Powerlink Queensland
03-04
ANNUAL REPORT

Our Destination

Thanks for your support this year. The road to operational excellence is marked by many challenges, but we know we have the capabilities to achieve our goals.

Contents

MISSION (M)	VISION (V)	VALUES (V)
Powerlink Queensland is committed to delivering transmission network and related services at world-class levels of safety, reliability and cost effectiveness.	To be the leading Transmission Network Service Provider in Australia and one of the best in the world.	• Reasonable returns for the owners. • Value for money services to our customers. • The wellbeing of our employees. • Community recognition as a good corporate citizen. • Fair and courteous dealings with our suppliers.

Achieving Operational Excellence

Powerlink recognises that achieving operational excellence requires us to be a best performer against four key indicators:

- Safety
- Network performance
- Environment
- Cost efficiency

Powerlink profile

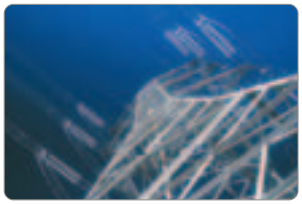
Powerlink Queensland is a government-owned corporation that owns, develops, operates and maintains Queensland's high-voltage transmission network, which benchmarks as a world leader in the operation and maintenance of transmission services in terms of both cost efficiency and service levels. Our $3 billion network extends 1,700km from north of Cairns to the New South Wales border – approximately half of Australia's eastern seaboard.

Powerlink is committed to achieving operational excellence in every facet of our business. In our day-to-day operations, Powerlink provides services to diverse electricity industry customers in Australia and overseas. These include "network customers" connected directly to our transmission network and customers for Powerlink's consultancy and technical services.

Safety and environment are two of Powerlink's key indicators.

Milestones on our 2003/04 journey

- The International Transmission Operation and Maintenance Study (ITOMS) 2003 recognised Powerlink as a world leader in the operation and maintenance of transmission services, measured across cost and service levels.
- We continued to expand the high-voltage network, commissioning two major new high-voltage transmission lines in South-East Queensland, increasing security of supply to the region.
- The summer maximum electricity demand in Queensland increased at an exceptional rate of 13.2%, with the State's overall demand record broken on six days during the summer. Powerlink's network delivered secure and reliable supply throughout summer, including on all record demand days.
- The average transmission price for the State for 2003/04 was 5.5% lower in real terms than the previous year.
- Under a Shared Services Agreement, Powerlink commenced providing a range of services to South Australian Transmission Network Service Provider, ElectraNet SA.
- A community grant from Powerlink enabled the Greening Lockyer partnership program to commit $132,025 to six new environmental projects in the Lockyer Valley, making a total of 14 projects approved during the first two years of the program.
- We introduced the five Safety Fundamentals to target and reinforce the crucial, non-negotiable behaviours and processes that ensure safety performance among our employees.
- Controllable operating costs for the year were 1.7% of the replacement value of our asset base – the lowest among Transmission Network Service Providers in the National Electricity Market.



Powerlink has been recognised as a world leader in transmission services.

Financial and Performance Overview

Business Planning

The cornerstone of Powerlink's business planning is the annual "Statement of Corporate Intent" (SCI). This document integrates Powerlink's forecast of the electricity demand on the Queensland transmission network with a complementary asset investment plan.

The SCI also incorporates Powerlink's financial forecasts for the year and key non-financial performance targets. This annual outlook covers the first year of Powerlink's five-year business planning horizon.

Powerlink continues to focus on three major strategies to enhance shareholder value and meet our core business commitments:

- Develop the networks we own and manage;
- Achieve operational excellence in providing transmission services by continuing to be the leading Transmission Network Service Provider in Australia and one of the best in the world in all aspects of our business including safety, environment, network performance and cost efficiency;
- Selectively growing profitability of non-regulated business by leveraging core competencies where we have a sustainable competitive advantage.

Business Profitability

More than 90% of Powerlink's revenue is derived from the provision of regulated transmission services in Queensland. The Australian Competition and Consumer Commission released its final regulatory determination for Powerlink in November 2001. This sets the annual regulated revenue caps for Powerlink for the period to 30 June 2007. Operating cost targets are implicit in the regulated revenue cap determination.

In addition, Powerlink must comply with the processes described in the National Electricity Code to plan, develop and augment the transmission network and continue to meet network performance standards and requirements prescribed in our transmission licence.

Since the commencement of the National Electricity Market, Powerlink has successfully negotiated a number of non-regulated business opportunities for the provision of connection assets and services to new power stations and major customer loads in Queensland. Powerlink also offers targeted non-regulated services in the areas of oil testing and technical consulting.

Powerlink's investment in South Australian transmission entity ElectraNet SA increased by 0.86% in 2003/04 when one of the existing minor shareholders disposed of its interest in the corporation. Powerlink exercised its shareholder rights and took up its relative portion of the amount being disposed. Powerlink's share of distributions from ElectraNet SA totalled $8.9 million in 2003/04, reflecting the increase in Powerlink's equity position.

Powerlink's higher EBIT result of $215.4 million in 2003/04 (10.4% increase) is mainly attributable to the increase in the regulated revenue cap applicable to 2003/04 and slightly better results from our non-regulated business activities.

Asset Investment

The transmission network in Queensland has a depreciated value of more than $2.9 billion. It extends more than 1,700 kilometres from north of Cairns to the border with New South Wales and is interconnected with the New South Wales transmission grid.

Financial and Performance Overview

The rate of electricity demand growth in Queensland has driven an acceleration in transmission network developments with an increase in Powerlink's asset base over the last five years of almost $1.7 billion.

Powerlink has a program to invest on average, more than $200 million per annum over the next few years to keep pace with electricity market demand. In 2003/04, capital expenditure amounted to $185.2 million. Funding for this investment was sourced from internally generated cash and from borrowed funds.

Dividend

Powerlink prudently manages the financing of the business, which includes investment in new capital projects. As an integral part of the financing of the Corporation, the overall debt is managed to ensure Powerlink maintains its target credit rating, as agreed with shareholding Ministers, taking into consideration future investment requirements.

The Powerlink Board, in recommending the dividend for 2003/04, considers it can make a 95% dividend payment and still meet its expected future operational and capital expenditures, whilst maintaining its target credit rating for the business.

Dividends for 2003/04 will total $87.9 million.

Borrowings

All funds are borrowed from Queensland Treasury Corporation. Borrowings in 2003/04 totalled $60.6 million, with debt at 30 June 2004 totalling $1.412 billion.

Powerlink's debt-to-debt plus equity ratio reduced marginally to 49.1%. However, this ratio will increase slightly in the coming year as borrowings increase to fund Powerlink's capital expenditure program.

FINANCIAL INDICATORS	2003/04	2002/03	2001/02
	$M	$M	$M
Revenue - grid services	390.9	366.6	346.4
Total revenue	424.2	392.5	375.3
Operating expenses	209.7	197.9	188.9
Earnings before interest and tax (EBIT)	214.5	194.6	186.3
Net profit after tax	92.5	76.7	74.3
Capital works expenditure	185.2	181.5	153.9
Dividend proposed/paid	87.9	72.9	70.5
	%	%	%
Return on assets	7.1	7.0	7.0
Return on equity - post tax	6.3	5.3	5.8

SYSTEM RELIABILITY INDICATORS	2003/04	2002/03	2001/02
Energy flowing into the grid (GWh)	45,625	43,120	42,291
Energy delivered to customers (GWh)	43,270	41,264	40,297
Peak maximum demand (MW)	7,934	7,081	7,003
Loss of supply events - Number greater than 0.2 system minutes*	4	12	4
Loss of supply events - Number greater than 1.0 system minutes*	1	3	2

SAFETY INDICATORS	2003/04	2002/03	2001/02
Lost Time Calculation (LTC)	0.2	3.75	0.2

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

*Information relates to the financial year.

Chairman's Review

Powerlink remains the most cost-efficient transmission entity in the National Electricity Market.

Financial performance

I am pleased to report that Powerlink has again delivered strong financial performance for the year.

With controllable operating costs of only 1.7% of the replacement asset value, Powerlink remains the most cost-efficient transmission entity in the National Electricity Market (NEM). While delivering a solid financial performance, we have maintained our focus on continually improving Powerlink's transmission services to NEM participants and customers.

Once again, Powerlink delivered a significant dividend to our shareholders, the Queensland Government.

Network performance

Powerlink continues to implement strategies to deliver improved network performance to minimise adverse impacts on market participants and electricity customers.

Our regulator, the Australian Competition and Consumer Commission (ACCC), has defined a preliminary set of service standards addressing issues of network availability, loss of supply events and restoration time. We are committed to meeting these service standards and measuring Powerlink's performance against them to identify opportunities for improvement.

Chairman's Review

Powerlink continues to action a six-year, $1 billion capital work program driven by the increasing demand for power in our State.

During 2003/04, Powerlink commissioned two new transmission lines in South-East Queensland and began construction of an additional two transmission lines – the first in Central Queensland and the second in Southern Queensland. These network augmentations contribute significantly to Powerlink's ability to meet the expectations of NEM participants and electricity customers.

These network augmentations, together with the comprehensive outage management strategies being implemented by Powerlink, are aimed at maintaining reliability standards in the face of the pressures placed on our network by the ongoing rapid growth in demand for electricity.

Achieving operational excellence

The Board of Directors is committed to leading Powerlink to achieve our goal of operational excellence. During a strategic planning process, the Board and the Executive Leadership Team jointly identified the four target areas for operational excellence – safety, network performance, environment and cost efficiency. Strategies to address these target areas have subsequently been developed and implemented.

I am pleased to note strong performance and advancements in each of these target areas, and the Board continues to support the initiatives currently under way to further improve performance.

Acknowledging our people

Our people face a multitude of challenges in planning, developing, operating and maintaining Powerlink's transmission network in an environment of high load growth and ever-increasing expectations from our stakeholders. On behalf of the Board, I commend our people's efforts in maintaining a focus on delivering operational improvements over and above the demands of their day-to-day roles.

In particular, I acknowledge the hard work and skills applied by our people to ensure that Powerlink's transmission network met the testing record demands of the past summer without adverse impact on electricity customers.

On a sad note, the tragic death of Brian Sharp, Manager Plant Strategies, in a road accident in July 2004 was felt by everyone at Powerlink. Brian was well known to the Board from his presentations on asset strategy and international benchmarking. On behalf of the Board and everyone at Powerlink, we share our condolences with Brian's family.

I also acknowledge my fellow Directors for the valuable contributions they have made throughout the year under review.

Else Shepherd AM
Chairman, Powerlink Queensland

Chief Executive's Review

Powerlink will continue its already significant program of network augmentation to ensure that reliable supply can be maintained in future years.

A summer of record demands

The confirmation that high growth in the demand for electricity in Queensland is a key business driver for Powerlink was highlighted in the 2003/04 summer.

Sequences of very hot and humid days saw new peak demand records set on six separate days between December 2003 (at 7,209MW) and February 2004 (at 7,934MW), the latter being 13% higher than the peak demand in the previous summer.

The high demand was most acute in South-East Queensland as a result of increased installation of domestic air-conditioners and an influx of new residents from interstate and overseas.

Importantly, Powerlink's network was able to deliver a secure and reliable supply on all record demand days. As expected, some parts of our network, especially in South-East Queensland, were very heavily loaded on these record demand days.

Two major network augmentations in South-East Queensland, which were commissioned as planned ahead of the peak summer demands, contributed significantly to the reliable operation of the network. These were just part of a comprehensive summer readiness program which Powerlink undertakes before each summer.

We were pleased that our network development efforts were recognised by a major industrial facility in South-East Queensland, the Caltex refinery, for ensuring a very reliable electricity supply through the recent challenging summer.

Chief Executive's Review

Continuing the network development program

An immediate implication of the recent record summer is that Powerlink will continue its already significant program of network augmentations to ensure that reliable supply can be maintained in future years. Powerlink has a number of major augmentation projects under construction with a target completion date of summer 2004/05, and has initiated other projects for completion in late 2005 and late 2006.

We have discussed the impacts of high load growth with our regulator, the Australian Competition and Consumer Commission (ACCC), emphasising the need to ensure that changes to the regulatory regime being considered by the ACCC do not hinder timely delivery of these projects.

Market reform program

In December 2003, the Ministerial Council on Energy (MCE) announced a major energy market reform program, with many elements which will impact electricity transmission businesses including Powerlink.

While the creation of an Australian Energy Regulator (AER) will be a major step for the National Electricity Market (NEM), the fact that the AER will have ties with the existing national regulator, the ACCC, should ensure a relatively smooth transition for electricity transmission businesses.

The more significant changes for our business lie in the seven transmission-related projects being advanced by the MCE, which has recognised that the transmission network plays the additional significant role of facilitating competition between generators in the NEM.

Powerlink is an active participant in the various consultative processes which the MCE is undertaking. It is important for Powerlink's network customers that the changes deliver the benefits envisaged by the MCE and do not create impediments to the timely network development which is needed to meet the high load growth in Queensland.

In parallel, the ACCC continues to review its regulatory principles for electricity transmission businesses, and is proposing major changes in key areas which are central to ongoing investment in, and development of, the network. Powerlink is actively participating in these review processes.

One major change which emanates from both the MCE and the ACCC is the proposed expansion of the ACCC service standards to provide electricity transmission businesses with financial incentives to minimise the adverse impacts of network operations on the NEM.

Achieving operational excellence

Powerlink's strategic response to these foreseen changes to increased accountability for the operation of our network has been to pursue a goal of achieving operational excellence. This initiative focuses on achieving excellence in four key areas: safety, network performance, environment and cost efficiency.

Chief Executive's Review

Safety remains our first and foremost priority. While employee surveys we have undertaken for several years continue to show that our employees believe that safety is a high importance and a high performance area for Powerlink, we have reinforced this by developing, in consultation with our field employees, a set of safety "non-negotiables" and a new fatigue management approach.

While network performance was very good last summer, and solid across the whole year, we continue to seek ways to minimise any adverse impacts on both electricity consumers and NEM participants.

We have undertaken a major review of our outage management process, including how we coordinate outages with other parties such as distributors and neighbouring networks. This review resulted in a program of actions and changes which are being progressively implemented.

Responsible environmental management has always been a key focus for us, with comprehensive environmental management plans developed for all network augmentation projects and for our maintenance activities. In recent times, a major initiative has been to ensure that our construction and maintenance contractors understand our environmental expectations, standards and processes.

Encouragingly, environmental performance on recent projects and activities has been good.

Powerlink maintains its position as the most cost-efficient transmission entity in the NEM, with controllable operating costs at just 1.7% of the replacement asset value, and our global leadership was confirmed in the 2003 ITOMS benchmarking study of 25 transmission entities.

A powerful organisational culture

The goal of achieving operational excellence requires people who are innovative, empowered, and committed – and our most recent survey of employees showed that Powerlink remains in the top quartile of organisational culture measures, compared with a cohort of 150 Australian companies.

Powerlink's people have every right to be proud of their achievements in 2003/04, particularly in managing the difficult summer, and I'm confident we have the capabilities and commitment to meet the ongoing challenges in Australia's fastest growing State.

Gordon Jardine
Chief Executive

A World Leader in Transmission Services

Powerlink has been recognised as a world leader in the operation and maintenance of transmission services through an international benchmarking study, confirming that we are advancing on the path to operational excellence.

Powerlink participated in the biennial International Transmission Operation and Maintenance Study (ITOMS) as a means of benchmarking our performance and practices against other electricity transmission entities around the world. The performance of each transmission utility is measured across cost and service levels achieved against established criteria.

