working together

POWERLINK QUEENSLAND • ANNUAL REPORT 04/05

to achieve operational excellence

Powerlink QUEENSLAND®


together value com
reliability achieving
excellence togethe
safety reliability ac
operational excelle
community safety
achieving operatio
together value com
reliability achieving
excellence togethe

working together
to achieve operational excellence

mission

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

vision

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

values

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

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

profile

WE DELIVER A SECURE AND RELIABLE ELECTRICITY TRANSMISSION SERVICE.

FOUNDATIONS

Powerlink's Board of Directors, Executive Leadership Team and our people are working together to ensure rigorous corporate governance and to promote a positive corporate culture that encourages personal leadership.

As a Government-Owned Corporation, Powerlink's two Shareholding Ministers were the Deputy Premier and Treasurer, and the Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy.

From late July 2005, Powerlink's two Shareholding Ministers were the Deputy Premier and Minister for Finance, Minister for State Development, Trade and Innovation, and the Minister for Energy and Minister for Aboriginal and Torres Strait Islander Policy.

ROLES

Our people are working together to develop, operate and maintain the high-voltage electricity transmission network in Queensland owned by Powerlink.

Our transmission network moves electricity generated at power stations throughout the State, transporting it at high voltages and delivering it 'in bulk' to the electricity distributors (primarily ENERGEX and Ergon Energy) for supply to their customers.

As a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM), we are working closely with our customers to provide access that meets their needs, including their timetable, under a non-discriminatory, open-access regime.

Our customers include power stations and electricity Distribution Network Service Providers (ENERGEX, Ergon Energy and Country Energy). A number of large electricity customers (such as smelters) are also supplied directly from our network.

GOALS

Our people are working together to achieve operational excellence across the breadth of our business. We are targeting four key areas in our quest for operational excellence – safety, environment, network performance and cost-efficiency.

To achieve better outcomes for our customers, we are working together with industry and suppliers to investigate and adopt new technology and innovative work practices. We are striving to achieve better network performance, improved reliability and to reduce the impacts of network outages on our customers.

NETWORK

Our $3.1 billion network currently includes 98 high-voltage substations and more than 8,400km of high-voltage transmission lines which stretch from north of Cairns to the New South Wales border. Our capital works program is driven by increasing demand for electricity in Queensland, a result of the State's economic success, growing population and industrial base, including the increased installation of air conditioners in homes.

working together to deliver world-class service

PEOPLE

Our highly skilled people are working together in a culture that values and empowers individuals to achieve operational excellence. Our first priority is the safety of our people, the public and property. We seek to consistently improve safety performance in all our workplaces.

COMMUNITIES

To create and maintain goodwill, we are working together with communities throughout the 70 cities and shires in which we operate. Our innovative goodwill partnerships and sponsorship programs support the development of communities we impact.

ENVIRONMENT

Our network traverses diverse environments, so we are working together with environmental stakeholders to design, construct, operate and maintain our network with respect for our environmental obligations and responsibilities. Our innovative design and work practices have enabled us to operate responsibly in environments as diverse and challenging as residential suburbs, tropical rainforests, arid plains and farming properties.

2004/05 ANNUAL REPORT

Powerlink presents this 2004/05 Annual Report to our Shareholding Ministers and other stakeholders with an interest in our activities. This report documents our journey as we work together to Achieve Operational Excellence, a goal that embraces all areas of our business. We focus on our performance in the areas of corporate, network, community and people, as well as describing our corporate governance processes. We also identify the key challenges we face in the year ahead.

OUR JOURNEY

The 2004/05 year marked Powerlink's 10th anniversary – a milestone our people have celebrated together, and which sees us continuing towards our goal of Achieving Operational Excellence.

Powerlink was established through a process of functional separation and corporatisation of the electricity industry in Queensland and began operations in January 1995. Originally a subsidiary of the Queensland Transmission and Supply Corporation, Powerlink became an independent entity in 1997.

We are targeting four key areas in our quest for operational excellence – **safety**, **environment**, **network performance** and **cost-efficiency.**

profile

ACHIEVEMENTS OF A DECADE

Working together we have achieved	Our future vision
FOR OUR CUSTOMERS	
Powerlink was a key participant in the introduction of the NEM in Queensland in 1998 and played a number of integral roles within the Queensland Interim Market.	We will continue to play an active role in the development of the NEM.
In 1999, Powerlink was the driving force behind the interconnection of the Queensland grid to the Southern States. The Queensland/New South Wales Interconnector (QNI), the largest transmission project in Australia, was completed ahead of schedule and below budget and has continued to prove a success for Queensland and for the NEM.	Together with TransGrid, we are examining the economic benefits and costs of upgrading the QNI to increase its transfer capacity.
The International Transmission Operations and Maintenance Study (ITOMS) has repeatedly identified Powerlink as a world leader among transmission entities in terms of cost efficiency and network performance.	We aim to maintain Powerlink's position as a world leader in transmission operations and maintenance. We will continue to pursue improvements to our financial performance, productivity and network reliability to help ensure this.
Powerlink was the first TNSP in Australia to implement live substation work. Innovations such as this have earned our international reputation for adopting new technology and work practices to deliver higher availability of our network and to improve the efficiency of the NEM.	Powerlink continues to be an early adopter of new technology and work practices which deliver improved cost-efficiency, reliability and availability on our network.
Our network reliably delivers electricity to meet peak customer demand, which has increased by 70% in the past 10 years. In doing this, Powerlink has a reputation for high reliability and customer focus.	We plan our network to reliably meet future average peak electricity demand, which is forecast to increase by 5.3% per annum over the next three years.
In response to the growth in demand for electricity, we have built 25 new substations and more than 2,600km of new transmission lines, making a total of 98 substations and 8,400km of transmission lines owned and operated by Powerlink.	We are committed to maintaining a safe, secure and reliable electricity supply into the future through a capital expenditure program of at least $1.5 billion over the next five years.

Working together we have achieved	Our future vision
FOR OUR SHAREHOLDERS	
Over the past decade, Powerlink has increased its transmission network value by almost 300% to $3.1 billion.	Powerlink forecasts an increase in transmission network value of at least $1.5 billion over the next five years.
Powerlink has become a significant national transmission entity by securing a 41% share of the South Australian transmission company ElectraNet SA in 2000.	We will seek to deliver ongoing returns from Powerlink's investment in ElectraNet SA.
FOR OUR COMMUNITY	
We have introduced initiatives to build goodwill in communities, such as the Community Benefits Fund, Greening programs in Ipswich and the Lockyer Valley, and the Community Environment Fund (Townsville).	Our commitment to goodwill in communities in which we operate will remain the focus in future years, building on the community initiatives and relationships established to date.
FOR OUR ENVIRONMENT	
We have made major improvements to the way we value and manage the environment throughout our business, and particularly on construction projects.	Our environmental strategies will further entrench environmental responsibility in our daily operations.
FOR OUR PEOPLE	
Powerlink has been identified as an employer of choice and was named as one of the '25 Best Employers to Work For in Australia' on two occasions in studies conducted by Hewitt Associates, the Australian Graduate School of Management and the *Australian Financial Review.*	As our construction activities expand to meet the growing demand for electricity, we will continue to recruit, develop and retain people with the capabilities required for future success by offering development opportunities and desirable work conditions.

The 2004/05 year marked **Powerlink's 10th anniversary** and provided us with a chance to reflect on our **achievements**.

corporate

OUR STRATEGIES ENHANCE SHAREHOLDER VALUE AND HELP US TO MEET OUR CORE BUSINESS COMMITMENTS.

HIGHLIGHTS 2004/05

>> **We completed and commissioned the Millmerran to Middle Ridge transmission line** in Southern Queensland, the Broadsound to Lilyvale transmission line in Central Queensland and the Ross to Dan Gleeson transmission line and the Alan Sherriff to Bohle River transmission line in North Queensland.

>> **We increased the maximum southerly transfer capacity** of the Queensland/New South Wales Interconnector (QNI) by 13% to 1,078MW.

>> **We adapted our Regulatory Test process** to encompass changes made by the Australian Competition and Consumer Commission (ACCC) in late 2004. The major change to the Regulatory Test was the inclusion of market competition benefits in the evaluation of future transmission network investments.

>> **We signed onto the Greenhouse Challenge Plus**, a new voluntary program operated by the Federal Government, indicating our ongoing commitment to reducing overall energy consumption and greenhouse gas emissions, within the constraints of our operating environment.

>> **We initiated and funded the Greening Lockyer partnership program**, which received Queensland's prestigious environment award, the 2005 Healthy Waterways Awards Grand Prize.

>> With Townsville City Council and Thuringowa City Council, **we launched the Community Environment Fund**, a three-year project that will incorporate targeted projects to enhance the environmental properties of the region and minimise the visual impact of Powerlink's electricity transmission infrastructure.

>> **We trialled and implemented a leading-edge fatigue management system** as part of our overall safety management system.

>> **We met or exceeded the availability and reliability performance targets** set for our transmission network by the ACCC, our Regulator.

>> **We set a new record for our safety performance** with only a single lost time injury being recorded for the year.

KEY FORECASTS 2005/06

>> **We will submit our Revenue Application** for the five-year period from 1 July 2007 to the Australian Energy Regulator (AER) in April 2006 (refer page 23).

>> **We will continue to plan and develop** our network to meet the ever-increasing electricity demands in Queensland (refer page 24).

>> **We will commence construction** of the Kogan Creek to Braemar transmission line and the Greenbank to Maudsland transmission line (refer page 33).

>> **We will continue to develop a tool** that uses global positioning system (GPS) technology to better manage vegetation on our easements, particularly during the approval and construction phases of projects (refer page 39).

>> **We will carry out the Community Environment Fund** for Townsville and Thuringowa first round projects. Second round projects will be announced in early 2006 (refer page 42).

>> **We will sponsor elements of the Great Walks Art and Environment Program** in the Wet Tropics, Mackay Highlands and Gold Coast Hinterland. The program will culminate in a Brisbane exhibition of all artworks in mid-2006 (refer page 48).

A 330kV transmission tower at Kindon Station, Millmerran.

>> **We will further expand our employee development programs** to include three new opportunities that have been identified as growth and succession planning areas for Powerlink. These positions are in the fields of environment, civil engineering and warehousing (refer page 55).

>> **We will launch a new Senior Leadership Development program** within Powerlink, working with selected people in a focused leadership development process (refer page 55).

financial performance

ASSET INVESTMENT

Queensland electricity usage continued to grow strongly in 2004/05 following an established long term trend. Electricity demand growth has been particularly strong in South East Queensland, where demand has increased by 29% over the past three years. Looking ahead, forecasts by Powerlink and external bodies predict average peak demand growth rates for Queensland of approximately 5.3% per annum over the next three years.

This sustained rate of demand increase is driving significant ongoing investment in our transmission network. In the 2004/05, total spending on new capital works projects was $191 million, bringing Powerlink's fixed assets to almost $3.1 billion. To meet the escalating electricity demand, Powerlink forecasts higher levels of capital expenditure for 2005/06 and beyond.

We undertook major projects throughout Queensland during 2004/05, including:

- Transmission line and associated substation works between Millmerran and Middle Ridge on the Darling Downs;
- Transmission line and substation works in southern Brisbane at Belmont, Australia TradeCoast and Loganlea,
- Establishment of a substation at Bundamba, near Ipswich;
- Substation and transmission line works in the Gold Coast hinterland;
- Transmission line works to reinforce the 275kV network in Central Queensland; and
- Substation works in North Queensland at Edmonton, Ingham and Alan Sherriff substations, and rebuilding and capacity upgrades of associated transmission lines.

Powerlink utilises a balance of debt and internal funds to finance the capital investment program. Approximately 70% of the funds to finance Powerlink's 2004/05 capital expenditure were provided from internally generated cash flows, with the remainder from new debt borrowings (approximately $57 million). All new borrowings are sourced through the Queensland Treasury Corporation (QTC).

Powerlink's Debt to Debt plus Equity ratio of 48.3% was slightly lower than last year and well within Powerlink's target gearing range for the business.

BUSINESS PROFITABILITY

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

In 2004/05 **capital expenditure** amounted to $191 million.

Powerlink's 2004/05 EBIT result of $233.1 million is 8.7% higher than the previous year. With more than 90% of total revenue attributable to regulated network revenue, the increase is partly because of the ACCC's profiling of Powerlink's revenue cap over the current regulatory period. Powerlink's non-regulated, contestable business activities continued to perform well.

Powerlink's operating costs were higher in 2004/05 because of the cost impacts of increased operational activities and input costs, and Powerlink's 2005 Enterprise Bargaining Agreement, which is aimed at narrowing the "pay equity gap" with other Australian States in the face of strong competition for skilled resources. As a result controllable operating costs, as a proportion of the replacement value of assets, was 1.8% in 2004/05, an increase from 1.7% the previous year.

DIVIDEND

The Powerlink Board has recommended a dividend of $82.6 million. This represents 80% of Powerlink's net profit after tax for 2004/05.

BUSINESS PLANNING

Powerlink's business planning process integrates our forecast for electricity demand on our network, Powerlink's obligations under its Transmission Authority and the operational regime of the *National Electricity Law 1997*. These elements are integrated within our annual business planning document, the Statement of Corporate Intent (SCI) that details Powerlink's asset investment plan.

The SCI also incorporates Powerlink's key financial and non-financial targets for the year.

FINANCIAL INDICATORS	2004/05	2003/04	2002/03
	$ million	$ million	$ million
Revenue - grid services	429.1	390.9	366.6
Total revenue	464.9	424.2	392.5
Operating expenses	231.8	209.7	197.9
Earnings before interest and tax (EBIT)	233.1	214.5	194.6
Net profit after tax	103.3	92.5	76.7
Capital works expenditure	191.0	185.2	181.5
Dividend proposed/paid	82.6	87.9	72.9
	%	%	%
Return on assets	7.4	7.1	7.0
Return on equity - post tax	6.6	6.3	5.3

SYSTEM PERFORMANCE INDICATORS	2004/05	2003/04	2002/03
Energy flowing into the grid (GWh)	46,170	45,625	43,120
Energy delivered to customers (GWh)	44,357	43,270	41,264
Peak maximum demand (MW)	8,232	7,934	7,081
Loss of supply events - Number greater than 0.2 system minutes*	3	4	12
Loss of supply events - Number greater than 1.0 system minutes*	0	1	3

SAFETY INDICATORS	2004/05	2003/04	2002/03
Lost Time Calculation (LTC)	0.01	0.2	3.75

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

FINANCIAL PERFORMANCE

Powerlink's financial performance for 2004/05 has been strong, with net profit after tax of $103.3 million, an increase of 11% over the previous year. Powerlink's return on assets has increased to 7.4% from 7.1% in 2003/04.

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

We maintain our focus on managing Powerlink's controllable operating costs while implementing strategies to improve the performance of our transmission network and minimising impacts on our customers. Increased demand on our network and increased operational activities resulted in an increase in our operating costs which moved to 1.8%, from 1.7% the previous year.

POWERLINK'S 10TH ANNIVERSARY

It is with a sense of pride and achievement that we celebrated Powerlink's 10th Anniversary this year through activities linking our current and past performance with our ongoing goal of achieving operational excellence. I would like to pay tribute to the Board and all the people of Powerlink for the significant achievements of the past 10 years.

Among the celebratory activities was the Powerlink Blitz, where a team of our people joined forces with school students and other members of the community to work at Littleton Park, one of the projects funded by Powerlink's Greening Lockyer initiative. At this event we planted some 500 native trees, built relationships and awareness with members of the community and gained a hands-on, deeper understanding of our corporate commitment to environmental responsibility.

EXCELLING IN A DECADE OF CHANGE

During the past decade, Powerlink's operating environment has changed significantly. The single most influential factor has been the introduction of the National Electricity Market (NEM) in Queensland in 1998, together with its associated legislative, regulatory, operational and commercial implications. Powerlink has adapted effectively to the constantly evolving NEM environment and has emerged as the most cost-efficient Transmission Network Service Provider (TNSP) in the NEM.

