007 Awards attracted a record 49 entries from individuals and teams in the categories of business, safety, environment and community, and technology.

At a function to acknowledge and celebrate the achievements of our employees, one gold, 12 silver and 11 highly commended awards were presented.

RECRUITMENT STRATEGIES

The growth in Powerlink's capital works program resulted in the recruitment of an additional 45 people. In a competitive recruitment market that has been influenced by a boom in the infrastructure, construction, resources and utility sectors, Powerlink has retained its ability to attract high calibre employees by adopting a range of recruitment strategies.

We continue to harness the capabilities of our web-based recruitment system, and have delivered significant improvements to our Recruitment Management System that have resulted in efficiency gains. An extensive review and documentation of our recruitment process has been undertaken and communicated to the organisation to ensure the organisation has a clear understanding of the processes. Powerlink has introduced a centralised system to monitor recruitment of our contingent workforce.

Our culture encourages all employees to regard safety as their first priority.

DEVELOPING SENIOR LEADERSHIP AND MANAGEMENT

Powerlink offers a suite of programs aimed at developing management and leadership competencies within our workforce, from frontline supervisor level through to senior leadership. This strategy aims to identify and develop competent and high calibre leaders at all levels of the business to ensure we have a depth and breadth of capability to draw upon as new opportunities arise, and contribute to positive business outcomes.

Our first participants in the two year Senior Leadership Development Program graduated in December 2007, and recognised the significant growth in their capability and the strengthened networks they developed within the organisation. A new group of participants has been selected through a rigorous process, and will be involved in extensive development activities.

Our first participants graduated from two new leadership programs, each offered over a period of eight months; the "Management to Leadership" program for experienced managers, and the "Managing Self and Teams for Performance" program for those aspiring to be managers. Participant feedback has shown that both programs were highly valued. The programs will be offered again in 2008/09.

WOMEN'S DEVELOPMENT PROGRAM

Powerlink has again offered a Women's Development Program, which is aimed at improving participants' confidence, assertiveness and general capability in the workplace. The program is well supported by our people and builds on the success of previous programs.

EMPLOYEE DEVELOPMENT

Powerlink's extensive range of development programs assists us in attracting, training and retaining skilled employees, and ensuring that we have the capability to meet future work requirements. Our training and career planning system encourages our people to pursue their skills development and career aspirations in line with organisational capability needs. The system includes access to internal professional and personal development workshops, financial assistance for relevant tertiary studies and secondment opportunities.

The employee development schemes include programs for administrative trainees, apprentices, development engineering officers, graduate engineers, information technologist graduates and graduate environmental professionals.

NATIONAL TRAINING APPROACH

In conjunction with the ElectroComms and Energy Utilities Industry Skills Councils, Powerlink actively participated in the development of a nationally recognised training vehicle, the Electricity Supply Industry—Transmission, Distribution and Rail Training Package. Our participation included representation on six technical advisory committees that reviewed the curriculum for a range of qualifications relevant to our business.

The package will assist Powerlink employees to access nationally recognised training and qualifications through tertiary institutions, registered training organisations and on-the-job training opportunities.

TECHNICAL TRAINING FOR PLANT AND EQUIPMENT

Powerlink has adopted a new approach to training employees to support new plant and equipment sourced by the organisation. The aim of this approach is to realise efficiency gains by ensuring Powerlink employees and maintenance service providers are trained and competent to support plant and equipment, and accredited by the supplier to provide refresher and renewal training.

An integral component of each Powerlink capital project will be the development of specific training strategies that will deliver up to six levels of competency for each item of plant or equipment.

The new policy and associated procedures were successfully implemented during 2007/08 and continue to be applied to all new plant and equipment.

Safety is our number one priority.

WE'RE GOING THE DISTANCE
WITH OUR PEOPLE

IN FOCUS: TECHNICAL TRAINING BUILDS CAPACITY AND EFFICIENCY

"We developed a training policy with the aim of ensuring that Powerlink's personnel and certain Maintenance Service Provider personnel are trained and competent to support Powerlink plant and equipment, and that those competencies are retained within Powerlink.

In late 2007, Circuit Breaker training was used as a pilot to test this new policy.

We worked with managers, team leaders and technical experts to identify training gaps and to develop a training strategy. We then reached an agreement with the circuit breaker equipment manufacturer to provide the necessary training to our field personnel and to train our trainers.

As an outcome, our field personnel received comprehensive training. In addition, personnel within Powerlink and our Service Providers were trained and accredited to train, assess and accredit staff to install, test, commission and maintain the circuit breaker equipment.

This new approach will deliver efficiencies by ensuring the level of technical support and expertise required is available within our own personnel, and eliminating the cost of mobilising the supplier to install, test, commission and maintain the equipment.

It ensures that effective training is delivered at the right time to the right people, ensuring that our people have the capacity to meet Powerlink's business needs into the future thereby supporting Powerlink's vision to remain a leading Transmission Network Service Provider (TNSP) in Australia and one of the best in the world."

Michael Denton, *Technical Training Coordinator*

Above left: Warren Clayton, Systems Technologist, instructs Mark Quinlan, Electrical Apprentice, at Murarrie Substation, Brisbane.

ORGANISATIONAL CHANGE MANAGEMENT

Following a review of our approach to Organisation Change Management undertaken in 2006/07, we have revised the tools and processes to support staff involved in implementing change. Organisational Change Management assists us to realise the benefits of change more quickly and makes Powerlink a more change-capable organisation.

A comprehensive process, along with supporting tools and training materials, has been developed to support major change initiatives within Powerlink. To raise a broader awareness and capability in change management, a number of people across the business have been trained in the application of this process and in the use of the tools and training materials.

The new process and tools will be applied to a number of significant Information Technology projects and business projects occurring during the coming years. Importantly, this process assists in embedding change management at early stages of the project, helping to minimise the impact of change on employees, assisting employees to understand and respond positively to change, and provide support to ease the transition to new ways of working.

Our employees' outstanding achievements were celebrated at our annual Excellence Awards.

HEALTH AND WELLBEING

Powerlink values the health and wellbeing of our employees and demonstrates that commitment through a number of initiatives.

For identified groups of workers, we maintain a health assessment process to robust standards in methods of attendance, interpretation and reporting of medical assessments, access to second opinion and annual health assessments.

We also offer employees access to flu vaccination programs, and a professional skin screening program aimed at maximising the early detection of skin cancer and minimising the associated trauma and costs in treating late stage skin cancer. Both programs are well supported by our people, with more than 35 percent of employees accessing flu vaccinations and more than 97 percent of employees attending skin screening during 2007/08.

In 2008, we began an education and prevention program on spinal injuries which has a focus on safety as a core lifestyle value and consists of presentations targeted at field-based and office-based staff.

OUR PEOPLE'S ACHIEVEMENTS

Congratulations to our people who have been recognised by external organisations for their outstanding achievements:

- Else Shepherd AM, Chairman, was presented with Engineers Australia's most prestigious individual award, the Peter Nicol Russell Memorial Medal and was also inducted into the Queensland Engineering Hall of Fame in recognition of her extraordinary engineering skills in both the technical and administrative arenas, and her significant contribution to the community.
- Else Shepherd AM was presented with the United Nations Greening the Boardroom award in recognition of the environmental responsibility taken by Powerlink in building transmission assets.
- Gordon Jardine, Chief Executive, was named in Engineers Australia's 2008 list of Australia's 100 most influential engineers.
- Simon Bartlett, Chief Operating Officer, was presented with the Institute of Engineering and Technology Sir Lionel Hooke Award, recognising his exceptional and outstanding abilities throughout his career in the electricity supply industry, making significant contributions in Queensland, nationally and internationally.
- Dr Dave Allen, Manager of Research and Development, was appointed as Adjunct Professor in the School of Information Technology and Electrical Engineering at the University of Queensland.
- Jonathan Dennis, Development Engineer, and Nicolas Craig, Strategies Analyst, were awarded the ES Cornwall Memorial Scholarship by the University of Queensland, one of Queensland's most prestigious and longstanding scholarships that enables graduate engineers to undertake overseas work experience in the power industry.

ON THE HORIZON 2008/09

- We will finalise a new Workplace Agreement with our employees and their representatives.
- We will adopt a Learning Management System to further improve our capability to plan, manage, record and report on training and development within Powerlink. This tool will include on-line virtual classrooms, instructor-led learning and blended learning. The aim of this system is to establish a systematic means of assessing and raising competency and performance levels throughout the organisation.
- We will further progress our resourcing and retention initiatives to ensure we maintain our highly competent and committed workforce.

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 Board of Directors is responsible to shareholding Ministers of the Queensland Government. In 2007/08 the shareholding Ministers were the Treasurer, and the Minister for Mines and Energy.

Powerlink's corporate governance practice and arrangements are derived from guidelines published by the Queensland Government for Government Owned Corporations. These guidelines have regard to ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations*. Powerlink has observed all of the principles of the guidelines, including annual reporting requirements.

THE BOARD

Details relating to the members of the Powerlink Board are set out in the Directors' Report. The Board is responsible for the overall corporate governance of the corporation and its subsidiaries. Powerlink's Directors adopt governance policies and practices that ensure accountability and provide control systems to encourage and enhance business performance.

The Board Charter, established by the Board, describes its functions and responsibilities, which are to:

- Set the corporation's values and standards of conduct;
- Provide leadership of the corporation within the framework of prudent and effective controls;
- Provide guidance and set the corporation's direction, and development of strategies and objectives;
- Set financial objectives and ensure that all necessary resources are available for the business to meet its objectives;
- Monitor implementation of strategies and performance;
- Inform shareholders of key issues, major developments and performance; and
- Ensure an effective system for compliance and risk management is in place.

The Board's Code of Conduct defines standards of behaviour and guides members in carrying out their responsibilities and duties. A summary of this document is available on Powerlink's website. The Board works with the corporation's executive managers to establish and maintain the legal and ethical environment and framework to ensure accountability throughout Powerlink is in the best interests of shareholders and the corporation.

At right: Broadsound to Nebo transmission line.

CORPORATE GOVERNANCE

BOARD STRUCTURE

At 30 June 2008, the Board comprised five independent non-executive Directors. All Directors are appointed by the Governor in Council. The term of one Director, Mr Merv Norman, expired on 30 September 2007. Mr Norman had been a director of Powerlink since its inception in January 2005.

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 are appropriately 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 of the interests disclosed.

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 consists of non-executive Directors.

AUDIT AND COMPLIANCE COMMITTEE

CHAIRMAN:	CHRISTINA SUTHERLAND
MEMBERS:	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.

Committee meeting details are presented in the Directors' Statement.

REMUNERATION COMMITTEE

CHAIRMAN:	WALTER THRELFALL
MEMBERS:	JOHN GODDARD
	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 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 2008. 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; and
- 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.

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 and business credit rating, future capital investment requirements, the return shareholders expect from their investment, and the capacity to pay, given prudent financial management.

CORPORATE GOVERNANCE

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 reflecting 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 continue to be:

- 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 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 individual or small teams against pre-agreed performance targets, and to the performance of the business.

AWARD EMPLOYEES

The Working at Powerlink 2005 Enterprise Agreement, certified in the Queensland Industrial Relations Commission on 30 June 2005, expired on 4 March 2008. As at 30 June 2008, negotiations to establish a new Workplace Agreement were in progress.

Award employees may be eligible for performance-based payments that are delivered as gainsharing and performance pay.

Gainsharing is a payment available to award employees, subject to Board approval, provided that the corporation's profitability target has been exceeded, and that performance against key organisation performance measures has been achieved. Performance pay is based on individual or small team performance targets, which 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.

In order to promote management focus, the policy provides for performance-based payments dependent on the performance against pre-agreed business and individual targets. The TFR level is reviewed annually based on consideration of economic and capacity factors. The economic factors include relevant market data. Capability factors consider the employee's growth in technical, business and leadership capabilities.

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

ELSE SHEPHERD AM

Hon FIEAust, FTSE
BE(Hons. Elect), CPEng, RPEQ, FAICD, FAIM
Grad Dip Mus (QCM), A Mus A

CHAIRMAN OF THE BOARD
(APPOINTED 1994)

Else is currently a non-executive Director of the National Electricity Market Management Company (NEMMCO), Director of Microwave and Materials Designs Pty Ltd, Executive Director of Mosaic Information Technology, 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 to 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, 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)

Until his retirement in 2007, John was 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 Chair of The Cooper Property Group, Deputy Chair of iTEL Community Telco Ltd, Director of The Eidos Institute Ltd, Director of Hastings Capital Ltd, Director of Careflight Queensland Ltd, and Chairman of Trustees of The Ipswich Arts Foundation.