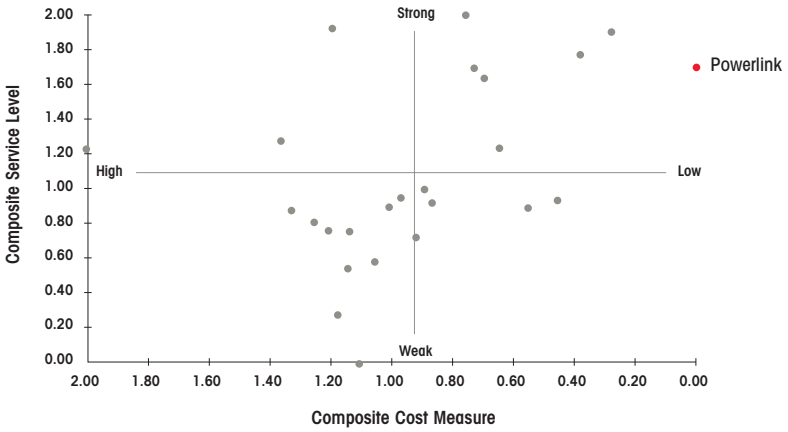
Among the 25 transmission utilities that participated in ITOMS 2003, Powerlink was positioned as a clear leader in operation and maintenance of transmission lines and substations. In particular, Powerlink ranked as a best performer against cost effectiveness and reliability measures.

A qualitative review by the consultant coordinating the benchmarking study showed Powerlink performed strongly in asset and risk management, as well as in the general management of the network.

Powerlink's leading position in the benchmarking study reflects our focus on making innovative improvements to our asset strategies and work practices. Changes that have contributed to improved performance include optimising our maintenance intervals, changing the timing and content of maintenance tasks and improving work practices in the field, and introducing greater automation.

ITOMS Overall Composite Benchmark

OVERALL COMPOSITE PERFORMANCE SCATTER PLOT



Market Performance

Powerlink's role in the National Electricity Market (NEM)

Powerlink is a Transmission Network Service Provider (TNSP) in the NEM. Our network transports electricity from power stations to Distribution Network Service Providers (DNSP) such as ENERGEX and Ergon Energy, and to large directly connected customers such as smelters. As a TNSP, Powerlink is a regulated monopoly business.^

Powerlink is required to efficiently plan, build, augment, operate and maintain our transmission network, and provide all NEM participants with secure, open and non-discriminatory access to our network for the trade of electricity. Powerlink does not buy or sell electricity.

The National Electricity Market Management Company (NEMMCO) manages operations and settlements of the NEM under the National Electricity Code (NEC). Under an Operating Agreement, Powerlink acts as an agent for NEMMCO, assisting in the secure operation of the Queensland power system.

Powerlink is the Jurisdictional Planning Body for Queensland. In that role we assess the capability of the transmission network to meet forecast load growth, including its capability to transfer electricity to and from other States connected to the NEM. When we identify emerging limitations, we consult with NEM participants and interested parties through a transparent process to identify non-network solutions and compare them with the network solutions identified by Powerlink. As required by the Australian Competition and Consumer Commission's (ACCC) Regulatory Test, the solution that maximises the net benefit to the NEM is implemented.^

National regulatory changes planned

Since 2002, Powerlink's revenue has been regulated by the ACCC. However the Ministerial Council on Energy (MCE) has announced an energy market reform program. In this new regime, energy market regulation functions will be performed by the Australian Energy Regulator (AER), a constituent part of the ACCC, but operating as a separate legal entity. The AER will initially have responsibility for economic regulation of electricity wholesale and transmission networks and key rule enforcement functions.

The Australian Energy Market Commission (AEMC) will also be established as a separate statutory commission responsible for rule-making and market development, including changes to the NEC.

In its Report to the Council of Australian Governments (COAG), the MCE recognised the important role of electricity transmission in facilitating competition in electricity generation and trading.

The MCE's reforms address key transmission issues:

- A national transmission planning process;
- A new regulatory test to include "competition benefits";
- A review of the criteria for regional boundaries;
- A review of options for improving inter-regional electricity trading;
- Financial incentives to encourage transmission entities to minimise market impacts;
- Completing the review of the transmission pricing rules;
- Removal of biases which hinder the development of regulated transmission augmentations.

These initiatives are being implemented progressively and Powerlink continues to monitor these developments to ensure we can maintain effective delivery of transmission services in the ever-changing NEM.

Where this symbol is shown^, further information is available on Powerlink's web site www.powerlink.com.au


Live substation work minimises
outages on Powerlink's network.

Market Performance

Transmission pricing

Powerlink's regulator, the ACCC, determines Powerlink's allowable revenue so that the transmission network can be developed, operated and maintained to meet the growing electricity demand in Queensland. The ACCC's current revenue determination specifies Powerlink's annual revenues for each financial year until 30 June 2007. From these annual revenue caps, Powerlink determines the transmission prices for its network customers in accordance with the methodology described in the NEC.

In 2003/04, Powerlink's allowable revenue was $383 million, which was collected through transmission charges from customers. While this revenue supported significant network augmentation projects in Queensland, the average transmission price for the State was 5.5% lower in real terms in 2003/04, compared with the previous year.

Rise in demand for electricity

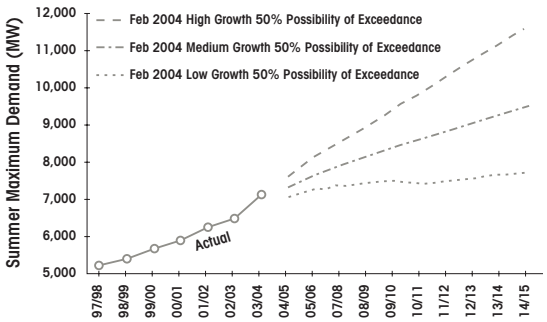
Queensland's 2003/04 actual summer maximum demand, measured in terms of deliveries from the network, was 9.9% higher than the previous summer, well above the historical long run trend line. A component of this high growth is attributable to the extreme temperature conditions experienced during the 2003/04 summer. Even on a standard weather corrected basis, the underlying annual growth was still a healthy 7.2%. Powerlink's Annual Planning Report, issued 30 June 2004, identifies that this high demand growth is due to an accelerated penetration and use of domestic air-conditioners, and strong population growth, particularly in the State's South-East corner.

The long term outlook is for the annual energy to be delivered by the Queensland transmission network to increase at an annual average rate of 3.1% over the next 10 years, with an average energy growth of 3.4% per annum expected in South-East Queensland. However, in the next three years, higher growth rates of around 6% per annum are forecast.

This high level of load growth will drive ongoing augmentation of the Queensland transmission network to ensure network capacity keeps pace with demand, particularly in the South-Eastern part of the State.

Queensland Summer Peak Demand (MW)

- HISTORY AND FORECAST



Strategies to achieve efficiency targets

Inherent in the revenue caps set by the ACCC are targets for operating costs. Powerlink has implemented strategies to achieve these operating cost targets and the efficiency gains.

The ACCC, in line with one of the MCE initiatives, is developing new "market impact" service standards aimed at providing TNSPs with a financial incentive to minimise adverse impacts on market participants. These standards supplement the service standards which the ACCC has already developed, which focus on the reliability impacts on consumers. The complete package of service standards will cover loss of supply events, network availability, restoration time and the measures associated with minimising adverse market impacts.

Powerlink is committed to meeting these service standards. We will continue to manage planned network outages to minimise impacts on market participants and electricity consumers.

Market Performance

Outage management improvements

Powerlink must have transmission outages from time to time to maintain and repair our equipment and to allow augmentation of the network. Such outages are managed to minimise impacts on customers connected to our network and NEM participants.

In line with the outcomes of the National Electricity Code Authority (NECA) Review of Integration of Energy Market and Network Services, Powerlink has implemented initiatives to provide NEM participants with greater information on outages that impact on our network capacity.

Powerlink's strategic target of operational excellence was a key driver for a business process review examining our outage management processes. We are taking action to improve the areas of policy, organisation, training, measurement and process improvement, and supporting technology.

One strategy to reduce plant outages has been to expand the capabilities of Powerlink's live line and live substation work teams. The requirement has increased for live maintenance and construction work, which is carried out by employees working barehand on live transmission lines and live substation plant, following stringent safety procedures.

QNI a strategic link

The QNI, physically connecting Queensland to New South Wales and therefore to the other States participating in the NEM, continued to play a strategic role in the market. The QNI was again heavily utilised in 2003/04, recording a record southwards transfer of 439GWhr of electricity in the month of September 2003.

A joint study by Powerlink and the New South Wales transmission entity, TransGrid, released in March 2004, identified a major upgrade of the interconnector transfer capability between the two States could not be justified under the ACCC Regulatory Test.

Contributing to NEM development

In 2003/04, Powerlink contributed to the ongoing development of the NEM by making submissions to various forums, including the Review of the Regulatory Test, and the Statement of Regulatory Principles for Transmission Entities.

Our roadmap for the future:

- Implement the outcomes of the Review of the Regulatory Test when finalised.
- In the light of the unprecedented load growth in 2003/04, continue to deliver our six-year, $1 billion capital work program, to ensure that reliability of supply can be maintained.
- Undertake advanced system testing of the existing QNI with the aim of increasing its southwards capacity by 100MW, allowing a maximum of 1,050MW to be exported to New South Wales.

CHRISTINE IP >
Manager Asset Valuation and Pricing

Powerlink's revenue supported significant network augmentation projects.

Case Study

Network weathers a scorching summer

Most Queenslanders will remember the 2003/04 summer for its relentless, scorching temperatures, but Powerlink's people will recall it as the summer when the power demand record was broken on six days.

While average temperatures in Queensland reached a one in 10-year high, the South-East corner of the State experienced one in 20-year high temperatures.

Powerlink's network performed reliably and efficiently, meeting all customer demand on the record load days, without any interruption to power supplies.

Brian Sharp, Manager Plant Strategies

"Achieving a reliable supply for our customers comes from effectively managing the risks," said Brian Sharp, Manager Plant Strategies*. "Good planning and preparation are essential, as they are every summer."

In preparation for the summer, Powerlink completes a comprehensive review of plant and equipment to ensure all possible contingencies have been guarded against. Vegetation on easements is managed to avoid the risk of trees damaging the transmission lines, particularly during the storm season.

"It's a little like preparing the car before setting out for summer holidays – you do a routine check of the oil and water, make any minor repairs and make sure you have a spare tyre on board," said Brian.

"Of course, there is always a risk of a failure that is beyond your control, and for those situations you need to have a plan and process in place that will ensure you fix the problem quickly and efficiently."

To further decrease the risk of interruptions to customers, Powerlink avoids scheduling routine maintenance over the high demand summer period. This practice ensures all installed plant is available for operation.

** Tragically, Brian died in a road accident in July 2004.*

Case Study

"Our network operators certainly have a more challenging time over summer when demand is high, because they are always looking ahead to the next possible contingency and evaluating the potential impact of those events."

RICK SANTIN

Rick Santin, Network Switching Centre Operations Engineer. Preparing the network for peak summer demand requires planning and preparation across the business.

When it comes to operating the transmission network, Rick Santin, Operations Engineer, said it was a matter of following established operating procedures and having contingency plans in place.

"Our network operators certainly have a more challenging time over summer when demand is high, because they are always looking ahead to the next possible contingency and evaluating the potential impact of those events," Rick said.

"The new transmission lines, which were commissioned in late 2003, made a vital contribution to the network's ability to handle the record demands over summer, particularly in the South-East corner of the State."

Network Development

Demand drives network development

Electricity demand in Queensland is growing at an unprecedented pace. This increase, paired with our obligation to deliver reliable, safe and economic transmission services, challenges Powerlink to plan and develop our network in more compressed timeframes than any other Transmission Network Service Provider in the National Electricity Market.

During the 2003/04 year, energy delivered by Powerlink's network in Queensland increased by 4.2% over the previous year, due to industrial development, population growth and increasing use of air-conditioners.

Powerlink's comprehensive planning process assesses the capability of the Queensland transmission network to meet forecast electricity load growth and identifies medium to long-term needs. Where a new transmission line will be required in the future, Powerlink begins works to select a route. This is done as early as possible to provide certainty to landowners about the location of future powerlines and allow for better land use planning by councils, developers, government agencies and other parties.

Selecting a route involves many considerations, including landowner and community consultation, input from local government and government agencies, environmental review, technical and economic assessment.

Our roadmap for the future:

- Commissioning of the 330kV line between Millmerran and Middle Ridge substations for summer 2004/05.
- Commissioning of the 275kV line between Broadsound and Lilyvale substations for summer 2004/05.
- Construction of the Belmont to Murarrie 275kV transmission line is expected to commence in late 2004.
- Construction of the Greenbank to Maudsland 275kV line is expected to commence in early 2005.
- Complete easement acquisition for the Ross to Townsville South 275kV and 132kV lines.
- Acquire easements for the Ross to Yabulu South 275kV line and the 132kV line from Yabulu South to Townsville Gas Turbine Power Station.
- Complete easement acquisition for the Strathmore to Ross 275kV line.

National Project Management Award

The Australian Institute of Project Management (AIPM) presented Powerlink with the Project Managed Organisation Award in October 2003. The award recognises organisations that have embarked on a process to continually improve their project management capabilities and brings national recognition to Powerlink's project management approach. Powerlink is the first transmission entity in Australia to receive such an award.


Building the new Millmerran to
Middle Ridge transmission line.

Network Development

Projects under construction in 2003/04^

Area	Project	Brief description	Project purpose	Milestones achieved in 2003/04
North Queensland	Ross to Dan Gleeson	Partially replace and re-tension the 132kV line between Ross and Dan Gleeson substations, to allow for increased capacity into Dan Gleeson substation.	To meet growth in electricity demand in the Townsville and Thuringowa region.	Construction commenced in June 2004.
	Alan Sherriff to Bohle River	Replacement of the section of aged 132kV transmission line between the Alan Sherriff substation and the Bohle River.	To ensure continued reliability of electricity supply to the Townsville and Thuringowa region.	Construction commenced in April 2004.
Central Queensland	Broadsound to Lilyvale	Provision for a future 275kV transmission line parallel to the existing line between Broadsound switching station and Lilyvale substation.	To provide additional transmission capacity to meet load growth in mining and rural areas in Central Western Queensland.	Construction began in September 2003.
Southern Queensland	Blackwall to Belmont	Construction of a 275kV transmission line between Blackwall and Belmont substations via the Greenbank substation site.	To ensure reliability of supply in the Southern Brisbane area.	Commissioned in December 2003.
	Maudsland to Molendinar	Construction of a 275kV transmission line between Maudsland and Molendinar substation and establishment of a 275kV substation at Molendinar.	To reinforce electricity supply within the Gold Coast region.	Commissioned in November 2003.
	Millmerran to Middle Ridge	Construction of a 330kV transmission line between Millmerran and Middle Ridge substations.	To meet the rapidly growing demand for electricity in the Darling Downs area and also to cater for a predicted future need in the Logan region.	Construction began in February 2004.

LORNE BARTHOLOMEW >
Stringing Inspector

A safety inspection of the new Millmerran to Middle Ridge transmission line constructed this year.

Network Development

Easement acquisition projects

Area	Project	Brief description	Project purpose	Milestones achieved in 2003/04
North Queensland	Kareeya to Innisfail replacement	Provision for a transmission line to replace the aging 132kV line between Kareeya and Innisfail.	To ensure the ongoing reliability of electricity supply to customers in Far North Queensland.	Final Environmental Impact Statement was released in January 2004
	Ross to Townsville South	Provision for 275kV and 132kV transmission lines between Ross and Townsville South substations.	To meet the long-term future power needs of the Townsville South area.	Easement acquisition process is under way.
	Ross to Yabulu	Provision for a future 275kV transmission line between Ross substation and the new Yabulu South substation, and a 132kV line to the Townsville Gas Turbine Power Station.	To meet growth in power demand in the northern Townsville and Thuringowa region.	Final Environmental Impact Assessment was released in November 2003.
	Alan Sherriff to Yabulu South substation	Acquire new easements to allow for a future transmission line to replace the aging 132kV line between Alan Sherriff substation and the Townville Gas Turbine Power Station.	To ensure continued reliability of electricity supply to the Townsville and Thuringowa region.	Final Review of Environmental Factors was released in January 2004.
Central Queensland	Gladstone Area Reinforcement	Provision for a 275kV transmission line between the Calvale substation and the proposed Larcom Creek substation, and later a transmission line from Larcom Creek substation to Gladstone Power Station.	To meet the anticipated power needs of the Gladstone area and proposed industrial developments.	Final Environmental Impact Statement for the route from Calvale substation to Larcom Creek has been released. A draft Environmental Impact Statement for the Larcom Creek to Gladstone route was released in March 2004.
Southern Queensland	Belmont to Murarrie	Easement acquisition for a future 275kV transmission line and the refurbishment of the existing 110kV transmission lines between Belmont and Murarrie substations.	To augment supply to the Brisbane CBD and to ensure a continued reliable and secure electricity supply to the rapidly growing Australia TradeCoast region and south-eastern Brisbane suburbs.	Final Environmental Impact Statement was released in March 2004.
	Bundamba	Provision for a new 110kV/11kV substation on site at the Bremer Business Park and associated 110kV transmission line at Bundamba.	To provide increased capacity and continued secure supply to existing and future customers in Bundamba and surrounding areas, as well as the Capral industrial development project	Final Environmental Impact Statement was released in June 2004.