We continue to implement leading-edge technology and work practices to improve the reliability of our network and minimise impacts on our customers. This focus has been recognised through the biennual International Transmission Operations and Maintenance Study (ITOMS), which has consistently benchmarked Powerlink as an international leader in the operation and maintenance of transmission services.

Powerlink Queensland Chairman Else Shepherd AM.

We continue to implement **leading-edge** technology and work practices to improve the **reliability** of our network and **minimise** impacts on our customers.

chairman's review

A transmission tower on Kindon Station, Millmerran.

AN EXPANDING CAPITAL WORKS PROGRAM

Through our obligations under the National Electricity Rules, together with the rapid growth in electricity demand in Queensland, Powerlink has faced the challenge of being the fastest-growing TNSP in the NEM.

During the 2004/05 year, Powerlink continued to develop its network to meet mandated reliability standards in response to demand growth. We completed and commissioned projects in Northern, Central and Southern Queensland that will provide greater reliability for customers in areas including Townsville, Thuringowa, Central-Western Queensland, the Darling Downs, the Bremer Business Park, the Australia TradeCoast and Logan regions. We also began construction on projects to reinforce high-voltage electricity supply to Brisbane's central business district and South Eastern suburbs, and the Gold Coast region.

With Powerlink's forecast for electricity average peak demand growth in Queensland estimated at 5.3% per annum for the next three years, our capital works program has been increased. Significant network augmentation will be necessary to ensure capacity is added ahead of demand. Powerlink's planning is well advanced and prepared to respond to this increase.

We deliver the most **cost-effective** transmission service in the national electricity market.

OUR COMMUNITY COMMITMENT

Powerlink's commitment to the communities affected by its operations continues to develop and mature. During the year under review we implemented two Community Benefits Programs, providing 66 grants in response to submissions by community groups in regions affected by new transmission line projects. The projects funded will provide long-term, tangible benefits to members of these communities.

Our goodwill projects operate in areas of strategic importance to Powerlink's future development. We are currently in the final year of the very successful Greening Lockyer program in partnership with the Esk, Gatton and Laidley Shire Councils, and were pleased to launch the Community Environment Fund (Townsville), an initiative with the Townsville and Thuringowa City Councils. Powerlink places great value on its social responsibility and it is rewarding for us all to witness the many positive outcomes of the goodwill projects.

ACCOLADES FOR OUR PEOPLE

With the secondment of our Chief Executive Gordon Jardine to ENERGEX in October 2004 for nine months, the Directors appointed General Manager Network, Simon Bartlett as Acting Chief Executive for that period. On behalf of the Directors, I extend to Simon our appreciation and respect for his exceptional abilities and insight in this role. Our Manager Corporate Communications, Michelle Berardone, was similarly seconded to ENERGEX.

These changes created a chain of acting positions, which were filled by our experienced and capable people. The Directors wish to acknowledge the performance of our people who met the additional challenge and delivered a year of exceptional performance.

The Directors have welcomed the return of Gordon Jardine and Michelle Berardone to Powerlink in July 2005. The past year has highlighted the rich pool of experience and talent we have in Powerlink and we expect to provide additional opportunities to further challenge and cultivate our leaders.

I thank all Powerlink people for their commitment to achieving operational excellence in all aspects of their work. Powerlink's success over the past decade is testament to the calibre of our people and our progressive culture.

I also acknowledge my fellow Directors for their worthy contribution throughout the past year. In particular, I congratulate Merv Norman and Walter Threlfall who, together with me, celebrated their 10th Anniversary as members of the Powerlink Board of Directors.

Else Shepherd
Chairman

chief executive's review

RECORD ELECTRICITY DEMAND

Demand for electricity in Queensland continues to grow at a rapid pace. Driven by an escalating population and increased installation of domestic air-conditioners, summer maximum electricity demand has grown over the past three years by 18% statewide, including growth of 29% in the South-East corner of the State.

The record demand for electricity hit a peak of 8,232MW on 8 February 2005. This peak is an increase of 70% on the maximum demand registered during Powerlink's first year of operation in 1995.

We expect this upward demand trend to continue and to remain our key business driver into the future.

NETWORK DEVELOPMENT DRIVEN BY DEMAND GROWTH

During 2004/05, we commissioned a number of network augmentations to ensure our transmission network continued to reliably meet the increasing electricity demand throughout the State:

- The Millmerran to Middle Ridge transmission line to increase capacity and maintain reliability of supply to the Darling Downs;
- The 275kV Lilyvale to Broadsound transmission line to increase supply capacity in Central-West Queensland;
- The Edmonton substation to increase capacity to the south of Cairns;
- The Bundamba substation to increase supply industrial load in the new Business Park and increase capacity to the Bundamba areas.

In addition, we undertook significant projects to refurbish, upgrade and replace our existing assets to enable increased capacity to regions including Northern, Central, Central-West, South-East and South-West Queensland.

Our significant capital works program has seen an investment of more than $191 million during the year. Our comprehensive planning processes indicate that Powerlink expects to invest at least $1.5 billion in capital works during the next five years.

As our capital works program expands, so do our resource requirements. Powerlink has in place a number of strategies to ensure we have the capabilities to meet future requirements, including a focus on recruitment, succession planning, training and development.

MARKET AND REGULATORY REFORM

On 1 July 2005, the Australian Energy Regulator (AER) replaced the Australian Competition and Consumer Commission (ACCC) as regulator of all TNSPs in the NEM, including Powerlink. This transition comes at a time when Powerlink is preparing for the next revenue determination, which will set Powerlink's revenue for a period of five years from 1 July 2007.

The Australian Energy Market Commission (AEMC) also came into being on 1 July 2005. The AEMC will be responsible for rule-making and market development, including changes to the National Electricity Rules.

The Ministerial Council on Energy (MCE) reforms, flagged in our 2003/04 annual report, recognise that electricity transmission plays a vital role in influencing the nature and degree of market competition between individual market participants and within and across market regions.

Powerlink continues to monitor and participate in the implementation of the initiatives advanced by the MCE, including changes to the Regulatory Test Principles, streamlining of the dispute resolution process and introduction of a Last Resort Planning Power for the AEMC.

The ACCC Regulatory Test was modified in August 2004. The Regulatory Test is the process we apply to consult with market participants to identify the most economic solution to future network needs. Significantly, the changes include the consideration of market competition benefits in the evaluation of future transmission network investments. As a result, we are undertaking a study, together with TransGrid, to examine whether it may be economic to upgrade the Queensland/ New South Wales Interconnector (QNI) to enable increased electricity transfer between States.

Powerlink Queensland Chief Executive Gordon Jardine.*

Powerlink Queensland Chief Operating Officer Simon Bartlett.*

Rapidly **growing**

electricity demand is our

key business driver.

chief executive's review

The QNI connects Millmerran Power Station to the NEM.

ACHIEVING OPERATIONAL EXCELLENCE

Achieving Operational Excellence remains one of Powerlink's key business strategies, with a focus on safety, network performance, environment and cost-efficiency.

The safety of our people, the public and property remains our first priority. We have elevated awareness of safety issues in all our workplaces, supported by our new, accredited Safety Management System and Safety Manual, an improved fatigue management system and a campaign of targeted safety messages for our people.

Powerlink maintains a reputation for reliable network performance. Our focus remains on delivering improved reliability to our customers in an environment of demand growth. During the past year we introduced innovative programs to achieve improved reliability, including new live-line procedures that reduce outages and customer impacts during maintenance and construction projects.

Our Environmental Management System (EMS) is the core of Powerlink's environmental commitment and risk management approach. Integral to the EMS is a training and education program that ensures our people are aware of Powerlink's environmental policy and of corporate and individual responsibilities towards the environment.

Powerlink remains the most cost-efficient transmission entity in the NEM, with controllable operating costs at just 1.8% of the replacement asset value.

CORPORATE CULTURE

Powerlink's success is facilitated by a positive and progressive corporate culture, which assists us to attract and retain highly skilled and motivated people. This is particularly important as we move through a period of increasing capital works.

Our new Enterprise Agreement, finalised during the year, will introduce changes that will further enhance the culture and recognise the changing external environment in which our people operate and live. The new agreement aligns strongly with Powerlink's corporate strategies and goals.

CONTRIBUTION OF OUR PEOPLE

It has been a challenging and rewarding 10th year for Powerlink, with many of our people taking up new senior positions within a short timeframe. We wish to thank those individuals and all Powerlink people for their valuable contribution during 2004/05. This year's achievements – in Powerlink's 10th anniversary year – and our ongoing success are a tribute to our people's capabilities, commitment and enthusiasm.

Gordon Jardine
Chief Executive

Simon Bartlett
Acting Chief Executive/Chief Operating Officer

**Gordon Jardine was seconded to ENERGEX as its Chief Executive for the period 29 September 2004 to 30 June 2005. During that period, Simon Bartlett was Acting Chief Executive of Powerlink.*

corporate activity

POWERLINK'S ROLE IN THE NATIONAL ELECTRICITY MARKET

Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). 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. The National Electricity Market Management Company (NEMMCO) manages the NEM under the National Electricity Code (NEC). Under an Operating Agreement with NEMMCO, Powerlink performs functions that assist in the secure operation of the power system.

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

CONTRIBUTING TO NEM DEVELOPMENT

In 2004/05, Powerlink contributed to the ongoing development of the NEM by making submissions to various forums, including the review of the Regulatory Test, the review of the Statement of Principles for the Regulation of Electricity Transmission Revenues and the changes to the legislative and regulatory framework of the NEM.

In August 2004, the revised Regulatory Test was published by the ACCC. We have adapted our Regulatory Test process to encompass the changes. The major change to the Regulatory Test was the inclusion of market competition benefits in the evaluation of future transmission network investments.

We have also played a role in ensuring consistency of transmission planning information across the NEM by contributing to the inaugural Annual National Transmission Statement (ANTS), issued by NEMMCO in July 2004. The ANTS included information on the operation of, and future plans for, national transmission flow paths.

We identify economic and **customer-focused** solutions to meet future load growth on our network.

Powerlink's QNI crosses Kindon Station near Millmerran at dusk.

case study

Consultation seeks optimal solutions to maintain reliable supply.

Alison Gray, Manager Network Assessments, says that comprehensive consultation with electricity market participants is essential for efficient network development.

"Powerlink's network must keep pace with the fast-growing electricity demand that is occurring throughout Queensland. Our process for augmenting the network is also evolving as we seek to achieve the most cost-effective and reliable electricity supply for our customers.

"When our planning process identifies the need for a major new substation or transmission line, we consult with NEM participants to identify the most economic solution. This year we consulted on two specific future needs, but over the next year we will consult on at least five. That's an indication of the level of demand growth we expect on our network in coming years.

"It's essential that we communicate effectively with other NEM participants, so they can participate fully in the process. That way, we can be confident that we are achieving the best outcome for the NEM and ultimately all electricity users."

working together in the national electricity market

corporate activity

NATIONAL REGULATORY CHANGES

On 1 July 2005, changes to the legislative and regulatory framework of the NEM came into effect and the NEC was superseded by the National Electricity Rules (the Rules). Since 2000, Powerlink's revenue has been regulated by the ACCC. Under the changes, Powerlink will now be regulated 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 transmission networks and key rule enforcement functions.

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

In implementing its previously announced package of reforms for electricity transmission, the Ministerial Council on Energy (MCE) published a Statement on National Electricity Market Transmission in May 2005. In this document, the MCE confirmed that electricity transmission plays a vital role in influencing the nature and degree of market competition between individual market participants and within and across market regions.

The key initiatives resulting from this Statement include:

- Amendments to the National Electricity Law will require the AEMC to develop the Rules that the AER must follow in its role as the economic regulator of TNSPs;
- The MCE will develop Regulatory Test Principles for the AER to apply in promulgating the Regulatory Test. The AEMC will review the merits of removing stranding risk for transmission investments that pass the new Regulatory Test;
- A streamlined dispute resolution process for the Regulatory Test with clearly defined timeframes and disputes being heard directly by the AER; and
- The AEMC will have a Last Resort Planning Power to direct a relevant party to undertake the Regulatory Test for transmission investment. The power of direction will not extend to directing that the investment occur.

Powerlink actively contributes to NEM developments that facilitate ongoing and efficient delivery of transmission services.

TRANSMISSION PRICING

Powerlink's regulator during 2004/05, the ACCC determines Powerlink's allowable revenue so that the electricity transmission network can be developed, operated and maintained efficiently while meeting the growing electricity demand in Queensland.

The ACCC's current revenue determination, finalised in November 2001, specifies Powerlink's allowable revenues for each financial year until 30 June 2007. From these annual revenues, we determine the transmission prices for our network customers in accordance with the methodology described in the NEC (and from 1 July 2005, the Rules).

In 2004/05, Powerlink's allowable revenue was $416 million, $344 million of 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 rose by only 1.6% in real terms compared with the previous year.

SHARED SERVICES AGREEMENT DELIVERS EFFICIENCIES

We have further improved our service delivery to ElectraNet SA for a range of asset management, engineering, procurement, information technology and application development services provided under a Shared Services Agreement. The agreement commenced in July 2003 and will continue until October 2008. Powerlink is a part-owner (41%) of ElectraNet SA, acquired in October 2000.

CONSULTING ON CONDITION-BASED MANAGEMENT SYSTEMS

We have continued to provide services to Tenaga Nasional Berhad (TNB), the Malaysian national electricity utility, under a consultancy contract arrangement. Now in its second year, the contract relates to the implementation of condition-based management systems for TNB's transmission assets.

CO-LOCATING TELECOMMUNICATIONS CARRIERS

Co-location of telecommunications equipment on our transmission towers enables telecommunications carriers to expand their mobile phone networks while minimising overall environmental impacts. After assessing the suitability of the site for co-location, we conduct a structural analysis of the tower, strengthen the tower and install the carrier's equipment.

During 2004/05, five new co-locations were installed and a further seven sites have been reserved. These towers are selected because they offer a low-impact solution in regions targeted by telecommunications carriers.

OIL TESTING SERVICES

Powerlink's Oil Testing Services maintained its profitability in an increasingly competitive market. With a strong focus on continuous process improvement, the laboratory retained its competitive position while maintaining the high quality of its comprehensive testing and diagnostic services. In particular, we made improvements in our processes and equipment that have achieved faster turnaround times for customers and increased the number of samples we are able to process within the laboratory.

LOOKING FORWARD TO 2005/06

- We will submit our Revenue Application to the AER in April 2006. The outcome of this process will determine Powerlink's revenue for the five years from 1 July 2007.
- We will engage with the AEMC's review of transmission pricing. Our main interests will be in managing customer impacts and our ability to implement any proposed new pricing regime.
- We will also engage with the AEMC's review of inter-regional and intra-regional financial trading arrangements.

network

OUR NETWORK DEVELOPMENT IS DRIVEN BY QUEENSLAND'S PROJECTED HIGH LEVEL OF ELECTRICITY LOAD GROWTH.

ELECTRICITY DEMAND RISES

Electricity usage in Queensland has grown strongly during the past 10 years, and this trend is expected to continue. Growth in summer maximum demand has been particularly marked over the past three years, with a statewide growth of 18% having occurred, including growth of 29% in the South-East corner. Queensland's 2004/05 actual summer maximum demand, measured in terms of deliveries from the grid, was 4% higher than the previous summer, though impacted by milder temperatures experienced over summer this year. On a standard weather-corrected basis, the underlying annual growth was a healthy 7%.

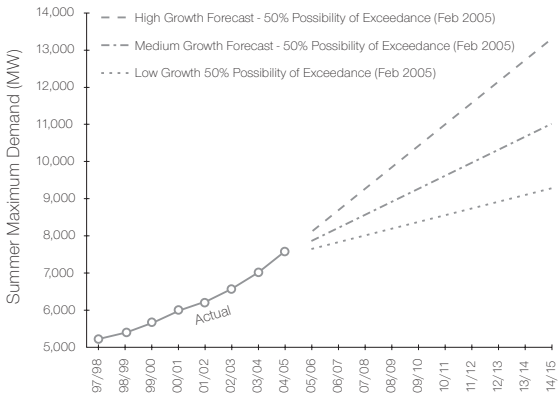
Powerlink's Annual Planning Report, issued on 30 June 2005, identified this high demand growth was due to strong economic and population growth, particularly in the State's South-East corner, and the accelerated penetration and use of domestic air-conditioners.

