

DELIVERING POWER
FOR PROSPERITY

TransGrid Annual Report 2006



TransGrid



The Hon. Michael Costa, MLC

Treasurer
Minister for Infrastructure
and Minister for the Hunter
Parliament House
Macquarie Street
SYDNEY NSW 2000



The Hon. John J Della Bosca, MLC

Minister for Commerce
Minister for Finance
Minister for Industrial Relations
Minister for Ageing
Minister for Disability Services, and
Vice-President of the Executive Council
Parliament House
Macquarie Street
SYDNEY NSW 2000

31 October 2006

Dear Shareholders

We have pleasure in submitting to you the TransGrid Annual Report 2006 for presentation to Parliament. The Annual Report includes the Income for the year ended 30 June 2006 and the Balance Sheet as at that date certified by the Auditor-General of New South Wales.

The Annual Report was prepared in accordance with the requirements of Section 24A of the State Owned Corporations Act 1989 and the Annual Reports (Statutory Bodies) Act 1984 and reporting regulations issued by the New South Wales Treasury.

Yours sincerely

P R Higginson
Chairman

Kevin Murray
Managing Director

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TransGrid is the owner, operator and manager of the largest high voltage electricity transmission network in Australia, connecting generators, distributors and major end users in New South Wales. The network is interconnected to Queensland and Victoria providing a robust electricity system that facilitates interstate energy trading. TransGrid owns around 12,400 kilometres of high-voltage overhead transmission line and underground cable and 82 substations and switching stations with an asset value of over \$3.7 billion. TransGrid also coordinates plans for the total intra-regional and inter-regional electricity transmission requirements for New South Wales through its jurisdictional planning responsibility.

TRANSGRID OWNS AROUND 12,500 KILOMETRES OF HIGH-VOLTAGE OVERHEAD TRANSMISSION LINE AND UNDERGROUND CABLE AND 82 SUBSTATIONS AND SWITCHING STATIONS WITH AN ASSET VALUE OF OVER \$3.7 BILLION.

TransGrid's shareholder, the New South Wales Government, has a set of objectives which include an expectation that TransGrid will fulfil its role in the provision of planning, development and management of the high voltage network in New South Wales and to operate in a fully commercial manner, in accordance with community expectations about environmental and social responsibility.

TransGrid's assets are primarily used for the high voltage transmission of electricity and for this service TransGrid receives a regulated level of income. In order to maximise the service from its infrastructure, TransGrid adopts a systematic approach to managing its assets. This ensures that the condition and performance of the transmission and associated

network assets are effectively monitored and maintained to meet customer and stakeholder expectations of network service reliability. In recent years, TransGrid has been acknowledged by international benchmarking as a leading performer in the area of transmission asset operation, maintenance, and TransGrid intends to maintain this high standard.



TRANSGRID'S OBJECTIVES

1

TO BE COMMERCIALY SUCCESSFUL

The Specific Initiatives and Measures planned by TransGrid to meet the Shareholders Objectives during 2005 – 2006 were:

Achieve appropriate commercial performance

2

TO PROVIDE ACCESSIBLE, EFFICIENT, SAFE AND RELIABLE FACILITIES FOR THE TRANSMISSION OF ELECTRICITY

Plan, build and operate electricity transmission assets to meet stakeholder expectations in an efficient, environmentally sensitive manner

Consider our customers' and stakeholders' perspectives in planning, building, operating and maintaining our network

Effectively participate in regulatory processes and in the evolution of the National Electricity Market

3

TO BE ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

Ensure our people are able to contribute to the ongoing success of our organisation and to respond to change with innovation and initiative



-
- Better the financial outcomes flowing from the Regulator's Revenue determination.
 - Achieve an appropriate level of cost containment
-

- Achieve a minimum of 95% of annual maintenance program
 - Achieve at least 75% of Regulators Service Incentive Program
 - Implement the capital expenditure program in accordance with TransGrid's Capital Expenditure Plan
-

- When planning our network, seek optimum electricity reliability solutions including Demand Side Management and other options
 - Improve TransGrid's Corporate Image and Profile
-

- Work with others to achieve an effective National Electricity Market Governance and Network Planning Framework
 - Proactively engage the Regulator in a review of the rules governing the setting of Transmission Revenues
-

- Achieve best practice Safety, Health and Environmental performance
 - Refine succession plans
 - Provide targeted employee development programs
-

THIS ANNUAL REPORT DESCRIBES HOW TRANSGRID HAS WORKED TO FULFIL THESE OBJECTIVES



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

WE NOTE THAT THE RELIABILITY OF THE TRANSGRID NETWORK HAS AGAIN BEEN OUTSTANDING AND WE HAVE UNDERTAKEN SIGNIFICANT PLANNING AND DEVELOPMENT IN PREPARATION FOR FURTHER MAJOR NETWORK PROJECTS TO BE COMPLETED OVER THE NEXT FEW YEARS.



Mr Philip Higginson
Chairman

The performance of the TransGrid business in the 2005-2006 financial year has been a successful continuation of the progress of the achievements in meeting our objectives to ensure that New South Wales continues to have a safe, secure and reliable high voltage transmission network to service the community and the major electricity consumers in this State.

The financial outcomes of our regulated network business have continued to provide an excellent return to our owners, the New South Wales Government, and our superior network performance has earned TransGrid an incentive payment from the Australian Energy Regulator of over \$3 million.

TransGrid's activities delivered an operating profit, before tax, of more than \$175 million from a total income for this financial year of \$478.5 million.

Network

TransGrid is responsible for over 12400 kilometres of high voltage transmission network in New South Wales along with 82 substations delivering electricity from all major power stations in New South Wales, Queensland and the Snowy Mountains to both the large consumers and electricity Distributors: EnergyAustralia, Integral and Country Energy.