Case study

Building in an urban environment

Technical, operational, social and environmental issues were among the challenges faced by the Powerlink team charged with constructing a new transmission line between Blackwall and Belmont in South-East Queensland. Despite these potential hurdles, the 71km, 275kV transmission line was commissioned in time to help ensure a secure supply of electricity into the Southern Brisbane area during the 2003/04 summer when power demand hit record highs.

Greg Boland, Project Manager, said the team put enormous effort into working with the community and taking steps to ensure minimal impact and maximum awareness of the construction activities.

"Most of our transmission lines are built in rural or remote areas, where there are fewer individuals impacted and issues such as noise, access, security and public safety are easier to manage," Greg said. "But because we were working in an urban environment, we took special steps to ensure we had good relationships with the community and didn't have any delays to construction on this project."

An active program of personal contacts, letterbox drops and advertisements was used to keep the community informed of construction progress. The project team also took steps to ensure all contractors had access to information on each tower site – such as specific requests from the property owner, environmental issues, safety, security and community considerations, as well as technical details.

Max Gardener, Construction Manager, said every construction project presented unique demands. "It's our job to find the best possible solution to those demands," he said. "On the Blackwall to Belmont project, that meant tailoring our construction techniques to best suit the urban environment.

"This project demanded exceptional logistics and planning because we couldn't work in a linear way, as we normally would progress a transmission line construction project. Constraints such as a multiplicity of road and rail crossings, and the urban environment, forced us to move to different work locations regularly."

Some 66 road crossings were coordinated, where the transmission lines had to cross major roads such as the Pacific Highway and Gateway Motorway. Efforts to minimise the disturbance to motorists meant that traffic on the Pacific Highway was stopped only nine times, for 90 seconds each time, to allow stringing of the lines using helicopters.

Case Study

"Using helicopters to string cable required careful scheduling, but meant we halved the number of times we had to visit each site, and greatly reduced the disruption to motorists and property owners."

MAX GARDENER

Greg Boland, Project Manager and Max Gardener, Construction Manager for the Blackwall to Belmont transmission line project. Careful project planning and strong community liaison enabled Powerlink to construct this transmission line in an urban environment.

"Using helicopters to string cable required careful scheduling, but meant we halved the number of times we had to visit each site, and greatly reduced the disruption to motorists and property owners," Max said. "It also meant we greatly reduced our impact in environmentally sensitive areas where vegetation clearing on the easement was kept to a minimum."

Working in close proximity to the existing power networks also presented challenges. Careful planning and liaison were necessary to minimise the need for network outages, while ensuring the safety and security of the networks.

"Powerlink has a depth of experience in building transmission lines and substations, and it's satisfying to be able to draw on that experience as a basis for developing new and innovative solutions to the challenges we face in construction," Max said.

Non-regulated Business

Recording equipment for generators

Powerlink has developed and installed electronic recording equipment to capture the operation of power generators during underfrequency events on the electricity network. Underfrequency events can impact the quality and supply of electricity to customers; however generators are able to take corrective actions to restore stability to the network. During ongoing liaison with generators, Powerlink identified a non-regulated business opportunity, further utilising the capabilities of the existing connection points between our grid and generators.

The data recorders measure the frequency, voltage and current of power generators and report the data to the National Electricity Market Management Company. Generators receive payments depending on their ability to contract for services to provide support for the network during disturbances under the Frequency Control of Auxiliary Services of the National Electricity Market.

Following research and testing, Powerlink identified a technical solution, consulted with generators and completed installing the recording equipment at each generator's connection point to the transmission network in September 2003.

TNB contract delivers

Now in its second year, our contract with Tenaga Nasional Berhad (TNB), the Malaysian national electricity utility, is meeting targets and delivering substantial benefits to our customer. Under this major contract, Powerlink provides consultancy services related to the implementation of condition-based management systems for TNB's transmission assets, including technical expertise and management strategies, coaching and mentoring to TNB staff and change management initiatives.

The excellent relationship forged between TNB and Powerlink has led to further consultancy work.

Shared Services Agreement in place

Under a Shared Services Agreement, Powerlink commenced providing a range of services to South Australian Transmission Network Service Provider ElectraNet SA from 1 July 2003. These services enable ElectraNet SA to benefit from Powerlink's knowledge and economies of scale in strategically targeted areas including information technology services, engineering services, asset management and procurement services. Powerlink is a part-owner (41%) of ElectraNet SA, acquired in October 2000.

Oil laboratory reduces turnaround times

Powerlink's Oil Testing Services maintained its profitability despite an increasingly competitive environment and continues to provide a comprehensive transformer oil testing and diagnostic service for national and international customers. The laboratory has introduced a customised reporting format, further automation and other process improvements to reduce turnaround times.

Co-locating telecommunications carriers

Telecommunications carriers continue to seek locations for towers for their growing mobile phone networks. Allowing the co-location of telecommunications carriers on Powerlink's transmission and communication towers can minimise the overall environmental impacts on communities. After assessing the suitability of the site for co-location, Powerlink conducts a structural analysis of the tower, strengthens the towers, and installs the carrier's equipment on the tower. During 2003/04, three co-locations were installed.

Our roadmap for the future:

- Continue to achieve the key targets set for the Shared Service Agreement with ElectraNet SA.
- Continue to deliver innovative and effective oil testing services.


Oil Testing Services improves responsiveness and turnaround for customers.

Case study

Responsive service reduces risks for customer

Powerlink's capabilities and fast response to a failure on protection relay equipment at Millmerran Power Station in October 2003 reduced the risk of the generator being forced to reduce output.

The power station's protection relay is located at the connection point to Powerlink's transmission network. The equipment protects the connecting transmission feeder from faults by operating circuit breakers at either end of the feeder.

Millmerran substation links Millmerran Power Station to the network.

Francis Holmes, Electrical Engineer for Millmerran Operating Company, said his team immediately contacted Powerlink when the fault on the power station equipment was detected.

"Powerlink's people arrived on site quickly and identified the problem. Powerlink offered us a replacement and immediately set about testing and installing the equipment."

Francis said the speed of Powerlink's service was critical because the National Electricity Code requires power stations to have two operational protection systems.

"There was a risk we could experience a fault on our second protection relay," he said. "In that case, the station would have been forced to reduce its output – which would impact our business significantly. Powerlink certainly helped us out of a tight spot.

"Powerlink's people were very professional and committed to the job of getting the equipment installed and protecting the security of the electricity system."

Geoff Burges, Powerlink Network Customer Advisor, said the incident demonstrated the critical nature of the protection equipment, as well as the unique skills and capabilities Powerlink offers.

"Good customer relationships are important to us," he said. "This is one example of the quality of service that we provide, and also demonstrates our

Case Study

Geoff Burges, Powerlink Network Customer Advisor and Francis Holmes, Electrical Engineer for Millmerran Operating Company. Powerlink seeks to understand our customers' business issues and ensure they understand the capabilities we can offer.

understanding of customers' business needs. In fact, the Millmerran Operating Company has now approached us to establish an ongoing maintenance service agreement for the equipment."

"When we were in a bind, we found Powerlink was a service provider we could rely on," Francis said. "It's the kind of service we really need."

"When we were in a bind, we found Powerlink was a service provider we could rely on. It's the kind of service we really need."

FRANCIS HOLMES

Community and Environment

Greening Lockyer funds a local legacy

Greening Lockyer is a three-year Community Partnership Program, funded by a $1 million community grant from Powerlink, aimed at enhancing the environment of the Lockyer Valley, minimising the impact of electricity infrastructure and creating training and employment opportunities for local residents. The program is an initiative of Powerlink, in partnership with Esk, Gatton and Laidley Shire Councils and Western Subregional Organisation of Councils (WESROC).

Now in its second year, the program continues to benefit from a significant amount of community support. More than 5,250 volunteer hours have been contributed during the first 18 months of the program, in tasks including planting more than 13,445 trees. Greening Lockyer has also generated local employment by creating 191 jobs, with durations ranging from four weeks to three years.

In mid-2003, eight projects received Greening Lockyer funding in the first round of grants. Work on these projects has progressed against target, with four projects completed during the 2003/04 year.

Six new projects were allocated a total of $132,025 of Greening Lockyer funding in the second round of grants and work on these new projects commenced in February 2004. The projects in Esk, Gatton and Laidley Shires involve the propagation and planting of native vegetation, the clearing of weeds, landscaping and the provision of recreational facilities.

The $619,377 allocated from Greening Lockyer to projects in the first and second rounds of grants has attracted an additional estimated $1,443,464 of cash and in-kind contributions from community and environmental groups, the partner Councils and programs such as the Community Jobs Plan (Department of Employment and Training, and Bridgeworks Personnel), Work for the Dole (Mission Australia, Challenge Employment and Training) and Green Corps (Greening Australia and Job Futures).

Partners in regenerating a wildlife corridor

The third year of a Powerlink-sponsored project to help regenerate a wildlife corridor in North Queensland has seen tree planting by members of the local community, primary producers, the Bureau of Sugar Experimental Stations (BSES) and the Centre for Tropical Restoration. More than 13,250 trees have been planted over three years by the Walter Hill Ranges Wildlife Corridor Project. The project's aim is to protect biodiversity in an area between Townsville and Cairns where links between upland and lowland rainforests need to be strengthened to allow the safe movement of fauna, including the endangered Southern Cassowary.

In 2001, Powerlink began a five-year sponsorship of the project, which is a joint initiative of the Queensland Parks and Wildlife Service Centre for Tropical Research, with support from TREAT (Trees for Evelyn and Atherton Tablelands), C4 (Community for Coastal and Cassowary Conservation) and BSES.

The project typically plants trees adjacent to small creeks running through private farms and links conservation reserves. This treatment of watercourses reduces the habitat of exotic pests that damage crops, creating a positive offset for the small amount of arable land donated to the project by participating farmers.


Enhancing the habitat at Lake Apex
with funds from Greening Lockyer.

Community and Environment

Nursery training at Woree substation

In an arrangement developed by employment and training company Challenge Employment and Training (CET) and Powerlink, land and spare buildings at Powerlink's Woree substation site in Far North Queensland have been provided to CET until 2005 for a wholesale plant nursery and horticultural training facility.

This arrangement has secured 10 traineeships for unemployed people in Cairns, upskilling the individuals in the area of landscaping and garden maintenance for future employment in the horticultural industry.

Revegetation and training opportunities at Tivoli

Creating sites of natural value for the local community to enjoy and giving young people new skills and hands-on experience were the aims of a revegetation and training project at Tivoli, close to Powerlink's new Blackwall to Greenbank transmission line in South East Queensland. Powerlink initiated and funded programs managed recently by Greening Australia, and formerly by CET, to carry out native tree planting and restore bushland sites and creek banks around the easement area.

This year saw a renewal of the program, with a second intake of trainees recruited locally. These five trainees undertook a Certificate II in Horticulture delivered on the job and through TAFE.

The work undertaken by the two groups of trainees was completed in May 2004. It included planting some 15,000 trees, extensive weed and vegetation management, plant propagation and water quality testing.

Eradication plan for privet

Powerlink has partnered with local agencies to combat privet, a declared weed, which threatens the environmental and heritage values of the Toowoomba escarpment and poses a fire risk under transmission lines. Powerlink has committed to an eradication program at its Middle Ridge substation site and easements leading into the substation, and has supported an awareness-raising summit for local landowners.

Support for community initiatives

Powerlink has continued to work with property owners, Traditional Owners, government agencies, community groups and other stakeholders with an interest in our projects and plans. Our community consultation programs aim to establish open and cooperative working relationships with communities close to planned transmission infrastructure so that information flows openly. Powerlink also actively seeks to obtain feedback from members of the community, which assists in managing and reducing the impacts of our developments.

Community and Environment

Sharing information on electric and magnetic fields

The issue of electric and magnetic fields (EMF) and health concerns continues to be a high priority for Powerlink.

During the year, the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) continued work on its review of the current Australian guidelines issued by the National Health and Medical Research Council (1989) and consideration of the need for an exposure standard. Powerlink is involved in this process through our membership of the Energy Supply Association of Australia's (ESAA) EMF Advisory Committee. The ARPANSA draft report is expected to be released for public comment in late 2004.

Internationally, significant reports were published during the year by the UK's National Radiological Protection Board and by the International Commission on Non Ionizing Radiation Protection.

Powerlink continues to follow a policy of "prudence" when designing and constructing electricity infrastructure. This includes designing transmission assets for low EMF levels, avoiding placement of transmission assets near homes, schools and community facilities where possible, and sharing EMF information openly with the community.

EMS identifies risk areas and actions

Powerlink's Environmental Management System (EMS) business process is the core of our environmental approach. It comprises our policy as well as the cycle of planning, implementing, checking and reviewing our performance in carrying out everyday operations. The EMS is a key tool in making environmental protection an intrinsic component of Powerlink's corporate culture.

The EMS identifies and allocates responsibility for the following significant environmental aspects and risk areas that are reviewed annually:

- Substation management;
- Greenhouse;
- EMF;
- Legal compliance;
- Land management;
- Route management;
- Managing maintenance service providers;
- Managing regulatory risk;
- Environmental communication;
- Construction projects;
- Environmental management systems.

A total of 150 performance targets have been set to cover these aspects. Progress against targets is measured on an ongoing basis and reported to Powerlink's executive Environmental Steering Committee.

COLIN LANGTON >
Construction Manager
Millmerran to Middle Ridge Project

Everyone on a construction project has responsibility for environmental performance.

Community and Environment

Environmental training and auditing

A strategic communication program and a range of environmental training programs are offered to all Powerlink employees to ensure an understanding of Powerlink's corporate policy and the individual's responsibility to environmental protection. These strategies are identified in the EMS and have been proven to be successful in raising awareness of environmental issues among employees.

Specialist training was also developed to meet the needs of work groups involved in easement maintenance and construction management.

A planned schedule of environmental audits was carried out, including quarterly reporting on all construction projects and annual audits of maintenance service providers. Strategies implemented as a result of audit outcomes have achieved an increase in information being recorded on the treatment of declared plants, erosion control, maintenance of access tracks and greater consultation on vegetation management on easements.

Reporting on greenhouse issues

As a signatory to the Greenhouse Challenge, Powerlink is undertaking an ongoing program to reduce overall energy consumption and greenhouse gas emissions. The two key greenhouse issues Powerlink monitors are sulphur hexafluoride gas (SF_6) and transmission losses.

In 2003/04, Powerlink provided its annual report to the Australian Greenhouse Office advising that we continued to maintain a highly accurate inventory of SF_6, which is used exclusively as the insulating medium in the extra high-voltage switchgear in our network. Powerlink also implemented an initiative to recover residue gas from SF_6 supply bottles and has continued to apply a fast and cost-effective SF_6 detection system including the use of an SF_6 detection camera to scan live equipment.

The total amount of electricity transmitted on Powerlink's network increases in line with the demand for power, creating an increase in overall heat losses from the network. New transmission lines reduce the overall loading on the network elements, resulting in reduced heat losses during transmission. This means less power has to be generated at power stations, resulting in reduced production of greenhouse gases.

STEVE MAYOH >
Assistant Construction Manager, Millmerran to Middle Ridge project

Measuring the height of trees before stringing commences.