The long-term outlook is for the Queensland summer maximum demand to continue to grow strongly at around 4% per annum over the next 10 years. However, over the next three years, forecast average peak demand growth is 5.3% per annum.

Of particular interest is South-East Queensland, where an average energy growth of 4% per annum is expected over 10 years, with almost 6% per annum for the next three years.

The projected high level of electricity load growth will drive substantial augmentation of the Queensland transmission network to ensure network capacity is developed ahead of demand, particularly in the South-East corner of the State.

QUEENSLAND SUMMER PEAK DEMAND (MW) HISTORY AND FORECAST



Transmission Tower, Kindon Station, Millmerran.

case study

Responsive designs for new lines.

Lui Palmieri, Manager Transmission Line Design, believes Powerlink's stakeholders expect us to be increasingly responsive to the environment where we plan to construct new transmission assets.

"Designing a high-voltage transmission line involves balancing the technical and economic factors, and environmental regulations.

"Recent improvements to our computer modelling system mean we are much better placed to assess and mitigate environmental impacts as we design a new line. The system enables us to control and predict the effects on vegetation. It also helps us to communicate alternatives more clearly to the project team and to external stakeholders, so better decisions can be made.

"We fine-tune the precise location of the towers, and design the towers, cables and electrical elements to plan a line route that minimises environmental impacts and delivers a safe, reliable supply of electricity at the lowest cost to electricity consumers."

working together to develop our network

Lui Palmieri
Manager Transmission Line Design

network development

ADDRESSING FUTURE NETWORK NEEDS

Where Powerlink's planning process identifies a future need for additional network capacity, we apply the ACCC Regulatory Test, a process which involves consultation with market participants to identify the most economic solution. In 2004/05, we completed two network consultation processes:

CONSULTATION PROCESS	OUTCOME
Supply to South West Brisbane area	Powerlink and ENERGEX commitment to construct 110kV substations at Goodna, Algester and Sumner.
Supply to the Gold Coast area	Powerlink commitment to construct the Greenbank to Maudsland transmission line and enter into a network support arrangement with DirectLink.

As a result of the increased demand placed on our network by growing electricity consumption, we initiated five new network consultation processes in 2004/05 to address future network needs. We expect to address the following future needs during the next 12 months:

- Supply to North and Far North Queensland;
- Supply to the Ipswich area;
- Supply to the Mackay and Proserpine area;
- Supply to South East Queensland; and
- Supply to the Townsville area.

We have adapted our process to encompass the changes to the Regulatory Test published by the ACCC in August 2004. The major change to the Regulatory Test was the inclusion of market competition benefits in the evaluation of future transmission network investments.

INTERSTATE TRANSFER CAPACITY INCREASES

During the past year, Powerlink and the New South Wales transmission entity, TransGrid, have undertaken works to further enhance the maximum transfer capacity of the Queensland/New South Wales Interconnector (QNI). With the extended application of online monitoring equipment, and following extensive system performance testing, we increased the maximum southerly transfer limit of the QNI from 950MW to 1,078MW. The maximum northerly capacity remains at 700MW.

Following changes to the ACCC Regulatory Test in 2004 and commitment of new generation projects, Powerlink and TransGrid have initiated a study to examine whether an upgrade to the capability of the QNI may be economic. We expect the outcomes of this study during 2005/06.

We commissioned **eight major network projects** in 2004/05.

Powerlink's future network capacity is regulated by the ACCC, in consultation with market participants, to identify the most economic solution.

network development

MAJOR PROJECTS UNDER CONSTRUCTION IN 2004/05

REGION	PROJECT	BRIEF DESCRIPTION	PROJECT PURPOSE	MILESTONES ACHIEVED 04/05
North Queensland	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.	Commissioned in September 2004.
	Edmonton substation	Construction of a new 132kV/22kV substation at Edmonton.	To provide additional transmission capacity to meet increased demand in the area south of Cairns.	Commissioned in January 2005.
	Ingham substation	Replace ageing assets and increase capacity at the 132kV substation at Ingham.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Ingham area.	Commissioned in May 2005.
	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.	Commissioned in October 2004.
	Woree Static Var Compensator	Installation of a 132kV Static Var Compensator at Woree substation.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in the Cairns and Far North Queensland areas.	Construction began in October 2004.
Central Queensland	Broadsound to Lilyvale	Construction of a 275kV transmission line parallel to the existing line between Broadsound switching station and Lilyvale substation.	To provide additional transmission capacity to meet demand growth in the coal mining and rural areas in Central Queensland.	Commissioned in December 2004.

REGION	PROJECT	BRIEF DESCRIPTION	PROJECT PURPOSE	MILESTONES ACHIEVED 04/05
Central Queensland (continued)	Blackwater substation	Construction of a new 132kV connection point at Blackwater.	To provide additional transmission capacity to meet the electricity requirements of coal mining and other developments in the Rolleston area.	Commissioned in June 2005.
Southern Queensland	Belmont to Murarrie	Construction of a 275kV transmission line between Belmont and Murarrie substations.	To help reinforce electricity supply to the Brisbane CBD, Australia TradeCoast region, South-Eastern suburbs of Brisbane and surrounding areas.	Construction began in February 2005.
	Bundamba substation	Construction of a new 110kV/11kV substation on site at the Bremer Business Park and associated 110kV transmission line at Bundamba.	To meet industrial demand in the new Business Park and provide increased capacity and secure electricity supply in Bundamba and surrounding areas.	Commissioned in May 2005.
	Greenbank to Maudsland	Construction of a 275kV transmission line between Greenbank and Maudsland substations and construction of a new substation at Greenbank.	To reinforce electricity supply within the Gold Coast and Tweed regions.	Construction of the Greenbank substation began in December 2004. Construction of the transmission line began in May 2005.
	Millmerran to Middle Ridge	Construction of a 275kV/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 demand growth in South-East Queensland.	Commissioned in April 2005.

network development

Live line maintenance helps Powerlink to reduce network outages, minimising disruptions to our customers.

STRATEGIES TO BETTER MANAGE NETWORK OUTAGES

Powerlink must have scheduled transmission network outages from time to time to maintain and repair equipment and allow augmentation of our network. We have implemented a continuous process improvement methodology to enhance the management of transmission outages on our network and to minimise the associated customer impacts. Within this framework, a team of key stakeholders in the process identify opportunities to improve our outage management processes and implement supporting strategies.

Among the strategies to improve outage management, we are developing initiatives to increase certainty around outages and the potential impact for market participants. This involves improvements in communications and processes to reduce the risk of scheduled outages being cancelled.

We continue to expand our capability for live-line and live-substation maintenance work by developing and adapting procedures for our specialist teams.

Live maintenance procedures reduce impacts on our customers, by avoiding the need to have network outages. In an Australian first, our people have used an insulated elevated work platform and a mobile crane in bare-hand live-line work; a methodology that has broad application for maintenance procedures on our network.

ACHIEVING OPERATIONAL EFFICIENCIES

We are continually seeking opportunities for operating efficiencies in the current period of high demand growth and corresponding increases in investment.

The ACCC has supported the MCE initiative to provide incentives for Powerlink and other TNSPs to consider the market impact of their activities. This will complement the existing incentives that focus on reliability impacts on consumers.

We are committed to meeting service standards to deliver consumer reliability and minimise impacts of our activities on the electricity market.

LOOKING FORWARD TO 2005/06

- We will finalise the Regulatory Test processes currently under way to identify solutions for five future network needs.
- We will undertake easement acquisitions for a range of future transmission projects throughout the State.
- We will begin construction of the following projects:
  - Kogan Creek to Braemar transmission line; and
  - Greenbank to Maudsland transmission line.

network environment

TARGETS FOR IMPROVEMENT

Our Environmental Management Systems (EMS) continue to identify areas of potential environmental impacts and measures to mitigate such impacts. Performance against these targets is assessed quarterly and targets are reset on an annual basis. A working group, comprising owners of the nine key environmental aspects identified in the EMS, manages the EMS process and reports to Powerlink's Executive Environmental Steering Committee on progress towards our targets.

ENVIRONMENTAL TRAINING

Tailored environmental training programs were developed and offered to all our people, to provide an understanding of Powerlink's corporate policy and responsibility as well as the individual's responsibility to environmental protection. Combined with an effective communication strategy, our training programs have been proven to be successful in raising awareness of environmental issues among our people. Project-specific environmental induction programs were provided to contractors working on activities with the potential for direct impact on the environment including vegetation management, access track maintenance and transmission line construction projects.

ENVIRONMENTAL AUDITING

A planned schedule of environmental audits was carried out in 2004/05, including quarterly audits of transmission line construction projects and annual audits of maintenance service providers. The results of these audits were provided to the Executive Environmental Steering Committee. As a result of audit outcomes, we have implemented various strategies that have enhanced our environmental outcomes on the ground. These strategies include increasing the information recorded on the treatment of declared and protected areas, identifying improvements in erosion and sediment control, improving the maintenance of access tracks and more effective consultation on vegetation management for easement maintenance.

Our environmental performance **improvements** contribute to **operational excellence**.

The QNI as it crosses the Dumaresq River along the Queensland/New South Wales border.

case study

Protecting our network from bushfires.

Murray Abel, Easement Maintenance Manager, says Powerlink is developing more efficient easement maintenance practices that achieve a more reliable electricity supply.

"Bushfires present a real and significant risk to our network. They have the potential to cause damage and interrupt electricity supply to our customers.

"Fire behaviour is well researched, and we know a lot about high-voltage electricity networks, but there was very little understanding of the interaction of the two elements. So, with some expert advice, we have developed a model that allows our people to identify the level of fire risk at any point on our network and to trigger any follow up actions.

"Good fire prevention and management is very complex, but the model we have developed allows our people to make an accurate risk assessment and also collect valuable data for future learning.

"We are continuing to make significant changes to the way we manage vegetation on our easements to increase the safety, security and reliability of our network, make efficiency gains in our maintenance program and protect the biodiversity of the areas in which we operate."

Murray Abel
Easement Maintenance Manager

network environment

REPORTING ON GREENHOUSE ISSUES

Powerlink signed on to Greenhouse Challenge Plus, a new voluntary program operated by the Commonwealth Government. As a former signatory to the Greenhouse Challenge, we have indicated our ongoing commitment to reducing overall energy consumption and greenhouse gas emissions, within the constraints of our operating environment.

During 2004/05 our annual report to the Australian Greenhouse Office advised that we continued to maintain a highly accurate inventory of sulphur hexafluoride gas (SF_6), which is used exclusively as the insulating medium in the extra high-voltage switchgear in our network. We continue to recover residue gas from SF_6 supply bottles and apply a fast and cost-effective SF_6 detection system, including the use of an SF_6 detection camera to scan live equipment.

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

Powerlink has been an active participant in the Stakeholder Consultation Paper on Energy and Greenhouse Reporting, a review of greenhouse reporting requirements being undertaken by the State and Federal Governments that aims to consolidate data and reporting requirements.

WEED CONTROL INITIATIVES

We have continued working to improve weed control measures during construction and maintenance of our transmission assets and to combat existing weed problems on and around our sites.

At our Middle Ridge substation site and on nearby easements, we are working with local agencies and Toowoomba City Council to combat privet (*Ligustrum lucidum*) a declared weed. The eradication of privet is an ongoing commitment for Powerlink, which has included on-ground control measures on our land in conjunction with neighbouring landholders.

To reduce the risk of spreading weed seeds and pathogens, we have progressively installed vehicle washdown pad facilities in remote areas, in conjunction with our construction and refurbishment projects. Temporary sites have also been installed where permanent structures are not desirable. The locations of washdown pad sites are negotiated with neighbouring landowners and relevant government agencies.

With the view of encouraging responsible weed control and further education, we sponsored the Queensland Weed Symposium held in Townsville in 2005. Our sponsorship role included sharing the knowledge gained from our own weed control programs with symposium delegates.

We have **rehabilitated** and **preserved** a section of the Bicentennial National Trail.

VEGETATION AND FIRE MANAGEMENT

Network outages impact our customers and the reliable operation of our network. We are investing in several strategies that will achieve further improvements and efficiencies in our vegetation management program and will deliver a more secure and reliable transmission service to our customers, while considering the affect on biodiversity.

In recent years, we have conducted research into fire and fuel load management to better understand how to reduce the risk of bushfires causing transmission line outages. The research led to the development of two risk assessment models that we are currently trialling. These models have been endorsed following review by experts in fire management including members of the South-East Queensland Fire and Biodiversity Consortium. Powerlink has subsequently become a member of the consortium, which has provided a focal point for our development of important easement maintenance issues, including educational material on fires near transmission lines. Powerlink is participating in ongoing research undertaken by the consortium, which will build on information collected from earlier research and will assist in better understanding vegetation regrowth responses to disturbances including fire.

To assist in establishing vegetation management cycles to avoid network outages caused by vegetation, we are developing a program of monitoring vegetation growth rates at strategic points on our network. Data is collected at these identified monitoring points on a regular and ongoing basis, which will continue over the longer term.

We have also developed and applied design software and GPS technology to determine, manage and implement vegetation clearing on new construction projects. The process develops unique plans that clearly specify the detailed scope of works in an easily interpreted picture or diagrammatic form.

The use of integrated systems enables vegetation locations to be accurately positioned and assessed in the field. This on-the-ground access to highly accurate data further ensures that our vegetation management practices are closely controlled at every stage so that individual vegetation environments are correctly protected.

PRESERVING THE BICENTENNIAL NATIONAL TRAIL

Australia's Bicentennial National Trail stretches along Australia's eastern seaboard for some 5,000 km, including the rugged mountain areas around the Toowoomba ranges. The trail has been designed to be a 'living history' of our country. It is used by many people for a variety of reasons and relies on volunteers and public goodwill and support to survive.

Our Millmerran to Middle Ridge transmission line, completed in February 2005 and commissioned in April 2005, was constructed to meet the rapidly growing demand for electricity in the Darling Downs area and also to cater for a predicted future need in South-East Queensland. The line passes through the Toowoomba escarpment area and intersects the Bicentennial National Trail. This portion of the trail was badly eroded to the extent that it was almost unusable for horse-riding. In consultation with the Gatton Shire Council and the Bicentennial National Trail organisers and users, we developed an integrated access track from a road some 1.5 km below the tower site, providing for joint use by Powerlink and National Trail users.

Powerlink people undertook exceptional environmental planning and works management to achieve the rehabilitation and preservation of that section of the trail and to make improvements on the pre-existing environmental problems on the Bicentennial National Trail.

network environment

Powerlink transmission lines in the Nerang/Upper Coomera Valley help to address the growing demand for electricity in South East Queensland.

PROTECTING WILDLIFE

Glider-friendly anti-climbing barriers have continued to be implemented on transmission towers located in identified glider habitats. They have proven to be effective at reducing impacts on arboreal species trying to use towers to cross easements, while still restricting the unauthorised climbing of transmission towers by people.

POLE DESIGN IMPROVES AMENITY

An innovative steel pole was designed by Powerlink to replace selected ageing steel towers in and around Townsville. The poles, which are up to 39 metres high, are designed to withstand cyclonic conditions and improve the amenity of transmission infrastructure in highly visible areas.

The new poles are faster to build and erect than similar size steel towers, creating efficiency gains during the construction projects.

Our vegetation management program aims to **balance** the need to deliver a more **secure** and **reliable** transmission service with the biodiversity of the area.