TransGrid has continued to achieve world's best practice levels of availability for 2005-2006 with an end of year availability of 99.47% compared to its target of 99.50%.

Network Capital Works

TransGrid, in its planning to meet the future electricity delivery needs of New South Wales, has commenced the delivery of an extensive program of new capital works, extending across the state.

This financial year TransGrid has completed works costing a total of \$158.6 million.

During the year work has been completed on the construction of a new major substation at Yass, an important link to the southern and western areas of New South Wales and the key hub in the importing of electricity from both the Snowy Mountains and also from Victoria. This substation is expected to service the future electricity needs of the Southern area for many years to come.



Mr Kevin Murray
Managing Director

Other works currently nearing completion include the development of a new substation at Coffs Harbour at a cost of \$25.5 million to meet the fast growing customer demand for electricity in the far north coast.

Planning is also proceeding on the next phase of the development of the major upgrading of the transmission network serving the Newcastle-Sydney-Wollongong area. The next stage of this process estimated at a cost of \$320 million will involve the conversion of existing transmission lines between Bayswater Power Station and Bannaby (near Marulan) to operate at their design voltage of 500 kV, significantly increasing their electricity carrying capacity and assisting in meeting the electricity delivery needs of this vital area of New South Wales beyond 2009-10.

Transmission Regulation

From 1 July 2005 the form of the arrangements covering our transmission network business has transferred to a legislative regulation as a result of the creation of the new National Electricity Market Rules.

This change is being accompanied by a major review by the Australian Energy Market Commission (AEMC) of all of the Rules covering the determination of our regulated income for the services provided by our transmission network and also the pricing arrangement for those services.

This review has not yet been completed and TransGrid, along with the other regulated transmission owners in the National Electricity Market, have been engaging with the AEMC to assist in the achievement of appropriate safeguards for both our business and also for our customers. This work is not expected to be complete until the end of 2006.

Customers

We have continued to meet our objectives of improving our relationships and interaction with both our existing and prospective customers, to support them in meeting new National Electricity Market Rules requirements, and to assist the significant number of new generator proponents consider

their options in connecting their proposed generating units to suitable locations within the TransGrid transmission network.

Environmental Performance

TransGrid continues to improve its processes and systems associated with its plans for enhanced management of the environmental impacts of its operations.

There have been significant internal initiatives including the development of extensive environmental audits of all TransGrid operational sites.

Training of TransGrid personnel and our contractors has continued to ensure that we meet the needs and requirements of all aspects of the successful management of the environmental impact of our business.

TransGrid's ongoing commitment to the environment through a number of initiatives, in particular its long-term relationship with Greening Australia through the GreenGrid sponsorship, was recognised in August 2005 when TransGrid was awarded The Judges Encouragement Award in the 2005 Prime Minister's Awards for Excellence in Community Partnerships.

Significant areas in southern New South Wales have benefited greatly from the GreenGrid Partnership, as evidenced by the propagation and planting of some 120,000 trees to date and the "greening" of nearly 500 hectares of private lands.

It is very pleasing to see the Chairman's Environmental Award, which has been in operation since 2002, going from strength to strength. This year's winner, Murray Williams, from Newcastle, demonstrates the parallel strengths of TransGrid's commitment to the environment and in providing opportunities for staff development.

Murray has championed community consultation, environmental initiatives in many of TransGrid's projects, of which the new Coffs Harbour substation is the latest, as well as nurturing his environmental interest through achieving a Bachelor of Applied Science in Environmental Planning and a Graduate Diploma in Environmental Management.

Our People

TransGrid remains committed to achieve a sustainable outcome in the development and maintenance of core skills within the business.

TransGrid employs a total of 943 people, including close to 90 apprentices, trainees, graduates, cadets and sponsorship program scholars.

TransGrid has continued to progress its succession planning program to ensure that plans for the development of people in the business will assist in meeting future needs with a pool of people having appropriate leadership and management skills.

There has also been a significant increase in the number of apprentices and graduates employed over recent years, which reflects our commitment to both organisational resource planning and our social responsibilities.

In regard to the safety and health of our employees, the TransGrid goal is for zero injuries, occupational illness and incidents. We are continuing to improve occupational health and safety management systems and in developing a positive safety culture. We have focused on the issues of risk management, consultation, communication and training in this reporting period.

TransGrid remains an active member of a number of industry and WorkCover committees to promote improvement in occupational health and safety management.

While we have continued to make improvements, it is with regret that we advise of a serious injury to one of our employees which occurred on the job during this year. We are doing everything necessary to ensure that the recovery of our employee is consistent with our best expectations and hope that a full recovery will be achieved.

The emphasis that we place on employee safety continued to be demonstrated by the completion of our eleventh annual Safety Day at Orange, and the awarding of the Chairman's Safety Award to Ian Burden, a power worker from Yass for his participation and contribution to both safety and efficiency.

Recognition Dinners

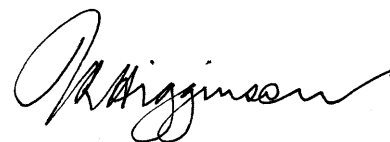
This reporting period saw the inaugural Staff Recognition Dinners held across all of the organisation's Regions.

Staff were acknowledged for their long service and commitment and were brought together with members of their family and senior managers to celebrate their workplace contributions and also to thank their families who have supported them during their time with TransGrid.

In all, some 152 staff achieving over 25 years or more service and 26 staff reaching 40 years service were recognised.