Community and Environment

Oil containment project completed

A program to retrofit oil containment facilities at all existing substation sites has been completed. Powerlink routinely installs oil containment facilities at all new sites, such as the Molendinar substation, and upgrades the drainage facilities when additional power transformers are installed at existing substations. This year, oil containment facilities have been substantially upgraded at Kamerunga, Alligator Creek, Innisfail, Moranbah, Nebo, Newlands, Proserpine and Richlands substations.

The facilities ensure any oil leaked from high-voltage transformers will be contained. The oil is then reclaimed and properly disposed of, following our environmental management procedures.

Barriers to protect sugar gliders

A new design for anti-climbing barriers on transmission towers has been developed to reduce the incidents of sugar glider fatalities. After conducting investigations, Powerlink established it was necessary to redesign the barriers to protect sugar gliders, while still restricting the unauthorised climbing of transmission towers.

All new lines being constructed in sugar glider habitats are now fitted with glider barriers, developed by Powerlink in cooperation with the Environmental Protection Agency. A research project initiated with the Queensland University of Technology will use a camera monitoring system to assess the effectiveness of the barriers.

Our roadmap for the future:

- Establish a greening project in partnership with the Townsville and Thuringowa City Councils.
- Progress towards our target performance against environmental strategy plans identified in our EMS.

LUKE BOWDEN >
Environmental Officer
Millmerran to Middle Ridge project

© Monitoring vegetation works under the project Environmental Management Plan

Case study

Preserving and learning from Jensens Swamp

For some 12 years, Val Martin was a member of a small group dedicated to preserving Jensens Swamp, a degraded wetland area in the Esk Shire that is a significant wildlife habitat and breeding ground for native birds.

After years of searching fruitlessly for funding, witnessing the devastation of fires and drought, and watching development encroach on the wetland, the group had started to lose its drive and optimism.

"Our plans for the area were falling by the wayside, then along came Powerlink with the Greening Lockyer program," said Val. "It has enabled us to really improve the environmental reserve and its accessibility, as well as attract other funding and contributions. Greening Lockyer has started the ball rolling."

Greening Lockyer, a community partnership program supported by Powerlink and the Esk, Gatton and Laidley Shire Councils, is funded by a $1 million community grant by Powerlink. Val is now a member of the Esk Shire and Greening Lockyer Environmental Community Reference Group.

Celeste Lowe, Greening Lockyer Program Manager, said the Jensens Swamp Environmental Development project is attracting $108,000 of Greening Lockyer funding as well as a contribution of materials and resources from the Esk Shire Council.

The project involves fencing of the reserve to control cattle access, identifying and removing weed infestations, planting native vegetation, building pathways and a shelter shed and establishing a parking area. It will also acknowledge the Indigenous significance of the site through the inclusion of Aboriginal art on bollards.

"There will be some wonderful additions to the site," said Celeste, "such as bird hides and an artist's arbour, as well as essential facilities such as fire breaks and fencing.

"The community enthusiasm and response have been fantastic. People from many areas of the community have become involved – from tree planting and working bees, to fire management advice from the rural fire brigade."

Local schools including Tarampa Primary School and Lowood State High School have become partners in the project by volunteering, as well as receiving environmental education about the ecosystems found within the area.

Case Study

(Reflected in mirror) Celeste Lowe, Greening Lockyer Project Manager (left) and Val Martin, member of the Esk Shire and Greening Lockyer Environmental Community Reference Group (right). Pauline Von Ruetzen, member of the Esk Shire and Greening Lockyer Community Environmental Reference Group with Jacinta Fitzgerald, Esk Greening Lockyer Project Officer. The Jensens Swamp project has brought together diverse members of the community for activities such as tree planting.

"The community enthusiasm and response have been fantastic. People from many areas of the community have become involved – from tree planting and working bees, to fire management advice from the rural fire brigade."

CELESTE LOWE

"We have put a lot of emphasis on educational resources because we hope children will learn to value and preserve the wetland and other environmental areas in the future," Val said.

"It is fantastically satisfying to see this project taking shape. Jensens Swamp has so much to offer the community and it is great to see people getting involved in preserving the area."

Our People

Maintaining our successful culture

Powerlink's workplace culture, which values and empowers individuals, is an essential component in achieving operational excellence. In 2003, our employees participated in the Powerlink Queensland Employee Opinion Survey, administered by the Empower Group. The 2003 survey was the fifth such exercise Powerlink has undertaken in an eight-year period.

Powerlink's survey results were found to be in the top quartile in most categories, when compared against the results of 150 Australian companies.

The survey is designed to measure culture change progress and identify areas for future action. Strategies have been developed to address the opportunities for further development identified at both the corporate and business unit levels, including leadership, collaboration and innovative learning practices.

The planned initiatives will build an internal capability that enables Powerlink to fully realise the benefits that can be achieved through operational excellence.

Leadership Code developed

Powerlink has developed a Leadership Code to help guide managers in creating, with our staff, a positive working environment that engenders personal development and operational excellence.

The Code captures the culture and ethics which exist and contribute to Powerlink's corporate objectives. Strategies to encourage compliance are being implemented.

The Code was developed in close consultation with middle and senior managers and complements existing management development opportunities.

Making safety work

The safety of our people, the public and property is Powerlink's first priority. In consultation with managers and employee representatives, we identified five crucial behaviours and processes that ensure safety performance, particularly in the medium to high risk areas of our business. A campaign to communicate these critical behaviours, called the Safety Fundamentals, has been implemented.

The five Safety Fundamentals are:

- High-voltage isolation and access procedures;
- Pre-work risk assessment;
- Personal protective equipment;
- Currency of training and authorisation; and
- Fall prevention.

The Safety Fundamentals increase the emphasis and focus of Powerlink's existing safety policies, standards, procedures and guidelines. Compliance is vital and non-negotiable for all employees.


Nothing matters more than safety.

Our People

Updated safety system and procedures

Significant progress has been made on redeveloping Powerlink's Safety Management System, in close consultation with employees and their representatives. The new system, which complies with the *Electrical Safety Act 2002*, is a framework which promotes electrical safety for people who access Powerlink's high-voltage network and the public.

Powerlink's High Voltage Isolation and Access (HVIA) procedures have also been reviewed to align with legislative changes, guidelines developed by the Electricity Supply Association of Australia (ESAA) and Powerlink's Safe Systems of Work. All relevant employees have completed bridging training from the old to new procedures and their authorisations have been updated.

Managing the risk of fatigue

Powerlink works actively to minimise the health and safety risks associated with workplace fatigue, resulting from insufficient sleep, particularly for those employees undertaking high risk tasks. A standard developed this year clearly assigns responsibilities for fatigue management to managers and individual employees. It also ensures strategies are implemented to support employees in carrying out these responsibilities.

This approach is consistent with the priority we place on the safety of our employees and the public, and also recognises the importance of achieving a balance between work and personal life.

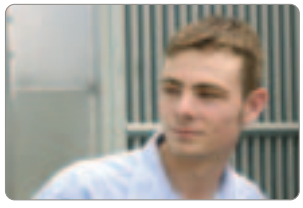
Hazard management empowerment

A decentralised hazard management system has been implemented to empower employee work groups to take greater ownership of hazard management in their own environment. The new system allows work groups greater control over certain aspects of their own hazard management, including data entry, auditing and reporting.

Ensuring capabilities for the future

In line with our goal of achieving operational excellence, Powerlink has continued to build a team with the right capabilities. Our staffing increased to address the workloads arising from the development of our network in response to growing demand for electricity, and our recognition that good performance is the product of a balance between work and personal life.

LINTON HART >
Apprentice Electrical Fitter Mechanic



Powerlink's development program helps to build the right team for the future.

Our People

Powerlink has a mature workforce and is examining strategies to assist employees to adopt options such as phased retirement or flexible employment arrangements where there are benefits to the employee and Powerlink.

To prepare for future resource requirements, Powerlink continued to provide development opportunities for apprentices, engineering technologists, administrative trainees, transmission linespersons, graduate engineers and graduate information technologists. These development programs are continually reviewed and refined to ensure they deliver effective outcomes.

Our roadmap for the future:

- Build on the application of the Powerlink Leadership Code.
- Implement the strategies identified to address development opportunities in the areas of leadership, collaboration and innovative learning practices.
- Implement the new fatigue risk management standard.
- Complete work group training and handover of decentralised hazard management system.
- Complete development, audit and certification of the new Safety Management System.

CIGRE recognition

CIGRE (International Council on Large Electric Systems) has recognised the exceptional contribution to its work made by Dave Allan, Manager Research and Development, and Simon Bartlett, General Manager Network, by awarding both individuals with a prestigious Technical Committee Award for 2002.

A permanent, non-government and not-for-profit international association, CIGRE comprises some 850 member organisations, including Powerlink. CIGRE supports a number of study committees and these awards recognise the contributions made by Dave Allan on the Materials for Electrotechnology Study Committee and by Simon Bartlett on the Substations Subcommittee.

DAVE ALLAN >
Manager Research and Development

Recognised by CIGRE for exceptional contribution to the Materials for Electrotechnology study committee.

Case Study

Controlling risks means a safer, smoother job

When Adam Osborne, a barehand live linesperson, arrives at a new worksite with his team, the first action is to gather together to carry out a Pre-work Risk Assessment (PRA). It's a process that creates a much safer work environment, as well making the job run smoother and saving time.

"The PRA is a checklist of the details of the job and the site; it forces everyone at the site to discuss the work and how best to attack it," Adam said. "We talk about safety issues, look for hazards and work out how best to control them."

One of Powerlink's five Safety Fundamentals, the PRA is an essential step before any general network maintenance and electrical or mechanical work, or any other activity which is assessed to be of high or moderate risk.

A live linesperson for the past three years, Adam is accustomed to working on transmission lines operating at up to 330kV. As the demand for live work is increasing to further reduce the impact of network outages, Powerlink's live line teams are expanding their capabilities and encountering new environments and challenges.

"Everyone perceives risk differently," Adam said. "The risk that one person thinks is obvious might not be noticed by someone else. So the process is especially useful for people who aren't so familiar or experienced with the work – such as apprentices, contractors or new team members.

"It can be easy to overlook a hazard, unless you are following a checklist that asks you to look for it. For example, in live line work we have to check adjacent structures or vegetation before working on a tower. When we do that, we sometimes find a tree close to the defined work area, which could impact on our electrical clearances. This could be very dangerous if we don't recognise this and remove it before we start work."

The PRA also contributes to more efficient work processes by ensuring each person considers the 'big picture' of how the team will approach the job, in a step-by-step approach.

"One of the major risks for line work is clearance – that is, we need to be a safe distance from live equipment," Adam said. "Often you can't accurately assess clearance

Case Study

"People often comment on how dangerous our work is because we are working on live, high-voltage plant, but if we are aware of the risks and follow our procedures strictly, then we know we are working safely. Safety is always our first priority."

ADAM OSBORNE

Anthony Humphreys, Gareth Jones and Adam Osborne, Barehand Live Linepersons. All team members come together to carry out a Pre-work Risk Assessment before starting a live line job.

until you actually arrive at the work site, so we use the PRA as an opportunity to modify the job slightly, or use different tools to accommodate the clearance restrictions."

The PRA has been successfully implemented within Powerlink, with all relevant staff trained in its application. The effectiveness of the procedure is monitored through random unannounced site inspections, programmed audits and management reviews.

"People often comment on how dangerous our work is because we are working on live, high-voltage plant, but if we are aware of the risks and follow our procedures strictly, then we know we are working safely. Safety is always our first priority."

Corporate Governance

The Powerlink Queensland Board is responsible for the overall corporate governance of the corporation and its subsidiary companies, including establishing the organisation's strategic direction, setting goals for management and monitoring the achievement of these goals.

The Board and management work together to establish and maintain a legal and ethical environment that ensures accountability throughout Powerlink that is in the best interests of shareholders and the corporation.

Board of Directors

The Board is appointed by the Governor in Council in accordance with the *Government Owned Corporations Act 1993*. The Board consists of five Non-executive Directors who bring independent views, and possess qualifications, experience and expertise over a broad range of areas relevant to the present and future needs of the corporation.

The Board's functions include:

- Maintaining accountability to shareholders and keeping them informed of the corporation's performance, key issues facing the organisation and major developments;
- Establishing the corporation's strategic direction and commercial policies;
- Establishing goals for management;
- Monitoring performance of the corporation, ensuring that the corporation acts in accordance with, and achieves, its Statement of Corporate Intent (SCI);
- Assessing Powerlink's performance against strategic goals and targets;
- Making commercial decisions within Powerlink's areas of responsibility;
- Ensuring the corporation performs its functions in a proper, effective and efficient manner; and
- Ensuring compliance with statutory, financial and legal requirements.

The Board keeps its position on all governance issues under review and conducts periodic reviews of its processes.

Shareholding Ministers

The corporation's shareholding Ministers as at 30 June 2004 are the Deputy Premier, Treasurer and Minister for Sport, and the Minister for Natural Resources, Mines and Energy.

Conflict of Interest

Directors who have a material conflict of interest in a matter to be considered by the Board are required to make the nature of that interest known. Details of such disclosures are recorded in the minutes of the meeting.

Board Committees

To assist in the execution of its responsibilities, the Board has established two Board Committees – the Audit and Compliance Committee, and the Remuneration Committee. These Committees have documented mandates that are reviewed on a regular basis. The membership of both Committees is wholly comprised of Non-executive Directors.

Audit and Compliance Committee

Chairman – Merv Norman
Members – Else Shepherd, Christina Sutherland

This Committee reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct, business risk management and audit effectiveness. It assists the Board to fulfil its corporate governance responsibilities.

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.


Establishing the strategic
direction and setting goals.

Corporate Governance

Remuneration Committee

Chairman – Walter Threlfall
Members – Merv Norman, Patricia Conroy

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

Risk management

The Powerlink Board has approved a risk management charter that provides an overall framework and structure for managing risks at Powerlink. The charter is consistent with the Australian/New Zealand Standard on Risk Management.

The internal audit plan is developed in conjunction with the annual review of the corporation's risk profile.

The Board has also approved Treasury policies regarding exposures to foreign currencies, interest rates and commodity prices that include limits and authority levels.

Directors' education

Powerlink's Directors are committed to the ongoing development of their professional training and knowledge, and Directors are informed of emerging and current business issues through a formal process. This ensures that they have the best possible skills to provide Powerlink with capable and professional leadership.

Attendance at workshops, courses and seminars conducted by the Australian Institute of Company Directors (AICD) and other professional bodies also helps to provide and develop these skills.

Planning, reporting and monitoring

Powerlink is required to present annually a five-year Corporate Plan and an annual Statement of Corporate Intent (SCI) to Shareholding Ministers for their approval. These documents are produced following a comprehensive strategic planning and business planning process that involves Powerlink's Board and Executive Leadership Team.

The SCI outlines Powerlink's proposed key objectives, targets, functions and undertakings for the financial year. It forms the performance agreement between the Board of Powerlink and Shareholding Ministers. A copy of the SCI is tabled in the Legislative Assembly in accordance with Section 132 of the *Government Owned Corporations Act 1993.*

Performance against key targets and measures is monitored using methods such as monthly reports and business reviews prepared by management for the Powerlink Board, and quarterly status reports to Powerlink's Shareholding Ministers.

Management Committees

A Management Committee structure operates in parallel to the Board Committees to address issues of Environmental Management, Workplace Health and Safety and Corporate Emergency Response.

Environmental management

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

Workplace Health and Safety

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

Corporate Emergency Response

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate

Corporate Governance

emergencies. The Committee is responsible for maintaining the Corporate Emergency Management Handbook. The Committee submits quarterly reports to the Audit and Compliance Committee through the Chief Executive.

Ethical standards

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

Dividend policy

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

Shareholding Ministers' directions

During the year, Powerlink's Shareholding Ministers did not issue any directions to Powerlink.

Remuneration policy

Powerlink's remuneration policy is designed to:

(a) attract and retain talented people with the skills to plan, develop, operate and maintain a large, world-class electricity transmission network; and

(b) incentivise and reward those people for exceeding the key business performance targets.