LOOKING FORWARD TO 2005/06

- We will implement the targets identified in our EMS aimed at mitigating the environmental impacts of our operations and develop more effective measures to monitor our environmental impacts.
- We will foster a culture where environmental compliance is an embedded part of Achieving Operational Excellence.
- We will implement changes to greenhouse reporting requirements in response to outcomes of the current State and Federal Government review.
- We will further develop our program of monitoring vegetation growth rates to assist in establishing vegetation management cycles that avoid network outages caused by vegetation.
- We will continue to develop a tool that uses GPS technology to better manage vegetation on our easements, particularly during the approval and construction phases of projects. The tool will better define the vegetation profile of an easement, helping to map out environmental work plans and plot the location of environmentally sensitive areas.
- We will install cameras on targeted transmission towers in a project to monitor wildlife interactions with transmission assets.

community

WE AIM TO ESTABLISH OPEN, COOPERATIVE AND ENDURING PARTNERSHIPS IN THE COMMUNITIES IN WHICH WE OPERATE.

BUILDING LASTING RELATIONSHIPS

Powerlink is committed to building trust and goodwill with the communities we affect, joining with them in initiating and developing environmental projects and supporting programs that aid in job creation. Working together has built relationships that have led to practical, hands-on solutions that offer the best possible outcome for communities and Powerlink.

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

Creek rehabilitation and **wildlife observation platforms** were among the first round projects funded by our Community Environment Fund (Townsville).

COMMUNITY ENVIRONMENT FUND LAUNCHED

The Community Environment Fund is a Powerlink initiative with the aim of forming partnerships and undertaking projects that enhance the environmental properties of the Townsville and Thuringowa region and minimise the visual impact on the community of the electricity infrastructure we own, operate and maintain. The Townsville and Thuringowa region is among the fastest growing regions in Australia in terms of population and industrial growth and is strategically important to our future network development.

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

The initiative was launched in August 2004, and in February 2005 seven projects received funding in the first round of grants, with works now well under way. These projects will cover a wide range of activities, from the development of a weed team to eradicate new weeds in the region to creek rehabilitation, installation of wildlife observation platforms and the restoration of local wetlands.

A taskforce comprising community representatives, Council and Powerlink representatives has been established to oversee management of the Community Environment Fund and the process of evaluating funding submissions.

Powerlink works together with local communities to build trust, goodwill and lasting relationships.

case study

Working together for sun-safe kids.

Merryl Stevens, Vice-President of the Millmerran Swimming Club, said Powerlink's Community Benefit Program provided $8,000 for two shade cloth structures alongside the community swimming pool.

Bill Buikstra, Powerlink's Project Manager Acquisition, said the Millmerran Swimming Club was one of 50 community projects funded through the Millmerran to Middle Ridge Community Benefits Program.

Merryl Stevens said the club has 80 members who range in age from four to 18 years. "The shade structures have really helped out over the hot weather. Now our club members, as well as school students and other local pool users, can sit in the shade during the heat of the day, so lots of people are enjoying the benefits. Fortunately, we got the structures up just in time for the Darling Downs Championship, our regional competition involving about 200 children over two days. Fundraising can be very difficult, so the Community Benefits Program was very welcome."

As project manager for the Millmerran to Middle Ridge project, Bill Buikstra is delighted to see the projects that Powerlink funds come to life. "It is great to celebrate the completion of projects with the community. The swimming club provides benefits to the local community in terms of recreation, health, water safety and social networks, and the shade structure is an important facility at the district pool. We were very pleased to be able to support this worthwhile project through Powerlink's Community Benefits Program."

working together with the community

Lachlan Johnson
Millmerran Swimming Club

community

Powerlink people like Andrew Cowin have pitched in to help Lockyer Valley volunteers beautify their communities.

Working together with communities in the Lockyer Valley, we have undertaken **18 'greening' projects**, including the planting of more than **36,000 trees**.

ACCOLADES FOR GREENING LOCKYER

The Greening Lockyer program, a partnership program funded by a community grant from Powerlink, aims to enhance the environmental properties of the Lockyer Valley, minimise the impact of our infrastructure and create training and employment opportunities for local residents. An initiative of Powerlink, the program is a partnership with Esk, Gatton and Laidley Shire Councils and the Western Subregional Organisation of Councils (WESROC).

Greening Lockyer's aims and achievements were recognised during 2004/05:

- The program received Queensland's prestigious environment award, the 2005 Healthy Waterways Awards Grand Prize and the 2005 WBM Oceanics Australia Government Award. The awards recognised the strategic approach we have undertaken in working with neighbouring communities and Councils to improve the entire region's water quality through its greening initiatives/projects.
- Program partners Gatton, Esk and Laidley Shire Councils received the Community Capacity Building – Social and Community Engagement Award, Rural Category, in the 2004 National Awards for Local Government. The award recognised the program's work in strengthening choices for engagement in the community for individuals and families and fostering a culture of self-reliance and self-help in the community.
- The program received the 2004 Queensland Outdoor Recreation Federation Award for encouraging Lockyer Valley residents to venture outdoors and learn skills in environmental management.

Now in its third and final year, the program has earned the support of the community across the three shires. Eighteen projects have attracted Greening Lockyer funding supplemented by cash and in-kind contributions from community and environmental groups and the partner Councils since the program commenced in May 2003. Powerlink has committed to maintenance of Greening Lockyer projects for the three years beyond 2005, further demonstrating our commitment to the Lockyer environment and community.

More than 2,000 community members have been involved in the projects, planting more than 36,000 trees at wetland and riparian restoration sites and improving and restoring habitats. More than 5,500 volunteer hours have been contributed and the program has created 215 employment opportunities.

Our people have also participated in the program by working alongside Gatton's State School students, the Girl Guides, the Scouts and members of the RSL and Bowls Club to plant 500 native trees and shrubs as part of the Friends of Littleton Park Greening Lockyer project. This was celebrated as a major event, the Powerlink Blitz, on our 10th Anniversary calendar.

HOUSES DONATED TO IPSWICH COMMUNITY

Powerlink donated two houses at Ebbw Vale to the Ipswich community to help local residents establish a neighbourhood centre and accommodation for rural families with relatives in hospital.

After consulting with local residents and Local and State Government representatives to determine the most suitable uses for the properties, we handed over the two houses to the Goodna Neighbourhood House and the Lions Club of Ipswich, Redbank and Goodna in May 2005.

WORKING TOGETHER FOR IMPORTANT COMMUNITY PROJECTS

Our Community Benefits Program, created in 1997, provides funding for community projects which offer tangible and lasting benefits for people living near new transmission lines. The programs recognise that our activities can have a broader affect on communities near new transmission lines. The funding is in addition to the compensation paid directly to landowners when an easement is acquired.

Under the Community Benefits Program, the amount of funds allocated to each Local Government area is dependent on the particular transmission line route taking into consideration the length of line in the Shire, visual impact, proximity to houses, land use and environmental factors. Funding submissions from community groups are invited.

This year we initiated two Community Benefits Programs, supporting communities close to our new Blackwall to Greenbank to Belmont transmission line and the Millmerran to Middle Ridge transmission line.

Our Millmerran to Middle Ridge Community Benefits Program benefited 50 community groups across Cambooya, Clifton, Gatton, Millmerran and Pittsworth Shires, including the rural Millmerran Swimming Club, Nobby State School, the Clifton Co-Op Hospital and Millmerran Hospital, Landcare groups, Lions Clubs, and three Rural Fire Brigades.

A further 16 community groups in Logan City and Beaudesert Shire benefited from our Blackwall to Belmont Community Benefits Program, including Greenbank Junior Cricket Club, Wildlife Rescue Logan, Chambers Flat and Logan Rural Fire Brigade, Park Ridge State School and the major beneficiary, Greenbank Community Preschool and Kindergarten.

community

SUPPORTING QUEENSLAND ART AND ENVIRONMENT

Powerlink and the Environmental Protection Agency are jointly funding and developing a unique Art and Environment Program in association with the Queensland Government's Great Walks of Queensland. Great Walks of Queensland is an initiative to create six world-class walking tracks through some of the State's most beautiful and scenic natural areas. In an Australian first, Art and Environment projects will be developed for each Great Walk. Our contribution will be directed to Great Walks projects in the Wet Tropics, Mackay Highlands and Gold Coast Hinterland.

In the three regions, our sponsorship will enable the commissioning of local artists-in-residence, art and environment workshops for local aspiring artists, community members and children and exhibitions of the artworks. Our support also includes photographic documentary of the Great Walks Art and Environment Program and the production of a catalogue featuring the completed artworks by mid-2006. The initiative will promote art and the environment, encourage communities and children to be involved with their natural environment through art and enhance the experience and enjoyment of the Great Walks for local residents and tourists.

Our contribution is consistent with the Queensland Government's Art Built-In Policy.

GREENING THE GAPS IN BRISBANE

In partnership with the Brisbane City Council, we have launched the Greening the Gaps program, which will fund revegetation works on our easements in target areas within Brisbane. The revegetation works began in April 2005 and are being undertaken by Brisbane Council and community groups over a period of three years. This program aims to improve amenity along transmission line easements, enhance the habitat through improving the biodiversity value of easement land and wildlife corridor connectivity, achieve efficiencies in easement maintenance and enhance community awareness of vegetation management practices.

SANDY CREEK PROJECT WINS AWARD

Friends of Sandy Creek, a joint project with Readymix, the Bremer Catchment Association and Powerlink, received a 2004 Healthy Waterways Award, Commerce Queensland Industry Category. The project has resulted in the planting of more than 15,000 trees since the project commenced in 2002 and the restoration of bushland and creek banks along a two kilometre stretch of Sandy Creek in Tivoli, Ipswich, close to our new Blackwall to Greenbank transmission line.

In April, we hosted a community tree planting day at Sandy Creek where local residents and volunteers from Greening Australia, Powerlink and Readymix planted native seedlings. The project has noticeably improved the amenity of the local area.

WILDLIFE CORRIDOR NEARS COMPLETION

Final tree plantings in 2005 will mark the fourth year in a five-year Wet Tropics Wildlife Corridor Project, sponsored by Powerlink. The project is a joint initiative of the Queensland Parks and Wildlife Services' (QPWS) Centre for Tropical Research, with support from Trees for Evelyn and Atherton Tablelands (TREAT), the Community for Coastal and Cassowary Conservation (C4) and the Bureau of Sugar Experiment Stations (BSES).

The aim of the project is to protect the biodiversity of the Walter Hill Ranges area, between Townsville and Cairns, where links between upland and lowland rainforests required strengthening to allow the safe movement of fauna, including the endangered Southern Cassowary.

The project typically plants trees adjacent to small creeks through private farms and reserves. To date, plantings have been carried out on 99% of the available riparian areas on the corridor. A total of 19,916 trees have been planted and promising growth rates have been recorded.

SHARING INFORMATION ON ELECTRIC AND MAGNETIC FIELDS

Powerlink recognises that some members of the community have a concern over the long-term health effects of prolonged exposure to EMF. We respond to public inquiries about the issue, and provide information through brochures, videos and on our website. We closely monitor international research on the issue through our membership of the Energy Supply Association of Australia's (ESAA) EMF Advisory Committee.

The Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) continues its review of the current Australian National Health and Medical Research Council Guidelines. The ARPANSA draft report is expected to be released for public comment in late 2005, with the final document expected in 2006. Powerlink is a major stakeholder with an interest in occupational and general public exposure to fields from our facilities.

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

LOOKING FORWARD TO 2005/06

- We will undertake the final year of Greening Lockyer program elements to deliver the community benefits of the 18 projects funded.
- The Great Walks Art and Environment Program elements sponsored by Powerlink in the Wet Tropics, Mackay Highlands and Gold Coast Hinterland will take place, culminating in a Brisbane exhibition of all artworks in mid-2006.
- The Community Environment Fund first round projects will be carried out and second round projects will be announced in early 2006.
- We will undertake the first year projects in the Greening the Gaps program to revegetate selected Powerlink easements in target areas within Brisbane.
- The Wet Tropics Wildlife Corridor Project final plantings in late 2005 will complete a significant connection from the coast to the tablelands, allowing safe movement of fauna. The project's focus for 2006 will be maintenance of the planting sites.

people

OUR FIRST PRIORITY IS THE SAFETY OF OUR PEOPLE, THE PUBLIC AND PROPERTY.

SAFETY – MAKE IT WORK

Our commitment is to the continual improvement and review of our systems, processes and training to deliver a safe business environment and the safe operation and development of our network.

These principles have been promoted to our people through the 'Safety – make it work' campaign. This campaign has focused on issues including health, safe driving and workstation ergonomics, as well as Powerlink's Safety Fundamentals, the five crucial behaviours and processes that ensure safety performance particularly in the medium to high risk areas of our business.

Our Safety Management System was developed and completed in consultation with our people and their representatives. The system complies with the *Electrical Safety Act 2002* and is a framework that documents how we manage electrical safety issues for people who access our high-voltage network and the public. The new system was audited by Queensland Risk Management Consultants (QRMC) and submitted to the Electrical Safety Office in October 2004.

We undertake internal and external audits against the Safety Management System annually. A number of corporate audits against the system have been conducted with our service providers. These show no major non-conformances with only minor improvements needed. Ad hoc audits also occur against projects for improving the processes of our service providers.

The accessibility and value of our Safety Manual has been enhanced through the revision of all procedures, documents and forms relating to safety issues and processes, and by improving its web-based location.

During 2004/05, there was one minor non-network work related lost time injury. This injury occurred after a record 17 consecutive months without a work related lost time injury to our people, in the months until May 2005. We target zero workplace accidents.

MANAGING FATIGUE

Fatigue presents a potential safety risk to our people, particularly those undertaking high risk activities. Working with the Sleep Research Centre of the University of South Australia, we have trialled and implemented a leading-edge fatigue management system throughout most of our business. The system enables our people to evaluate their level of risk and work with their manager to identify strategies to manage those risks. It also creates opportunities for improvements in work planning by managers and work schedulers.

Working together to ensure premium **safety performance** in all areas of our business.

Brett Handley (left) and Max Gardner at Braemar substation along the QNI route. Our people work hard to help deliver a reliable electricity supply to Queensland.

case study

Supporting our people through opportunities and rewarding careers.

Katie Hadley, Development Engineer, appreciates the experiences of Powerlink's Graduate Development Scheme. The scheme has opened doors for many young engineers, including Jenine Lotter, now Manager Information Technology and Telecommunications Design.

Katie Hadley tailored her studies for a career in power systems and control engineering. "Powerlink's Graduate Engineer Development Scheme is giving me an opportunity to experience and understand the range of career options available within the electricity transmission industry. Right now, I am working with the Grid Controls Planning team on projects that challenge me to apply and extend my knowledge. After 12 months, I will move to a new role in a different team and will continue through a series of year-long rotations. I really enjoy working at Powerlink – the work is interesting, the people and the work environment are supportive and the Development Scheme has much to offer."

From the robust foundations of the Powerlink Graduate Engineer Development Scheme, Jenine Lotter has built a rewarding career within the organisation. "Through the Development Scheme I was exposed to opportunities that I could not have anticipated. My colleagues encouraged me to take on and learn from these challenges. I have stayed with Powerlink and have worked in a number of technical and management positions. I really value Powerlink's flexibility in allowing me to achieve a quality work/life balance while maintaining a senior and diverse role."

working together with our people

people

Workplace collaboration helps us better achieve our goals. Mike McLean talks to Powerlink people as part of a field tour.

ENHANCING WORKPLACE CULTURE

To help maintain our successful corporate culture, we have initiated programs to further develop workplace collaboration and a learning agenda. These programs, such as training individuals in group facilitation skills, have been adopted and have enabled sectors of the organisation to achieve better processes and outcomes across work teams.

Improvements in the induction program have assisted new people to be better informed of our business and cultural agenda. New people continue to be provided with self development learning activities such as our 'Seven Habits of Highly Effective People' program.