The Future

The challenges for TransGrid in the next few years will be to continue to deliver the extensive level of capital works, to continue our performance in meeting the community expectation for a safe, reliable and secure delivery of electricity transmission services, and to ensure that our people are trained to effectively and efficiently meet all future challenges.



Mr Philip Higginson
Chairman



Mr Kevin Murray
Managing Director

CORPORATE GOVERNANCE

Minister

TransGrid is subject to the control and direction of its portfolio Minister.

From 1 July 2005 to 2 August 2005, TransGrid was part of the portfolio of The Hon. Frank Sartor MP, Minister for Energy and Utilities, Minister for Science and Medical Research, Minister Assisting the Minister for Health (Cancer), and the Minister Assisting the Premier on the Arts.

From 3 August 2005 to 16 February 2006, TransGrid was part of the portfolio of The Hon. Carl Scully MP, Minister for Utilities and Minister for Police.

From 17 February 2006 to 30 June 2006, TransGrid was part of the portfolio of The Hon. Joe Tripodi MP, Minister for Energy, Minister for Ports and Waterways, and Minister Assisting the Treasurer on Business and Economic Regulatory Reform.

Shareholders

TransGrid's Board of Directors is responsible and accountable to the voting shareholders, being the New South Wales Treasurer and the Minister for Finance, who each hold one share for and on behalf of the New South Wales Government in accordance with the State Owned Corporations Act 1989.

The Board is responsible for providing effective guidance and direction; independence in decision making; an effective system of corporate governance; and executive development and succession planning, to ensure a sustainable business enterprise.

The Board of Directors

The principal objectives and functions of TransGrid and the structure and composition of the TransGrid Board are laid out in the Energy Services Corporations Act 1995 No. 95, the State Owned Corporations Act 1989 No. 134 and TransGrid's Constitution.

TransGrid's Board operates in accordance with the broad principles set out in its Board Charter. This charter details the Board's structure and responsibilities and is reviewed on an annual basis. In addition, the Board has adopted a Code of Conduct to which all directors must adhere and which is also reviewed on an annual basis.

Structure of the Board

The Energy Services Corporations Act 1995 provides for the Board of TransGrid to consist of:

- a. the Managing Director
- b. one director to be appointed by the voting shareholders on the recommendation of a selection committee comprising:
 - i. two persons nominated by the Portfolio Minister;
 - ii. two persons nominated by the Labor Council of New South Wales, each being a person selected by the committee from a panel of three persons nominated by the Labor Council; and
- c. at least two and not more than five other directors to be appointed by the voting shareholders at their discretion.

The period of appointment of Non-Executive Directors is at the discretion of the shareholders.

One director is to be appointed Chairperson of the Board.

Responsibilities of the Board

The responsibilities of the Board are outlined in the Board Charter. The main responsibilities include:

- providing strategic guidance and direction to the Corporation including contributing to the development of, and approving, the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including capital expenditure initiatives;
- overseeing and monitoring:
 - organisational performance and achievement of strategic goals and objectives;
 - compliance with the Corporation's Code of Ethics and Conduct;
 - progress on major capital expenditure and other significant corporate projects;
- monitoring financial performance;
- ensuring that an effective system of corporate governance exists;
- ensuring effective management processes including executive development and succession planning.

Terms of Office and Remuneration

In accordance with Schedule 8, Clause 5 of the State Owned Corporations Act 1989, a director may be appointed to hold office for a period not exceeding five years.

The remuneration of each Non-Executive Director is paid out of TransGrid funds, and is determined by the shareholders. The total income received, or due receivable, by all directors of TransGrid is listed in the Notes to the Financial Statements (Note 29). The Managing Director does not receive any additional remuneration for being an Executive Director.

Chairman and Managing Director

The Board Charter outlines the roles of the Chairman and Managing Director.

The Chairman is to provide leadership and promote the cohesiveness and effectiveness of the Board. Key roles to be performed by the Chairman include:

- Assisting the Board to develop good relationships with the Shareholding Ministers and Portfolio Minister, with the Managing Director and with other key stakeholders and interested parties.
- Assisting individual directors, and the Board as a whole, to understand their role, responsibilities and accountabilities.
- Helping directors understand their risks and liabilities as individual members and as a Board.
- Ensuring a comprehensive agenda is presented to each meeting of the Board.

Section 20L (2) of the State Owned Corporations Act 1989 and Article 16.7 (a) of TransGrid's Constitution provide that the Managing Director is responsible for the day to day management of operations of TransGrid in accordance with the general policies and specific directions of the Board.

Commitment

Eleven Board Meetings and one additional Board and Executive Corporate Planning Session were held during the year ended 30 June 2006. Of the eleven Board Meetings, three were held at Regional Centres. The October 2005 meeting was held at Orange (Central Region) in conjunction with TransGrid's Annual Safety and Fire Fighting Competition, the November 2005 meeting was held at Sydney West (Central Region) and the April 2006 meeting was held at Yass (Southern Region) in conjunction with the Opening Ceremony of the upgraded Yass Substation. As a part of these visits, tours of the facilities and discussions took place with local employees.

In addition the March 2006 meeting was held in Sydney concurrently with Powerlink Queensland with the members of both Boards joining together at the conclusion of their meetings for presentations by the Powerlink Chief Executive and TransGrid's Managing Director.

Meetings of the Board	Meetings Attended	Leave of Absence Granted	Meetings Entitled to Attend
Mr P R Higginson	11	-	11
Mr R B Vaughan*	5	1	6
Mr K Murray	11	-	11
Mr N Betts	10	1	11
Mr B E Foy#	4	1	5
The Hon B J Langton	10	1	11
Dr P J Moy	9	2	11
Ms M Papathanasiou	9	2	11

* Appointment to the Board ceased as at 14 December 2005

Appointed to the Board as at 15 December 2005

Meetings of the Board

The number of meetings of the Board of Directors held during the year ended 30 June 2006, and the number of meetings attended by each director is shown in the previous table.