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 and a member of the Powerlink Board's Remuneration 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.

CHRISTINA SUTHERLAND

BLaw, MAICD

BOARD MEMBER (APPOINTED 2001)

Christina is a solicitor of the Supreme Court of Queensland and the High Court of Australia. She was admitted as a solicitor in 1989 after serving two years of articles with Quinland Miller and Treston Solicitors. She has over 20 years experience in providing legal advice and services to many clients.

She has represented insurers and commercial clients and has acted for clients in employment and industrial matters. She has a strong interest in occupational health and safety matters.

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

WALTER THRELFALL

BOARD MEMBER
(APPOINTED 1994)

Walter has been an official of the Electrical Trades Union (ETU) of Australia—Queensland Branch (ETU) since 1977. In 2006, he retired as Assistant State Secretary of the Electrical Trades Union (ETU) of Australia, Queensland Branch, a position he held since 1983. In this role, Walter represented the interests of ETU members in North 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) and 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).

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

CORPORATE GOVERNANCE
EXECUTIVE LEADERSHIP TEAM

GORDON JARDINE

BE(Hons), BCom, MSc (Environmental), FAICD, FAIM, FATSE

CHIEF EXECUTIVE

Since 1995, Gordon has held the position of Chief Executive of Powerlink Queensland. He is also a member of the Reliability Panel of the National Electricity Market (NEM) and is the Chairman of Grid Australia, which represents Australia's electricity transmission network owners.

He was awarded a Centenary Medal for his contribution to the electricity industry.

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, FATSE, 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, the Australian Power Institute and the Australian National Committee of CIGRE. Simon has more than 35 years experience in electricity generation and transmission, including Australian and overseas roles in planning, design and strategic asset management.

MAURIE BRENNAN

B Bus, MBA, CPA, FAICD

CHIEF FINANCIAL OFFICER

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

At Powerlink, Maurie manages all finance, tax, treasury, business planning and analysis, corporate services, internal audit, insurance, 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.

STEWART BELL

BEng, PhD, MBA, CEng, MIET

MANAGER PROCUREMENT

As Manager Procurement, Stewart has responsibility for setting contractual terms and conditions, sourcing suppliers, determining market strategies and managing of the supply chain and the commercial administration of supply arrangements for Powerlink's capital projects and operations.

Stewart has more than 14 years experience in the electricity industry including management roles in operations, design and project delivery. Stewart is Vice-Chair of the Asia Pacific Utilities Group, a network of utilities that collaborate on supply chain improvements.

MICHELLE BERARDONE

BComms, MA, MPRIA

MANAGER CORPORATE COMMUNICATION

As Manager Corporate Communication, Michelle is responsible for Powerlink's public relations policy and strategy, corporate communication, media liaison, government relations and internal communication.

Michelle has provided strategic communications counsel for more than 10 years within the Queensland electricity industry. Michelle joined Powerlink as Manager Corporate Communication in 2002 following four years with ENERGEX's Public Affairs team.

HUGH GRANT

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

OPERATIONS MANAGER

Hugh is responsible for the leadership of Powerlink's Operations Business Unit. In this role, Hugh manages the delivery of a range of specialist services to Australian and international clients. Services include network operations, asset monitoring, information technology and telecommunications, oil testing and diagnostics, and research and development services.

Hugh chairs the Grid Australia Climate Change Working Group and is a member of the Energy Networks Association (ENA) Climate Change Reference Group, comprising representatives from Australia's electricity and gas network infrastructure entities.

Prior to joining Powerlink, Hugh held senior engineering management, business development and marketing roles with private sector organisations in Australia and overseas.

CORPORATE GOVERNANCE
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 also coordinates initiatives to ensure Powerlink has the right people and capabilities necessary to deliver our current and future business targets.

Gary has more than 32 years professional experience in clinical and organisational psychology roles, including 21 years in human resource management.

TERRENCE (TERRY) MILLER

BE(Elec)

MANAGER NETWORK DEVELOPMENT

As Manager Network Development , Terry is responsible for planning Powerlink's future network investments and timely acquisition of transmission easements to meet future development needs. Planning for future investments entails forecasting future network demand, analysing network capabilities into the future and recommending augmentation investment options to ensure continued reliable performance of the network.

Terry oversees the acquisition of easements and substation sites to ensure site access is available for the construction of future projects, as well as the associated management of land rights which ensures the continued preservation of land use for the network.

Terry is also the Queensland jurisdictional planning representative on the Inter Regional Planning Committee of the NEM.

With 35 years experience in the Queensland electricity industry, Terry's career has included experience in strategic business development, asset management, network planning, regulatory affairs, customer account management, substation design and distribution network design.

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

BRIAN POKARIER

BE, DipBusinessManagement, CPEng, FIEAust

MANAGER ENGINEERING

Brian manages the Engineering Business Unit, which is responsible for the delivery of capital works and refurbishment projects, 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 $676 million capital works program was delivered successfully through the effective management of a large, highly skilled team based at the Brisbane head office and 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 experience in power system engineering within the Queensland electricity industry and overseas, Brian continues to play an active role in the International Council on Large Electric Systems (CIGRE) and Australian Standards committees.

ROBYN ROBINSON

BSc, MSc(OR), Dip CompSc

MANAGER CORPORATE DEVELOPMENT

As Manager Corporate Development, Robyn's responsibilities include improving Powerlink's business performance through coordination of corporate-wide business improvement activities.

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

Robyn has had 30 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 NETWORK STRATEGY AND PERFORMANCE

As Manager Network Strategy and Performance, Merryn'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 20 years experience in the Queensland electricity industry, Merryn's career has included experience in network planning, regulatory affairs, customer management and strategic development of the transmission network.

DIRECTORS' REPORT

30 JUNE 2008

The Directors present their Report together with the Financial Report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries, and the Consolidated Entity's interest in associates for the financial year ended 30 June 2008 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

- Else Shepherd
- John Goddard
- Kenneth Howard
- Merv Norman
  (term expired 30 September 2007)
- Christina Sutherland
- Walter Threlfall.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the Consolidated Entity consisted of:

(a) Delivery of a 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;

(b) Provision of system operator services to assist NEMMCO to manage power system security in the Queensland region of the National Electricity Market;

(c) 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; and

(d) Provision of metering services to measure electricity at generation and usage at connection points to the transmission network.

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

DIVIDENDS

The Directors have provided for a final dividend of $84.412 million (2007: $92.606 million) being 80 percent (2007: 80 percent) of the profit after income tax equivalent expense excluding the contributions from equity accounted associates (2007: 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.

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.

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.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen, in the interval between the end of the financial year and the date of this Report, any 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 Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this financial statement because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

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 and other sites.

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, or breaches that led to prosecution during the period covered by this Report.

INFORMATION ON DIRECTORS

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

Interests in shares and options

No Director has an interest in the shares of the Company.

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.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2008, and the numbers of meetings attended by each Director were:

Directors	Meetings of committees					
	Full meetings of Directors		Audit		Remuneration	
	A	B	A	B	A	B
Else Shepherd	11	11	**	**	2	2
John Goddard	11	11	5	5	0	0
Kenneth Howard	11	11	5	5	**	**
Merv Norman	3	3	2	2	2	2
Walter Threlfall	10	11	**	**	2	2
Christina Sutherland	11	11	5	5	**	**

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
*** = Not a member of the relevant committee*

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Mr Merv Norman's term as a Director finished on 30 September 2007.

REMUNERATION REPORT

A Principles used to determine the nature and amount of remuneration

DIRECTORS

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2008 were the Hon. Geoffrey James Wilson, Minister for Mines and Energy on behalf of the State of Queensland, and the Hon. Andrew Peter Fraser, Treasurer 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 entitled to receive any performance related remuneration.

Directors do not receive share options. All shares in the Company are held by the shareholding Ministers on behalf of the State of Queensland.

DIRECTORS' FEES

The current base remuneration was last reviewed with effect from 1 July 2007. The Chairman's remuneration is not inclusive of committee fees and other Directors who chair, or are a member of a committee, also receive additional yearly fees.

KEY MANAGEMENT PERSONNEL PAY

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

B Details of remuneration

AMOUNTS OF REMUNERATION

Details of the remuneration of the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) are set out in note 27.

The key management personnel of the Company include the Directors shown above, and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

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

LOANS TO DIRECTORS AND EXECUTIVES

There are no loans to any Director or Key Management Personnel of the Consolidated Entity.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, Powerlink Queensland insured the Directors and employees of the company and its Australian-based controlled entities.

AUDITOR'S INDEPENDENCE DECLARATION

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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

Powerlink Queensland indemnifies the Directors and officers of the Company and its Australian based subsidiaries.

The indemnity relates to any liability:

(a) to a third party (other than Powerlink Queensland or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and

(b) for legal costs incurred in successfully defending civil or criminal proceedings or in connection with proceedings in which relief is granted under the *Corporations Act 2001*.

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

NON-AUDIT SERVICES

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

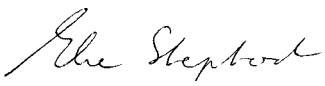
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included with this Annual Report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors.



Else Shepherd AM
Chairman

Brisbane
Dated 28 August 2008

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 2008, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

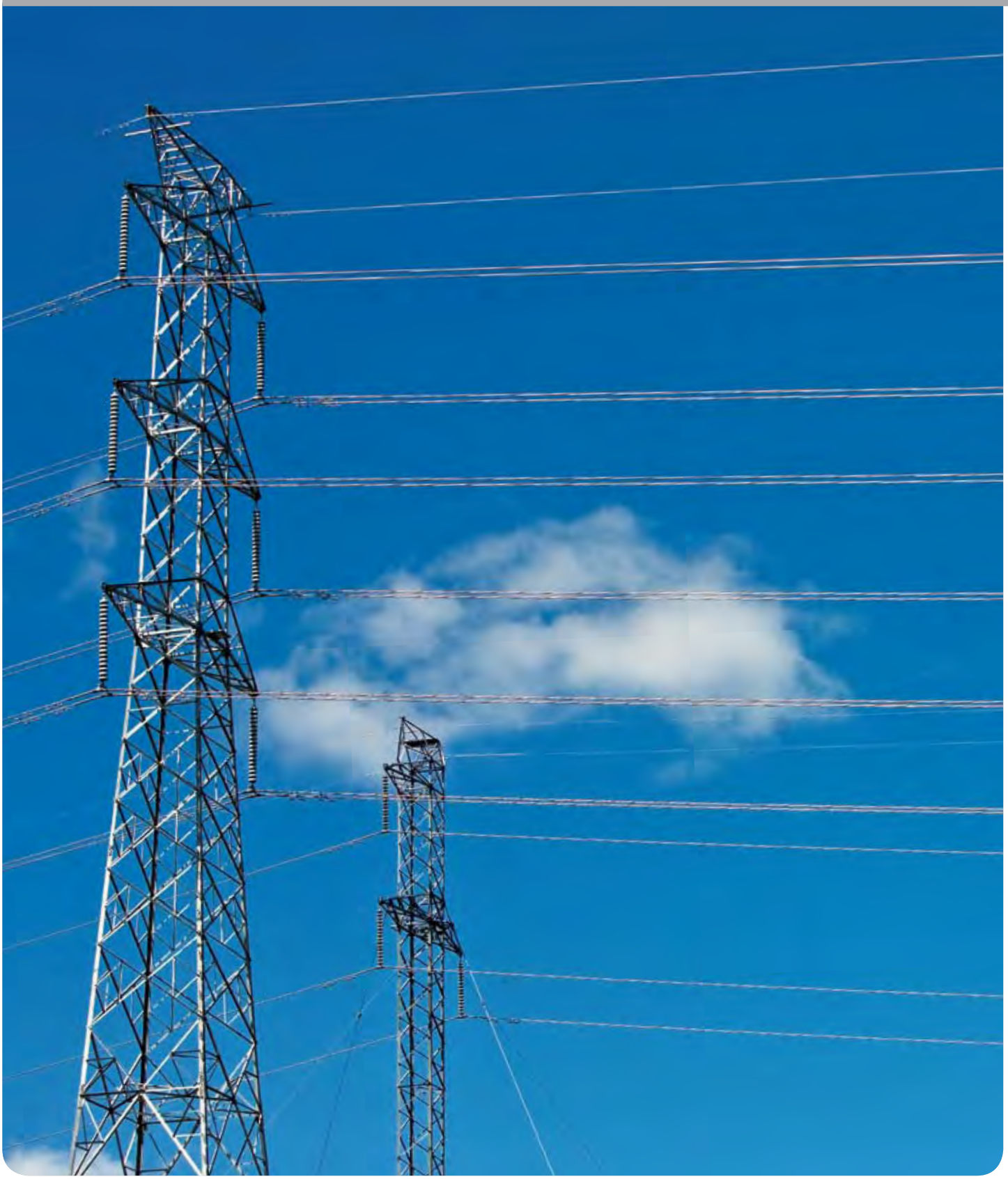
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Carl Harris

(as Delegate of the Auditor-General of Queensland, Brisbane)

28 August 2008

FINANCIALS



QUEENSLAND ELECTRICITY TRANSMISSION CORPORATION
LIMITED TRADING AS POWERLINK QUEENSLAND ABN 82 078 849 233

30 June 2008

This Financial Report covers both the separate financial statements of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland as an individual entity and the consolidated financial statements for the Consolidated Entity consisting of Powerlink Queensland and its subsidiaries. The Financial Report is presented in the Australian currency.