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

Award employees

An Enterprise Agreement provides Award employees with six-monthly economic increments (presently 2%) to their base pay. In addition, employees are able to achieve capability-based increases to their base pay through the acquisition of additional required competencies.

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

Gainsharing is a flat payment made to all Award employees only, provided that:

(a) the Corporation's profitability target is exceeded; and

(b) a family of key corporate performance measures are achieved.

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

Contract employees

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

In order to promote management focus, pre-agreed corporate and individual business performance targets are established. The policy provides for performance-based payments for outstanding performance against these targets.

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

Board of Directors

Else Shepherd AM

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

Chairman of the Board (appointed 1994)

Else Shepherd has enjoyed a challenging career in the engineering, electricity and information technology industries. In recognition of her outstanding professional achievements she was named the Institution of Engineers Australia "Queensland Engineer of the Year" in 2000.

Highlights of her career include a decade working as an operations research engineer at Mackay's Sugar Research Institute, a position as Mackay Manager of an engineering consultancy company, lecturing at three Queensland Universities, and starting and managing two companies specialising in the research and development of innovative communications equipment.

Else is a non-executive Director of the National Electricity Market Management Company (NEMMCO), ESI Super, an Executive Director of Mosaic Information Technology Pty Ltd and Microwave and Materials Designs Pty Ltd, and a member of the Board of Trustees of the Brisbane Girls Grammar School.

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

Patricia Conroy

Board Member (appointed 1999)

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

Prior to 1980, Patricia was an active member of the Mt Isa business community, fulfilling roles as a Mt Isa City Council Alderman, Vice President of the North West Law Association, and partner in her own law firm. Patricia was also a founding member of the Aboriginal and Torres Strait Islanders Legal Service, Mt Isa.

For three years from 1994, Patricia was a member of the SEQEB Board of Directors and also served on the Board's Audit Committee.

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

Merv Norman

FIEAust, CPEng, FAIMM, FAICD, RPEQ

Board Member (appointed 1994)

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

He began his career in Queensland's sugar industry before broadening his expertise to include design and management of major projects for the mining and metallurgical processing industries.

After working at Mt Isa Mines between 1948 and 1955, Merv became a partner in the consulting engineering practice of Ariotti Norman Hamilton and Bruce. He then joined MIM Holdings in Brisbane in 1969, and retired from the company as General Manager Development in 1991.

A former District Governor of Lions International, Merv has served on many civic and professional committees during his career. Merv is currently on the Board of several companies, and chairs International Brands Pty Limited.

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

Board of Directors

Christina Sutherland

BLaw

Board Member (appointed 2001)

Christina Sutherland is a solicitor of the Supreme Court of Queensland and the High Court of Australia, with almost 16 years of experience providing insurance litigation, commercial litigation, administrative and industrial relations legal services to both plaintiffs and defendants in Queensland.

In 1998, Christine became a partner of Quinlan Miller and Treston Solicitors after more than 10 years with the company. She is an active member of the Queensland Law Society and has considerable experience presenting seminars, as part of the Continuing Legal Education (CLE) program.

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

Walter Threlfall

Board Member (appointed 1994)

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

Early in his career, Walter worked as an electrical fitter and mechanic in the steel manufacturing, electrical contracting and mining industries.

He is Deputy Chairman of the Townsville Regional Group Apprenticeship Scheme (TORGAS Inc), Chairman of the Townsville TAFE Queensland Advisory Council and Director of the Sugar Manufacturers of Australia Retirement Trust (SMART).

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

Executive Leadership Team

Gordon Jardine

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

Chief Executive

Since 1995, Gordon Jardine has held the position of Chief Executive of Powerlink Queensland. He is also a member of the System Reliability Panel of the NEM, and immediate past Chairman of the Australian National Committee of CIGRE, the premier international body for high-voltage power systems.

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, Gordon managed Mincom's USA operations as President of its North American subsidiary, before being appointed Deputy Managing Director of Mincom in 1990.

He is a Director of ElectraNet SA, following Powerlink's acquisition of a 41% interest, and a member of the ElectraNet SA Remuneration Committee.

Simon Bartlett

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

General Manager Network

Simon Bartlett is responsible for strategic business development and asset management to maximise the long-term return on Powerlink's investments in a way that satisfies the emerging expectations of our stakeholders, including our Shareholders, customers, NEM participants, regulator and the community.

Simon is also a Director of ElectraNet SA and provides strategic advice on the development and management of the transmission network in South Australia.

His 30-year career in electricity generation and transmission has included Australian and overseas roles in planning, design and strategic management.

Maurie Brennan

B Bus, MBA, CPA, FAICD

Manager Finance and Commercial Services

Maurie Brennan has provided strategic financial and commercial advice to public sector organisations in Queensland's electricity industry since 1979. He was a member of the team responsible for the corporatisation of the Queensland Electricity Supply Industry in 1995.

At Powerlink, Maurie manages all finance, tax, treasury, business planning, investment analysis, corporate services, internal audit, legal compliance and Shareholder reporting issues. In addition, Maurie is Powerlink's Board 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. He is also an alternate Director of the ESI Super Board.

Executive Leadership Team

Hugh Grant

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

Operations Manager

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

Hugh performs the role of Powerlink's Service Delivery Manager under the Shared Services Agreement with ElectraNet SA.

Hugh also holds the position of Operations Manager for the Asia Pacific Utilities Group (APUG) – an international group of utilities that collaborates on supply chain management activities in the Asia Pacific region.

Before joining Powerlink, Hugh gained international experience with various plant manufacturers and service providers to the electricity supply industry.

Gary Johnston

BA (Hons), MAPS, MAHRI

Manager Employee Relations and Development

Gary Johnston 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, organisational development and employment systems and services. He also oversees the provision of human resources and change management consultancy services to external clients.

Gary has managed successful workplace improvement initiatives, Powerlink's cultural development program and culture survey. He has also guided organisational restructuring and change management programs.

Gary has more than 25 years' professional experience in clinical and organisational psychology roles including 16 years in human resource management.

Executive Leadership Team

Terrence (Terry) Miller

BE (Elec)

Manager Grid Planning

Terry oversees all analysis and planning activities for Powerlink's transmission network and plays a key role in contributing to Powerlink's network and investment strategies.

His activities aim to ensure that Powerlink meets its planning obligations for network reliability, electricity supply quality and system stability. In addition he represents Queensland on the Inter-Regional Planning Committee of the National Electricity Market.

With more than 31 years' experience in the Queensland electricity industry, Terry's career has included experience in network planning, regulatory affairs, customer account management, substation design and distribution network design.

Garry Mulherin

BE (Elec), RPEQ

Manager Network Field Services

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

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

His 25-year career within the electricity industry has provided Garry with a depth of experience in distribution and transmission, including management of key business areas and organisational change initiatives.

Brian Pokarier

BE, Dip Business Management, CP Eng, FIEAust

Manager Engineering

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

Brian also manages the provision of consulting services in transmission design, engineering and project management to customers in Australia and overseas.

With 30 years' experience in electrical engineering, Brian holds the position of Australian Convenor of the CIGRE panel for System Technical Performance and is Chairman of the Australia Standards Committee for overhead lines.

Executive Leadership Team

Robyn Robinson

BSc, MSc(OR), Dip CompSc

Manager Corporate Development

As Manager Corporate Development, Robyn's responsibilities include optimising Powerlink's ability to integrate new external business investments and coordination of corporate-wide business process improvement activities.

Robyn led the program to implement IT Shared Services for ElectraNet. Her major focus this year has been the introduction of an initiative to review and refine Powerlink's major business processes as a strategy contributing to achieving operational excellence.

Robyn has previously been involved in the provision of information technology services including customer relationship management, strategy development, project management and application development to the Queensland electricity industry for more than 20 years. She is a member of the Australian Society for Operations Research and Women in Information Technology.

Owen West

BSc (Hons), BCom, MAICD

Manager Procurement

Owen manages the provision of materials management and procurement services to internal Powerlink customers. His team has also developed a solid external customer base in Queensland for value-added and strategic procurement and commercial services.

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

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

Directors' Report

The Directors present their report together with the financial statements of Queensland Electricity Transmission Corporation Limited (Powerlink Queensland) and the consolidated financial statements of the economic entity, being Powerlink Queensland and its controlled entities, for the year ended 30 June 2004, and the auditor's report based on this.

Directors

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

- Else Shepherd (Chairman)
- Merv Norman
- Walter Threlfall
- Patricia Conroy
- Christina Sutherland

Principal activities

The principal activities of the economic entity during the course of the financial year were:

- Delivery of a secure and reliable transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points;
- Provision of services to NEMMCO to manage the security of the Queensland Grid;
- Provision of metering at generation and customer/distribution connection points; and
- Performance of the functions of Jurisdictional Co-ordinator of Sensitive Loads, and Transmission Network Planning in Queensland, as appointed by the Queensland Government.

There were no significant changes in the nature of the activities of the economic entity during the financial year.

Consolidated results

The consolidated profit for the year, before interest and income tax equivalent attributable to the members of Queensland Electricity Transmission Corporation Limited, was $214.5 million (2003: $194.6 million).

Dividends

The Directors have provided for a final dividend of $87.924 million (2003: $72.855 million), being 95 percent of the operating profit and extraordinary items after income tax equivalent. The Board of Directors have made their recommendation on the final dividend to be paid in accordance with the *Government Owned Corporations Act.*

The final dividend will not be franked.

Significant events subsequent to balance date

The Federal Government has announced that it plans to amend the tax consolidation legislation. Details of the proposed changes are not yet available. The effects of any change will be brought to account when the legislation is substantively enacted and the entity can assess the impact.

For reporting periods starting on or after 1 July 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB). At balance date, it was not possible to quantify the effect of the convergence to IFRS as key IFRS and AASB standards are currently under development.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, an item, transaction or event of a material and unusual nature, likely, in the opinion of the Directors of the Company,

Directors' Report

to significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Review of operations

A review of the economic entity's operations during the financial year, and the results of those operations, are contained in this annual report.

Likely developments and expected results of operations

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Environmental regulation

The economic entity is subject to environmental regulations under State and Federal Government legislation with regard to its acquisition and development of transmission line easements, maintenance and construction activities, and the operation of facilities at its Virginia site.

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

Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director were:

	Board Meetings	Meetings of Committees	
		Audit	Remuneration
Number of meetings held:	11	4	2
Number of meetings attended:			
Else Shepherd	9	4	*
Patricia Conroy	9	*	2
Merv Norman	9	3	2
Walter Threlfall	10	*	2
Christina Sutherland	8	4	*
* Not a member of the relevant committee			

Information on Directors

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

Directors' ordinary shares

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

Directors' interests and benefits

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

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

Directors' Report

Indemnities and insurance

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

The indemnity relates to any liability:

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

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

Insurance

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

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

Directors' and officers' remuneration

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

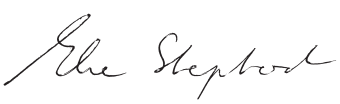
Details of the of the nature and amount of each element of the emolument of each director of the company and each of the five specified executive officers of the company and the consolidated entity receiving the highest emoluments for the financial year are included in the notes of the attached financial statements and supporting notes.

Director remuneration information is included in Note 29 "Remuneration of Directors" while remuneration information for the five specified executives is included in Note 30 "Remuneration of Executives".

Rounding

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

Signed in accordance with a resolution of the Directors.



E.E. Shepherd
Chairman

9th September 2004


Financials

Statement of Financial Performance

Year ended 30 June 2004

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
Revenues from ordinary activities	2	424 159	392 534	421 528	388 854
Expenses from ordinary activities excluding borrowing costs expense	3	209 708	197 902	209 687	197 884
Borrowing costs expense	4	81 176	77 728	81 176	77 728
Share of net profits (losses) of associates accounted for using the equity method	11	2 147	(4 884)	-	-
Profit (Loss) from ordinary activities before income tax equivalent expense		135 422	112 020	130 665	113 242
Income tax equivalent expense (benefit) relating to ordinary activities	5.1	42 870	35 331	40 398	32 779
Profit (Loss) from ordinary activities after related income tax equivalent expense		92 552	76 689	90 267	80 463
Net profit (loss)		92 552	76 689	90 267	80 463
Net profit attributable to members of Queensland Electricity Transmission Corporation Limited	21	92 552	76 689	90 267	80 463
Increase (Decrease) in asset revaluation reserve	20	68 554	110 612	63 222	91 792
Total revenues, expenses and valuation adjustments attributable to members of Queensland Electricity Transmission Corporation Limited and recognised directly in equity		68 554	110 612	63 222	91 792
Total changes in equity other than those resulting from transactions with owners as owners		161 106	187 301	153 489	172 255

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

At 30 June 2004

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
CURRENT ASSETS					
Cash assets	7	99 393	127 731	92 516	120 544
Receivables	8	35 578	39 676	35 720	39 062
Inventories	9	15 411	10 361	15 411	10 361
Other	10	1 649	2 670	1 649	2 670
Total current assets		152 031	180 438	145 296	172 637
NON CURRENT ASSETS					
Investments accounted for using the equity method	11	48 206	39 201		
Other financial assets	12	91 200	57 900	92 955	57 905
Property, plant and equipment	14	2 901 329	2 761 748	2 901 329	2 761 748
Deferred tax assets	5.4	10 490	11 207	10 490	11 202
Total non current assets		3 051 225	2 870 056	3 004 774	2 830 855
TOTAL ASSETS		3 203 256	3 050 494	3 150 070	3 003 492
CURRENT LIABILITIES					
Payables	15	139 881	134 620	139 868	134 606
Current tax liabilities	5.2	16 858	25 350	16 858	24 102
Provisions	17	93 073	77 116	93 073	77 116
Other	18	8 063	9 984	8 063	9 984
Total current liabilities		257 875	247 070	257 862	245 808
NON CURRENT LIABILITIES					
Interest Bearing Liabilities	16	1 412 420	1 351 820	1 412 420	1 351 820
Deferred Tax Liabilities	5.3	37 493	32 429	37 493	32 245
Provisions	17	18 053	17 542	18 053	17 542
Other	18	12 123	9 524	12 123	9 524
Total non current liabilities		1 480 089	1 411 315	1 480 089	1 411 131
TOTAL LIABILITIES		1 737 964	1 658 385	1 737 951	1 656 939
NET ASSETS		1 465 292	1 392 109	1 412 119	1 346 553
EQUITY					
Parent entity interest					
Contributed equity	19	401 000	401 000	401 000	401 000
Reserves	20	1 018 312	949 758	947 800	884 578
Retained profits	21	45 980	41 351	63 319	60 975
TOTAL EQUITY		1 465 292	1 392 109	1 412 119	1 346 553

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

Year ended 30 June 2004

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		398 047	368 247	397 433	367 632
Intra Regional settlements residue (IRSR)		6 401	28 823	6 401	28 823
Payments to suppliers and employees		(86 219)	(94 780)	(86 199)	(94 761)
Interest received		10 403	10 025	2 108	1 980
Dividends received		234	273	6 361	4 979
Borrowing costs		(81 111)	(86 233)	(81 111)	(86 233)
Income tax equivalent paid		(45 582)	(13 915)	(42 522)	(11 164)
Goods and services tax (paid)/received		(544)	2 780	(544)	2 780
Other operating receipts		20 918	13 057	20 918	13 057
Other operating payments		(7 034)	(717)	(7 032)	(717)
Net cash flows from/(used in) operating activities	22	215 513	227 560	215 813	226 376
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(197 817)	(191 056)	(197 817)	(191 056)
Proceeds from sale of property, plant and equipment		1 281	2 356	1 281	2 356
Payments for investments		(35 060)	-	(35 050)	(2 400)
Net cash flows from/(used in) investing activities		(231 596)	(188 700)	(231 586)	(191 100)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		60 600	74 416	60 600	74 416
Dividends paid		(72 855)	(70 545)	(72 855)	(70 545)
Net cash flows from/(used in) financing activities		(12 255)	3 871	(12 255)	3 871
Net increase/(decrease) in cash held		(28 338)	42 731	(28 028)	39 147
Add opening cash brought forward		127 731	85 000	120 544	81 397
Closing cash carried forward	7	99 393	127 731	92 516	120 544

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

1.2 Principles of consolidation

Controlled Entities

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland as at 30 June 2004 and the results of all controlled entities for the year then ended. The results of all controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full.