Conflict of Interests

The Board Code of Conduct stipulates that a director must disclose interests to the Board (which includes positions and pecuniary interests) in corporations, partnerships or other businesses that may be relevant to the activities of the Board or an associated Committee. A register of such interests is maintained by TransGrid.

There have been no conflict of interest events declared for the year ended 30 June 2006.

Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at TransGrid's expense. For the year ended 30 June 2006 independent professional advice was sought by the Board Committee – Remuneration and Structure in relation to Executive Remuneration levels

Board Committees

To assist the Board in fulfilling its corporate governance responsibilities, the Board utilises the Executive Board Committee, the Board Audit Committee, the Board Committee – Remuneration and Structure, and the Board Regulatory Committee. A charter governs each of these committees and the Board delegates specific powers and procedures. The charter details the committee's primary function, structure and responsibilities. Each charter is reviewed on an annual basis.

The Board Audit Committee and the Board Committee – Remuneration and Structure meet on at least a quarterly basis or at such times as considered appropriate.

The Executive Board Committee and the Board Regulatory Committee meets as and when required.

Non Executive Directors chair the Board Committees. The Managing Director is also a member of the Board Committees. Senior executives and management may be invited to attend committee meetings.

A report detailing the items considered by the committee is tabled at the following Board Meeting.

Executive Board Committee

The Executive Board Committee consists of the following directors:

Mr Philip Higginson (Chairman of the Committee)
Mr Kevin Murray

The primary function of the Executive Board Committee is to consider matters between Board Meetings which would otherwise require Board approval. The matter is delegated to the Executive Board Committee at the prior Board Meeting and a report is provided to the Board at the meeting following the exercise of the delegation.

Board Audit Committee

The Board Audit Committee consists of the following directors:

Mr Bruce Foy (Chairman of the Committee)
Mr Philip Higginson
Mr Kevin Murray
The Hon. Brian Langton
Ms Matina Papathanasiou

The primary function of the Board Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the overall risk and audit process of the Corporation; the system of internal control which management and the Board of Directors have established and the financial information which will be provided to the Shareholding Ministers and others.

Board Committee – Remuneration and Structure

The Board Committee – Remuneration and Structure consists of the following directors:

Mr Philip Higginson (Chairman of the Committee)
Mr Kevin Murray
Mr Bruce Foy
Dr Paul Moy

The primary function of this Board Committee is to assist the Board in determining the remuneration and employment conditions of TransGrid's executive and senior management and reviewing the organisational structure of the Corporation.

Board Regulatory Committee

The Board Regulatory Committee consists of the following directors:

Dr Paul Moy (Chairman of the Committee)
Mr Philip Higginson
Mr Kevin Murray
Ms Matina Papathanasiou

The primary function of this Board Committee is to assist the Board in managing and reviewing regulatory changes and/or regulatory decisions arising from the National Electricity Law, Rules and Regulations.

THE BOARD



Mr Philip Higginson
Chairman



Mr Neville Betts
Director



Mr Bruce Foy
Director



The Hon. Brian Langton
Director



Dr Paul Moy
Director



Ms Matina Papathanasiou
Director



Mr Kevin Murray
Executive Director and Managing
Director



Mr John Byrne
General Manager/Commercial
and Board Secretary

Mr Philip Higginson Chairman

Mr Philip Higginson has served as Chairman of TransGrid since 1st February 1995. Philip's relationship with TransGrid extends back to 1994 when he was appointed Chairman of PacificGrid Pty Ltd, a wholly owned subsidiary of Pacific Power.

Philip is also Chairman of Allen Capital Funds Services Pty Ltd and his current executive role is as Managing Director of PRO:NED Australia Pty Ltd, a company specialising in non-executive director search and selection and board governance advice.

Philip has had extensive experience in senior management positions in the industrial manufacturing sector and was employed for 30 years with the global chemical giant ICI Australia Limited, the last 10 years of which was as Manager for New South Wales.

An experienced Company Director, Philip has served as Chairman of Employment National Limited, a Federal Government unlisted public company and as a non - executive director of the publicly listed company, National Hire

Limited. He served a lengthy period as Chairman of the Royal Botanic Gardens and Domain Trust, a director of the Home Purchase Assistance Authority, a member of the board of Focus Publishing Pty Ltd, a Vice-President of the New South Wales Chamber of Manufactures, a director of the Employers Federation Limited, a Vice-President of the Conservatorium of Music Foundation, and over 15 years with the Salvation Army, in which he served both on the Advisory Board and two terms as Chairman of the Sydney Red Shield Appeal. He also served two terms as the Federal President of the Australian British Chamber of Commerce, and was a member of the board of advice of the global insurance broking giant, Aon Ltd. A one time Visiting Fellow of the Faculty of Engineering at the University of New South Wales and a member of the board of the University of New South Wales Foundation, his qualifications are in marketing and general management and he is a current member of the Australian Institute of Management and the Australian Institute of Company Directors, currently serving on

a sub - committee of the latter reviewing director education syllabi. An inaugural member of the board of the Bell Shakespeare Theatre Company, a member of the Australia Day Council, a member of Sydney Rotary and a member of the Royal Botanic Gardens and Domain Trust Foundation round off his prior practical community service commitments, obligations, interests and duties.

Mr Neville Betts Director

Mr Neville Betts was appointed to the TransGrid Board on 30th June 1998.