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

Queensland Electricity Transmission Corporation Limited
33 Harold Street
Virginia Qld 4014

A description of the nature of the Consolidated Entity's operations and its activities is included in the review of operations and principal activities in the Directors' report, both of which are not part of this Financial Report.

The Financial Report was authorised for issue by the Directors on 28 August 2008.
The company has the power to amend and reissue the Financial Report.

At left: The Broadsound to Nebo transmission line.

POWERLINK QUEENSLAND
INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	CONSOLIDATED		POWERLINK QUEENSLAND	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Revenue from continuing operations	4	**611,635**	583,858	**607,669**	577,963
Less:					
Expenses from continuing operations excluding finance costs expense	5	**(313,731)**	(293,054)	**(313,713)**	(293,029)
Finance costs	5	**(146,721)**	(116,074)	**(146,721)**	(116,074)
Share of net profits/(losses) of Associates accounted for using the equity method	33(c)	**(3,157)**	(2,963)	**-**	-
Profit/(Loss) from continuing operations before income tax equivalent expense		**148,026**	171,767	**147,235**	168,860
Income tax equivalent (expense)/benefit	6(b)	**(44,893)**	(56,009)	**(41,817)**	(52,914)
Profit/(Loss) relating to continuing operations		**103,133**	115,758	**105,418**	115,946
Profit/(Loss) for the year	25(b)	**103,133**	115,758	**105,418**	115,946
Profit attributed to members of Queensland Electricity Transmission Corporation Limited		**103,133**	115,758	**105,418**	115,946

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

POWERLINK QUEENSLAND
BALANCE SHEET

AS AT 30 JUNE 2008

	NOTES	CONSOLIDATED		POWERLINK QUEENSLAND	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	7	**100,661**	109,133	**91,541**	93,460
Trade and other receivables	8	**65,741**	50,188	**65,406**	53,610
Inventories	9	**27,513**	20,249	**27,513**	20,249
Other current assets	10	**7,487**	1,741	**7,487**	1,741
Other financial assets	207	**-**	207	**-**	
Total current assets		**201,609**	181,311	**192,154**	169,060
Non-current assets					
Investments accounted for using the equity method	11	**46,720**	25,227	**-**	-
Defined benefit superannuation fund asset	15(c)	**13,605**	31,312	**13,605**	31,312
Other financial assets	12	**64,731**	61,790	**62,955**	62,955
Property, plant and equipment	13	**4,599,079**	3,915,299	**4,599,079**	3,915,299
Total non-current assets		**4,724,135**	4,033,628	**4,675,639**	4,009,566
TOTAL ASSETS		**4,925,744**	4,214,939	**4,867,793**	4,178,626
LIABILITIES					
Current liabilities					
Trade and other payables	16	**180,975**	168,348	**180,985**	168,374
Current tax liabilities	18	**387**	12,531	**387**	12,531
Provisions	17	**100,778**	107,545	**100,778**	107,545
Other liabilities	19	**14,946**	4,264	**14,946**	4,264
Total current liabilities		**297,086**	292,688	**297,096**	292,714
Non-current liabilities					
Interest bearing loans and borrowings	20	**2,516,420**	2,006,920	**2,516,420**	2,006,920
Deferred tax liabilities	22	**325,605**	268,243	**295,774**	244,871
Provisions	23	**20,107**	19,543	**20,107**	19,543
Other liabilities	21	**9,387**	10,892	**9,387**	10,892
Total non-current liabilities		**2,871,519**	2,305,598	**2,841,688**	2,282,226
TOTAL LIABILITIES		**3,168,605**	2,598,286	**3,138,784**	2,574,940
NET ASSETS		**1,757,139**	1,616,653	**1,729,009**	1,603,686
EQUITY					
Contributed equity	24(a)	**401,000**	401,000	**401,000**	401,000
Reserves	25(a)	**355,322**	220,474	**323,067**	205,407
Retained profits	25(b)	**1,000,817**	995,179	**1,004,942**	997,279
Capital and reserves attributable to equity holders of Queensland Electricity Transmission Corporation Limited		**1,757,139**	1,616,653	**1,729,009**	1,603,686
Parent entity interest		**1,757,139**	1,616,653	**1,729,009**	1,603,686
TOTAL EQUITY		**1,757,139**	1,616,653	**1,729,009**	1,603,686

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

POWERLINK QUEENSLAND
STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	CONSOLIDATED		POWERLINK QUEENSLAND	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Gain on revaluation of property, plant and equipment, net of tax	25	**135,071**	76,322	**117,278**	71,315
Changes in the fair value of cash flow hedges, net of tax	25	**(224)**	184	**382**	785
Actuarial gains/(losses) on Defined Benefit Superannuation Fund, net of tax	15(g),25	**(13,155)**	9,988	**(13,343)**	9,211
Change in 2005/06 value of associate	25(b)	**-**	(1,731)	**-**	-
Change in 2006/07 value of Associates	25(b)	**72**	-	**-**	-
Net income recognised directly in equity		**121,764**	84,763	**104,317**	81,311
Profit for the year		**103,133**	115,758	**105,418**	115,946
Total recognised income and expense for the year		**224,897**	200,521	**209,735**	197,257
Total recognised income and expense for the year is attributable to:					
Equity holders of Queensland Electricity Transmission Corporation Limited		**224,897**	200,521	**209,735**	197,257
		224,897	200,521	**209,735**	197,257

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

POWERLINK QUEENSLAND
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	CONSOLIDATED		POWERLINK QUEENSLAND	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash flows from operating activities					
Receipts from customers		**545,911**	536,148	**545,911**	532,978
Intra Regional Settlements Residue (IRSR)		**21,287**	(34,498)	**21,287**	(34,498)
Payments to suppliers and employees		**(181,496)**	(110,647)	**(181,475)**	(110,617)
Interest received		**19,346**	13,480	**5,778**	3,114
Dividends received		**246**	242	**9,708**	7,653
Finance costs paid		**(146,560)**	(115,697)	**(146,560)**	(115,697)
Income tax equivalent paid		**(57,548)**	(44,944)	**(49,851)**	(43,661)
Goods and services tax paid		**(3,356)**	(1,087)	**(3,356)**	(1,087)
Other operating receipts		**30,711**	35,576	**30,711**	35,576
Other operating payments		**(770)**	(1,112)	**(770)**	(1,112)
Net cash (outflow)/inflow from operating activities	35	**227,771**	277,461	**231,383**	272,649
Cash flows from investing activities					
Payments for property, plant and equipment		**(638,238)**	(546,245)	**(638,238)**	(546,245)
Proceeds from sale of property, plant and equipment		**1,592**	1,534	**1,592**	1,534
Proceeds/(payments) for Investments		**(16,491)**	34,410	**(13,550)**	35,000
Net cash (outflow)/inflow from investing activities		**(653,137)**	(510,301)	**(650,196)**	(509,711)
Cash flows from financing activities					
Proceeds from borrowings		**509,500**	361,600	**509,500**	361,600
Dividends paid to Company's shareholders	26	**(92,606)**	(95,167)	**(92,606)**	(95,167)
Net cash (outflow)/inflow from financing activities		**416,894**	266,433	**416,894**	266,433
Net increase/(decrease) in cash and cash equivalents held		**(8,472)**	33,593	**(1,919)**	29,371
Cash and cash equivalents at the beginning of the financial year		**109,133**	75,540	**93,460**	64,089
Cash and cash equivalents at end of year	7	**100,661**	109,133	**91,541**	93,460

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

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The accounting policies have been applied consistently by all entities in the Consolidated Entity. The Financial Report includes separate financial statements for Powerlink Queensland as an individual entity and the Consolidated Entity consisting of Powerlink Queensland and its subsidiaries.

(A) BASIS OF PREPARATION

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Report of the Consolidated Entity complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

The Consolidated Entity has elected not to early adopt any of the accounting standards.

Historical cost convention

This 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.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(B) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ("company" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this Financial Report as the Consolidated Entity or the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity. 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 Consolidated Entity companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

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

(ii) Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in Associates are accounted for in the holding entity's 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 investment in Associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 33).

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

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unrealised gains on transactions between the Consolidated Entity and its Associates are eliminated to the extent of the Consolidated Entity's interest in the Associates. Unrealised losses are also eliminated unless the transaction provides 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.

(C) SEGMENT REPORTING

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

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

(D) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Powerlink Queensland's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(E) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(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 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 return, amounts that have been under or over collected in the current period. Amounts over collected are recognised as unearned revenue and any shortfalls are recognised as revenue in the year.

(ii) Other revenue

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

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(F) INCOME TAX EQUIVALENTS

The Consolidated Entity is required to make income tax equivalent payments to the State Government based on the 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 on rulings set out in the National Tax Equivalent's 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* – (note 6).

Income tax equivalent

Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. 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 equivalent 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 equivalent liabilities are recognised for all taxable temporary differences except

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

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

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

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

Deferred income tax equivalent 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.

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

Current and deferred tax equivalent balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Powerlink Queensland and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation 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 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.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Consolidated Entity – (note 6).

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.

(G) 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 (note 13). 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 is 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 (note 30). Payments made under operating leases (net of any incentives received from the lessor) 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 supply system 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 (4) tranches and was completed in January 2001. The date of expiry of the lease agreement is 2 January 2027.

(H) IMPAIRMENT OF ASSETS

At each reporting date, the Consolidated Entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit is estimated to be materially less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Income Statement unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(J) 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. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used 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 default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Income Statement within 'other expenses'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(K) 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.

(L) DERIVATIVES AND HEDGING ACTIVITIES

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 derivatives as either:

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

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 movements in the hedging reserve in shareholders' equity (note 25). 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 hedge

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. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Income Statement within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the Income Statement within other income or other expenses.

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 profit or loss over the period to maturity using a recalculated effective interest rate.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Cash flow hedge

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 within other income or other expenses.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item affects profit or loss (for instance 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 (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the Income Statement or as depreciation in the case of fixed assets.

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 expenses.

(iv) Forward Starting Loans

The Consolidated Entity enters into Forward Starting Loans whereby it agrees to borrow specified amounts in the future at a predetermined interest rate. The Forward Starting Loans are entered into with the objective of managing against 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.

(M) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(N) PROPERTY, PLANT AND EQUIPMENT

Acquisition of Assets

The cost method of accounting is used for all acquisitions 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 future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting period in which they are incurred.

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.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The valuation policy of the Consolidated Entity provides for an annual review of all property, plant and equipment, except for the categories of work in progress and other property, plant and equipment which are valued at cost. The review is undertaken in harmonisation with the Australian Energy Regulator's regulatory revenue determination outcomes for the Company, and provides for the revaluation of those categories of property, plant and equipment by the application of relevant Australian Bureau of Statistics indices at the end of each financial year.

The application of this policy is reviewed by the Directors at each reporting date to ensure that the carrying amount of the assets does not differ materially from fair value.

Within the other land and buildings category, the fair value of easements is based on historic purchase cost increased by relevant Australian Bureau of Statistics indices at the end of each financial year.