NEW ENTERPRISE AGREEMENT ACHIEVED

A new three-year Enterprise Agreement was negotiated with our people and their representatives, enabling a back-to-back arrangement with the former agreement. This new agreement considers a balance of family-friendly initiatives and differing working arrangements required by a changing external environment and the needs of our people. The outcomes are consistent with our corporate culture and will contribute to our ability to attract and retain highly skilled people in a competitive job market.

Greater workplace collaboration and a learning agenda **enhance** our **successful** corporate culture.

working together with our people

ENSURING FUTURE CAPABILITIES

Our projected increase in capital works and the Australia-wide technical skills shortage require us to ensure we have the right capabilities for the future. Our strategic approach to workforce planning has resulted in a 6.7% increase in employee numbers and a shift in demographics of our people, particularly in age and cultural diversity.

In seeking to recruit, train and develop specialists in our field, we have raised Powerlink's profile at university career information forums, school career promotions and through guidance counsellors. With the aim of encouraging Aboriginal and Torres Strait Islander people to apply for Powerlink development opportunities, particularly apprenticeships and traineeships, we have promoted these opportunities more strongly at targeted schools and through school guidance counsellors.

We continue to participate in the Queensland Electricity Transmission and Distribution (QETD) initiative which aims to raise the profile of Power Engineering as a career choice for high school and university students.

During 2004/05, the QETD group provided eight bursaries to students undertaking degree level studies at Queensland universities in the areas of engineering relevant to the power industry. The group is also active in the area of curriculum development in conjunction with Queensland universities and provides industry sponsored projects and research topics.

We have continued our strong commitment to growing new skills and capabilities for the future through a range of development schemes. The schemes contribute to meeting our resourcing needs, with 41 trainees in the fields of engineering, information technology, administration and apprenticeships currently employed by Powerlink.

BALANCING WORK AND PERSONAL LIFE

The right balance between work and personal life is key to achieving good work performance. Through employee research, we have identified strategies to minimise the whole-of-life impacts for people required to travel significantly in their work role. Examples of strategies successfully adopted are the offer of more flexible accommodation options for people working away from home and improved resource planning.

We have also actioned other initiatives to assist our people to achieve a work/life balance, including taking adequate time away from the workplace and offering an option of phased retirement or flexible employment arrangements where there are benefits to Powerlink and our people.

LOOKING FORWARD TO 2005/06

- We will further expand our development programs to include three new opportunities: the positions of Graduate Environmental Officer, Graduate Civil Engineer and Warehouse Trainee. These positions have been identified as growth and succession planning areas for Powerlink.
- We will continue to focus on resourcing strategies which allow us to meet our future work commitments to maintain the high level of supply reliability on our network and to attract and retain critical competencies.
- A new Senior Leadership Development program will be launched, working with selected individuals in a focused leadership development process.
- Our people will participate in the Powerlink Queensland Employee Opinion Survey, the sixth workplace culture survey we will have undertaken in a 10 year period.

governance

WE AIM TO DELIVER THE BEST OUTCOMES FOR OUR SHAREHOLDERS AND THE CORPORATION.

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 and framework 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.

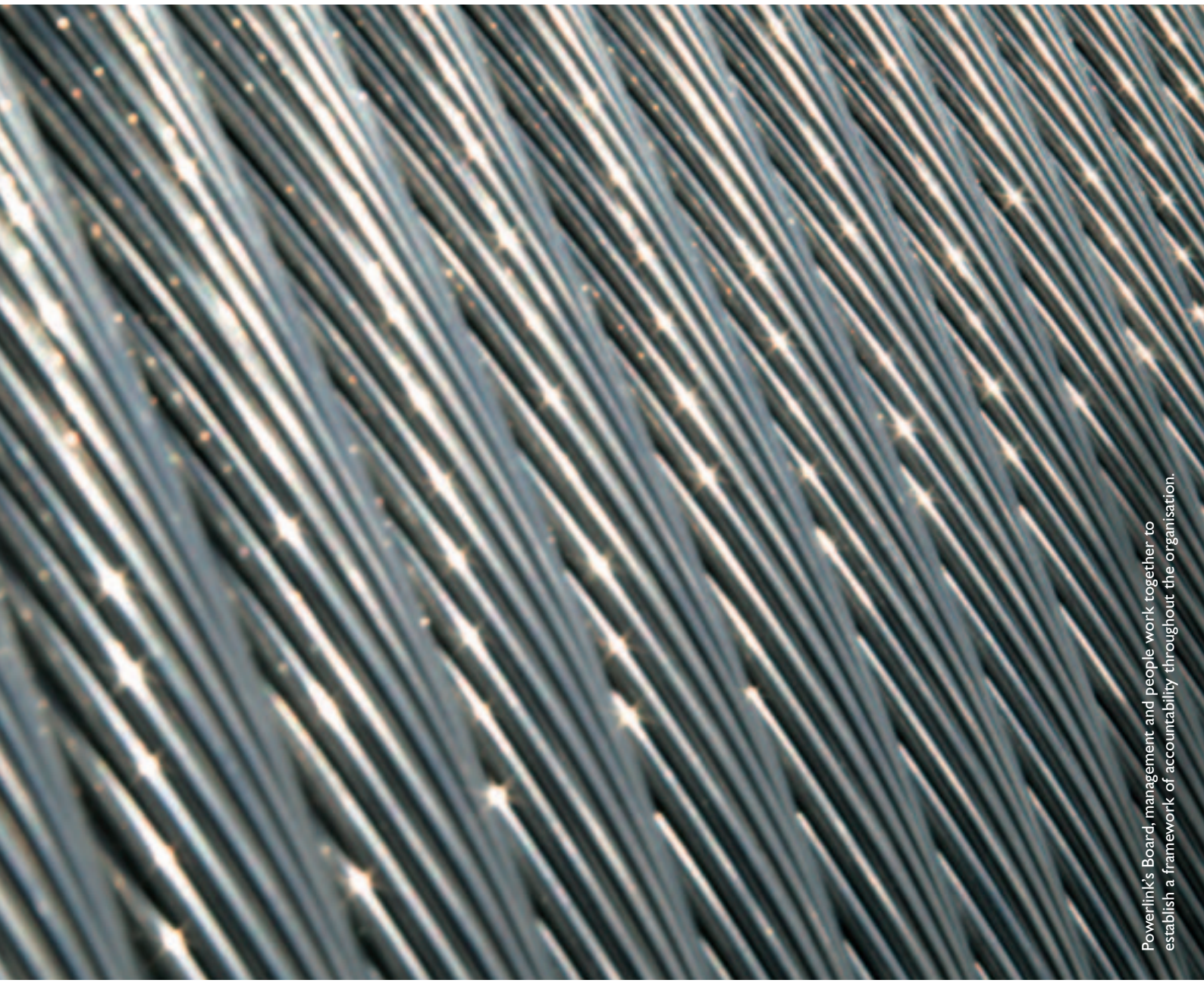
Board Committees and Management Committees are structured to address important **corporate issues**.

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;
- Providing strategic guidance and direction to the corporation, including establishment of its commercial policies and frameworks;
- 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;
- Ensuring compliance with statutory, financial and legal requirements; and
- Ensuring that an effective system of corporate governance exists.

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

working together to deliver accountability



Powerlink's Board, management and people work together to establish a framework of accountability throughout the organisation.

governance

SHAREHOLDING MINISTERS

The corporation's Shareholding Ministers at 30 June 2005 were the Deputy Premier, Treasurer and Minister for Sport, and the Minister for Energy and Minister for Aboriginal & Torres Strait Islander Policy.

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 fulfilling its corporate governance 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 - Christina Sutherland, Patricia Conroy (replaced Else Shepherd during the year)

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

The Committee endorses the corporation's Internal Audit Program and Risk Management Profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee is responsible for considering the annual statutory financial statements for subsequent approval by the Board.

Remuneration Committee

Chairman - Walter Threlfall
Members - Merv Norman, Else Shepherd (replaced Patricia Conroy during the year)

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. Directors are informed of emerging and current business issues through a formal process.

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

The Board maintains an Education Register to record training and development undertaken by each Director.

These actions ensure Directors have the best possible skills to provide Powerlink with capable and professional leadership.

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 reports to Powerlink's Shareholding Ministers.

Powerlink's performance is regularly reported to its Shareholding Ministers.

MANAGEMENT COMMITTEES

A Management Committee structure operates in parallel with 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.

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

governance

Workplace health and safety

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

Corporate emergency response

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

ETHICAL STANDARDS

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

DIVIDEND POLICY

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

SHAREHOLDING MINISTERS' DIRECTIONS

During the year, 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

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

The Enterprise Agreement provides Award employees with annual economic increments 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 provided that:

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

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

Contract employees

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

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

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

Directors are committed to ongoing professional development.

Robust corporate governance is a **cornerstone** of Powerlink's operations.

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 is currently a non-executive Director of the National Electricity Market Management Company (NEMMCO) and ESI Super. She is a Trustee of the Brisbane Girls Grammar School and is a member of the National Industry Liaison Board of Engineers Australia.

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

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

PATRICIA CONROY

Board Member (appointed 1999)

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

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

MERV NORMAN

FIEAust, CPEng, FAIMM, FAICD, RPEQ

Board Member (appointed 1994)

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

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

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

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

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

CHRISTINA SUTHERLAND

BLaw

Board Member (appointed 2001)

Christina is a solicitor of the Supreme Court of Queensland and the High Court of Australia, with almost 17 years of experience providing insurance litigation, commercial litigation, administrative and industrial relations legal services to both plaintiffs and defendants in Queensland.

In 1998, Christina became a partner of Quinlan Miller and Treston Solicitors after more than 10 years with the company. She is a member of the Queensland Law Society and has considerable experience presenting seminars, as part of continuing legal education.

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

WALTER THRELFALL

Board Member (appointed 1994)

Walter has been an official of the Electrical Trades Union 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), B Com, MSc (Environmental), FAICD, FAIM

Chief Executive

Since 1995, Gordon has held the position of Chief Executive of Powerlink Queensland. He is also a member of the System Reliability Panel of the National Electricity Market (NEM). Before joining Powerlink, he held senior management positions at one of Australia's largest computer software companies, Mincom. During his 14 years with the company, he spent three years in the United States as President of its North American subsidiary, before being appointed Deputy Managing Director of Mincom in 1990. Gordon is a director of ElectraNet SA (the South Australian electricity transmission utility), following Powerlink's acquisition of a 41-percent interest. Gordon was seconded to ENERGEX as CEO for nine months during 2004/05.

SIMON BARTLETT

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

Chief Operating Officer

Simon acted as Chief Executive from September 2004 to June 2005 during the secondment of Gordon Jardine as Chief Executive of ENERGEX. This has been a period of record growth for Powerlink in terms of the need to plan and develop our transmission network to ensure a reliable service to customers in the face of record load growth.

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

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

Simon has more than 30 years' experience in electricity generation and transmission, including Australian and overseas roles in planning, design and strategic management.

MAURIE BRENNAN

BBus, MBA, CPA, FAICD

Chief Financial Officer

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

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

Maurie is a Director of ElectraNet SA, a member of the ElectraNet SA Audit and Compliance Committee and a member of the ElectraNet SA Treasury Committee. He is also an alternate Director of the ESI Super Board.

HUGH GRANT

BE (Hons), GradDip (Management), CPEng, MIEE

Manager Operations

Hugh manages a range of specialist operational services including network operations, asset monitoring, IT&T 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 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 manages Powerlink's continuous improvement initiatives that ensure we have a workplace culture that is right for our people and for our business. He is also coordinating initiatives to ensure Powerlink has the right people and capabilities necessary to deliver our current and future business targets.

Gary has more than 25 years' professional experience in clinical and organisational psychology roles, including 17 years in human resource management.

TERRENCE (TERRY) MILLER

BE (Elec)

Manager Grid Planning

General Manager Network (acting)

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 NEM.

With more than 32 years' experience in the Queensland electricity industry, Terry's career has included experience in network planning, regulatory affairs, customer account management, substation design and distribution network design.

In October 2004, Terry was appointed Acting General Manager Network. In this role Terry is responsible for strategic business development and asset management to maximise the long-term return on Powerlink's investments in a way that satisfied the emerging expectations of our stakeholders.

executive leadership team

PAUL MARTIN

BE (Elec), MEngSc, MIAust, RPEQ

Manager Grid Planning (acting)

In October 2004, Paul was appointed Acting Manager Grid Planning with responsibility for analysis and planning activities for Powerlink's transmission network, including supporting network and investment strategies.

Paul's career in the electricity industry spans 29 years and includes experience in software engineering, control system design, telecommunications design, substation design, engineering sales and marketing and product development. Paul's extensive experience in project management includes his role as project manager for the Queensland/New South Wales Interconnector (QNI) project.

GARRY MULHERIN

BE (Elec), RPEQ

Manager Network Field Services

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

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

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

BRIAN POKARIER

BE, DipBusinessManagement, CPEng, FIEAust

Manager Engineering

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

Over the past twelve months, Brian has ensured that a record number of Powerlink projects were commissioned, by successfully setting up outsourcing partnerships with several companies for design and construction.

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

With more than 30 years' 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.

ROBYN ROBINSON

BSc, MSc(OR), DipCompSc

Manager Corporate Development

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

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

Robyn has had over 25 years' experience in the Queensland electricity industry. Prior to taking up her current position in 2001, Robyn held a number of roles associated with the provision of information technology services including IT management, strategy development, and project management. She is a member of the Australian Society for Operations Research and Women in Information Technology.

OWEN WEST

BSc (Hons), BCom, MAICD

Manager Procurement

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

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

Owen is a Director of ElectraNet SA. He is the Vice-Chairman of the Asia Pacific Utilities Group (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 2005, 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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

The principal activities of the 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 Coordinator 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 $233.1 million (2004: $214.5 million).

DIVIDENDS

The Directors have provided for a final dividend of $82.649 million (2004: $87.924 million), being 80% (2004: 95%) of the operating profit and extraordinary items after income tax equivalent. The Board of Directors has made its recommendation on the final dividend to be paid after consultation with Shareholding Ministers in accordance with the *Government Owned Corporations Act 1993*.

The final dividend will not be franked.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

For reporting periods starting on or after 1 July 2005, the Company must comply with Australian equivalents of International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB). The implementation plan and potential impact of adopting AIFRS are detailed in Note 35 of the financial statements.

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

REVIEW OF OPERATIONS

A review of the 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.

Powerlink has regimes in place to monitor compliance with environmental regulations (Millmerran substation).

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 monitor 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' 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	4
Number of meetings attended:			
Else Shepherd	10	1#	3#
Patricia Conroy	10	3#	1#
Merv Norman	11	4	4
Walter Threlfall	11	*	4
Christina Sutherland	11	4	*

* Not a member of the relevant committee

\# Change in committee membership

INFORMATION ON DIRECTORS

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

DIRECTORS' ORDINARY SHARES

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

DIRECTORS' INTERESTS AND BENEFITS

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

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

INDEMNITIES AND INSURANCE

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

The indemnity relates to any liability:

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

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

INSURANCE

During the financial year, Powerlink Queensland insured the Directors and employees of the 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 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 Australian Securities and Investment Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors.