Neville is currently an Organiser with the Electrical Trades Union of Australia, a position that he has held since 1984. He is also a Member of the Divisional Council Power Industry Committee, Deputy Chairman of the ACT Utilities and Light Manufacturer Industry Training Advisory Board (ITAB), a member of the National Training Advisory Group (NTAG) for the Electrical Transmission & Distribution Industry, and a Member of the ACT Labor Council Executive and former member of the ACT Government Industrial Relations Advisory Committee.

In addition, Neville is a Member of the Australian Institute of Company Directors and a Graduate of the Mount Eliza Business School.

He brings to the TransGrid Board an in-depth understanding of the electricity industry and its associated industrial relations, training and union activities.

Mr Bruce Foy Director

Mr Bruce Foy was appointed to the TransGrid Board on 15th December 2005.

Bruce has held various positions within the banking industry, most recently as Managing Director Country Head of the ING Bank N.V, a position he held until 2005.

Currently Bruce is a Director of Citic Australia Trading Ltd and a Director of the Financial Planning Association of Australia Ltd, as well as a Director/Trustee of the First State Superannuation Trustee Corporation. Previously Bruce was Chairman of the International Banks and Securities Association Ltd.

Bruce was admitted as a Barrister of the Supreme Court of New South Wales in 1989 and holds a Bachelor of Laws and a Bachelor of Commerce, both from the University of Queensland. Bruce is also a Fellow of the Australian Institute of Company Directors.

He brings to the TransGrid Board extensive experience in corporate and financial management.

The Hon. Brian Langton
Director

The Hon. Brian Langton was appointed to the TransGrid Board on 15th December 1999.

Brian has extensive experience in government, having been the State Member for Kogarah for 16 years and, prior to this, an Alderman on Kogarah Council for 12 years. During his time as the State Member, Brian held the portfolios for Transport and Tourism from 1995 to 1997 and Emergency Services and Fair Trading from 1997 to 1998.

In addition, Brian is a Member of the Board of the NSW Bus and Coach Association and a former Member of the Local Government Association Executive and a former Director of St George Hospital.

Currently operating as a Government Relations Consultant, Brian brings to the Board more than 30 years experience in the public sector.

Dr Paul Moy
Director

Dr Paul Moy was appointed to the TransGrid Board on 19th July 2004.

Paul is a Managing Director of UBS Global Asset Management and a director of Centennial Coal and Austral Coal.

He was formerly Chairman of the Innovation Investment Fund and a non-executive director of Western Power Corporation, RailCorp, Diversified Utility and Energy Trust (DUET) and the Commonwealth Rehabilitation Service. Paul has held senior executive positions in investment banking with UBS Warburg and Fay, Richwhite Securities. Paul was formerly the Deputy Secretary of NSW Treasury and a former member of both the National Competition Council and the Australian Statistics Advisory Council. In addition, Paul has held the position of Chairman of the Electricity Distribution Industry Reform Group in NSW and was a member of the Electricity Industry Reform Task Force in Queensland.

He holds a Bachelor of Arts (Economics) and a PhD (Economics).

Paul brings to the TransGrid Board extensive experience in the areas of finance, economic regulation, public policy and infrastructure/utility industries.

Ms Matina Papathanasiou
Director

Ms Matina Papathanasiou was appointed to the TransGrid Board on 13th December 2004.

Matina has over 19 years funds management and investment banking experience and has specialised in the infrastructure sector with significant experience in the energy sector.

Matina is employed by QIC as a Director of the Global Infrastructure Investment team which has a mandate to invest over \$1billion in global infrastructure. Matina was previously with AMP Capital Investors for over 5 years as Head of Strategy Infrastructure and a member of the AMP Capital Investors Credit Investment Committee.

Previously Matina was employed at Bankers Trust and Macquarie Bank in their Project Advisory and Structured Finance groups. She commenced her career with Arthur Andersen where she was employed as a tax adviser.

Matina holds a Bachelor of Commerce (majoring in Accounting, Finance and Systems) and a Bachelor of Laws from the University of New South Wales. In 1985 she was admitted as a Solicitor of the Supreme Court of New South Wales (Australia).

Matina brings to the TransGrid Board strong experience in finance, governance, commercial negotiations and regulation.

Mr Kevin Murray
Executive Director and
Managing Director

Mr Kevin Murray was appointed as an Executive Director on the TransGrid Board on the 10th June 2005.

As Managing Director of TransGrid, Kevin is responsible for the development, operation and maintenance of the New South Wales bulk electricity transmission network.

Prior to his appointment as Managing Director, Kevin carried out the role of General Manager/Network, a position he held since TransGrid's inception in 1995. As General Manager/Network Kevin was responsible for managing the transmission assets to achieve a reliable, available and safe electricity supply in an environmentally sound manner.

Kevin is Chairman of TransGrid's Executive Occupational Health and Safety Committee and Executive Environment Committee. He currently serves as a director of the New South Wales Energy Industry Ombudsman Board and is a past director of the National Safety Council.

Kevin is also a Fellow of the Australian Institute of Company Directors.

Mr John Byrne
General Manager/
Commercial and Board
Secretary

Mr John Byrne was appointed as General Manager/Commercial in February 1995 and became Board Secretary in February 2000.

John has more than 40 years experience in the electricity supply industry with a varied career in all aspects of financial management. John was involved in the development of the electricity market and served on the Electricity Task Force, which led to the current industry structure in New South Wales. He is also a Fellow of the Australian Institute of Company Directors.