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 13) 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. Revaluation decrements are only offset against revaluation increments applying to the particular asset, and any excess is recognised as an expense.

Depreciation

Land and easements are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

Depreciation commences from the time units of property, plant and equipment are brought into commercial operation, and is calculated on all assets with the exception of land and easements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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.

(O) TRADE AND OTHER PAYABLES

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

(P) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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.

(Q) BORROWING COSTS

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

(R) PROVISIONS

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting 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.

(S) 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 19 and 21).

(T) EMPLOYEE BENEFITS

(i) Wages and salaries, annual leave and "Time-off- in-Lieu" leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and "time-off-in-lieu" leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled including related on-costs.

Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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.

(ii) Long service leave

The liability for long service leave is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected 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.

(iii) Superannuation benefit obligations

All employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's superannuation plan on retirement, disability or death. The Consolidated Entity has a defined benefit section and a defined contribution section within its plan. 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 Consolidated Entity companies and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of the defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. 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 annually by independent actuaries using the projected unit credit method. Consideration is given to expected 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, outside profit or loss directly in the Statement of Recognised Income and Expense.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) At-risk performance remuneration

All employees of the Consolidated Entity are eligible for performance payments based on individual and/or small team performance during the year. In addition, award employees are eligible for a gainsharing payment based on corporate results (refer note 15).

(v) 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.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) CONTRIBUTED EQUITY

Ordinary shares are classified as equity – (note 24).

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(V) DIVIDENDS

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.

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

(W) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(X) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(Y) 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 2007/08 the amount of IRSR applied to offset regulated network charges totalled $74.4 million (2006/07: $102.1 million).

Full details of movements in the IRSR balance are presented in Note 37. At 30 June 2008, the IRSR balance including interest earned and net of fees was $81.0 million (2007: $59.7 million).

(Z) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Consolidated Entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB-I 12 Service Concession Arrangements, AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures

AASB-I 12, AASB 2007-2, UIG 4 and the revised UIG 129 are all effective for annual reporting periods commencing on or after 1 January 2008. AASB-I 12 provides guidance on the accounting by operators for public-to-private service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities. UIG 4 has been amended to exclude public-to-private service concession arrangements from its scope and UIG 129 was revised to require some additional disclosures. The Consolidated Entity will apply AASB-I 12 and the related amended standards and interpretations from 1 July 2008. Application of AASB-I 12 will not have any impact on the Consolidated Entity's financial statements.

(ii) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated Entity has not yet decided when to adopt AASB 8. Application of AASB 8 should not result in different segments, segment results and different type of information being reported in the segment note of the Financial Report. At this stage, it is not expected to affect any of the amounts recognised in the financial statements.

30 JUNE 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Consolidated Entity has not yet decided when to adopt AASB 123. The Consolidated Entity does not currently capitalise borrowing costs relating to qualifying assets. The extent of the impact, once adopted, will be dependant on the level of qualifying assets and the level of borrowings associated with those qualifying assets.

(iv) AASB-I 13 Customer Loyalty Programmes

AASB-I 13 is applicable to annual reporting periods commencing on or after 1 July 2008. It provides guidance on the accounting for customer loyalty programmes and requires that the fair value of the consideration received/ receivable in respect of a sale transaction is allocated between the award credits and the other components of the sale. The Consolidated Entity does not operate any customer loyalty programmes. AASB-I 13 will therefore have no impact on the Consolidated Entity's financial statements. The Group will apply AASB-I 13 from 1 July 2008.

(v) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

AASB-I 14 will be effective for annual reporting periods commencing 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. The Consolidated Entity's defined benefit plans are not at minimum funding requirements and the plan is in a surplus position. The Consolidated Entity will apply AASB-I 14 from 1 July 2008, but it is not expected to have any impact on the Consolidated Entity's financial statements.

(vi) Revised AASB 101 Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated Entity intends to apply the revised standard from 1 July 2009.

30 JUNE 2008

2 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Consolidated Entity uses derivative financial instruments, such as foreign exchange contracts, to manage these risks. Derivatives are exclusively used for hedging purposes, ie. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out by the Company's Executive Leadership Team (ELT) and the Company's Hedging Committee (Hedging Committee) under policies approved by the Board of Directors. The ELT and the Hedging Committee identify, evaluate and hedge financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group and the parent entity hold the following financial instruments:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financial assets				
Cash and cash equivalents	**100,661**	109,133	**91,541**	93,460
Trade and other receivables	**65,741**	50,188	**65,406**	53,610
Derivative financial instruments	**118**	-	**118**	-
Other financial assets	**64,938**	61,790	**63,162**	62,955
	231,458	221,111	**220,227**	210,025
Financial liabilities				
Trade and other payables	**180,975**	168,348	**180,985**	168,374
Borrowings	**2,516,420**	2,006,920	**2,516,420**	2,006,920
Derivative financial instruments	**295**	723	**295**	723
	2,697,690	2,175,991	**2,697,700**	2,176,017

(A) MARKET RISK

(i) Foreign exchange risk

The Consolidated Entity is exposed to currency risk on purchases of materials that are denominated in a currency other than the Consolidated Entity's functional currency. The materials are primarily for the construction and maintenance of transmission assets.

Exchange rate exposures are managed within approved policy parameters using foreign forward exchange contracts.

The Consolidated Entity's treasury risk management policy is to hedge between 50 percent and 100 percent of anticipated transactions (material purchases) in the foreign currency where a firm construction commitment has been entered into and the amount exceeds a Board approved threshold. All projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

The carrying amounts of the Group's and parent entity's financial assets and liabilities are all denominated in Australian dollars.

The Group's exposure to foreign currency risk (contract value) at the reporting date was as follows:

	30 June 2008			30 June 2007		
	CAD $'000	**EURO $'000**	**Other $'000**	CNY $'000	EURO $'000	USD $'000
Forward exchange contracts - buy foreign currency (cash flow hedges)	**404**	**7,692**	**20**	2,624	8,325	2,743
Net exposure	**404**	**7,692**	**20**	2,624	8,325	2,743

30 JUNE 2008

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

All the foreign forward exchange contracts are hedging forecast purchases.

	30 June 2008			30 June 2007		
	CAD $'000	EURO $'000	Other $'000	CNY $'000	EURO $'000	USD $'000
Forward exchange contracts - buy foreign currency (cash flow hedges)	**404**	**7,692**	**20**	2,624	8,325	2,743
Net exposure	**404**	**7,692**	**20**	2,624	8,325	2,743

Consolidated Entity sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10 percent against the hedged currencies, with all other variables held constant, the Consolidated Entity's post-tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of the Consolidated Entity's transmission assets. Equity would have been $0.707M lower/$0.863M higher (2007- $1,129M lower/$1,379M higher) had the Australian dollar weakened/strengthened by 10 percent against the hedged currencies.

Parent entity sensitivity

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/strengthened by 10 percent against the hedged currencies, with all other variables held constant, the parent entity's post-tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of transmission assets. Equity would have been $0.707M lower/$0.863M higher (2007- $1,129M lower/$1,379M higher) had the Australian dollar weakened/strengthened by 10 percent against the hedged currencies.

(ii) Other Price risk

The Consolidated Entity and the parent entity do not have any material exposure to equity securities price risk. Neither the Consolidated Entity nor the parent entity are exposed to commodity price risk.

(iii) Interest rate risk

Consolidated Entity sensitivity

The Consolidated Entity's main interest rate risk would normally arise from its long-term borrowings. However, under lending arrangements offered by Queensland Treasury Corporation (QTC), the Company's borrowings approximate a fixed rate loan and consequently are insensitive to movements in interest rates.

The Consolidated Entity borrows exclusively from QTC, a Queensland Government Owned Corporation. QTC manages the borrowings on behalf of the Consolidated Entity within agreed pre-determined benchmarks. The composition of the QTC debt instruments are managed to align with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take affect from 30 June 2008. During 2008 and 2007, all the Consolidated Entity's borrowings were denominated in Australian Dollars.

Parent entity sensitivity

The parent entity's main interest rate risk would normally arise from its long-term borrowings. However, under lending arrangements offered by Queensland Treasury Corporation (QTC), the Company's borrowings approximate a fixed rate loan and consequently are insensitive to movements in interest rates.

The parent entity borrows exclusively from QTC, a Queensland Government Owned Corporation. QTC manages the borrowings on behalf of the Parent Entity within agreed pre-determined benchmarks . The composition of the QTC debt instruments are managed to align with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take affect from 30 June 2008. During 2008 and 2007, all the parent entity's borrowings were denominated in Australian Dollars.

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2 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Consolidated Entity.

Powerlink Queensland is primarily 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). The company only transacts with large reputable entities. Where appropriate, suitable financial security, either through the regulatory regime arrangements in which the Company operates, or other forms such as parent guarantees and unconditional bank guarantees, is obtained. It is not expected that any of these customers will fail to meet their obligations.

Outside of the small number of major electricity network customers, trade receivables consists of a limited number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are either banks or Queensland Treasury Corporation, all of whom have high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Details of any impairment of financial assets are contained in Note 8.

(C) LIQUIDITY RISK

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have implemented an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity requirements. The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities, reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Surplus funds are invested with the Queensland Treasury Corporation and have on-call access.

Financing arrangements

Under the funding arrangements entered into between the Company and the Company's shareholding Ministers, any undrawn approved funding lapses at the end of each financial year. The Company seeks approval from the shareholding Ministers for funding requirements for the forthcoming year on an annual basis, and these approved borrowings form part of the State of Queensland borrowing program. For the 2008/09 year the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be required to maintain liquidity and/or meet operational requirements, approval for the additional funds must be sought from the shareholding Ministers.

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2 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturities of financial liabilities

The tables below analyse the Consolidated Entity's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which includes interest for the following five years. The capital borrowing has been included in the "Over 5 years" category as there are no fixed terms of repayment.
The Consolidated Entity does not have any interest rate swaps for which the cash flows would have been estimated using forward interest rates applicable at the reporting date.

GROUP - AT 30 JUNE 2008	0 - 12 MONTHS	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	180,975	-	-	180,975	180,975
Fixed rate	164,564	658,852	2,516,420	3,339,836	2,516,420
Total non-derivatives	345,539	658,852	2,516,420	3,520,811	2,697,395
Derivatives					
Gross settled - outflow	177	-	-	177	177
Total derivatives	177	-	-	177	177

GROUP - AT 30 JUNE 2007	0 - 12 MONTHS	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	168,348	-	-	168,348	168,348
Fixed rate	128,527	513,073	2,006,920	2,648,520	2,006,920
Total non-derivatives	296,875	513,073	2,006,920	2,816,868	2,175,268
Derivatives					
Gross settled - outflow	723	-	-	723	723
Total derivatives	723	-	-	723	723

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2 FINANCIAL RISK MANAGEMENT (CONTINUED)

PARENT - AT 30 JUNE 2008	0 - 12 MONTHS	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	180,985	-	-	180,985	180,985
Fixed rate	164,564	658,852	2,516,420	3,339,836	2,516,420
Total non-derivatives	345,549	658,852	2,516,420	3,520,821	2,697,405
Derivatives					
- outflow	177	-	-	177	177
Total derivatives	177	-	-	177	177

PARENT - AT 30 JUNE 2007	0 - 12 MONTHS	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS)/ LIABILITIES
	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Non-interest bearing	168,374	-	-	168,374	168,374
Variable rate	-	-	-	-	-
Fixed rate	128,527	513,073	2,006,920	2,648,520	2,006,920
Total non-derivatives	296,901	513,073	2,006,920	2,816,894	2,175,294
Derivatives					
Gross settled - outflow	723	-	-	723	723
Total derivatives	723	-	-	723	723

(D) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The fair value of forward foreign exchange contracts is determined using forward market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair values for each class of financial instrument are disclosed in the relevant notes.

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3 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Defined Benefit Plans

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relative carrying amounts are discussed in (note 15).

Employee Entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future oncost rates; and
- experience of employee departures and periods of service.

Recovery of Deferred Tax Equivalent Assets

Deferred tax equivalent assets are recognised for deductible temporary differences as management considers it is probable that future taxable profits will be available to utilise those temporary differences.

Revaluation of Property, Plant and Equipment

The revaluation of property, plant and equipment is affected by the application of the application of relevant Australian Bureau of Statistics indices at the end of each financial year.