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

Associates

Associates are those entities, other than partnerships, over which the economic entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using the equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount. The economic entity's accounted share of the associates' net profit (loss) is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the economic entity's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

1.3 Foreign currencies

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

Hedges

All non specific hedge transactions are initially recorded at the spot rate at the date of the transaction. Hedges outstanding at balance date are translated at the rates of exchange ruling on that date and any exchange differences are brought to account in the statement of financial performance. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated as a hedge of the purchase or sale of goods or services, purchase of qualifying assets, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale. Any exchange differences on the hedge transactions after that date are included in the statement of financial performance.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

1.4 Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term investments at call, net of outstanding bank overdrafts.

1.5 Investments

Associates

Investments in associates are carried at the lower of the equity accounted amount and the recoverable amount in the consolidated financial report.

Controlled Entities

Investments in controlled entities are carried in the Corporation's financial statements at the lower of cost and recoverable amount.

1.6 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.

1.7 Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Grid Sales Revenue

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

Regulated sales revenue is subject to the application of an annual revenue cap determined for the Corporation.

Transmission Use of System (TUOS) prices are initially set to achieve the annual revenue cap.

While the actual regulated revenue collected in a period may vary from the annual revenue cap, the annual revenue cap is brought to account as revenue on the basis that the Corporation is able to recover, or is required to refund, amounts that have been under or over collected in the current period.

Interest Revenue

Interest revenue is recognised as it accrues.

Dividends

Revenue from dividends and distributions from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends and distributions from associates are recognised by the parent entity when they are received.

Revenue from dividends from other investments are recognised when received.

Asset Sales

The gross proceeds of asset sales are recognised as revenue at the date control of the asset passes to the buyer usually at the date an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1.8 Tax equivalents

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

These payments are made pursuant to Section 155(4) of the *Government Owned Corporations Act 1993* and are based upon rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* (Refer Note 5).

1.9 Tax effect accounting

The economic entity adopts the income statement liability method of tax effect accounting.

Income tax equivalent expense is calculated based on operating profit adjusted for permanent differences between taxable income and accounting profit. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax equivalent benefit or as a provision for deferred income tax equivalent.

Future income tax equivalent benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax equivalent losses are only brought to account when realisation is virtually certain.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

1.10 Tax Consolidation

Powerlink Queensland is the head entity in the tax consolidation group comprising all the Australian wholly-owned subsidiaries set out in Note 13. The implementation date for the tax consolidated group is 1 July 2003. The head entity recognizes all the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

The tax consolidated group has entered into a tax funding agreement that requires wholly owned subsidiaries to make contributions to the head entity for:

- Deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- Current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by the wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with consequential adjustment to income tax expense/revenue.

1.11 Valuation of property plant and equipment

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

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

The latest regulatory valuation was undertaken in November 2001 by the Australian Competition and Consumer Commission as part of its revenue cap determination process for the regulatory period to 30 June 2007. The valuation was based upon the depreciated optimised replacement value approach.

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

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.

Newly commissioned supply system assets are, upon commissioning, revalued by a factor which represents the overall cost of funds employed during construction. However to the extent that portion of the revaluation factor represents interest that has already been capitalised in accordance with AASB 1036, only the excess over interest capitalised is credited to the Asset Revaluation Reserve.

Office equipment and furniture (including computer equipment), tools and plant are treated as a sub class of other property, plant and equipment and their valuation does not take into account price index movements.

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

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

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

1.12 Depreciation

Depreciation is calculated on the straight line method by reference to the estimated useful life of each group of property, plant and equipment within the same class. Depreciation commences from the time units of property, plant and equipment are brought into commercial operation and is provided on all assets with the exception of land.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

1.12 Depreciation (Cont'd)

The expected useful lives are as follows:

- Supply System Assets 12 - 50 years
- Buildings 7 - 40 years
- Other Property Plant and Equipment 2 - 10 years

1.13 Leased non current assets

Domestic Leases

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

Where a sale and leaseback transaction has occurred the lease is classified as a finance lease and capitalised. Minimum lease payments are allocated between interest expense and reduction of the lease liability.

Cross Border Lease

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

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

The transaction comprised four tranches and was completed in January 2001.

1.14 Acquisition of assets

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

The cost of property, plant and equipment constructed by the economic 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.

1.15 Employee benefits

Provision has been made for annual leave, long service leave and "Time off in Lieu" leave payable to employees.

Annual leave and "Time off in Lieu" leave represent the amount which the economic entity has as a present obligation to pay resulting from employees' services provided up to 30 June 2004.

The provisions have been calculated at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled including related on-costs.

The provision for employees' long service leave represents the present value of the estimated future cash flows to be made by the economic entity resulting from employees' services provided at 30 June 2004. The measurement techniques consider expected future salary levels, experience of employee departures and periods of service. Expected future payments were discounted using the market yield on a federal government guaranteed security with a term to maturity that matched, as closely as possible, the estimated future cash flows.

The amounts provided have been apportioned between current and non current liabilities (refer Note 17).

It is the policy of the economic entity to recognise liabilities for superannuation where the present value of employees' accrued benefits at reporting date exceeds the net market value of the scheme's assets at that date. The superannuation schemes are fully funded and no liability for such shortfalls is shown (refer Note 26).

1.16 Borrowings

Loans and associated derivatives are carried on the Statement of Financial Position at their principal amount. Principal repayments have been deferred in line with the Corporation's borrowing program. Interest expense is accrued over the period it becomes due and is recorded as part of other creditors.

Powerlink Queensland, at times, utilises Forward Rate Agreements with QTC to manage interest rate exposure for future borrowings. Any gains or losses realised at maturity are included in the fair value of borrowings.

1.17 Borrowing costs

Borrowing costs include interest and costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use. As all the economic entity's funds are borrowed generally, borrowing costs capitalised use a weighted average capitalisation rate.

1.18 Segment reporting

The economic entity operates in the one industry being the transmission of electricity and one geographical segment - Queensland, and is reported accordingly.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

1.19 Receivables

Trade Debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed on an ongoing basis and provision is made for any doubtful debts (refer Note 8).

Such assessment identified that it was not necessary to raise a provision for doubtful debts at 30 June 2004.

1.20 Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade accounts are normally settled within 30 days (refer Note 15).

1.21 Provisions

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

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

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

1.22 Derivative financial instruments

The economic entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities.

The economic entity uses the following derivative financial instruments to hedge these risks: forward rate agreements, forward foreign exchange contracts and commodity hedge contracts. Derivative financial instruments are not held for speculative purposes.

Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Forward Rate Agreements

The accounting for forward rate agreements is set out in Note 1.16.

Forward Foreign Exchange Contracts

The accounting for forward foreign exchange contracts is set out in Note 1.3.

Commodity Hedge Contracts

Commodity hedges are used to hedge anticipated commitments.

1.23 Electricity Market Operations

National Electricity Market

Under the National Electricity Code (NEC), 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 NEC, the IRSR balance is held by Powerlink Queensland and is applied to offset transmission network charges. In 2003/04 the amount of IRSR applied to offset regulated network charges totaled $46.5 million.

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

At 30 June 2004, the IRSR balance, including interest earned and net of fees, was $110.3 million.

1.24 Goods and Services Tax

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

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

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

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
2. REVENUES FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Grid sales revenue	390 863	366 575	390 863	366 575
Total revenues from operating activities	390 863	366 575	390 863	366 575
Revenue from non operating activities				
Dividends				
Controlled entities	-	-	6 361	4 979
Interest				
Other related parties	8 683	8 411	-	-
Other parties	2 417	2 228	2 108	1 980
Proceeds from sale of non current assets	1 281	2 356	1 281	2 356
Customer works revenue	14 062	8 518	14 062	8 518
Property revenue	2 528	842	2 528	842
Other	4 325	3 604	4 325	3 604
Total revenues from outside the operating activities	33 296	25 959	30 665	22 279
Total revenues from ordinary activities	424 159	392 534	421 528	388 854
3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS EXPENSE				
Network operations	7 188	6 810	7 188	6 810
Network maintenance	45 526	40 261	45 526	40 261
Grid support	11 182	10 704	11 182	10 704
Corporate/Business support	28 066	29 711	28 045	29 693
Other	7 032	5 873	7 032	5 873
Depreciation	109 283	101 670	109 283	101 670
Carrying amount non current asset disposal	1 431	2 873	1 431	2 873
Total expenses from ordinary activities, excluding borrowing costs expense	209 708	197 902	209 687	197 884

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EQUIVALENT EXPENSE

Profit from ordinary activities before income tax equivalent expense has been arrived at after charging/(crediting) the following items:

Charges				
Depreciation of non current assets				
Supply system assets	99 712	93 592	99 712	93 592
Other property, plant and equipment	9 571	8 078	9 571	8 078
	109 283	101 670	109 283	101 670
Borrowing costs expensed				
Borrowing costs	85 536	82 628	85 536	82 628
Total borrowing costs	85 536	82 628	85 536	82 628
Less amount capitalised	(4 360)	(4 900)	(4 360)	(4 900)
Borrowing costs expensed	81 176	77 728	81 176	77 728
Net profit/(loss) on disposal of property, plant and equipment	150	517	150	517
Rental - operating leases	367	321	367	321

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

5. INCOME TAX EQUIVALENT

5.1 Income Tax Equivalent Expense

The prima facie tax on operating profit and extraordinary items differs from the income tax equivalent provided in the accounts as follows:				
Prima facie income tax equivalent expense calculated at 30% (2003: 30%) on the profit from ordinary activities	40 626	33 606	39 199	33 973
Increase in income tax equivalent expense due to non tax assessable items:				
Building and asset revaluations	3 146	1 930	3 146	1 930
Other	8	6	8	6
Share of associates' net (profit)/loss	(573)	1 465	-	-
Decrease in income tax equivalent expense due to non tax assessable items:				
Intercompany dividends	-	-	(1 908)	(1 494)
Building Write-off	(240)	(234)	(240)	(234)
Other	(102)	1	(32)	1
Research and development - additional deduction	-	(31)	-	(31)
Income tax equivalent expense on operating profit before individually significant items	42 865	36 743	40 173	34 151
Individually significant income tax equivalent items				
Tax equivalent expense related to current and deferred tax transactions of the wholly owned subsidiaries in the tax consolidated group	-	-	2 691	-
Recovery of tax equivalent expense under a tax funding agreement	-	-	(2 471)	-
Income tax equivalent expense on operating profit	42 865	36 743	40 393	34 151
Add: Income tax equivalent expense under/(over) provided in prior year	5	(1 412)	5	(1 372)
Total income tax equivalent expense	42 870	35 331	40 398	32 779
Total income tax equivalent expense is made up of:				
Current income tax equivalent provision	36 822	35 619	36 001	33 027
Under/(Over) provision in prior year	5	(1 412)	5	(1 372)
Deferred income tax equivalent provision	5 326	912	5 363	912
Future income tax equivalent benefit	717	212	717	212
Adjustment for consolidation eliminations included in head company	-	-	(1 908)	-
Intercompany balances	-	-	220	-
	42 870	35 331	40 398	32 779

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
5.2 Provision for current year				
Movements during the year were as follows:				
Opening balance	25 350	8 727	24 102	7 280
Income tax equivalent paid	(45 572)	(13 915)	(44 332)	(11 164)
Under/(Over) provision in prior year	259	35 619	267	33 027
Recoverable from subsidiaries under Tax Funding Agreement	-	-	820	-
Current year income tax equivalent expense on operating profit	36 821	(5 081)	36 001	(5 041)
Closing balance under Tax Funding Agreement	16 858	25 350	16 858	24 102
5.3 Provision for deferred income tax equivalent				
Provision for deferred income tax equivalent comprises the estimated expense at the applicable income tax rate of 30% (2003: 30%) on the following items:				
Difference in depreciation of property, plant and equipment for accounting and income tax equivalent purposes	15 087	13 634	15 087	13 634
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	18 712	13 189	18 712	13 189
Income receivable	1 856	3 732	1 856	3 548
Other	1 838	1 874	1 838	1 874
	37 493	32 429	37 493	32 245
5.4 Future Income Tax Equivalent Benefit				
Future income tax equivalent benefit comprises the estimated future benefit at applicable income tax equivalent rate of 30% (2003: 30%) on the following items:				
Provisions and accrued expenditure not currently deductible	10 478	11 188	10 478	11 183
Other	12	19	12	19
	10 490	11 207	10 490	11 202

This future income tax equivalent benefit will be obtained only if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the economic entity in realising the benefit.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
6. DIVIDENDS PAID OR PROVIDED FOR				
Final dividends proposed				
Unfranked dividends	87 924	72 855	87 924	72 855
	87 924	72 855	87 924	72 855

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

7. CASH ASSETS				
Cash balance comprises:				
Cash on hand	3	2	3	2
Cash on deposit with Queensland Treasury Corporation (QTC)	14 493	22 699	7 619	15 516
Cash on deposit with QTC - IRSR account (refer Note 33)	80 304	103 898	80 304	103 898
Cash at bank - IRSR Account	1	6	1	6
Cash at bank - (bank overdraft)	4 592	1 126	4 589	1 122
Closing cash balance	99 393	127 731	92 516	120 544

Deposits at call

Cash on deposit with QTC at 30 June 2004, was bearing floating interest at 5.61% (2003: 4.91%)

Cash at bank at 30 June 2004, was bearing floating interest at 3.0% (2003: 2.5%)

8. RECEIVABLES - CURRENT				
Trade debtors	35 578	39 676	34 881	39 062
Less provision for doubtful debts	-	-	-	-
	35 578	39 676	34 881	39 062
Other	-	-	839	-
	35 578	39 676	35 720	39 062
9. INVENTORIES - CURRENT				
Maintenance and construction stocks	15 411	10 361	15 411	10 361
	15 411	10 361	15 411	10 361

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
10. OTHER CURRENT ASSETS					
Work in progress - customer works		524	1 617	524	1 617
Prepayments		1 116	940	1 116	940
Other		9	113	9	113
		1 649	2 670	1 649	2 670
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associates	11(a)	48 206	39 201		

(a) Interest in Associates

NAME	BALANCE DATE	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY		INVESTMENT CARRYING AMOUNT	
		2004	**2003**	**2004**	**2003**
		%	**%**	**$'000**	**$'000**
ElectraNet Pty Ltd	30 June 2004	41.11	40.25	47 961	38 963
ElectraNet Transmission Services Pty Ltd	30 June 2004	41.11	40.25	245	238
				48 206	39 201

Principal activity

ElectraNet Pty Ltd trading as ElectraNet SA is a provider of electricity transmission services in the State of South Australia.

ElectraNet Transmission Services Pty Ltd is a provider of asset management services principally to ElectraNet Pty Ltd.