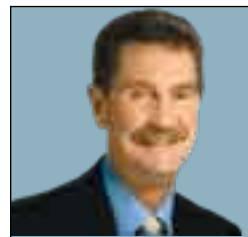
THE EXECUTIVE TEAM



Kevin Murray
Executive Director and Managing
Director



John Byrne
General Manager/Commercial
and Board Secretary



Chris FitzGerald
General Manager/Capital Program
Delivery



Vic Galea
General Manager/
Transmission Operations



Peter McIntyre
General Manager/Network
Performance & Development



Paul Phillips
General Manager/Human
Resources & Business Services



Lionel Smyth
General Manager/System
Operations



Kym Tothill
General Manager/Corporate
Development

Kevin Murray Managing Director

Kevin Murray was appointed Managing Director of TransGrid in June 2005 following a lengthy career with the Electricity Commission of NSW and Pacific Power. As Managing Director of TransGrid, Kevin is responsible for the development, operation and maintenance of the New South Wales bulk electricity transmission network.

Prior to his appointment as Managing Director, Kevin carried out the role of General Manager/Network, a position he held since TransGrid's inception in 1995. As General Manager/Network Kevin was responsible for managing the transmission assets to achieve a reliable, available and safe electricity supply in an environmentally sound manner.

Kevin is Chairman of TransGrid's Executive Occupational Health and Safety Committee and Executive Environment Committee. He currently serves as a director of the New South Wales Energy Industry Ombudsman Board and is a past director of the National Safety Council. Kevin is also a Fellow of the Australian Institute of Company Directors.

Qualifications: BE (Elec), Dip Bus Studies, FAICD

John Byrne General Manager/ Commercial and Board Secretary

Appointed General Manager/
Commercial in February 1995.

John has more than 40 years experience in the electricity supply industry with a varied career in all aspects of financial management. John joined TransGrid as the Financial Controller on its formation in February 1995 and had the responsibility for developing TransGrid's financial policies, procedures and organisational structure. Since that time, his responsibilities have expanded to include most of TransGrid's commercial activities. John is a Fellow of CPA Australia.

The Commercial Business Unit provides services such as finance, treasury, legal, logistics, audit, risk management and non-regulated business projects. In addition, John performs the role of TransGrid's Board Secretary.

Qualifications: Comm (Acctg Proc) Cert, Cost Acctg Post Cert, Comm Prog Cert, FCPA, FAICD

Chris FitzGerald General Manager/Capital Program Delivery

Appointed General Manager/
Engineering in May 1999
and, subsequently, General
Manager/Capital Program
Delivery, August 2005.

Chris has extensive experience in many aspects of the high voltage electricity supply industry, from telecommunications, protection systems and SCADA through to extra high voltage transmission line and substation design and major project management including the management of associated environmental impact assessment and related community consultations.

Chris is Chairman of the Australian Technical Committee of CIGRE, a member of the Board of CIGRE Australia Limited and a Fellow of the Institution of Engineers, Australia.

The Capital Program Delivery Business Unit is responsible for the engineering design and specification of the NSW extra high voltage network and the delivery of TransGrid's major capital works projects including the management of the environmental impact assessments and related community consultation associated with these projects. The business unit also provides specialist engineering and project management services to other TransGrid business units.

Qualifications: BSc, BE (Hons), ME, Grad Dip (Bus Admin), FIE Aust, CP Eng

Vic Galea**General Manager/
Transmission Operations**

Appointed General Manager/ Transmission Operations in September 2005.

As General Manager/ Transmission Operations, Vic is responsible for the field management and maintenance of TransGrid's transmission assets throughout NSW to ensure a reliable, available and safe electricity supply in an efficient and environmentally sound manner. The Transmission Operations Business Unit is also responsible for the field management and commissioning of major capital works programs and for the management of property and easements associated with the network. Transmission Operations is the largest business unit employing over one half of TransGrid staff.

Vic has over 35 years experience in the electricity supply industry in a variety of engineering and managerial roles including manufacturing and all aspects of transmission asset management and maintenance. He was previously Manager / Asset Performance responsible for the development of maintenance policies and asset management strategies within TransGrid and more recently as Manager / Central Region he was responsible for all field maintenance and construction activities within the central part of NSW including the greater Sydney basin.

Qualifications: BE (Elec)

Peter McIntyre**General Manager/
Network Performance and
Development**

Appointed General Manager/ Network Performance and Development in September 2005.

Peter has more than 20 years experience in the electricity supply industry in a variety of roles, with particular expertise in high voltage asset management. He was previously the General Manager/System Operations responsible for ensuring the security and reliability of the electricity transmission network throughout New South Wales.

The Network Performance and Development Business Unit is responsible for developing plans for the augmentation and interconnection of the high voltage transmission system and its associated communications networks, the development of maintenance policies and asset management strategies, plant specifications and technical standards, and network performance monitoring, benchmarking and reporting.

Qualifications: BSc, BE (Hons), MBA (Technology Management), GAICD

Paul Phillips**General Manager/Human
Resources and Business
Services**

Appointed General Manager/ Human Resources and Business Services in October 2005.

As General Manager/Human Resources and Business Services, Paul is responsible for the delivery of support and centralised services to all TransGrid's business units. Services include health and safety, environmental, property acquisition and disposal, human resource services including recruitment and industrial

services, information technology, vehicle and mobile plant fleet management, and warehousing and inventory services

Paul joined TransGrid in 2001. He has more than 30 years experience in the electricity and gas industries principally in asset management, network operations and safety management.

Qualifications: BE (Hons), BSc, MMgt

Lionel Smyth**General Manager/System
Operations**

Appointed General Manager/ System Operations in September 2005.

Lionel has 25 years experience in the electricity supply industry in a variety of engineering and managerial roles including all aspects of transmission asset management and maintenance. Lionel was previously General Manager/Business Resources.