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4 REVENUE

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Revenues from Continuing Operations				
Grid Sales Revenue	**561,279**	531,415	**561,279**	531,415
Total grid sales revenue	**561,279**	531,415	**561,279**	531,415
Other revenue				
Interest	**19,517**	16,747	**5,843**	3,199
Dividends	**-**	-	**9,708**	7,653
Other	**30,839**	35,696	**30,839**	35,696
Total Other Revenue	**50,356**	52,443	**46,390**	46,548
Total revenues from continuing operations	**611,635**	583,858	**607,669**	577,963

5 EXPENSES FROM CONTINUING OPERATIONS

Net gains and expenses
Profit before income tax includes the following specific expenses:

Finance costs				
Interest Expense	**137,824**	107,785	**137,824**	107,785
Other	**8,897**	8,289	**8,897**	8,289
Finance costs expensed	**146,721**	116,074	**146,721**	116,074
Operational Expenses				
Network Operations	**10,596**	9,710	**10,596**	9,710
Network Maintenance	**67,297**	63,223	**67,297**	63,223
Grid Support	**27,326**	18,762	**27,326**	18,762
Corporate/Business Support	**40,833**	38,053	**40,815**	38,028
Other	**9,557**	14,395	**9,557**	14,395
Depreciation	**158,122**	148,911	**158,122**	148,911
	313,731	293,054	**313,713**	293,029
Employee benefit expense included in the Income Statement	**48,197**	46,276	**48,197**	46,276
Defined Contribution Superannuation Expense included in the Income Statement	**3,319**	2,854	**3,319**	2,854
	51,516	49,130	**51,516**	49,130

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6 INCOME TAX EQUIVALENT EXPENSE

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(A) INCOME TAX EQUIVALENT EXPENSE				
Current tax	**39,618**	48,978	**35,554**	44,927
Relating to origination and reversal of temporary differences	**6,296**	7,992	**6,263**	7,987
Associates accounted for using the equity method	**(1,021)**	(961)	**-**	-
	44,893	56,009	**41,817**	52,914
(B) NUMERICAL RECONCILIATION OF INCOME TAX EQUIVALENT EXPENSE TO PRIMA FACIE TAX PAYABLE				
Profit from continuing operations before income tax expense	**148,026**	171,767	**147,235**	168,860
Tax equivalent at the Australian tax rate of 30% (2007: 30%)	**44,408**	51,530	**44,171**	50,658
Increase in income tax equivalent expense due to:				
Non deductible expenses	**16**	22	**16**	22
Temporary Differences	**48,524**	52,081	**48,524**	52,081
Decrease in income tax equivalent expense due to:				
Tax exempt revenues	**(74)**	(1,056)	**(2,913)**	(3,279)
Building write-off	**(357)**	(306)	**(357)**	(306)
Temporary differences	**(53,888)**	(23,707)	**(53,888)**	(23,707)
Adjustments to Asset Revaluation Reserve	**-**	(30,542)	**-**	(30,542)
Other movements in deferred tax	**6,264**	7,987	**6,264**	7,987
Income tax expense	**44,893**	56,009	**41,817**	52,914
Total income tax expense	**44,893**	56,009	**41,817**	52,914
(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY				
Net deferred tax - debited (credited) directly to equity (notes 14 and 22)	**44,711**	33,121	**44,707**	30,900
	44,711	33,121	**44,707**	30,900

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7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash balance comprises:				
Cash on hand	**8**	7	**8**	7
Bank balances	**(103)**	597	**(108)**	593
Cash on Deposit with Qld Treasury Corporation (QTC)	**19,762**	48,823	**10,647**	33,154
Cash on Deposit with QTC - IRSR (note 37)	**80,994**	59,706	**80,994**	59,706
Closing Cash balance	**100,661**	109,133	**91,541**	93,460

(A) INTEREST RATE RISK EXPOSURE

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2.

(B) 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.

(C) FAIR VALUE

The carrying amount for cash and cash equivalents equals the fair value.

8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net trade receivables				
Trade receivables	**65,741**	50,188	**62,452**	47,004
Other	**-**	-	**2,954**	6,606
	65,741	50,188	**65,406**	53,610

(A) PROVISION FOR IMPAIRMENT OF RECEIVABLES

The Consolidated Entity has not considered it necessary to raise a provision for the impairment of receivables.

(B) IMPAIRED TRADE RECEIVABLES

The Consolidated Entity has recognised a loss of $16 thousand (2007: $90 thousand) in respect of impaired trade receivables during the year ended 30 June 2008

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8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)

As of 30 June 2008, trade receivables of $3,219 thousand (2007: $3,603 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Up to 3 months	**3,028**	2,290	**3,028**	2,290
3 to 6 months	**191**	1,313	**191**	1,313
	3,219	3,603	**3,219**	3,603

(C) OTHER RECEIVABLES

For the parent entity, these are receivables from tax consolidated entities under the tax funding agreement, see note 6 and note 31(e).

(D) FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Consolidated Entity's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(E) FAIR VALUE AND CREDIT RISK

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

9 CURRENT ASSETS - INVENTORIES

Maintenance and Construction Stock - at net realisable value	**27,513**	20,249	**27,513**	20,249
	27,513	20,249	**27,513**	20,249

10 CURRENT ASSETS - OTHER CURRENT ASSETS

Work in Progress - Customer Works	**451**	265	**451**	265
Prepayments	**6,831**	1,396	**6,831**	1,396
Other	**205**	80	**205**	80
	7,487	1,741	**7,487**	1,741

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11 NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Shares in Associates (note 33)	**46,720**	25,227	**-**	-
	46,720	25,227	**-**	-

(A) SHARES IN ASSOCIATES

Investments in Associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the subsidiary entities holding the investments (notes 12, 33).

12 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Advances to Associates				
Loan Notes	**64,731**	61,790	**-**	-
Shares in subsidiaries * (note 32)	**-**	-	**1**	1
Unsecured Loans to Subsidiaries #	**-**	-	**62,954**	62,954
	64,731	61,790	**62,955**	62,955

* *Represents investments in unlisted controlled entities at cost*

\# *Represents unsecured advances to Harold Street Holdings Pty Ltd of $62,950 thousand (2007: $62,950 thousand) and Powerlink Transmission Services Pty Ltd $4 thousand (2007: $4 thousand). Both companies are wholly owned subsidiaries of Powerlink Queensland (note 32).*

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13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

CONSOLIDATED	WORK IN PROGRESS	FREEHOLD LAND AND EASEMENTS	BUILDINGS	SUPPLY SYSTEM ASSETS	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2007						
Opening net book amount	193,745	305,601	41,674	2,811,977	27,540	3,380,537
Additions	583,243	-	-	-	-	583,243
Disposals	-	(143)	-	(96)	(1,211)	(1,450)
Revaluation increments/(decrements)	-	10,205	1,017	90,658	-	101,880
Transfers	-	-	(2,422)	-	2,422	-
Transfers from work in progress	(250,222)	22,480	3,377	211,368	12,997	-
Depreciation charge	-	-	(1,130)	(137,835)	(9,946)	(148,911)
Closing net book amount	526,766	338,143	42,516	2,976,072	31,802	3,915,299
At 30 June 2007						
- Directors' Valuation	526,766	338,143	45,322	5,178,764	57,708	6,146,703
Accumulated depreciation	-	-	(2,806)	(2,202,692)	(25,906)	(2,231,404)
Net book amount	526,766	338,143	42,516	2,976,072	31,802	3,915,299
Year ended 30 June 2008						
Opening net book amount	**526,766**	**338,143**	**42,516**	**2,976,072**	**31,802**	**3,915,299**
Additions	**675,844**	**-**	**-**	**-**	**-**	**675,844**
Disposals	**-**	**(571)**	**-**	**-**	**(911)**	**(1,482)**
Revaluation increments/(decrements)	**-**	**14,592**	**1,790**	**151,158**	**-**	**167,540**
Transfers	**-**	**-**	**(22)**	**-**	**22**	**-**
Transfers from work in progress	**(651,315)**	**9,723**	**91**	**629,514**	**11,987**	**-**
Depreciation charge	**-**	**-**	**(1,322)**	**(145,935)**	**(10,865)**	**(158,122)**
Closing net book amount	**551,295**	**361,887**	**43,053**	**3,610,809**	**32,035**	**4,599,079**
At 30 June 2008						
- Directors' Valuation	**551,295**	**361,887**	**47,229**	**6,017,401**	**67,633**	**7,045,445**
Accumulated depreciation	**-**	**-**	**(4,176)**	**(2,406,592)**	**(35,598)**	**(2,446,366)**
Net book amount	**551,295**	**361,887**	**43,053**	**3,610,809**	**32,035**	**4,599,079**

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13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

POWERLINK QUEENSLAND	WORK IN PROGRESS	FREEHOLD LAND AND EASEMENTS	BUILDINGS	SUPPLY SYSTEM ASSETS	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2007						
Opening net book amount	193,745	305,601	41,674	2,811,977	27,540	3,380,537
Additions	583,243	-	-	-	-	583,243
Disposals	-	(143)	-	(96)	(1,211)	(1,450)
Revaluation increments/(decrements)	-	10,205	1,017	90,658	-	101,880
Transfers	-	-	(2,422)	-	2,422	-
Transfers from work in progress	(250,222)	22,480	3,377	211,368	12,997	-
Depreciation charge	-	-	(1,130)	(137,835)	(9,946)	(148,911)
Closing net book amount	526,766	338,143	42,516	2,976,072	31,802	3,915,299
At 30 June 2007						
- Directors' Valuation	526,766	338,143	45,322	5,178,764	57,708	6,146,703
Accumulated depreciation	-	-	(2,806)	(2,202,692)	(25,906)	(2,231,404)
Net book amount	526,766	338,143	42,516	2,976,072	31,802	3,915,299
Year ended 30 June 2008						
Opening net book amount	**526,766**	**338,143**	**42,516**	**2,976,072**	**31,802**	**3,915,299**
Additions	**675,844**	**-**	**-**	**-**	**-**	**675,844**
Disposals	**-**	**(571)**	**-**	**-**	**(911)**	**(1,482)**
Revaluation increments/(decrements)	**-**	**14,592**	**1,790**	**151,158**	**-**	**167,540**
Transfers	**-**	**-**	**(22)**	**-**	**22**	**-**
Transfers from work in progress	**(651,315)**	**9,723**	**91**	**629,514**	**11,987**	**-**
Depreciation charge	**-**	**-**	**(1,322)**	**(145,935)**	**(10,865)**	**(158,122)**
Closing net book amount	**551,295**	**361,887**	**43,053**	**3,610,809**	**32,035**	**4,599,079**
At 30 June 2008						
- At Directors' Valuation	**551,295**	**361,887**	**47,229**	**6,017,401**	**67,633**	**7,045,445**
Accumulated depreciation	**-**	**-**	**(4,176)**	**(2,406,592)**	**(35,598)**	**(2,446,366)**
Net book amount	**551,295**	**361,887**	**43,053**	**3,610,809**	**32,035**	**4,599,079**

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13 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Leased assets

Supply System Assets include the following amounts which are subject to a cross border lease:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cross Border Lease - Supply System Assets -				
At Directors' valuation	**3,857,093**	3,103,741	**3,857,093**	3,103,741
Accumulated depreciation	**(459,172)**	(330,507)	**(459,172)**	(330,507)
Net book amount	**3,397,921**	2,773,234	**3,397,921**	2,773,234

14 NON-CURRENT ASSETS – DEFERRED INCOME TAX EQUIVALENT ASSETS

Deferred tax equivalent assets are attributable to the following:				
Accruals	**58**	53	**56**	53
Provisions	**10,049**	9,749	**10,049**	9,745
Cash flow hedges (note 25(a))	**89**	217	**89**	217
Total deferred tax assets	**10,196**	10,019	**10,194**	10,015
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(10,196)	**(10,019)**	(10,194)	**(10,015)**
Net deferred tax equivalent assets	**-**	-	**-**	-
Movements:				
Opening balance at 1 July	**10,019**	10,568	**10,015**	10,563
Credited/(charged) to the income statement (note 6)	**308**	(191)	**306**	(189)
Credited/(charged) to equity	**(131)**	(358)	**(127)**	(359)
Closing balance at 30 June	**10,196**	10,019	**10,194**	10,015
Deferred tax assets to be recovered within 12 months	**3,643**	4,188	**3,641**	4,184
Deferred tax assets to be recovered after more than 12 months	**6,553**	5,831	**6,553**	5,831
	10,196	10,019	**10,194**	10,015

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15 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

(A) PERFORMANCE PAYMENTS TO EMPLOYEES

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 the performance of individual key management personnel against pre-agreed business and individual targets. The performance payments made in the 2007/08 year were granted/approved by the Board on 18 September 2007. 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 the performance of employees against individual/team pre-agreed performance targets. The performance payments made in the 2007/08 year were granted/approved by the Board on 18 September 2007. 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 award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2007/08 was granted/approved by the Board on 18 September 2007. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

At-Risk Performance Remuneration

The aggregate at risk employee remuneration is as follows:

	2007/08	2006/07
Aggregate at-risk performance remuneration	**$4.571m**	$4.142m
Total salaries and wages paid	**$92.932m**	$81.988m
Number of employees receiving performance payments	**765**	714

Number of Employees

Number of employees (full-time equivalents) at year end: 887 (2007: 843)

(B) SUPERANNUATION PLAN

The Consolidated Entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation Fund (Qld). Members, after serving a qualifying period , are entitled to benefits from this 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 percentages of their salaries and wages. The Consolidated Entity also contributes to the plan.