E.E Shepherd
Chairman

7th September 2005

financials

statement of financial performance

year ended 30 June 2005

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenues from ordinary activities	2	464 904	424 159	462 584	421 528
Expenses from ordinary activities excluding borrowing costs expense	3	231 829	209 708	231 808	209 687
Borrowing costs expense	4	87 378	81 176	87 378	81 176
Share of net profits (losses) of associates accounted for using the equity method	11	1 452	2 147	–	–
Profit (Loss) from ordinary activities before income tax equivalent expense		147 149	135 422	143 398	130 665
Income tax equivalent expense (benefit) relating to ordinary activities	5.1	43 837	42 870	41 387	40 398
Profit (Loss) from ordinary activities after related income tax equivalent expense		103 312	92 552	102 011	90 267
Net profit (loss)		103 312	92 552	102 011	90 267
Net profit attributable to members of Queensland Electricity Transmission Corporation Limited	21	103 312	92 552	102 011	90 267
Increase (Decrease) in asset revaluation reserve	20	81 753	68 554	72 720	63 222
		81 753	68 554	72 720	63 222
Total revenues, expenses and valuation adjustments attributable to members of Queensland Electricity Transmission Corporation Limited and recognised directly in equity		–	–	–	–
Total changes in equity other than those resulting from transactions with owners as owners and attributable to members of Powerlink Queensland		185 065	161 106	174 731	153 489

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

statement of financial position

at 30 June 2005

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
CURRENT ASSETS					
Cash assets	7	46 165	99 393	39 590	92 516
Receivables	8	37 833	35 578	37 582	35 720
Inventories	9	16 324	15 411	16 324	15 411
Other financial assets	12	85 000	–	85 000	–
Other	10	3 017	1 649	3 017	1 649
Total current assets		188 339	152 031	181 513	145 296
NON CURRENT ASSETS					
Investments accounted for using the equity method	11	58 450	48 206	–	–
Other financial assets	12	61 200	91 200	62 955	92 955
Property, plant and equipment	14	3 050 703	2 901 329	3 050 703	2 901 329
Deferred tax assets	5.4	11 304	10 490	11 304	10 490
Total non current assets		3 181 657	3 051 225	3 124 962	3 004 774
TOTAL ASSETS		3 369 996	3 203 256	3 306 475	3 150 070
CURRENT LIABILITIES					
Payables	15	152 417	139 881	152 403	139 868
Interest bearing liabilities	16	4 001	–	4 001	–
Current tax liabilities	5.2	(2 640)	16 858	(2 640)	16 858
Provisions	17	88 945	93 073	88 945	93 073
Other	18	7 811	8 063	7 811	8 063
Total current liabilities		250 534	257 875	250 520	257 862
NON CURRENT LIABILITIES					
Interest bearing liabilities	16	1 465 320	1 412 420	1 465 320	1 412 420
Deferred tax liabilities	5.3	52 299	37 493	52 299	37 493
Provisions	17	20 793	18 053	20 793	18 053
Other	18	13 342	12 123	13 342	12 123
Total non current liabilities		1 551 754	1 480 089	1 551 754	1 480 089
TOTAL LIABILITIES		1 802 288	1 737 964	1 802 274	1 737 951
NET ASSETS		1 567 708	1 465 292	1 504 201	1 412 119
EQUITY					
Parent entity interest					
Contributed equity	19	401 000	401 000	401 000	401 000
Reserves	20	1 100 065	1 018 312	1 020 520	947 800
Retained profits	21	66 643	45 980	82 681	63 319
TOTAL PARENT EQUITY		1 567 708	1 465 292	1 504 201	1 412 119
TOTAL EQUITY		1 567 708	1 465 292	1 504 201	1 412 119

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

statement of cash flows

year ended 30 June 2005

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		421 135	398 047	420 438	397 433
Intra Regional Settlements Residue (IRSR)		13 516	6 401	13 516	6 401
Payments to suppliers and employees		(106 640)	(86 219)	(106 626)	(86 199)
Interest received		13 062	10 403	1 706	2 108
Dividends received		241	234	9 734	6 361
Borrowing costs		(87 316)	(81 111)	(87 316)	(81 111)
Income tax equivalent paid		(49 140)	(45 582)	(46 499)	(42 522)
Income tax equivalent expense under Tax Funding Agreement		(201)	–	–	–
Goods and services tax (paid)/received		808	(544)	808	(544)
Other operating receipts		19 324	20 918	19 324	20 918
Other operating payments		(835)	(7 034)	(835)	(7 032)
Net cash flows from/(used in) operating activities	22	223 948	215 513	224 250	215 813
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(193 801)	(197 817)	(193 801)	(197 817)
Proceeds from sale of property, plant and equipment		2 648	1 281	2 648	1 281
Payments for investments		(55 000)	(35 060)	(55 000)	(35 050)
Net cash flows from/(used in) investing activities		(246 153)	(231 596)	(246 153)	(231 586)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		56 901	60 600	56 901	60 600
Dividends paid		(87 924)	(72 855)	(87 924)	(72 855)
Net cash flows from/(used in) financing activities		(31 023)	(12 255)	(31 023)	(12 255)
Net increase/(decrease) in cash held		(53 228)	(28 338)	(52 926)	(28 028)
Add opening cash brought forward		99 393	127 731	92 516	120 544
Closing cash carried forward	7	46 165	99 393	39 590	92 516

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 2005

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 2005 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.

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 (refer Note 11).

Controlled entities

Investments in controlled entities are carried in the Corporation's financial statements at the lower of cost and recoverable amount (refer Note 13).

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.

notes to and forming part of the financial statements

for the year ended 30 June 2005

1.7 Revenue recognition (cont'd)

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.

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.

notes to and forming part of the financial statements

for the year ended 30 June 2005

1.11 Valuation of property plant and equipment (cont'd)

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.

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 installments 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 leaseback 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 2005. 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 2005. 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).

notes to and forming part of the financial statements

for the year ended 30 June 2005

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.

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 2005.

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 recognized 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 2004/05 the amount of IRSR applied to offset regulated network charges totalled $44.2 million.

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

At 30 June 2005, the IRSR balance, including interest earned and net of fees was $123.8 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 cash flows 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 2005

2. REVENUES FROM ORDINARY ACTIVITIES

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue from operating activities				
Grid sales revenue	429 066	390 863	429 066	390 863
Total revenues from operating activities	429 066	390 863	429 066	390 863
Revenue from non operating activities				
Dividends				
Controlled entities	–	–	9 734	6 361
Interest				
Other related parties	11 757	8 683	–	–
Other parties	2 003	2 417	1 706	2 108
Proceeds from sale of non current assets	2 648	1 281	2 648	1 281
Customer works revenue	12 554	14 062	12 554	14 062
Property revenue	3 870	2 528	3 870	2 528
Other	3 006	4 325	3 006	4 325
Total revenues from outside the operating activities	35 838	33 296	33 518	30 665
Total revenues from ordinary activities	464 904	424 159	462 584	421 528

3. EXPENSES FROM ORDINARY ACTIVITIES, EXCLUDING BORROWING COSTS EXPENSE

Network operations	8 107	7 188	8 107	7 188
Network maintenance	46 489	45 526	46 489	45 526
Grid support	15 323	11 182	15 323	11 182
Corporate/Business support	34 619	28 066	34 598	28 045
Other	6 269	7 032	6 269	7 032
Depreciation	117 895	109 283	117 895	109 283
Carrying amount non current asset disposal	3 127	1 431	3 127	1 431
Total expenses from ordinary activities, excluding borrowing costs expense	231 829	209 708	231 808	209 687

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'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	109 708	99 712	109 708	99 712
Other property, plant and equipment	8 187	9 571	8 187	9 571
	117 895	109 283	117 895	109 283
Borrowing costs expensed				
Borrowing costs	89 878	85 536	89 878	85 536
Total borrowing costs	89 878	85 536	89 878	85 536
Less amount capitalised	(2 500)	(4 360)	(2 500)	(4 360)
Borrowing costs expensed	87 378	81 176	87 378	81 176
Net profit/(loss) on disposal of property, plant and equipment	(479)	150	(479)	150
Rental - operating leases	543	367	543	367
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% (2004: 30%) on the profit from ordinary activities	44 145	40 626	43 019	39 199
Increase in income tax equivalent expense due to non tax assessable items:				
Building and asset revaluations	370	3 146	370	3 146
Other	10	8	10	8
Share of associates' net (profit)/loss	(436)	(573)	–	–
Decrease in income tax equivalent expense due to non tax assessable items:				
Intercompany dividends	–	–	(2 992)	(1 908)
Building write-off	(260)	(240)	(260)	(240)
Other	(131)	(102)	(131)	(32)
Research and development - additional deduction	–	–	–	–
Income tax equivalent expense on operating profit before individually significant items	43 698	42 865	40 016	40 173

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
5. INCOME TAX EQUIVALENT (cont'd)				
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	–	–	3 682	2 691
Recovery of tax equivalent expense under a Tax Funding Agreement	–	–	(2 450)	(2 471)
	43 698	42 865	41 248	40 393
Income tax equivalent expense on operating profit	43 698	42 865	41 248	40 393
Add: Income tax equivalent expense under/(over) provided in prior year	139	5	139	5
Total income tax equivalent expense	43 837	42 870	41 387	40 398
Total income tax equivalent expense is made up of:				
Current income tax equivalent provision	29 662	36 822	28 972	36 001
Under/(Over) provision in prior year	139	5	139	5
Deferred income tax equivalent provision	14 892	5 326	14 892	5 363
Future income tax equivalent benefit	(856)	717	(856)	717
Adjustment for consolidation eliminations included in head company	–	–	(2 992)	(1 908)
Intercompany balances	–	–	1 232	220
	43 837	42 870	41 387	40 398
5.2 Provision for current year				
Movements during the year were as follows:				
Opening balance	16 858	25 350	16 858	24 102
Income tax equivalent paid	(49 340)	(45 572)	(46 700)	(44 332)
Under/(Over) provision in prior year	183	259	183	267
Recoverable from subsidiaries under Tax Funding Agreement	–	–	(1 953)	820
Current year income tax equivalent expense on operating profit	29 659	36 821	28 972	36 001
Closing balance under Tax Funding Agreement	(2 640)	16 858	(2 640)	16 858
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% (2004: 30%) on the following items:				
Difference in depreciation of property, plant and equipment for accounting and income tax equivalent purposes	15 857	15 087	15 857	15 087
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	23 786	18 712	23 786	18 712
Income receivable	9 459	1 856	9 459	1 856
Other	3 197	1 838	3 197	1 838
	52 299	7 493	52 299	37 493

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
5. INCOME TAX EQUIVALENT (cont'd)				
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% (2004: 30%) on the following items:				
Provisions and accrued expenditure not currently deductible	11 292	10 478	11 292	10 478
Other	12	12	12	12
	11 304	10 490	11 304	10 490

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.

6. DIVIDENDS PAID OR PROVIDED FOR				
Final dividends proposed				
Unfranked dividends	82 649	87 924	82 649	87 924
	82 649	87 924	82 649	87 924
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	3	3	3
Cash on deposit with Queensland Treasury Corporation (QTC)	7 274	14 493	703	7 619
Cash on deposit with QTC - IRSR account (refer Note 33)	38 822	80 304	38 822	80 304
Cash at bank - IRSR Account	–	1	–	1
Cash at bank - (bank overdraft)	66	4 592	62	4 589
Closing cash balance	46 165	99 393	39 590	92 516

Deposits at call

Cash on deposit with QTC at 30 June 2005, was bearing floating interest at 5.75% (2004:5.61%)

Cash at bank at 30 June 2005, was bearing floating interest at 3.25% (2004: 3.0%)

notes to and forming part of the financial statements

for the year ended 30 June 2005

	NOTE	CONSOLIDATED		POWERLINK QLD	
		2005	2004	2005	2004
		$'000	$'000	$'000	$'000
8. RECEIVABLES - CURRENT					
Trade debtors		37 833	35 578	37 135	34 881
Less provision for doubtful debts		–	–	–	–
		37 833	35 578	37 135	34 881
Other		–	–	447	839
		37 833	35 578	37 582	35 720
9. INVENTORIES - CURRENT					
Maintenance and construction stocks		16 324	15 411	16 324	15 411
		16 324	15 411	16 324	15 411
10. OTHER CURRENT ASSETS					
Work in progress - customer works		1 237	524	1 237	524
Prepayments		1 666	1 116	1 666	1 116
Other		114	9	114	9
		3 017	1 649	3 017	1 649
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associates	11(a)	58 450	48 206	–	–

(a) Interest in associates

NAME	BALANCE DATE	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY		INVESTMENT CARRYING AMOUNT	
		2005	2004	2005	2004
		%	%	$'000	$'000
ElectraNet Pty Ltd	30 June 2005	41.11	41.11	58 188	47 961
ElectraNet Transmission Services Pty Ltd	30 June 2005	41.11	41.11	262	245
				58 450	48 206

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	
	2005	2004
	$'000	$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)		
Share of associates' profits (losses)		
Share of associates':		
profit/(loss) from ordinary activities before income tax expense	621	2 234
income tax expense relating to profit/(loss) from ordinary activities	(110)	(103)
operating profit/(loss) after income tax	511	2 131
Adjusted for:		
Notional depreciation on acquisition	(18)	(15)
Net movement for variation in accounting policies	959	31
Share of Associates' net profit/(loss) accounted for using the equity method	1 452	2 147
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	(24 074)	(25 987)
Dividends received from associate	(241)	(234)
Share of associates' net profit/(loss) accounted for using the equity method	1 452	2 147
Share of associates' retained profits/(losses) at end of year	(22 863)	(24 074)
Asset revaluation reserve		
Share of associates asset revaluation reserve at beginning of year	70 512	65 180
Share of increment in asset revaluation reserve of associates	9 033	5 332
Share of associates' asset revaluation reserve at end of year	79 545	70 512
Movements in carrying amount of investments		
Carrying amount of investments in associates at beginning of the financial year	48 206	39 201
Investment in associates acquired during the year	–	1 760
Dividends received from associate	(241)	(234)
Share of associates' net profit/(loss)	1 452	2 147
	49 417	42 874
Share of increment in associates' asset revaluation reserve	9 033	5 332
Carrying amount of investments in associates at end of year	58 450	48 206

	CONSOLIDATED	
	2005	2004
	$'000	$'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)		
Commitments		
Share of associates' capital expenditure commitments contracted but not provided for and payable:		
Payable not later than one year	3 013	6 424
Payable later than one year and not later than five years	–	435
	3 013	6 859
Share of associates' operating lease commitments payable:		
Payable not later than one year	388	917
Payable later than one year and not later than five years	–	179
	388	1 096
Share of associates' finance lease commitments payable:		
Payable not later than one year	1 285	1 258
Payable later than one year but not later than five years	3 147	4 432
	4 432	5 690
Less:		
Future finance charges	(383)	627
	4 049	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

No events have occurred subsequent to 30 June 2005 that materially affect the results disclosed in these financial statements.

	CONSOLIDATED	
	2005 $'000	2004 $'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)		
Summary financial position of associates		
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:		
Current assets	30 628	39 001
Non current assets	492 790	471 855
Total assets	523 418	510 856
Current liabilities	31 276	29 325
Non current liabilities	436 977	435 669
Total liabilities	468 253	464 994
Net assets as reported by associates	55 165	45 862
Adjustments arising from equity accounting		
Increased asset valuation on acquisition (net of depreciation)	812	830
Variation in accounting policies	2 473	1 514
Net assets - equity adjusted	58 450	48 206

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
12. OTHER FINANCIAL ASSETS				
Current				
Fixed term deposit *	85 000	–	85 000	–
	85 000	–	85 000	–
Non-Current				
Investments in associates				
Unlisted shareholder loan notes	61 200	61 200	–	–
Investments in controlled entities:				
Unlisted shares at cost	–	–	1	1
Unsecured loan #	–	–	62 954	62 954
Fixed term deposit *	–	30 000	–	30 000
	61 200	91 200	62 955	92 955

Represents unsecured advances to Harold Street Holdings Pty Ltd of $62,950,044 (2004: $62,950,044) and Powerlink Transmission Services Pty Ltd $4,025 (2004: $4,025). Both companies are wholly owned subsidiaries of Powerlink Queensland - refer Note 13.