The System Operations Business Unit is responsible for ensuring the security and reliability of the electricity transmission network throughout New South Wales in accordance with the National Electricity Rules. It determines operating policy and implementation requirements for the operation of the transmission system, including facilities required to monitor and control the high voltage network. Operations staff liaise with NEMMCO and the electricity distributors to ensure close coordination of operating activities.

Qualifications: BE (Elec), Grad Mgt Qual, GAICD

Kym Tothill**General Manager/Corporate
Development**

Appointed General Manager/ Corporate Development in July 2003.

Kym has had almost 40 years experience in the Australian electricity supply industry covering a variety of engineering and senior managerial roles in each of the transmission, generation and distribution sectors.

Kym was involved in the development of key transmission-related areas of the electricity market, including transmission pricing arrangements and was the convenor of the power system security section of the original NEM Code.

The Corporate Development Business Unit provides a range of strategic, regulatory and administrative services including transmission pricing, facilitation of new customer network connections, non-network project development, regulatory affairs, NEM compliance, and the management of major customer accounts. Additionally, the Corporate Development Business Unit manages government, media and community communications and is responsible for the coordination and the development of the Corporate Business Plan.

Qualifications: B.Tech (Electrical), B.Economics, C.P.Eng., MIEE, GAICD, Post Grad. Dip. Business Management

BUSINESS PERFORMANCE

AT THE END OF 2005-2006, TRANSGRID'S ASSET VALUE HAD GROWN TO \$3.7 BILLION.

COMMERCIAL PERFORMANCE

TransGrid has always prided itself on its commercial approach to its operations and has worked hard to ensure all its processes and practices are undertaken in a commercially focussed manner.

The vast majority of TransGrid's revenue is subject to regulation by the Australian Energy Regulator (AER). These regulatory structures are currently subject to review and TransGrid's future direction and strategies will be driven by any changes to the National Electricity Law and revised regulatory structures.

TransGrid continued to deliver strong financial performance. For the 2005-2006 year, pre-tax profit again exceeded the shareholder's target. A "headline" operating profit before tax of \$175.3 million was achieved.

TransGrid continues to apply significant pressure on operating costs and again achieved a result better than the Regulatory Allowance. The organisation successfully exceeded the Service Standard targets agreed with the Regulator.

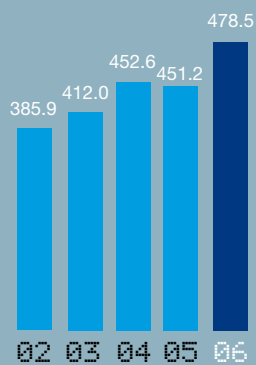
At the end of 2005-2006, TransGrid's asset value had grown to \$3.7 billion.

One of the key commercial challenges facing all organisations in Australia was the transition to the Australian Equivalent to International Financial Reporting Standards (AEIFRS). TransGrid successfully managed and implemented all the process and system changes required for financial reporting under the AEIFRS regime, largely through knowledge and skills development of internal staff and also active participation in industry forums.

Steve Adams and Warwick Driez working on the construction of the Coffs Harbour substation

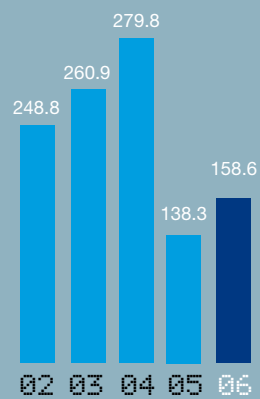


INCOME

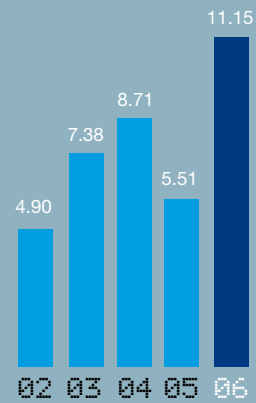


CAPITAL EXPENDITURE

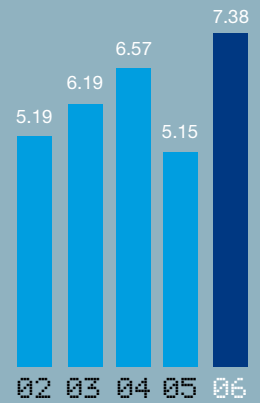
(\$Million)



RETURN ON EQUITY (%)*



RETURN ON ASSETS (%)*



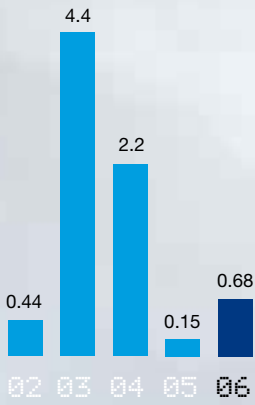
* The Return on Equity and Return on Assets figures for the 2005 and 2006 Financial Years are calculated based on AEIFRS requirements

Key Performance Indicators (Including Superannuation Income/(Expense))

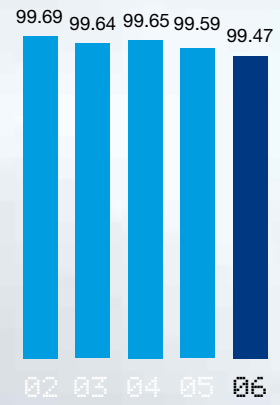
Income from Ongoing Activities (\$ million)	478.5
Asset Base (\$ million)	3,750.0
Interest Cover (times)	2.8
Gearing Ratio	47.3%
Operating Profit Before Tax (\$ million)	175.3
Earnings Before Interest and Tax (\$ million)	274.8