	CONSOLIDATED	
	2004	2003
	$'000	$'000
Share of associates' profits (losses)		
Share of associates':		
profit/(loss) from ordinary activities before income tax expense	2 234	(6 187)
income tax expense relating to profit/(loss) from ordinary activities	(103)	180
operating profit/(loss) after income tax	2 131	(6 367)

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED	
	2004	2003
	$'000	$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)		
Adjusted for:		
Notional Depreciation on Acquisition	(15)	-
Net movement for variation in accounting policies	31	1 483
Share of Associates' net profit/(loss) accounted for using the equity method	2 147	(4 884)
Share of post acquisition retained profits/(losses) and reserves attributable to associates		
Retained profits/(losses)		
Share of associates' retained profits/(losses) at beginning of year	(25 987)	(19 626)
Dividends received from associate	(234)	(273)
Adjustment against Retained Earnings	-	(1 204)
Share of associates' net profit/(loss) accounted for using the equity method	2 147	(4 884)
Share of associates' retained profits/(losses) at end of year	(24 074)	(25 987)
Asset revaluation reserve		
Share of associates asset revaluation reserve at beginning of year	65 180	46 360
Share of increment in asset revaluation reserve of associates	5 332	18 820
Share of associates' asset revaluation reserve at end of year	70 512	65 180
Movements in carrying amount of investments		
Carrying amount of investments in associates at beginning of the financial year	39 201	26 742
Adjustment against Retained Earnings	-	(1 204)
Investment in associates acquired during the year	1 760	-
Dividends received from associate	(234)	(273)
Share of associates' net profit/(loss)	2 147	(4 884)
	42 874	20 381
Share of increment in associates' asset revaluation reserve	5 332	18 820
Carrying amount of investments in associates at end of year	48 206	39 201
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for and payable:		
Payable not later than one year	6 424	6 078
Payable later than one year and not later than five years	435	-
	6 859	6 078

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED	
	2004	2003
	$'000	$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Cont'd)		
Share of associates' operating lease commitments payable:		
Payable not later than one year	917	956
Payable later than one year and not later than five years	179	691
	1 096	1 647
Share of associates' finance lease commitments payable:		
Payable not later than one year	1 258	-
Payable later than one year but not later than five years	4 432	-
	5 690	-
Less:	627	-
Future finance charges	5 063	-

Contingent liabilities:

As part of its Cross Border Lease arrangements, an Associate has provided limited indemnities to third parties. The risk, which is considered remote and not possible to quantify in any meaningful way, relates to amounts that would become payable to the investors in the event of early termination of the arrangement. No amount has been recognised, because it is considered unlikely that any liability will arise.

Unsecured guarantees have been given in respect of:

(i) Cross border lease bond ($20.0M)
(ii) WorkCover ($0.6M)

Subsequent Events

Since the end of the financial year an Associate has restructured the terms of its shareholder loans such that an additional 9.5% interest is potentially payable where certain conditions are met.

Summary financial position of associates

The consolidated entity's share of aggregate assets and liabilities of associates is as follows:

Current assets	39 001	32 133
Non current assets	471 855	443 821
Total assets	510 856	475 954
Current liabilities	29 325	96 009
Non current liabilities	435 669	340 744
Total liabilities	464 994	436 753
Net assets as reported by associates	45 862	39 201
Adjustments Arising from Equity Accounting		
Increased Asset Valuation on Acquisition (Net of depreciation)	830	-
Variation in Accounting Policies	1 514	-
Net Assets - Equity Adjusted	48 206	39 201

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
12. OTHER FINANCIAL ASSETS - NON CURRENT				
Investments in associates:				
Unlisted shareholder loan notes	61 200	57 900	-	-
Investments in controlled entities:				
Unlisted shares at cost	-	-	1	1
Unsecured loan #	-	-	62 954	57 904
Fixed Term Deposit*	30 000	-	30 000	-
	91 200	57 900	92 955	57 905

Represents unsecured advances to Harold Street Holdings Pty Ltd of $62,950,044 (2003:$57,900,275) and Powerlink Transmission Services Pty Ltd $4,025 (2003:$4,025). Both companies are wholly owned subsidiaries of Powerlink Queensland - Refer Note 13.

* Represents investment of IRSR Funds - Refer Notes 1.23, 33.

13. INTERESTS IN SUBSIDIARIES

	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY		INVESTMENT	
		2004	2003	**2004**	2003
		%	%	**$**	$
Harold Street Holdings Pty Ltd	Australia	100%	100%	12	12
Powerlink Transmission Services Pty Ltd	Australia	100%	100%	1 002	1 002

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
14. PROPERTY, PLANT AND EQUIPMENT				
Supply System				
Supply system assets subject to cross border lease				
At directors' valuation 30 June 2004	4 005 595	3 797 396	4 005 595	3 797 396
Less: accumulated depreciation	(1 677 080)	(1 564 998)	(1 677 080)	(1 564 998)
	2 328 515	2 232 398	2 328 515	2 232 398
Other supply system assets				
At directors' valuation 30 June 2004	217 957	201 808	217 957	201 808
Less: accumulated depreciation	(60 433)	(50 923)	(60 433)	(50 923)
	157 524	150 885	157 524	150 885
Total Supply System Assets	2 486 039	2 383 283	2 486 039	2 383 283

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)				
Other Land and Buildings				
Freehold Land and Easements				
At directors' valuation 30 June 2004	246 167	237 674	246 167	237 674
	246 167	237 674	246 167	237 674
Buildings				
At directors' valuation 30 June 2004	31 845	26 532	31 845	26 532
Less: accumulated depreciation	(9 716)	(8 712)	(9 716)	(8 712)
	22 129	17 820	22 129	17 820
Total Other Land and Buildings	268 296	255 494	268 296	255 494
Other Property, Plant and Equipment				
At cost	70 366	62 898	70 366	62 898
Less: accumulated depreciation	(48 345)	(40 321)	(48 345)	(40 321)
	22 021	22 577	22 021	22 577
Work in Progress				
At cost	124 973	100 394	124 973	100 394
	124 973	100 394	124 973	100 394
Total Property, Plant and Equipment	2 901 329	2 761 748	2 901 329	2 761 748

	SUPPLY SYSTEM	OTHER LAND & BUILDINGS	OTHER PROPERTY PLANT & EQUIP	WORK IN PROGRESS	TOTAL
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Reconciliations					
Reconciliations of the carrying amounts for each class of property plant and equipment are set out below:					
Carrying amount at beginning of year	2 383 283	255 494	22 577	100 394	2 761 748
Additions	-	-	-	187 074	187 074
Disposals		(293)	(1 138)	-	(1 431)
Depreciation	(99 712)	(832)	(8 739)	-	(109 283)
Revaluation increments/(decrements)	57 679	5 542	-	-	63 221
Reclassifications	-	-	-	-	-
Transfers from works in progress	144 789	8 385	9 321	(162 495)	-
Carrying amount at end of year	2 486 039	268 296	22 021	124 973	2 901 329

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
15. PAYABLES - CURRENT				
Trade creditors	17 334	22 714	17 321	22 700
Deposits	274	423	274	423
IRSR - refer notes 1.23, 33	110 305	103 904	110 305	103 904
Other	11 968	7 579	11 968	7 579
	139 881	134 620	139 868	134 606
16. INTEREST BEARING LIABILITIES				
Non Current				
Queensland Treasury Corporation - unsecured (Note 24)	1 412 420	1 351 820	1 412 420	1 351 820
	1 412 420	1 351 820	1 412 420	1 351 820

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
17. PROVISIONS				
Current				
Dividends	87 924	72 855	87 924	72 855
Environmental restoration	265	243	265	243
Employee benefits	4 643	3 777	4 643	3 777
Other	241	241	241	241
	93 073	77 116	93 073	77 116
Non Current				
Environmental restoration	2 087	2 020	2 087	2 020
Employee benefits	15 242	14 814	15 242	14 814
Other	724	708	724	708
	18 053	17 542	18 053	17 542

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

17. PROVISIONS (Cont'd)

Reconciliations

Reconciliations of the carrying amount of each class of provision, except for employee benefits, are set out below:

Dividends				
Carrying amount at the beginning of the year	72 855	70 545	72 855	70 545
Provisions made during the year - final dividend	87 924	72 855	87 924	72 855
Payments made during the period	(72 855)	(70 545)	(72 855)	(70 545)
Carrying amount at the end of the year	87 924	72 855	87 924	72 855
Environment Restoration				
Current				
Carrying amount at the beginning of the year	243	243	243	243
Provisions made during the year	22	-	22	-
Payments made during the period	-	-	-	-
Carrying amount at the end of the year	265	243	265	243
Non-Current				
Carrying amount at the beginning of the year	2 020	2 134	2 020	2 134
Provisions made during the year	403	339	403	339
Payments made during the period	(336)	(453)	(336)	(453)
Carrying amount at the end of the year	2 087	2 020	2 087	2 020

18. OTHER LIABILITIES

Current				
Refund capital contributions	731	3 843	731	3 843
Unearned revenue	7 332	6 027	7 332	6 027
Other	-	114	-	114
	8 063	9 984	8 063	9 984
Non Current				
Refund capital contributions	2 032	2 668	2 032	2 668
Unearned revenue	10 091	6 856	10 091	6 856
	12 123	9 524	12 123	9 524

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

19. CONTRIBUTED EQUITY

Issued and paid up capital #				
401 000 000 ordinary shares of $1.00 each fully paid	401 000	401 000	401 000	401 000

	2004	2003
	$	$
# Consists of:		
"A" class (voting) ordinary shares of $1.00 each fully paid	2	2
"B" class (non voting) ordinary shares of $1.00 each fully paid	400 999 998	400 999 998
Total issued and paid up capital	401 000 000	401 000 000

Movements in shares on issue
There was no movement in issued share capital during 2003/04 or 2002/03 years.

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

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

20. RESERVES

Asset revaluation	1 018 312	949 758	947 800	884 578
	1 018 312	949 758	947 800	884 578
Movements in reserves				
Asset revaluation				
Balance at beginning of year	949 758	839 146	884 578	792 786
Revaluation increments	63 222	91 792	63 222	91 792
Share of associates' reserve increments arising during the year	5 332	18 820	-	-
Balance at end of year	1 018 312	949 758	947 800	884 578

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve is used to record the net revaluation increments and decrements arising from the revaluation of non current assets in accordance with AASB 1041.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED		POWERLINK QLD	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
21. RETAINED PROFITS				
Retained profits at the beginning of the year	41 351	38 721	60 975	53 367
Adjustment against Retained Earnings	1	(1 204)	1	-
Net profit attributable to members of Powerlink Queensland	92 552	76 689	90 267	80 463
Total available for appropriation	133 904	114 206	151 243	133 830
Dividends provided for or paid	87 924	72 855	87 924	72 855
Retained profits at the end of the year	45 980	41 351	63 319	60 975
22. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Profit from ordinary activities after income tax equivalent	92 552	76 689	90 267	80 463
Add/(Less) items classified as investing/financing activities				
Net (profit)/loss on sale of non current assets	150	517	150	517
Add/(Less) non cash items				
Depreciation	109 283	101 670	109 283	101 670
Amounts set aside to provisions	7 092	4 451	7 092	4 451
Share of associates net (profits)/losses	(2 147)	4 884	-	-
Dividends received from associates	234	273	-	-
Net cash provided by operating activities before change in assets and liabilities	207 164	188 484	206 792	187 101
Changes in assets and liabilities				
(Increase)/Decrease in inventories	(5 050)	(3 376)	(5 050)	(3 376)
(Increase)/Decrease in prepayments	(176)	(220)	(176)	(220)
(Increase)/Decrease in debtors	10 730	3 306	10 813	3 304
Increase/(Decrease) in creditors	8 254	24 575	7 415	24 575
Increase/(Decrease) in provision for income tax equivalent payable	(9 333)	16 623	(8 085)	16 822
Increase/(Decrease) in provision for deferred income tax equivalent	5 064	4 563	5 248	4 564
(Increase)/Decrease in future income tax equivalent benefit	717	229	713	230
Increase/(Decrease) in other provisions	(1 857)	(6 624)	(1 857)	(6 624)
Net cash flow provided by (used in) operating activities	215 513	227 560	215 813	226 376

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

23. NON CASH FINANCING AND INVESTING ACTIVITIES

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

24. FINANCING ARRANGEMENTS

Loan Facilities

Loan moneys required by Powerlink Queensland are borrowed within annual limits agreed in the corporation's Statement of Corporate Intent.

Loan moneys are acquired through the Queensland Treasury Corporation and are unsecured - refer Note 16.

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

25. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for:				
Payable not later than one year	63 392	44 569	63 392	44 569
Payable later than one year but not later than five years	1 324	-	1 324	-
	64 716	44 569	64 716	44 569
Lease expenditure commitments				
Operating leases (non cancellable)				
Payable not later than one year	466	500	466	500
Payable later than one year and not later than five years	636	592	636	592
Payable later than five years	654	791	654	792
Aggregate lease expenditure contracted for at balance date	1 756	1 883	1 756	1 883

26. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee entitlements

The aggregate employee benefits liability is comprised of:				
Provisions (current) - refer Note 17	4 643	3 777	4 643	3 777
Provisions (non current) - refer Note 17	15 242	14 814	15 242	14 814
	19 885	18 591	19 885	18 591

Number of employees

Number of employees at year end: 590 (2003: 520) (full time equivalents).

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

26. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)

Performance payments to employees

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

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

FINANCIAL YEAR	AGGREGATE AT-RISK PERFORMANCE REMUNERATION $'000	TOTAL FIXED SALARIES AND WAGES PAYMENTS $'000	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS Number
2003/04	**3 000**	**45 395**	**595**
2002/03	3 331	40 377	536

Superannuation commitments

The economic entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Ltd. Members, after serving a qualifying period, are entitled to benefits from this scheme on retirement, resignation, retrenchment, disability or death.

The Defined Benefit account of this fund provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the scheme are based on various percentages of their gross salaries.

The economic entity also contributes to the plan.

The estimated accrued benefits and fund assets at the date of the most recent actuarial assessment of the fund based upon information supplied by the scheme are:

	2002* **$'000**
Net market value of assets held by the fund to meet future benefit payments	50 139**
Present value of employees' accrued defined benefits	32 759**
Excess of assets held to meet future benefit payments over present value of employees' accrued defined benefits	17 380
Vested Benefits	32 759

* Date of most recent previous actuarial assessment (1/7/2002).

** Apportionment of 2002 actuarial assessment.

27. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities of a significant nature at 30 June 2004.

28. SUBSEQUENT EVENTS

Tax consolidation

The Government has announced that it plans to amend the tax consolidation legislation. Details of the proposed changes are not yet available. The effects of any change will be brought to account when the legislation is substantively enacted and the entity can assess the impact.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

28. SUBSEQUENT EVENTS (Cont'd)

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with the Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and the financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The Consolidated Entity has established a formal project to achieve transition to IFRS reporting, beginning with the full year ended 30 June 2006. The Consolidated Entity's implementation project consists of three phases as described below:

Assessment and Planning Phase

The assessment and planning phase is to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- Evaluation of the implications for staff, for example training requirements; and
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The Consolidated Entity considers the assessment and planning phase to be complete in most aspects as at 30 June 2004.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

28. SUBSEQUENT EVENTS (Cont'd)

Design Phase

The design phase is to formulate the changes required to existing accounting policies and procedures and systems and processes in order for the transition to IFRS.

The design phase will incorporate:

- Formulating revised accounting policies and procedures for compliance with IFRS requirements;
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- Developing revised IFRS disclosures;
- Designing accounting and business processes to support IFRS reporting obligations;
- Identifying and planning required changes to financial reporting and business source systems; and
- Developing training programs for staff.

The Consolidation Entity has commenced its design phase, with work progressing in each of the areas described above. The design phase is expected to be completed during the upcoming financial year.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Consolidated Entity to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

The Consolidated Entity has not commenced the implementation phase. However, it is anticipated this phase will be substantially complete by 30 June 2005.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value;
- Income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity;
- Surpluses and deficits in the defined benefit superannuation plans sponsored by the entities within the consolidated entity will be recognised in the statement of financial position and the statement of financial performance;
- Revaluation increments and decrements relating to revalued property plant and equipment will be recognised on an individual asset basis, not on a class of assets basis;
- Impairment of assets will be determined on a discount basis, with tests for determining whether cash generating operations have been impaired; and
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

29. REMUNERATION OF DIRECTORS

Remuneration Policy

Responsibility for determining and reviewing compensation agreements for the Directors resides with the "Shareholding Ministers", and as at 30th June 2004 are the Hon. Terry Mackenroth, Deputy Premier, Treasurer and Minister of Sport on behalf of the State of Queensland and the Hon. Stephen Robertson, Minister for Natural Resources, Mines and Energy on behalf of the State of Queensland.