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

notes to and forming part of the financial statements

for the year ended 30 June 2005

13. INTERESTS IN SUBSIDIARIES

	COUNTRY OF INCORPORATION	PERCENTAGE OF EQUITY INTEREST HELD BY THE CONSOLIDATED ENTITY		INVESTMENT	
		2005	2004	2005	2004
		%	%	$	$
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	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
14. PROPERTY, PLANT AND EQUIPMENT				
Supply system				
Supply system assets subject to Cross Border Lease				
At directors' valuation 30 June 2005	4 264 896	4 005 595	4 264 896	4 005 595
Less: accumulated depreciation	(1 803 615)	(1 677 080)	(1 803 615)	(1 677 080)
	2 461 281	2 328 515	2 461 281	2 328 515
Other supply system assets				
At directors' valuation 30 June 2005	227 413	217 957	227 413	217 957
Less: accumulated depreciation	(81 891)	(60 433)	(81 891)	(60 433)
	145 522	157 524	145 522	157 524
Total supply system assets	2 606 803	2 486 039	2 606 803	2 486 039
Other land and buildings				
Freehold land and easements				
At directors' valuation 30 June 2005	268 998	246 167	268 998	246 167
	268 998	246 167	268 998	246 167
Buildings				
At directors' valuation 30 June 2005	33 086	31 845	33 086	31 845
Less: accumulated depreciation	(10 888)	(9 716)	(10 888)	(9 716)
	22 198	22 129	22 198	22 129
Total other land and buildings	291 196	268 296	291 196	268 296
Other property, plant and equipment				
At cost	76 030	70 366	76 030	70 366
Less: accumulated depreciation	(54 097)	(48 345)	(54 097)	(48 345)
	21 933	22 021	21 933	22 021
Work in progress				
At cost	130 771	124 973	130 771	124 973
	130 771	124 973	130 771	124 973
Total property, plant and equipment	3 050 703	2 901 329	3 050 703	2 901 329

notes to and forming part of the financial statements

for the year ended 30 June 2005

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	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	2 486 039	268 296	22 021	124 973	2 901 329
Additions	–	–	–	197 799	197 799
Disposals	(1 337)	(712)	(1 201)	–	(3 250)
Transfer	(156)	132	24	–	–
Depreciation	(109 708)	(935)	(7 252)	–	(117 895)
Revaluation increments/(decrements)	64 460	8 260	–	–	72 720
Reclassifications	–	–	–	–	–
Transfers from works in progress	167 505	16 155	8 341	(192 001)	–
Carrying amount at end of year	2 606 803	291 196	21 933	130 771	3 050 703

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
15. PAYABLES - CURRENT				
Trade creditors	19 433	17 334	19 419	17 321
Deposits	336	274	336	274
IRSR (refer Notes 1.23, 33)	123 822	110 305	123 822	110 305
Other	8 826	11 968	8 826	11 968
	152 417	139 881	152 403	139 868
16. INTEREST BEARING LIABILITIES				
Current				
Queensland Treasury Corporation - unsecured (refer Note 24)	4 001	–	4 001	–
	4 001	–	4 001	–
Non Current				
Queensland Treasury Corporation - unsecured (refer Note 24)	1 465 320	1 412 420	1 465 320	1 412 420
	1 465 320	1 412 420	1 465 320	1 412 420

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
17. PROVISIONS				
Current				
Dividends	82 649	87 924	82 649	87 924
Environmental restoration	228	265	228	265
Employee benefits	5 827	4 643	5 827	4 643
Other	241	241	241	241
	88 945	93 073	88 945	93 073
Non current				
Environmental restoration	2 014	2 087	2 014	2 087
Employee benefits	17 927	15 242	17 927	15 242
Other	852	724	852	724
	20 793	18 053	20 793	18 053
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	87 924	72 855	87 924	72 855
Provisions made during the year - final dividend	82 649	87 924	82 649	87 924
Payments made during the period	(87 924)	(72 855)	(87 924)	(72 855)
Carrying amount at the end of the year	82 649	87 924	82 649	87 924
Environment restoration				
Current				
Carrying amount at the beginning of the year	265	243	265	243
Provisions made during the year	–	22	–	22
Payments made during the period	(37)	–	(37)	–
Carrying amount at the end of the year	228	265	228	265
Non current				
Carrying amount at the beginning of the year	2 087	2 020	2 087	2 020
Provisions made during the year	37	403	37	403
Payments made during the period	(110)	(336)	(110)	(336)
Carrying amount at the end of the year	2 014	2 087	2 014	2 087

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
18. OTHER LIABILITIES				
Current				
Refund capital contributions	670	731	670	731
Unearned revenue	7 037	7 332	7 037	7 332
Other	104	–	104	–
	7 811	8 063	7 811	8 063
Non Current				
Refund capital contributions	1 449	2 032	1 449	2 032
Unearned revenue	11 893	10 091	11 893	10 091
	13 342	12 123	13 342	12 123
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

	2005	2004
	$	$
# 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 2004/05 or 2003/04 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.

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
20. RESERVES				
Asset revaluation	1 100 065	1 018 312	1 020 520	947 800
	1 100 065	1 018 312	1 020 520	947 800
Movements in reserves				
Asset revaluation				
Balance at beginning of year	1 018 312	949 758	947 800	884 578
Revaluation increments/(decrements)	72 720	63 222	72 720	63 222
Share of associates' reserve increments arising during the year	9 033	5 332	–	–
Balance at end of year	1 100 065	1 018 312	1 020 520	947 800

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.

21. RETAINED PROFITS				
Retained profits at the beginning of the year	45 980	41 351	63 319	60 975
Adjustment against retained earnings	–	1	–	1
Net profit attributable to members of Powerlink Queensland	103 312	92 552	102 011	90 267
Total available for appropriation	149 292	133 904	165 330	151 243
Dividends provided for or paid	82 649	87 924	82 649	87 924
Retained profits at the end of the year	66 643	45 980	82 681	63 319

22. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Profit from ordinary activities after income tax equivalent	103 312	92 552	102 011	90 267
Add/(Less) items classified as investing/financing activities				
Net profit/(loss) on sale of non current assets	479	150	479	150
Add/(Less) non cash items				
Depreciation	117 895	109 283	117 895	109 283
Amounts set aside to provisions	13 115	7 092	13 115	7 092
Share of associates net (profits)/losses	(1 452)	(2 147)	–	–
Dividends received from associates	241	234	–	–
Net cash provided by operating activities before change in assets and liabilities	233 590	207 164	233 500	206 792

	CONSOLIDATED		POWERLINK QLD	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
22. RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX EQUIVALENT TO NET CASH PROVIDED BY OPERATING ACTIVITIES (cont'd)				
Changes in assets and liabilities				
(Increase)/Decrease in inventories	(913)	(5 050)	(913)	(5 050)
(Increase)/Decrease in prepayments	(550)	(176)	(550)	(176)
(Increase)/Decrease in debtors	(8 509)	10 730	(8 508)	10 813
Increase/(Decrease) in creditors	12 703	8 254	13 094	7 415
Increase/(Decrease) in provision for income tax equivalent payable	(19 103)	(9 333)	(19 103)	(8 085)
Increase/(Decrease) in provision for deferred income tax equivalent	14 806	5 064	14 806	5 248
(Increase)/Decrease in future income tax equivalent benefit	(814)	717	(814)	713
Increase/(Decrease) in other provisions	(7 262)	(1 857)	(7 262)	(1 857)
Net cash flow provided by (used in) operating activities	223 948	215 513	224 250	215 813

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).

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'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	103 763	63 392	103 763	63 392
Payable later than one year but not later than five years	16 200	1 324	16 200	1 324
	119 963	64 716	119 963	64 716
Lease expenditure commitments*				
Operating leases (non cancellable)				
Payable not later than one year	524	466	524	466
Payable later than one year and not later than five years	723	636	723	636
Payable later than five years	580	654	580	654
Aggregate lease expenditure contracted for at balance date	1 827	1 756	1 827	1 756

* Excludes commitments of associates accounted for using the equity method - refer Note 11.

Operating leases

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

notes to and forming part of the financial statements

for the year ended 30 June 2005

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
26. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS				
Employee entitlements				
The aggregate employee benefits liability is comprised of:				
Provisions (current) - refer Note 17	5 827	4 643	5 827	4 643
Provisions (non current) - refer Note 17	17 927	15 242	17 927	15 242
	23 754	19 885	23 754	19 885

Number of employees

Number of employees (full time equivalents) at year end: 611 (2004: 590)

Performance payments to employees

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

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

FINANCIAL YEAR	AGGREGATE AT RISK PERFORMANCE REMUNERATION	TOTAL FIXED SALARIES AND WAGES PAYMENTS	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS
	$'000	$'000	Number
2004/05	**3 501**	**51 195**	**590**
2003/04	3 000	45 395	595

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.

notes to and forming part of the financial statements

for the year ended 30 June 2005

27. CONTINGENT ASSETS AND LIABILITIES

There were no known contingent assets or liabilities of a significant nature at 30 June 2005.

28. SUBSEQUENT EVENTS

No events have occurred subsequent to 30 June 2005 that materially affect the results disclosed in these financial statements.

29. REMUNERATION OF DIRECTORS

Remuneration policy

Responsibility for determining and reviewing compensation agreements for the Directors resides with the "Shareholding Ministers", who as at 30th June 2005 were Mr Terry Mackenroth, Deputy Premier, Treasurer & Minister of Sport on behalf of the State of Queensland and Mr John Mickel, Minister for Energy and Aboriginal and Torres Strait Islander Policy 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	
	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
Else Shepherd (Chairman)	50	43	5	4	55	47
Merv Norman (Director)	40	29	–	–	40	29
Walter Threlfall (Director)	31	22	3	2	34	24
Patricia Conroy (Director)	29	21	3	2	32	23
Christina Sutherland (Director)	31	24	3	2	34	26
	181	139	14	10	195	149

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'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	195	149		
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			195	149

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.

notes to and forming part of the financial statements

for the year ended 30 June 2005

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.

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 variable 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.

	FIXED REMUNERATION		SUPERANNUATION CONTRIBUTIONS		TOTAL FIXED REMUNERATION	
Specified Executives - 2004/05 Year	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Chief Executive *	423	306	58	42	481	348
General Manager Network *	337	223	45	34	382	257
Manager Finance & Commercial Services	232	179	32	24	264	203
Manager Grid Planning *	214	142	28	12	242	154
Manager Employee Relations & Development	194	152	30	23	224	175
	1 400	1 002	193	135	1 593	1 137

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.

* Powerlink's Chief Executive was seconded to ENERGEX as their Chief Executive Officer for the period 29 September 2004 to 30 June 2005. During this period, Manager Network acted as Powerlink's Chief Executive and General Manager Grid Planning acted as General Manager Network.

	CONSOLIDATED		POWERLINK QLD	
	2005	**2004**	**2005**	**2004**
	$'000	**$'000**	**$'000**	**$'000**
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:				
Queensland Audit Office	138	131	123	116
	138	131	123	116

notes to and forming part of the financial statements

for the year ended 30 June 2005

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:

2005

FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS	1 - 5 YEARS	MORE THAN 5 YEARS	NON INTEREST BEARING	TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	2005	2005	2005	2005	2005	2005	2005
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial assets							
Cash	46 162	–	–	–	3	46 165	5.75
Receivables	–	–	–	–	37 833	37 833	–
Other financial assets	61 200	85 000	–	–	–	146 200	10.19
Total financial assets	107 362	85 000	–	–	37 836	230 198	
Financial liabilities							
Interest bearing liabilities	329 420	–	1 139 901	–	–	1 469 321	6.26
Payables	–	–	–	–	152 417	152 417	–
Dividends payable	–	–	–	–	82 649	82 649	
Total financial liabilities	329 420	–	1 139 901	–	235 066	1 704 387	

2004

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	
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	

notes to and forming part of the financial statements

for the year ended 30 June 2005

32. FINANCIAL INSTRUMENTS (cont'd)

(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.

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	
	2005	2004	2005	2004
Buy US Dollars			$'000	$'000
Maturity				
Not longer than one year	0.7854	–	3 412	–

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)	
	2005	2004
	$'000	$'000
Not later than one year	104	–
	104	–

(c) Commodity price risk

There were no outstanding future commodity purchase contracts as at 30 June 2005.

(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.

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	
2005	2005	2004	2005	2004
$'000	$'000	$'000	$'000	$'000
Financial assets				
Cash assets	46 165	99 393	46 165	99 393
Receivables	37 833	35 578	37 833	35 578
Other financial assets	146 200	91 200	146 200	91 200
Total financial assets	230 198	226 171	230 198	226 171
Financial liabilities				
Accounts payable	152 419	139 881	152 419	139 881
Interest bearing liabilities	1 469 320	1 412 420	1 480 260	1 409 910
Dividends payable	82 649	87 924	82 649	87 924
Total financial liabilities	1 704 388	1 640 225	1 715 328	1 637 715

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.

33. SETTLEMENTS RESIDUE (IRSR)

	2005	2004
	$'000	$'000
Opening balance	110 305	103 904
Residue transferred from NEMMCO	52 753	48 333
Interest earned	4 964	4 593
Transfer to Powerlink Queensland - to offset network charges	(44 200)	(46 512)
Miscellaneous charges	–	(13)
Balance of settlements residue as at 30 June 2005 (refer Note 1.23, 7,12)	123 822	110 305

notes to and forming part of the financial statements

for the year ended 30 June 2005

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.

Director's 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 $44,078 (2004: $62,136) was paid by Powerlink Queensland to NEMMCO for services associated with the operation of the NEM. An amount of $1,041,272 (2004: $990,162) 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.

Other related parties

	CONSOLIDATED		POWERLINK QLD	
	2005	2004	2005	2004
	$'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	11 757	8 683	–	–
Dividends				
Associates	241	234	–	–
Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:				
Current receivables				
Associates	1 343	1 462	646	765
Loan advances				
Non current				
Associates	61 200	61 200	–	–

Percentage of equity interest

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

Associates - refer Note 11

notes to and forming part of the financial statements

for the year ended 30 June 2005

34. RELATED PARTIES (cont'd)

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 2005 and 2004 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	
	2005	2004
	$'000	$'000
Dividend revenue	9 734	6 361
Aggregate amounts receivable from entities in the wholly owned group at balance date:		
Non current receivables (loans)	62 955	92 955

35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Powerlink Queensland is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the Corporation allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Powerlink Queensland established a project team to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Powerlink Queensland's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Powerlink Queensland prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Corporation's best estimate of the quantitative impact of the changes as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

- Ongoing work being undertaken by the AIFRS project team;
- Potential amendments to AIFRSs and Interpretations thereof being issued by the Standard Setters and IFRIC; and
- Emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

notes to and forming part of the financial statements

for the year ended 30 June 2005

35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Reconciliation of the balance sheet as presented under AGAAP to that under AIFRS

	NOTE	ECONOMIC ENTITY		POWERLINK QLD (THE COMPANY)	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		$'000	$'000	$'000	$'000
Total assets under AGAAP		3 369 996	3 203 256	3 306 475	3 150 070
Investments accounted for using the equity method		(29 107)	(23 517)	–	–
Deferred tax assets	(2)	(12)	–	(17)	(5)
Other assets	(1)	13 698	17 493	13 698	17 493
Comparative assets under AIFRS		3 354 575	3 197 232	3 320 156	3 167 558
Total liabilities under AGAAP		1 802 288	1 737 964	1 802 274	1 737 951
Intercompany loan payable		–	–	(1 176)	(16)
Deferred tax liability	(2)	136 710	113 883	106 413	106 798
Comparative total liabilities under AIFRS		1 938 998	1 851 847	1 907 511	1 844 733
Comparative net assets under AIFRS		1 415 577	1 345 385	1 412 645	1 322 825
Total equity under AGAAP		1 567 708	1 465 292	1 504 201	1 412 119
Adjustments to reserves	(4)	(1 042 963)	(1 018 312)	(946 050)	(947 800)
Adjustments to current year profit and loss		(4 635)	–	(4 047)	–
Adjustments to retained earnings	(1), (2)	895 467	898 405	858 541	858 506
Total comparative equity under AIFRS		1 415 577	1 345 385	1 412 645	1 322 825

* This column represents the adjustments as at the date of transition to AIFRS

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

Reconciliation of net profit under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005

	NOTES	ECONOMIC ENTITY	POWERLINK QLD (THE COMPANY)
		$'000	$'000
Net Profit as reported under AGAAP		103 312	102 011
Employee benefits	(1)	2 210	2 210
Expensing of borrowing costs on qualifying assets	(3)	(2 500)	(2 500)
Share of net profits/(losses) of associates accounted for using the equity method		(572)	–
Adjustment to income tax expense	(2)	647	663
Net profit under AIFRS		98 677	97 964

35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(1) Employee benefits

Under AASB 118 employee benefits, the economic entity and the Company would recognise the net surplus in the employer sponsored defined benefit superannuation scheme as an asset. This would result in a change in the economic entity's current accounting policy which is a cash basis of accounting. Actuarial calculations were completed as at 1 July 2004 and 30 June 2005. Actuarial gains and losses that arise subsequent to transition date will be recognised directly in retained earnings. The AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards election to recognise full actuarial gains and losses at transition date through retained earnings will be adopted.