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 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.

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15 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plan is disclosed in (note 5).

(C) DEFINED BENEFIT PLAN ASSET RECOGNISED ON THE BALANCE SHEET

The amounts recognised in the balance sheet are determined as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Fair value of defined benefit plan assets	**70,219**	88,891	**70,219**	88,891
Present value of the defined benefit obligation	**(56,614)**	(57,579)	**(56,614)**	(57,579)
Net surplus in the balance sheet	**13,605**	31,312	**13,605**	31,312

(D) CATEGORIES OF PLAN ASSETS

The major categories of plan assets are as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 %	2007 %	**2008 %**	2007 %
Cash	**6.9**	5.7	**6.9**	5.7
Fixed Interest	**19.8**	23.0	**19.8**	23.0
Domestic Equities	**22.7**	26.0	**22.7**	26.0
Alternatives	**8.9**	4.9	**8.9**	4.9
International Equities	**29.4**	29.1	**29.4**	29.1
Property	**12.3**	11.3	**12.3**	11.3
	100.0	100.0	**100.0**	100.0

(E) RECONCILIATIONS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at the beginning of the year	**(57,579)**	(56,159)	**(57,579)**	(56,159)
Current service cost	**(2,715)**	(2,732)	**(2,715)**	(2,732)
Interest cost	**(2,809)**	(2,508)	**(2,809)**	(2,508)
Contributions by members	**(834)**	(856)	**(834)**	(856)
Actuarial gains and (losses)	**(2,580)**	3,824	**(2,580)**	3,824
Benefits paid	**6,778**	2,696	**6,778**	2,696
Provisions for Contributions Tax	**3,125**	(1,844)	**3,125**	(1,844)
Balance at the end of the year	**(56,614)**	(57,579)	**(56,614)**	(57,579)

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15 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**88,891**	77,081	**88,891**	77,081
Expected return on plan assets	**5,547**	4,707	**5,547**	4,707
Actuarial gains and (losses)	**(19,606)**	7,286	**(19,606)**	7,286
Contributions by Company	**1,331**	1,657	**1,331**	1,657
Contributions by members	**834**	856	**834**	856
Benefits paid	**(6,778)**	(2,696)	**(6,778)**	(2,696)
Balance at the end of the year	**70,219**	88,891	**70,219**	88,891

(F) DEFINED BENEFIT PLAN AMOUNTS RECOGNISED IN THE INCOME STATEMENT

The amounts recognised in the income statement are as follows:

Current service cost	**2,715**	2,732	**2,715**	2,732
Interest cost	**2,809**	2,508	**2,809**	2,508
Expected return on plan assets	**(5,547)**	(4,707)	**(5,547)**	(4,707)
Total included in employee benefits expense	**(23)**	533	**(23)**	533

(G) DEFINED BENEFIT PLAN AMOUNTS RECOGNISED IN STATEMENT OF RECOGNISED INCOME AND EXPENSE

Actuarial (loss)/gain recognised in the year	**(13,155)**	10,321	**(13,343)**	9,211
Cumulative actuarial (losses)/gains recognised in the Statement of Recognised Income and Expense	**5,274**	18,429	**3,775**	17,118

(H) PRINCIPAL ACTUARIAL ASSUMPTIONS

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 %	2007 %	**2008 %**	2007 %
Discount rate	**5.4**	5.3	**5.4**	5.3
Expected return on plan assets	**6.5**	6.5	**6.5**	6.5
Future salary increases	**4.5**	4.5	**4.5**	4.5

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 major categories.

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15 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(I) EMPLOYER CONTRIBUTIONS

Employer contributions to the defined benefit section of the plan are based on 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 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 plans and future experience, the Fund's actuary has not recommended that additional contributions beyond the current contribution level be made.

(J) HISTORIC SUMMARY

	2008 $'000	2007 $'000	2006 $'000	2005 $'000
Defined benefit plan assets	**70,219**	88,891	77,081	65,210
Defined benefit plan obligation	**(56,614)**	(57,579)	(56,159)	(51,512)
Surplus / (deficit)	**13,605**	31,312	20,922	13,698
Experience adjustments arising on plan assets	**(19,606)**	7,286	5,570	4,942
Experience adjustments arising on plan liabilities	**(3,115)**	1,358	(2,059)	(3,119)

Information for years prior to 2005 is not available.

16 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade payables	**98,331**	103,773	**98,341**	103,799
Deposits	**176**	291	**176**	291
IRSR (refer Notes 1y,38)	**80,994**	59,706	**80,994**	59,706
Other payables	**1,474**	4,578	**1,474**	4,578
	180,975	168,348	**180,985**	168,374

(A) FAIR VALUE

The carrying amounts of the Consolidated Entity's and parent entity's trade and other payables is a reasonable approximation of fair value.

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17 CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits	**16,266**	14,670	**16,266**	14,670
Environmental Restoration (a)	**100**	269	**100**	269
Dividends	**84,412**	92,606	**84,412**	92,606
	100,778	107,545	**100,778**	107,545

(A) ENVIRONMENTAL RESTORATION

Provision is made for the estimated costs associated with the removal and destruction of polychlorinated biphenyl contaminated liquids and solid wastes from power transformers. These 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.

(B) MOVEMENTS IN PROVISIONS

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

	ENVIRONMENTAL RESTORATION	DIVIDENDS
	$'000	$'000
Consolidated - 2008		
Current		
Carrying amount at start of year	269	92,606
Charged/(credited) to the income statement		
- additional provisions recognised	-	84,412
Amounts used during the period	(169)	(92,606)
Carrying amount at end of year	100	84,412
Powerlink Queensland - 2008		
Current		
Carrying amount at start of year	269	92,606
Charged/(credited) to the income statement		
- additional provisions recognised	-	84,412
Amounts used during the period	(169)	(92,606)
Carrying amount at end of year	100	84,412

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17 CURRENT LIABILITIES - PROVISIONS (CONTINUED)

(C) AMOUNTS NOT EXPECTED TO BE SETTLED WITHIN THE NEXT 12 MONTHS

The current provision for annual leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Annual leave obligation expected to be settled after 12 months	**2,791**	2,613	**2,791**	2,613

18 CURRENT LIABILITIES - CURRENT TAX LIABILITIES

Income tax equivalents	**387**	12,531	**387**	12,531
	387	12,531	**387**	12,531

19 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES

Unearned revenue	**14,651**	3,541	**14,651**	3,541
Derivative financial instruments	**295**	723	**295**	723
	14,946	4,264	**14,946**	4,264

20 NON-CURRENT LIABILITIES - INTEREST BEARING LOANS AND BORROWINGS

Unsecured				
Queensland Treasury Corporation (note 24)	**2,516,420**	2,006,920	**2,516,420**	2,006,920
Total non-current borrowings	**2,516,420**	2,006,920	**2,516,420**	2,006,920

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20 NON-CURRENT LIABILITIES - INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(A) FAIR VALUE

The carrying amounts and fair values of borrowings at balance date are:

GROUP	AT 30 JUNE 2008		AT 30 JUNE 2007	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	$'000	$'000	$'000	$'000
On-balance sheet [i]				
QTC Loans	2,516,420	2,427,411	2,006,920	1,953,763
	2,516,420	2,427,411	2,006,920	1,953,763

PARENT ENTITY	AT 30 JUNE 2008		AT 30 JUNE 2007	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	$'000	$'000	$'000	$'000
On-balance sheet [i]				
QTC Loans	2,516,420	2,427,411	2,006,920	1,953,763
	2,516,420	2,427,411	2,006,920	1,953,763

(i) On-balance sheet

The borrowings are carried on 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 securities until maturity.

The carrying amounts of the Group's borrowings are denominated in Australian dollars.

(B) RISK EXPOSURES

Information about the Group's and parent entity's exposure to interest rate changes is provided in note 2.

21 NON-CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unearned Revenue	8,408	9,934	8,408	9,934
Other	979	958	979	958
	9,387	10,892	9,387	10,892

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22 NON-CURRENT LIABILITIES - DEFERRED INCOME TAX EQUIVALENT LIABILITIES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**300,686**	244,547	**300,686**	244,547
Receivables	**1,132**	934	**1,132**	934
	301,818	245,481	**301,818**	245,481
Other				
Prepayments	**-**	(37)	**-**	(37)
Defined Benefit Fund Surplus	**4,082**	9,393	**4,082**	9,393
Inventories	**33**	49	**33**	49
Cash flow hedges	**35**	-	**35**	-
Associates Accounted for using the Equity Method	**28,847**	22,421	**-**	-
Interest receivable	**986**	955	**-**	-
Sub-total other	**33,983**	32,781	**4,150**	9,405
Total deferred tax liabilities	**335,801**	278,262	**305,968**	254,886
Set-off of deferred tax assets pursuant to set-off provisions (note 14)	**(10,196)**	(10,019)	**(10,194)**	(10,015)
Net deferred tax liabilities	**325,605**	268,243	**295,774**	244,871
Movements:				
Opening balance at 1 July	**278,262**	236,708	**254,887**	214,595
Charged/(credited) to the income statement (note 6)	**6,602**	6,839	**6,570**	7,798
Charged/(credited) to equity (notes 24, 25)	**51,005**	32,763	**44,579**	30,542
Prior year adjustment	**(68)**	1,952	**(68)**	1,952
Closing balance at 30 June	**335,801**	278,262	**305,968**	254,887
Deferred tax liabilities to be settled within 12 months	**2,187**	1,901	**1,201**	947
Deferred tax liabilities to be settled after more than 12 months	**333,614**	276,361	**304,767**	253,940
	335,801	278,262	**305,968**	254,887

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23 NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Employee benefits	**17,816**	17,549	**17,816**	17,549
Environmental Restoration	**2,291**	1,994	**2,291**	1,994
	20,107	19,543	**20,107**	19,543

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

	ENVIRONMENTAL RESTORATION
	$'000
Consolidated - 2008	
Non-current	
Carrying amount at start of year	**1,994**
Charged/(credited) to the income statement	**297**
Carrying amount at end of year	**2,291**
Consolidated - 2007	
Non-current	
Carrying amount at start of year	1,898
Charged/(credited) to the income statement	333
Amounts used during the period	(237)
Carrying amount at end of year	1,994
Powerlink Queensland - 2008	
Non-current	
Carrying amount at start of year	**1,994**
Charged/(credited) to the income statement	**297**
Carrying amount at end of year	**2,291**
Powerlink Queensland - 2007	
Non-current	
Carrying amount at start of year	1,898
Charged/(credited) to the income statement	333
Amounts used during the period	(237)
Carrying amount at end of year	1,994

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24 CONTRIBUTED EQUITY

	POWERLINK QUEENSLAND ENTITY		POWERLINK QUEENSLAND ENTITY	
	2008 Shares '000	2007 Shares '000	**2008 $'000**	2007 $'000
(A) SHARE CAPITAL				
Ordinary shares				
Fully paid	**401,000**	401,000	**401,000**	401,000
Total contributed equity	**401,000**	401,000	**401,000**	401,000

(B) CAPITAL RISK MANAGEMENT

The Consolidated Entity's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in line with shareholding Minister expectations.