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

	FIXED REMUNERATION		SUPER CONTRIBUTIONS		TOTAL FIXED REMUNERATION	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Else Shepherd (Chairman)	43	46	4	4	47	50
Merv Norman (Director)	29	29	-	2	29	31
Walter Threlfall (Director)	22	23	2	2	24	25
Patricia Conroy (Director)	21	23	2	2	23	25
Christina Sutherland (Director)	24	23	2	2	26	25
	139	144	10	12	149	156

	CONSOLIDATED		POWERLINK QLD	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Director's Remuneration				
Income paid or payable or otherwise made available in respect of the financial year to all Directors of each entity in the economic entity, directly or indirectly by the entities of which they are Directors or any related party	149	156		
Income paid or payable or otherwise made available in respect of the financial year to all Directors of Queensland Electricity Transmission Corporation Limited directly or indirectly from the entity or any related party			149	156

Directors' 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.

30. REMUNERATION OF EXECUTIVES

Remuneration Policy

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

The policy is designed to attract and retain high quality people who can deliver the corporation's objectives, including meeting the expectations of the shareholders. The Remuneration Committee regularly reviews the remuneration arrangements in the light of relevant employment market conditions and the shareholders' policy.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

30. REMUNERATION OF EXECUTIVES (Cont'd)

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

The data in the table below do not include performance pay.

The Chief Executive and senior management staff are employed under employment agreements. The current employment agreements with the Chief Executive and the specified executives (below) do not have a specified term, and accordingly, do not have an expiry date. These agreements provide for a five (5) week notice period, and a provision for severance payment should the corporation elect to terminate the agreement. The severance payment is based on years of service, and capped at 75 weeks salary.

Specified Executives - 2003/04 Year

	FIXED REMUNERATION		SUPER CONTRIBUTIONS		TOTAL FIXED REMUNERATION	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Chief Executive	306	295	42	40	348	335
General Manager Network	223	214	34	33	257	247
Manager Finance & Commercial Services	179	172	24	23	203	195
Manager Employee Relations & Development	152	146	23	22	175	168
Manager Engineering	151	145	21	20	172	165
	1 011	972	144	138	1 155	1 110

Executive 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 insurance contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to the insurance contracts is set out in the Directors' Report.

31. AUDITORS' REMUNERATION

Remuneration for audit or review of the financial statements of Powerlink Queensland or any entity in the economic entity
Amounts received or due and receivable by the auditors of Queensland Electricity Transmission Corporation Limited:

	CONSOLIDATED		POWERLINK QLD	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Queensland Audit Office	131	131	116	116
	131	131	116	116

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

32. FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

		FIXED INTEREST RATE MATURING IN:					
FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE	1 YEAR OR LESS	1 - 5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 $'000	2004 %
2004							
(i) Financial assets							
Cash	99 390	-	-	-	3	99 393	4.80
Receivables	-	-	-	-	35 578	35 578	-
Other financial assets	61 200	-	30 000	-	-	91 200	8.50
Total financial assets	160 590	-	30 000	-	35 581	226 171	
(ii) Financial liabilities							
Interest bearing liabilities	119 102	145 467	709 384	438 467	-	1 412 420	6.23
Payables	-	-	-	-	139 881	139 881	-
Dividends Payable	-	-	-	-	87 924	87 924	
Total financial liabilities	119 102	145 467	709 384	438 467	227 805	1 640 225	

	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 $'000	2003 %
2003							
(i) Financial assets							
Cash	127 729	-	-	-	2	127 731	4.89
Receivables	-	-	-	-	39 676	39 676	
Other financial assets	57 900	-	-	-	-	57 900	14.53
Total financial assets	185 629	-	-	-	39 678	225 307	
(ii) Financial liabilities							
Interest Bearing Liabilities	384	-	943 580	407 856	-	1 351 820	6.32
Payables	-	-	-	-	134 620	134 620	-
Dividends Payable	-	-	-	-	72 855	72 855	
Total financial liabilities	384	-	943 580	407 856	207 475	1 559 295	

(b) Foreign exchange risk

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

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

32. FINANCIAL INSTRUMENTS (Cont'd)

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

At balance date, the details of outstanding contracts (Australian dollar equivalents) are:

	WEIGHTED AVERAGE RATE		CONSOLIDATED	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Buy Swedish Krona				
Maturity				
Not longer than one year	-	5.092	-	2 634

The net deferred costs and exchange gains and losses on hedges of anticipated future currency purchases and sales recognised in Other Current Assets and the timing of their recognition are:

	CONSOLIDATED NET GAIN/(LOSSES)	
	2004	2003
	$'000	$'000
Not later than one year	-	(114)
	-	(114)

(c) Commodity price risk

There were no outstanding future commodity purchase contracts as at 30 June 2004.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

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

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

Unrecognised financial instruments

Credit risk on derivative contracts which have not been recognised on the statement of financial position is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which is principally Queensland Treasury Corporation. The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the economic entity pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the economic entity. The full amount of the exposure is disclosed at Notes 32(b) and 32(c).

Foreign exchange contracts are subject to credit risk in relation to transactions executed by the Queensland Treasury Corporation (QTC) in its capacity as agent for Powerlink Queensland. The net exposure to Powerlink Queensland is to highly rated financial institutions.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

32. FINANCIAL INSTRUMENTS (Cont'd)

(e) Net fair values of financial assets and liabilities

Valuation Approach

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

Unrecognised financial instruments

The valuation of financial instruments not recognised on the statement of financial position detailed in this note reflects the estimated amounts which the economic entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at reporting date. This is based on independent market quotations and determined using standard valuation techniques.

Recognised financial instruments

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the economic entity approximates their carrying value.

The net fair value of other monetary assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	TOTAL CARRYING AMOUNT as per the Statement of Financial Position		AGGREGATE NET FAIR VALUE	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Financial assets				
Cash assets	99 393	127 731	99 393	127 731
Receivables	35 578	39 676	35 578	39 676
Other financial assets	91 200	57 900	91 200	57 900
Total financial assets	226 171	225 307	226 171	225 307
Financial liabilities				
Accounts payable	139 881	134 605	139 881	134 605
Interest bearing liabilities	1 412 420	1 351 820	1 409 910	1 395 391
Dividends payable	87 924	72 855	87 924	72 855
Total financial liabilities	1 640 225	1 559 280	1 637 715	1 602 851

Although interest bearing liabilities are carried in the Statement of Financial Position at an amount different to the aggregate net fair value, the Directors have not caused those liabilities to be adjusted to the aggregate net fair value as it is intended to retain those liabilities until maturity.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

	CONSOLIDATED	
	2004	2003
	$'000	$'000
33. SETTLEMENTS RESIDUE (IRSR)		
Opening balance	103 904	75 082
Residue transferred from NEMMCO	48 333	61 282
Interest earned	4 593	3 593
Transfer to Powerlink Queensland - to offset network charges	(46 512)	(35 980)
Miscellaneous charges	(13)	(73)
Balance of settlements residue as at 30 June 2004 (Refer Note 1.23, 7,12)	110 305	103 904

34. RELATED PARTIES

Directors

The names of persons who were Directors of Queensland Electricity Transmission Corporation Limited at any time during the financial year are as follows:

- Else Shepherd (Chairman)
- Patricia Conroy
- Merv Norman
- Walter Threlfall
- Christina Sutherland

Remuneration and retirement benefits

Information on remuneration and retirement benefits of Directors is disclosed in Note 29.

Directors' shareholdings

No shares in Powerlink Queensland were held by Directors of the Company and economic entity or their Director-related entities.

Other transactions with Directors and Director-related entities

The Chairman of Powerlink Queensland, Else Shepherd, is also a Director of NEMMCO - the company responsible for the operation of the National Electricity Market (NEM). An amount of $62,136 (2003: $19,388) was paid by Powerlink Queensland to NEMMCO for services associated with the operation of the NEM. An amount of $990,162 (2003: $1,212,237) was received from NEMMCO for services associated with transmission network system security and the electricity market.

Other than as outlined above, the terms and conditions of transactions with Directors and their Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non Director related entities on an arm's length basis.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2004

34. RELATED PARTIES (Cont'd)

Other related parties

	CONSOLIDATED		POWERLINK QLD	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax equivalent that resulted from transactions with each class of other related parties:				
Interest				
Associates	8 683	8 411	-	-
Dividends				
Associates	234	273	-	-
Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:				
Current Receivables				
Associates	1 462	631	765	17
Loan Advances				
Non-Current				
Associates	61 200	57 900	-	-

Percentage of equity interest

Details of equity interests held in classes of other related parties are set out as follows:

Associates - Note 11

Wholly-owned group

The wholly-owned group consists of Powerlink Queensland and its wholly-owned controlled entities Harold Street Holdings Pty Ltd and Powerlink Transmission Services Pty Ltd. Ownership interest in these controlled entities is set out in Note 13.

Transactions between Powerlink Queensland and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of the payment of dividends to Powerlink Queensland

Aggregate amounts included in the determination of profit from ordinary activities before income tax equivalent that resulted from transactions with entities in the wholly-owned group:

	PARENT ENTITY	
	2004	2003
	$'000	$'000
Dividend Revenue	6 361	4 979
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Non Current Receivables (Loans)	92 955	57 905

Directors' Declaration

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

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

(i) giving a true and fair view of the financial position of the company and economic entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

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

Signed in accordance with a resolution of the Directors:

E.E. Shepherd
Chairman

Dated: 9 September 2004

Independent Audit Report

To the Members of Queensland Electricity Transmission Corporation Limited

SCOPE

The financial statements

The financial statements of Queensland Electricity Transmission Corporation Limited consist of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Queensland Electricity Transmission Corporation Limited (the company) and the consolidated entities, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

Directors' responsibility

The Directors are responsible for the preparation and true and fair presentation of the financial statements, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial statements present fairly, in accordance with the prescribed requirements.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial statements,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial statements.

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 public sector 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 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.

Audit Opinion

In my opinion, the financial statements of Queensland Electricity Transmission Corporation Limited are in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

L J SCANLAN, FCA
Auditor-General of Queensland

AUDITOR GENERAL
14 SEP 2004
OF QUEENSLAND

Queensland Audit Office
Brisbane


Statistics

Statistical Summary

Plant as at 30 June 2003/04

TRANSMISSION LINES AND UNDERGROUND CABLES added in 2003/2004 (as-constructed voltages)	Transmission Lines Route km	Transmission Lines Circuit km	Underground Cables Route km	Underground Cables Circuit km	Location
330kV	0	0	0	0	
275kV	73	132	0	0	Belmont-Blackwall, Molendinar-Maudsland
132kV	0	0	0	0	
110kV	0	0	1	1	Rocklea-Tennyson
Total	73	132	1	1	

SUBSTATION/SWITCHING STATIONS AND TRANSFORMERS added in 2003/2004	Substations Total Number	Transformers (three-phase) Total Number	Transformers (three-phase) Total Rating MVA	Location
330kV	0	1	100	Bulli Creek transformer.
275kV	1	1	375	Molendinar substation and transformer.
132kV	1	0	106	Gladstone South substation. Townsville South and Kemmis transformers.
110kV	0	0	0	
Total	2	2	581	

CIRCUIT BREAKERS added in 2003/2004	Total Number	Location
330kV	1	Bulli Creek substation.
275kV	10	Mount England, Belmont, Molendinar, Palmwoods and Wurdong substations.
132kV	1	Bulli Creek substation.
110kV	3	Rocklea, Molendinar and Middle Ridge substations.
Total	15	

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS added in 2003/2004	Capacitor Banks Total Number	Capacitor Banks Total Rating MVAr	Shunt Reactors Total Number	Shunt Reactors Total Rating MVAr	Static Var Compensators Total Number	Static Var Compensators Total Rating MVAr	Location
330kV	0	0	0	0	0	0	
275kV	3	360	0	0	0	0	Mount England, Palmwoods and Wurdong substations.
132kV	0	0	0	0	0	0	
110kV	0	0	0	0	0	0	
Total	3	360	0	0	0	0	

Statistical Summary

Plant as at 30 June 2003/04

SUBSTATION/SWITCHING STATIONS as at 30 June 2004	Substations Total Number
330kV	3
275kV	30
132kV	50
110kV	13
Total	96

TRANSFORMERS as at 30 June 2004	Transformers (three-phase) Total Number	Total Rating MVA
330kV	3	2350
275kV	44	12850
132kV	76	4194
110kV	19	1230
66kV	0	0
Total	142	20624

CIRCUIT BREAKERS as at 30 June 2004	Total Number
330kV	22
275kV	289
132kV	422
110kV	132
66kV, 33kV and 11kV	27
Total	892

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS as at 30 June 2004	Capacitor Banks Total Number	Capacitor Banks Total Rating MVAr	Shunt Reactors Total Number	Shunt Reactors Total Rating MVAr	Static Var Compensators Total Number	Static Var Compensators Total Rating MVAr
330kV	0	0	4	144	0	0
275kV	16	1920	12	387	4	1100
132kV	17	650	0	0	9	610
110kV	17	850	0	0	0	0
66kV, 33kV and 11kV	8	160	5	120	0	0
Total	58	3580	21	651	13	1710

FIVE YEAR HISTORY OF TRANSMISSION LINES AND UNDERGROUND CABLES as at 30 June 2004	2004 Route km	2004 Circuit km	2003 Route km	2003 Circuit km	2002 Route km	2002 Circuit km	2001 Route km	2001 Circuit km	2000 Route km	2000 Circuit km
Transmission Lines										
(as-constructed voltages)										
330kV	253	505	253	505	253	505	253	505		
275kV	5035	6525	4962	6393	4834	6192	4751	6084	4621	5825
132kV	2621	3959	2621	3959	2620	3958	2620	3958	2620	3958
110kV	312	569	312	569	285	528	285	528	280	524
66kV	1	1	1	1	1	1	1	1	1	1
Total Lines	8222	11559	8149	11427	7993	11184	7910	11076	7522	10308
Underground Cables										
275kV	2	5	2	5	2	5	2	5	2	5
132kV	1	2	1	2	0	0	0	0	0	0
110kV	3	7	3	6	3	6	3	6	7	10
66kV	1	1	1	1	1	1	1	1	1	1
Total Cables	7	15	7	14	6	12	6	12	10	16
Total Lines & Cables	8229	11516	8156	11441	7999	11196	7916	11088	7532	10324

* The methodology used to collate this data was revised in 2003/04.

Glossary of Terms and Abbreviations

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
APUG	Asia Pacific Utilities Group
COAG	Council of Australian Governments
Company GOC	Company Government Owned Corporation
CPI	Consumer Price Index - an economic indicator
Debt to Equity	Debt/Debt + Equity
DNSP	Distribution Network Service Provider
EMF	Electric and Magnetic Fields
EMS	Environmental Management System
ESAA	Electricity Supply Association of Australia
FCAS	Frequency Control of Auxiliary Services
Interest Cover	EBIT/Gross interest expense
ITOMS	International Transmission Operation and Maintenance Study
MCE	Ministerial Council on Energy
NEC	National Electricity Code
NECA	National Electricity Code Administrator
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
QETC	Queensland Electricity Transmission Corporation (trading as Powerlink Queensland)
QNI	Queensland/New South Wales Interconnector
QTC	Queensland Treasury Corporation
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
SCI	Statement of Corporate Intent
TNSP	Transmission Network Service Provider

TERMS OF MEASUREMENT

GW	gigawatt - one GW = 1000 megawatts or 1000 million watts
GWh	gigawatt hour - one GWh = 1000 megawatt hours or one million kilowatt hours
km	kilometre
kV	kilovolt - one kV = 1000 volts (a volt is a unit of potential or electrical pressure)
kW	kilowatt - one kW = 1000 watts (a watt is a unit of electrical power or the rate of doing work)
kWh	kilowatt hour - the standard unit of energy representing consumption of electrical energy at the rate of one kilowatt over the period of one hour
m	million
MVA	megavolt ampere - a unit of apparent power and can represent the rating of equipment such as transformers
MVar	megavar - reactive component of power
MW	megawatt - one MW = 1000 kilowatts or one million watts
MWh	megawatt hour - one MWh = 1000 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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THIS REPORT

This report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* and the *Financial Administration and Audit Act 1977*. It is submitted to our Shareholding Ministers for presentation to the Legislative Assembly Queensland.

Further copies may be obtained by telephoning (07) 3860 2111 or writing to:
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Powerlink Queensland
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Queensland Australia 4014