At the date of transition an amount of $17 493 000 is expected to be recognised as an asset of the economic entity and the Company with a consequential increase in retained earnings.

For the financial year ended 30 June 2005 the adjustment in the economic entity and the Company to recognise the decrease in the defined benefit superannuation scheme asset for the year is expected to be $3 795 000, with an additional employee cost of $2 210 000 expected to be recognised in the income statement and actuarial losses of $1 585 000 expected to be recognised directly through retained earnings.

(2) Income taxes

The adjustment to income tax expense relates to the above AIFRS adjustments as well as to the reversal of the deferred tax liability which would be recognised as at the transition date under AIFRS in relation to revalued assets.

Under AASB 112 income taxes the economic entity and the Company would be required to use a balance sheet liability method rather than the current income statement liability method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base with certain exceptions. This would result in recognition of a deferred tax liability in relation to revalued assets. Under AGAAP, the tax effects of asset revaluations are not recognised.

The expected impact on the economic entity at 1 July 2004 of the change in basis and the transition adjustments on the deferred tax balances and the previously reported tax expense is an increase in deferred tax liabilities of $113 883 000 and a decrease in retained earnings of $113 883 000. The adjustments in respect of the Company are expected to be an increase in deferred tax liabilities and a decrease in retained earnings of $106 798 000.

The expected impact of the change in basis on the tax expense for the financial year ended 30 June 2005 is a decrease in tax expense by $389 000 for the economic entity and $389 000 for the Company. Deferred tax assets and deferred tax liabilities of the economic entity are expected to decrease by $12 000 and increase by $136 710 000 respectively as at 30 June 2005. For the Company the expected impact at 30 June 2005 is a decrease in deferred tax assets of $17 000 and an increase in deferred tax liabilities of $106 413 000.

Tax consolidation

As set out at Note 1.10, the Company is the head entity in a tax-consolidated group. Under current Australian GAAP, the head entity recognises all of the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions). Assets and liabilities arising under tax funding arrangements are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

Under AIFRS, accounting for the impact of the tax consolidation system in the separate financial statements of the members of a tax consolidated group is addressed by UIG 1052 Tax Consolidation Accounting. Wholly owned subsidiaries in a tax consolidated group must recognise their own tax amounts directly, and the current tax liability (asset) and any deferred tax asset relating to tax losses are assumed by the head entity. Assets and liabilities arising under tax funding arrangements are recognised as intercompany assets and liabilities. Any differential between the net tax amount assumed from subsidiaries and the amount recognised under tax funding arrangements is recognised as an equity contribution or distribution.

The expected impact of UIG 1052 for the Company at 1 July 2004 is deferred tax assets will be reduced by $5 000 and deferred tax liabilities will be reduced by $209 000. Retained profits will increase by $220 000 due to the difference between the prior year tax expense and the previous tax expense recharged. Intercompany loans receivable from controlled entities will increase by $16 000.

The impact of UIG 1052 for the Company at 30 June 2005 is that retained earnings will increase by $1 160 000 and intercompany loans receivable from controlled entities will increase by $1 160 000.

There will be no impact on the economic entity's tax balances.

35. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

(3) Borrowing costs

Current AGAAP requires borrowing costs relating to qualifying assets to be capitalized as part of the cost of the asset. Under AIFRS borrowings costs may be either recognised as an expense in the period in which they are incurred, or where they are directly attributable to the acquisition, construction or production of a qualifying asset they may be capitalized as part of the cost of the asset.

The economic entity and the Company expect to apply the benchmark treatment allowed under AASB 123 *Borrowing Costs* and cease its current policy of capitalizing interest where it is directly attributable to the acquisition, construction or production of a qualifying asset.

While there will be a change from the current policy under AGAAP, the impact on Powerlink Queensland and the economic entity in relation to this choice of AIFRS accounting policy will result in an increase of $2.5M in interest expense for the year to 30 June 2005 and a corresponding increase to Asset Reserve.

(4) Property, plant and equipment

Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment are expected to be recognised at deemed cost, being a revalued amount prior to transition date that approximates the fair value as at the date of transition.

Any asset revaluation reserve balance relating to these assets will be derecognised at transition date and adjusted against retained earnings.

For the economic entity, at 1 July 2004 an amount of $1 018 312 000 is expected to be reclassified from asset revaluation reserve to retained earnings. For the Company, an amount of $947 800 000 is expected to be reclassified from asset revaluation reserve to retained earnings.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue and the expense of the non current assets disposed. For the economic entity and the Company an amount of $479 000 is expected to be recognised as an expense as opposed to proceeds from the sale of non current assets of $2 648 000 and expenses of $3 127 000 relating to the carrying amount of non current assets disposed.

Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

AIFRS impacts from 1 July 2005

The economic entity has decided to apply the exemption provided in AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will apply from 1 July 2005. The financial Instruments Project Team is in the process of determining the impact that adopting the standards will have on the financial statements of the economic entity.

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 2005 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:

Else Shepherd
Chairman

7 September 2005

independent audit report

consolidated company accounts

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 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

Director's 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

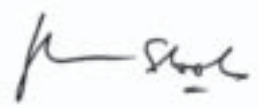
In my opinion, the financial statements of Queensland Electricity Transmission Corporation Limited are in accordance with:

(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 2005 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.



G G Poole, FGPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane

statistics

statistical summary

TRANSMISSION LINES AND UNDERGROUND CABLES added in 2004/2005 (as-constructed)	TRANSMISSION LINES Route km	TRANSMISSION LINES Circuit km	UNDERGROUND CABLES Route km	UNDERGROUND CABLES Circuit km	LOCATION
330kV	94	186	0	0	Millmerran - Middle Ridge
275kV	116	116	0	0	Broadsound - Lilyvale
132kV	2	2	0	0	Edmonton alterations
110kV	4	8	0	0	Bundamba and Transfers
Total	216	312	0	0	

SUBSTATION/SWITCHING STATIONS AND TRANSFORMERS added in 2004/2005	SUBSTATIONS Total number	TRANSFORMERS (THREE-PHASE) Total number	TRANSFORMERS (THREE-PHASE) Total rating MVA	LOCATION
330kV	1	1	1125	Middle Ridge is 330 kV site; Middle Ridge transformer
275kV	-1	2	600	Middle Ridge, Loganlea transformers
132kV	1	2	135	Edmonton, Pioneer Valley, Ingham
110kV	1	0	40	Bundamba, Abermain
Total	2	5	1900	

CIRCUIT BREAKERS added in 2004/2005	TOTAL NUMBER	LOCATION
330kV	5	Millmerran
275kV	14	Lilyvale, Broadsound, Chalumbin, Middle Ridge, Ross
132kV	6	Alligator Creek, Edmonton, Biloela,Woree
110kV	5	Molendinar, Bundamba, Loganlea
Total	30	

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS added in 2004/2005	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	0	0	0	0	0	0	
132kV	2	100	0	0	0	0	Woree, Alligator Creek
110kV	1	50	0	0	0	0	Molendinar
Total	3	150	0	0	0	0	

statistical summary

SUBSTATION/SWITCHING STATIONS as at 30 June 2005	SUBSTATIONS TOTAL NUMBER
330kV	4
275kV	29
132kV	51
110kV	14
Total	98

TRANSFORMERS as at 30 June 2005	TRANSFORMERS (THREE-PHASE) Total number	 Total rating MVAr
330kV	4	3475
275kV	46	12275
132kV	78	4332
110kV	19	1270
Total	147	21352

CIRCUIT BREAKERS as at 30 June 2005	TOTAL NUMBER
330kV	27
275kV	303
132kV	365
110kV	209
66kV, 33kV and 11kV	27
Total	931

CAPACITOR BANKS, SHUNT REACTORS AND STATIC VAR COMPENSATORS As At 30 June 2005	CAPACITOR BANKS Total number	 Total rating MVAr	SHUNT REACTORS Total number	 Total rating MVAr	STATIC VAR COMPENSATORS Total number	 Total rating MVAr
330kV	0	0	4	144	0	0
275kV	16	1920	12	387	4	1110
132kV	19	750	0	0	9	207
110kV	18	900	0	0	0	0
66kV, 33kV and 11kV	8	160	4	96	0	0
Total	61	3730	20	627	13	1317

statistical summary

FIVE YEAR HISTORY OF	2005		2004		2003		2002		2001	
TRANSMISSION LINES	Route	Circuit	Route	Circuit	Route	Circuit	Route	Circuit	Route	Circuit
AND UNDERGROUND CABLES	km	km	km	km	km	km	km	km	km	km
as at 30 June 2005										
TRANSMISSION LINES										
(as-constructed)										
330kV	347	691	253	505	253	505	253	505	253	505
275kV	5151	6641	5035	6525	4962	6393	4834	6192	4751	6084
132kV	2623	3961	2621	3959	2621	3959	2620	3958	2620	3958
110kV	316	593	312	585	312	584	285	528	285	528
66kV	1	1	1	1	1	1	1	1	1	1
Total lines	8438	11887	8222	11575	8149	11442	7993	11184	7910	11076
UNDERGROUND CABLES										
275kV	2	5	2	5	2	5	2	5	2	5
132kV	1	2	1	2	1	2	0	0	0	0
110kV	3	7	3	7	3	6	3	6	3	6
66kV	1	1	1	1	1	1	1	1	1	1
Total cables	7	15	7	15	7	14	6	12	6	12
TOTAL LINES & CABLES	8445	11902	8229	11590	8156	11456	7999	11196	7916	11088

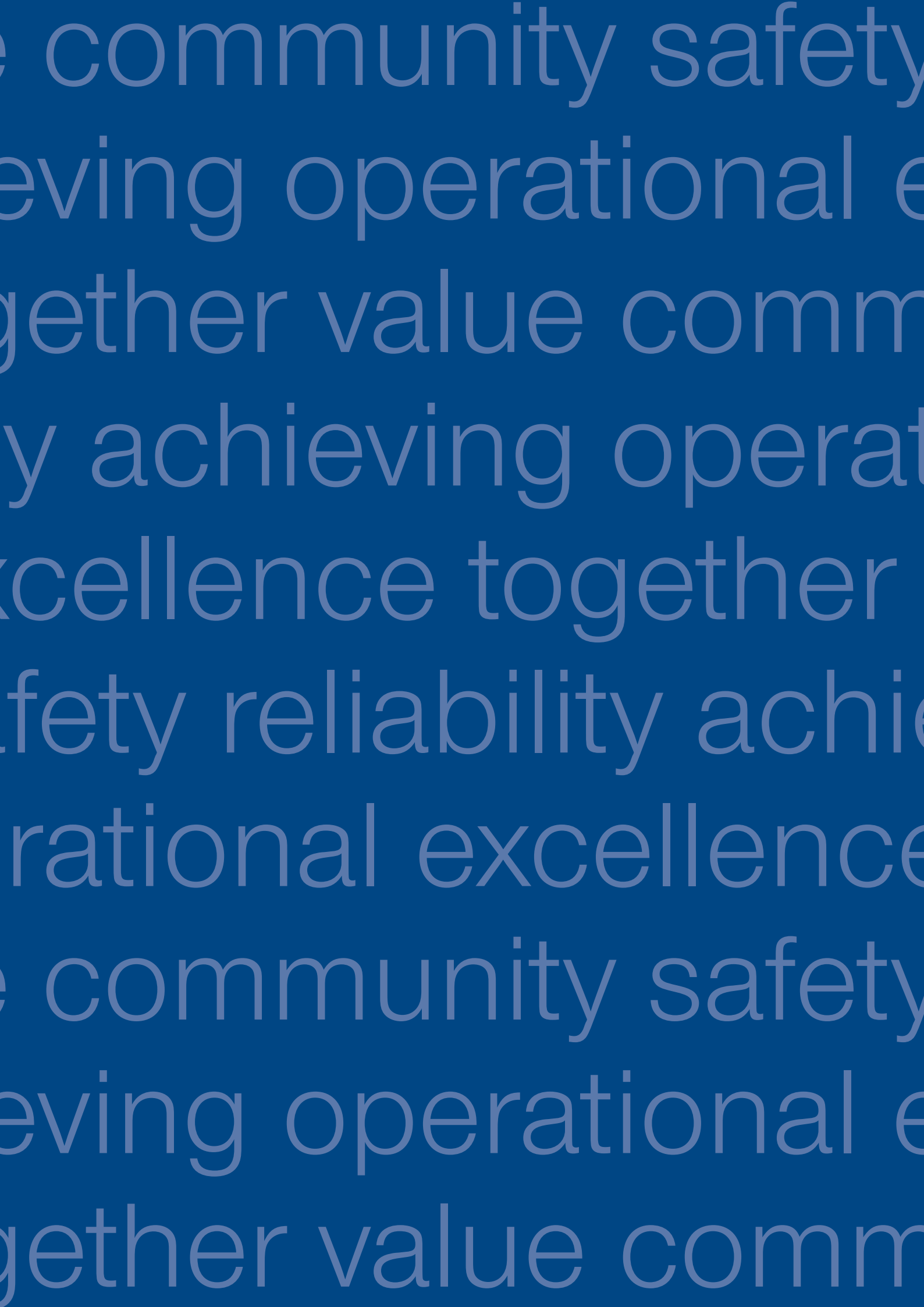
glossary and terms of measurement

GLOSSARY OF TERMS AND ABBREVIATIONS

ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AIFRS	Australian International Financial Reporting Standards
ANTS	Annual National Transmission Statement issued by NEMMCO
APUG	Asia Pacific Utilities Group
CBP	Powerlink's Community Benefits Program
Company GOC	Company Government Owned Corporation
CPI	Consumer Price Index – an economic indicator
Debt to Equity	Debt/Debt + Equity
EMF	Electric and Magnetic Fields
EMS	Environmental Management System
ESAA	Energy Supply Association of Australia
GPS	Global Positioning System
Interest Cover	EBIT/Gross interest expense
ITOMS	International Transmission Operations and Maintenance Study
MCE	Ministerial Council on Energy
NEC	National Electricity Code
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
Rules	National Electricity Rules
SCI	Statement of Corporate Intent
SF_6	Sulphur hexafluoride gas
TNSP	Transmission Network Service Provider

TERMS OF MEASUREMENT

GW	gigawatt: one GW = 1,000 megawatts or 1,000 million watts
GWh	gigawatt hour: one GWh = 1,000 megawatt hours or one million kilowatt hours
km	kilometre
kV	kilovolt: one kV = 1,000 volts (a volt is a unit of potential or electrical pressure)
kW	kilowatt: one kW = 1,000 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 = 1,000 kilowatts or one million watts
MWh	megawatt hour: one MWh = 1,000 kilowatt hours
System minute	one system minute: a measure of energy not supplied during transmission disturbances One system minute is the amount of energy that would be transported during one minute at the system maximum demand


e community safety
eving operational e
gether value comm
y achieving operat
xcellence together
fety reliability achi
rational excellence
e community safety
eving operational e
gether value comm

working together

ANNUAL REPORT 04/05

POWERLINK QUEENSLAND

ABN 82 078 849 233

33 Harold Street Virginia
Queensland Australia
PO Box 1193 Virginia
Queensland Australia 4014

Telephone +61 7 3860 2111
Facsimile +61 7 3860 2100
Email website.enquiries@powerlink.com.au
Website www.powerlink.com.au