The Consolidated Entity's overall strategy remains unchanged, with a goal to maintain at least an "investment grade" business credit rating.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 24, 25(a) and (b) respectively.

None of the entities within the Consolidated Entity are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the Consolidated Entity's transmission assets, as well as to make routine outflows of tax, dividends and servicing of debt.

The Consolidated Entity's policy is to borrow centrally using facilities provided by Queensland Treasury Corporation to meet anticipated funding requirements.

Gearing ratio

The Consolidated Entity's management monitor capital on the basis of a gearing ratio on an annual basis through its reporting to the Board and shareholding Ministers and Queensland Treasury Corporation. This ratio is calculated as debt to fixed assets.

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Total debt (i)	**2,516,420**	2,006,920	**2,516,420**	2,006,920
Fixed Assets (ii)	**4,599,079**	3,915,299	**4,599,079**	3,915,299
Gearing ratio - debt to fixed assets	**54.72%**	51.26%	**54.72%**	51.26%

The increase in the gearing ratio during 2008 resulted primarily from the increased borrowings to finance the Consolidated Entity's capital expenditure program.

(i) Debt is defined as long and short term borrowings. For 2007/08 the Consolidated Entity had only long term borrowings (note 20).

(ii) Fixed Assets is Property, Plant and Equipment.

(C) ISSUED AND PAID UP CAPITAL

Consists of 2 "A" class voting shares of $1.00 each and 400,999,998 "B" Class non-voting shares of $1.00 each.
No shares were issued during the year.

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24 CONTRIBUTED EQUITY (CONTINUED)

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.

There was no movement in the issued and paid up capital during the 2007/08 financial year.

(D) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY - ORDINARY SHARES

Ordinary shares entitle the holder 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 "A" Class ordinary shares are entitled to one vote per share at shareholders' meetings.

25 RESERVES AND RETAINED PROFITS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(A) RESERVES				
Asset Revaluation Reserve	**355,290**	220,219	**323,191**	205,913
Hedging Reserve	**32**	255	**(124)**	(506)
	355,322	220,474	**323,067**	205,407
Movements:				
Asset Revaluation Reserve				
Balance 1 July	**220,219**	143,897	**205,913**	134,598
Revaluation - gross (note 13)	**167,540**	101,880	**167,540**	101,880
Deferred tax (note 22)	**(50,262)**	(30,565)	**(50,262)**	(30,565)
Revaluation - associate (note 33)	**25,419**	7,153	**-**	-
Deferred tax - Associate (note 22)	**(7,626)**	(2,146)	**-**	-
Balance 30 June	**355,290**	220,219	**323,191**	205,913
Movements:				
Hedging Reserve				
Balance 1 July	**256**	72	**(506)**	(1,291)
Revaluation - gross	**546**	1,120	**546**	1,120
Deferred tax (notes 14, 22)	**(164)**	(335)	**(164)**	(335)
Associate	**(865)**	(859)	**-**	-
Deferred tax (notes 14, 22)	**259**	258	**-**	-
Balance 30 June	**32**	256	**(124)**	(506)

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25 RESERVES AND RETAINED PROFITS (CONTINUED)

(B) RETAINED EARNINGS

Movements in retained earnings were as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Opening retained earnings	**995,179**	963,770	**997,279**	964,728
Net profit attributable to members of Powerlink Queensland	**103,133**	115,758	**105,418**	115,946
Dividends provided for or paid	**(84,412)**	(92,606)	**(84,412)**	(92,606)
Actuarial gains(losses) on defined benefit plans recognised directly in retained earnings (note 15(g))	**(13,155)**	9,988	**(13,343)**	9,211
Change in 2005/06 value of Associates	**-**	(1,731)	**-**	-
Change in 2006/07 value of Associates	**72**	-	**-**	-
Balance 30 June	**1,000,817**	995,179	**1,004,942**	997,279

(C) NATURE AND PURPOSE OF RESERVES

(i) Asset Revaluation Reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements arising from the revaluation of non-current assets, and investments in Associates measured at fair value in accordance with the applicable Australian Accounting Standards - note 1(n). The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Hedging Reserve

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 1(l). Amounts are recognised in the Income Statement when the associated hedged transaction affects profit and loss.

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26 DIVIDENDS

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Unfranked final dividend proposed	**84,412**	92,606	**84,412**	92,606
	84,412	92,606	**84,412**	92,606

In consultation with the shareholding Ministers, dividends have been recommended at 80 percent (2007: 80 percent) of the operating profit after income tax equivalents excluding the contributions from equity accounted Associates (2007: profit after income tax equivalents).

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

27 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 the Consolidated Entity during the financial year:

(i) Chairman

Else Shepherd

(ii) Directors

John Goddard
Kenneth Howard
Merv Norman - term expired 30 September 2007
Walter Threlfall
Christina Sutherland

(B) OTHER KEY MANAGEMENT PERSONNEL

The following positions 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
Human Resources and Development Manager

(i) 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. Their current employment agreements do not have an expiry date. The agreements provide for a five (5) week notice period and 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.

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27 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(C) DETAILS OF REMUNERATION

(i) Details of the nature and amount of each major element of the remuneration of each Director are:

2008	Short Term	Post-employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Else Shepherd	53	5	58
John Goddard	36	3	39
Kenneth Howard	30	3	33
Merv Norman	14	-	14
Walter Threlfall	28	3	31
Christina Sutherland	34	3	37
Total	**195**	**17**	**212**

2007	Short Term	Post-employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Else Shepherd	53	5	58
John Goddard	29	3	32
Kenneth Howard	13	1	14
Merv Norman	40	-	40
Walter Threlfall	24	3	27
Christina Sutherland	30	3	33
Total	**189**	**15**	**204**

Directors' remuneration excludes insurance premiums paid by Powerlink Queensland in respect of the 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 insurance contracts is set out in the Directors' Report.

(ii) Other key management personnel

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:

2008	Short Term	Post-employment	
Position	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Chief Executive	420	71	491
Chief Operating Officer	327	70	397
Chief Financial Officer	236	40	276
Human Resources and Development Manager	200	38	238
Total	**1,183**	**219**	**1,402**

2007	Short Term	Post-employment	
Position	Fixed Remuneration $'000	Superannuation# $'000	Total $'000
Chief Executive	399	67	466
Chief Operating Officer	308	70	378
Chief Financial Officer	225	38	263
Human Resources and Development Manager	190	37	227
Total	**1,122**	**212**	**1,334**

 # Includes both employee and employer superannuation contributions

30 JUNE 2008

27 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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.

(iii) Appointment Information - Directors

(D) DIRECTOR TERM AND APPOINTMENT

Else Shepherd
Current Term - 3 years 3 months commencing July 2005 - First appointed September 1994

John Goddard
Current Term - 3 years 3 months commencing July 2006 - First appointed July 2006

Christina Sutherland
Current Term - 3 years 3 months commencing July 2005 - First appointed July 2001

Kenneth Howard
Current Term - 2 years 9 months commencing January 2007 - First appointed January 2007

Walter Threlfall
Current Term - 3 years 3 months commencing July 2006 - First appointed September 1994

Merv Norman
Current Term - 1 year 3 months commencing July 2006 - Term finished September 2007 - First appointed September 1994

28 REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial statements of Powerlink Queensland or any entity of the Consolidated Entity. Amounts received or due and receivable by the auditors of Powerlink Queensland:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Queensland Audit Office				
Audit and review of financial reports	195	**180**	187	170
Total remuneration for audit services	**195**	180	**187**	170

29 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no known contingent assets or contingent liabilities of a material nature as at 30 June 2008 (2007:NIL).

30 JUNE 2008

30 EXPENDITURE COMMITMENTS

(A) CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Property, plant and equipment				
Payable:				
Not later than one year	**67,106**	203,890	**67,106**	203,890
Later than one year but not later than five years	**4,848**	156,715	**4,848**	156,715
	71,954	360,605	**71,954**	360,605

(i) Non-cancellable operating leases

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

(ii) 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.

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	**1,164**	818	**1,164**	818
Later than one year but not later than five years	**1,622**	1,180	**1,622**	1,180
Later than five years	**445**	496	**445**	496
	3,231	2,494	**3,231**	2,494

(iii) Other

Estimated expenditure contracted for at balance date but not provided for:

Commitments for expenditure contracted for at balance date but not provided for:				
Payable not later than one year	**10,094**	1,791	**-**	-
Later than one year but not later than five years	**-**	1,154	**-**	-
	10,094	2,945	**-**	-

30 JUNE 2008

31 RELATED PARTY TRANSACTIONS

(A) PARENT ENTITIES

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2008 owned 100 percent (2007: 100 percent) of the issued ordinary shares of Powerlink Queensland.

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 and Associates.

(B) DIRECTORS

Director - Related Parties

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 paid NEMMCO for services associated with the operation of the NEM, and received money from NEMMCO for services associated with transmission network security and the electricity market.

Directors' Shareholdings

No shares in Powerlink Queensland were held by Directors of the Company, Consolidated Entity or their Director related entities.

Loans to Directors

No loans have been made or are outstanding to Directors of the Company, Consolidated Entity or their Director related entities.

(C) SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries are set out in note 32.

Interests in Associates are set out in note 33.

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Sales of goods and services				
Parent Entity	**577,735**	576,019	**577,735**	576,019
Associates	**7,493**	7,190	**7,493**	7,190
Director related entities	**1,157**	1,068	**1,157**	1,068
	586,385	584,277	**586,385**	584,277
Purchases of goods				
Parent Entity	**48,189**	52,446	**48,189**	52,446
Associates	**229**	38	**229**	38
Director related entities	**55**	42	**55**	42
	48,473	52,526	**48,473**	52,526
Dividend revenue				
Subsidiaries	**-**	-	**9,708**	7,653
Associates	**246**	242	**-**	-
	246	242	**9,708**	7,653

30 JUNE 2008

31 RELATED PARTY TRANSACTIONS (CONTINUED)

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Interest revenue				
Parent Entity	**6,448**	3,600	**5,740**	2,986
Associates	**12,959**	12,728	**-**	-
	19,407	16,328	**5,740**	2,986
Other transactions				
Dividends paid to ultimate Australian parent entity (State of Queensland)	**92,606**	95,167	**92,606**	95,167
Borrowing Costs - Parent Entity	**146,611**	116,065	**146,611**	116,065
	239,217	211,232	**239,217**	211,232

(E) OUTSTANDING BALANCES ARISING FROM SALES/PURCHASES OF GOODS AND SERVICES

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables (sales of goods and services)				
Parent Entity	**3,077**	38,809	**3,077**	38,809
Associates	**1,143**	751	**1,143**	751
	4,220	39,560	**4,220**	39,560
Current payables (purchases of goods)				
Parent Entity	**158**	2,431	**158**	2,431
	158	2,431	**158**	2,431

30 JUNE 2008

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(F) LOANS TO/FROM RELATED PARTIES

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Loans to subsidiaries				
Balance at the beginning of the year	**-**	-	**62,954**	62,954
End of year	**-**	-	**62,954**	62,954
Loans from parent entity				
Balances at the beginning of the year	**2,006,920**	1,645,320	**2,006,920**	1,645,320
Loans advanced	**509,500**	361,600	**509,500**	361,600
Interest charged	**146,611**	116,065	**146,611**	116,065
Interest paid	**(146,611)**	(116,065)	**(146,611)**	(116,065)
End of year	**2,516,420**	2,006,920	**2,516,420**	2,006,920

No provisions for impairment of debts have 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.

(G) TERMS AND CONDITIONS

All transactions were made on normal commercial terms and conditions, except 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.

32 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING **	
			2008 %	2007 %
Harold Street Holdings Pty Ltd *	Australia	Ordinary	**100**	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	**100**	100

** These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.*

*** The proportion of ownership interest is equal to the proportion of voting power held.*

30 JUNE 2008

33 INVESTMENTS IN ASSOCIATES

(A) CARRYING AMOUNTS

Information relating to Associates is set out below.

NAME OF COMPANY	OWNERSHIP INTEREST		CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 %	2007 %	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Unlisted						
ElectraNet Pty Ltd	**41.11**	41.11	**46,485**	24,977	**-**	-
ElectraNet Transmission Services Pty Ltd	**41.11**	41.11	**235**	250	**-**	-
			46,720	25,227	**-**	-

	CONSOLIDATED	
	2008 $'000	2007 $'000
(B) MOVEMENTS IN CARRYING AMOUNTS		
Carrying amount at the beginning of the financial year	**25,227**	22,760
Share of profit/(loss) after income tax	**(3,157)**	(2,963)
Reversal of dividends received/receivable	**(246)**	(242)
Share of actuarial gain/(loss) in Defined Benefit Fund	**268**	1,110
Share of increment on revaluation of property, plant & equipment	**25,420**	7,153
Share of decrement of hedge reserve	**(864)**	(860)
Share in error of fair value of derivatives	**-**	(1,731)
Share in change in 2007 tax expense	**72**	-
Carrying amount at the end of the financial year	**46,720**	25,227
(C) SHARE OF ASSOCIATES' PROFITS OR LOSSES		
Profit/(loss) before income tax	**(3,326)**	(3,502)
Income tax expense	**169**	539
Profit/(loss) after income tax	**(3,157)**	(2,963)

30 JUNE 2008

33 INVESTMENTS IN ASSOCIATES (CONTINUED)

(D) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

The Consolidated Entity's share of the results of its principal Associates and its aggregated assets (including goodwill) and liabilities are as follows:

		CONSOLIDATED ENTITY'S SHARE OF:			
	OWNERSHIP INTEREST	ASSETS	LIABILITIES	REVENUES	PROFIT
	%	$'000	$'000	$'000	$'000
2008					
ElectraNet Pty Ltd	**41.11**	**625,556**	**580,252**	**84,782**	**(3,387)**
ElectraNet Transmission Services Pty Ltd	**41.11**	**11,117**	**10,882**	**49,053**	**230**
		636,673	**591,134**	**133,835**	**(3,157)**
2007					
ElectraNet Pty Ltd	41.11	605,977	581,000	80,014	(3,210)
ElectraNet Transmission Services Pty Ltd	41.11	12,676	12,426	58,019	247
		618,653	593,426	138,033	(2,963)

All of the above Associates are incorporated in Australia.

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

The Consolidated Entity's investments in the Associates are accounted for in accordance with the accounting policy described in Note 1(b)(ii).

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

The Consolidated Entity's investments in the Associates were not impaired during the year (2007: NIL).

	CONSOLIDATED	
	2008	2007
	$'000	$'000
(E) SHARE OF ASSOCIATES' EXPENDITURE COMMITMENTS, OTHER THAN FOR THE SUPPLY OF INVENTORIES		
Capital commitments	**2,216**	2,932
Finance Lease commitments	**-**	1,757
Operating Lease commitments	**31,623**	2,454
	33,839	7,143

(F) CONTINGENT LIABILITIES OF ASSOCIATES

There were no known contingent liabilities of a significant nature as at 30 June 2008 (2007: NIL).

34 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred subsequent to 30 June 2008 (2007: NIL) that materially affect the results disclosed in these financial statements.

30 JUNE 2008

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

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Profit from continuing operations after income tax equivalent	**103,133**	115,758	**105,418**	115,946
Depreciation	**158,122**	148,911	**158,122**	148,911
Net (gain)/loss on sale of non-current assets	**(117)**	(115)	**(117)**	(115)
Share of (profit)/loss of Associates not received as dividends or distributions	**3,157**	2,963	**-**	-
Dividends received from Associates	**246**	242	**-**	-
Change in operating assets and liabilities				
(Increase)/Decrease debtors	**(12,753)**	3,359	**(15,637)**	3,389
(Increase)/Decrease in inventories	**(7,264)**	(4,500)	**(7,264)**	(4,500)
(Increase)/Decrease in prepayments	**(5,435)**	348	**(5,435)**	348
(Increase)/Decrease in deferred tax assets	**(306)**	192	**(306)**	190
(Increase)/Decrease in creditors	**(4,306)**	(3,534)	**2,319**	(6,314)
Increase/(Decrease) in provision for income taxes payable	**(9,532)**	(1,647)	**(8,511)**	(686)
Increase/(Decrease) in deferred tax liabilities	**815**	9,754	**783**	9,750
Increase/(Decrease) in other provisions	**2,011**	5,730	**2,011**	5,730
Net cash (outflow)/inflow from operating activities	**227,771**	277,461	**231,383**	272,649

36 NON-CASH INVESTING AND FINANCING 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.

	CONSOLIDATED		POWERLINK QUEENSLAND	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
37 SETTLEMENTS RESIDUE (IRSR)				
Opening Balance	**59,706**	94,204	**59,706**	94,204
Residue transferred from NEMMCO	**93,770**	64,234	**93,770**	64,234
Interest Earned	**1,961**	3,088	**1,961**	3,088
Transfer to Powerlink Queensland - to offset network charges	**(74,443)**	(102,061)	**(74,443)**	(102,061)
Miscellaneous	**-**	241	**-**	241
Balance at end of year	**80,994**	59,706	**80,994**	59,706

POWERLINK QUEENSLAND
DIRECTORS' DECLARATION

30 JUNE 2008

In the opinion of the Directors of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the "Company"):

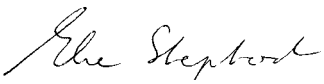
(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Else Shepherd AM
Chairman

Brisbane
Dated 28 August 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUEENSLAND ELECTRICITY TRANSMISSION CORPORATION LIMITED

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 2008, and the income statement, statement of recognised income and expenses 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 establishing 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. In Note 1(a), the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the Financial Report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 auditor 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 QAO 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, we have complied with the Independence requirements of the *Corporations Act 2001*.

Auditor's opinion

(a) In my opinion, the Financial Report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Carl Harris
(as Delegate of the Auditor-General of Queensland)

28 August 2008

STATISTICAL SUMMARY

TRANSMISSION LINES AND UNDERGROUND CABLES

Added in 2007/08

	TRANSMISSION LINE		UNDERGROUND CABLES		LOCATION
Voltage	Route km	Circuit km	Route km	Circuit km	
330kV	0	0	0	0	
275kV	108	216	0	0	Middle Ridge to Greenbank
132kV	151	329	0	0	Ross to Townsville South, Nebo to Pioneer Valley, Lilyvale to Blackwater
110kV	0	-6	0	0	
Total	**259**	**539**	**0**	**0**	

SUBSTATIONS/SWITCHING STATIONS AND TRANSFORMERS

Added in 2007/08

	SUBSTATIONS	TRANSFORMERS		LOCATION
Voltage	Total Number	Total Number	Total Rating MVA	
330kV	0	0	0	
275kV	1	4	1,280	Teebar Creek, Woree, Strathmore
132kV	1	2	200	Stony Creek, Biloela (replacement), Alligator Creek (replacement)
110kV	1	1	100	Oakey, Mudgeeraba
Total	**3**	**7**	**1,580**	

CIRCUIT BREAKERS

Added in 2007/08

VOLTAGE	CIRCUIT BREAKERS TOTAL NUMBER	LOCATION
330kV	1	Middle Ridge
275kV	26	Nebo, Tarong, Broadsound, Chalumbin, Strathmore, Wurdong, Teebar Creek, Greenbank
132kV	20	Palmwoods, Lilyvale, Woree, Teebar Creek, Blackwater, Tully, Alligator Creek, Pioneer Valley, Stony Creek
110kV	8	Loganlea, Molendinar, West Darra, Oakey
66kV	1	Strathmore
Total	**56**	Including newly installed and replacements

STATISTICAL SUMMARY

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

Added in 2007/2008

	CAPACITOR BANKS		SHUNT REACTORS		STATIC VAR COMPENSATORS		LOCATION
Voltage	Total Number	Total Rating MVAr	Total Number	Total Rating MVAr	Total Number	Total Rating MVAr	
330kV	0	0	0	0	0	0	
275kV	3	620.2	1	24	1	260	Wurdong, Greenbank, Woree, Strathmore
132kV	1	62.6	0	0	0	0	Palmwoods
110kV	1	62.5	0	0	0	0	Molendinar
Total	**5**	**745.3**	**1**	**24**	**1**	**260**	

COMMUNICATIONS SITES

as at 30 June 2008

COMMUNICATIONS SITE	
Total Number	Location
1	Ingham

SUBSTATIONS/SWITCHING STATIONS

as at 30 June 2008

VOLTAGE	SUBSTATIONS	CABLE TRANSITION	COMMUNICATION SITES
	Total Number	Total Number	
330Kv	4	0	
275kV	32	2	
132kV	54	0	
110kV	15	1	
Total	**105**	**3**	**90**

STATISTICAL SUMMARY

TRANSFORMERS

as at 30 June 2008

	TRANSFORMERS (THREE-PHASE)	
	Total Number	Total Rating MVAr
330kV	4	3,475
275kV	61	15,050
132kV	83	5,030.5
110kV	27	2,000
Total	**175**	**25,555.5**

CIRCUIT BREAKERS

as at 30 June 2008

	TOTAL NUMBER
330kV	28
275kV	371
132kV	403
110kV	263
66kV	27
Total	**1,092**

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS

as at 30 June 2008

	CAPACITOR BANKS		SHUNT REACTORS		STATIC VAR COMPENSATORS	
Voltage	Total Number	Total Rating MVAr	Total Number	Total Rating MVAr	Total Number	Total Rating MVAr
330kV	0	0	4	144	0	0
275kV	21	2,820.2	13	411	5	1,080
132kV	24	1,063	0	0	10	851
110kV	31	1,687.9	0	0	0	0
66kV	8	165.2	4	96	0	0
Total	**84**	**4,064.5**	**21**	**651**	**15**	**1,931**

STATISTICAL SUMMARY

FIVE YEAR HISTORY OF TRANSMISSION LINES AND UNDERGROUND CABLES

as at 30 June 2008

	2008		2007		2006		2005		2004	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit Km
TRANSMISSION LINES (AS CONSTRUCTED)										
330kV	347	691	347	691	347	691	253	505	253	505
275kV	5,335	7,068	5,227	6,852	5,179	6,669	5,151	6,641	5,035	6,525
132kV	2,802	4,480	2,651	4,151	2,623	3,961	2,623	3,961	2,621	3,901
110kV	238	416	238	422	320	602	316	593	312	569
66kV	1	1	1	1	1	1	1	1	1	1
Total Lines	**8,723**	**12,656**	**8,464**	**12,117**	**8,470**	**11,924**	**8,438**	**11,887**	**8,222**	**11,501**
UNDERGROUND CABLES										
275kV	2	5	2	5	2	5	2	5	2	5
132kV	1	2	1	2	1	2	1	2	1	2
110kV	3	7	3	7	3	7	3	7	3	7
66kV	1	1	1	1	1	1	1	1	1	1
Total Cables	**7**	**15**	**7**	**15**	**7**	**15**	**7**	**15**	**6**	**15**
Total Lines & Cables	**8,730**	**12,671**	**8,471**	**12,132**	**8,477**	**11,939**	**8,445**	**11,902**	**8,229**	**11,516**

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GLOSSARY OF TERMS AND ABBREVIATIONS

AASB	Australian Accounting Standards Board
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
Debt to Equity	Debt/Debt + Equity
DWDM	Dense Wave Distributed Multiplexing
EBIT	Earnings Before Interest and Tax
EMF	Electric and Magnetic Fields
EMS	Environmental Management System
ENA	Energy Networks Association
GCP	Greenhouse Challenge Plus
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
Grid Australia	The organisation that represents electricity transmission network owners
GST	Goods and Services Tax
IFRA	International Financial Reporting Standards
Interest cover	EBIT/gross interest expense
ITOMS	International Transmission Operation and Maintenence Study
LTC	Lost Time Calculation
LTIFR	Lost Time Injury Frequency Rate
MCE	Ministerial Council on Energy
MLFs	Marginal Loss Factors describe the incremental amount of energy 'lost' as heat losses during transmission over long distances
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
Operating Agreement	The Operating Agreement is the agreement between Powerlink and NEMMCO which establishes Powerlink as the System Operator under the National Electricity Rules. The Agreement defines the geographical areas for direct and indirect oversight for operational control. The Agreement also defines the extent to which NEMMCO's powers have been delegated to Powerlink.
OPGW	Optical fibre ground wire
PCB	Polychlorinated biphenyl
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
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

GLOSSARY OF TERMS AND ABBREVIATIONS

Rules	National Electricity Rules
SCI	Statement of Corporate Intent
SF_6	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.

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