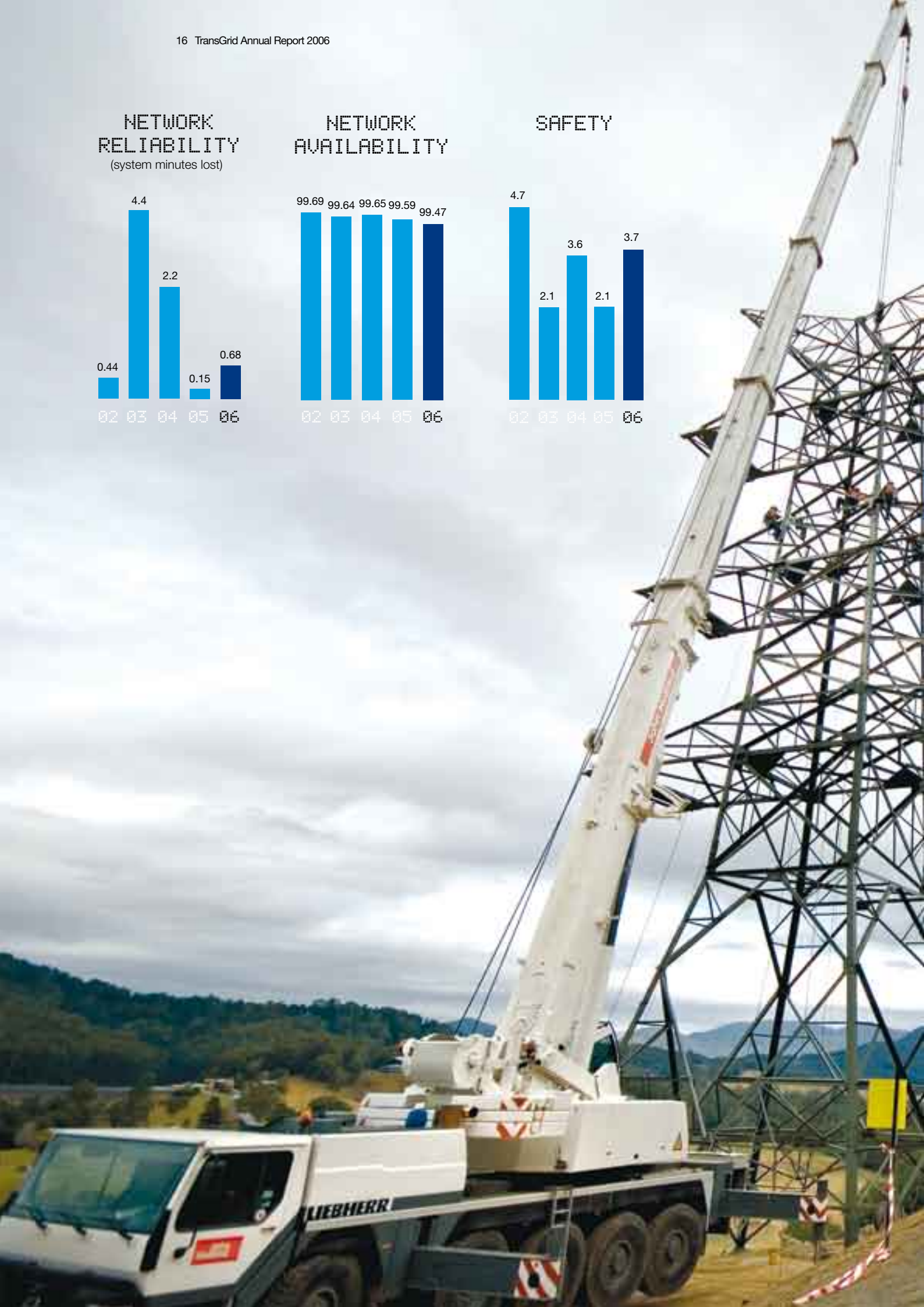
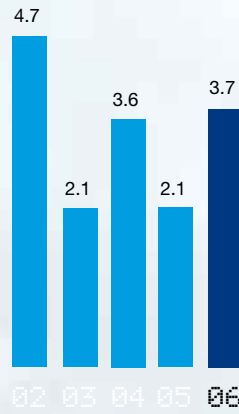
NETWORK RELIABILITY (system minutes lost)



NETWORK AVAILABILITY



SAFETY



NETWORK OUTCOMES

The key deliverable for TransGrid is the management of the assets and resources in order to meet the required levels of performance in terms of cost, reliability, availability and quality. The achievement of these objectives will at all times be performed so as not to compromise organisational commitments in regard to safety, the community and the environment.

Network Reliability

A customer's perception of a network provider's reliability performance is based on how often the customer loses supply due to a temporary failure of TransGrid's plant and equipment. The less often or less severe any such losses, the better the perceived performance. The industry defines this reliability in 'system minutes'. Simply put, any loss of supply event can be described as the number of minutes that the total network would have to be out of service for the network's annual maximum demand to equate to the amount of energy (MWh) that was not supplied.

New Transmission Towers under construction as part of TransGrid's Capital Expenditure Program



For the thirteen individual incidents during the year, the total interruption equated to only 0.68 system minutes. Expressed as a percentage of the total energy supplied during the year, this is a transmission and delivery system reliability in excess of 99.999%.

For the current Regulatory period, the AER has implemented two reliability service standard measures that count the number of events where loss of supply either is greater than 0.05 but less than or equal to 0.4 system minutes (with a target of 5 or less), or the number that exceed 0.4 system minutes (with a target of 1 or less). In 2005/2006, TransGrid had only 3 events greater than 0.05 and less than 0.4 system minutes, while it had no events greater than 0.4 system minutes.

TransGrid's continuing world's best practice of asset management and maintenance has been a significant contributor to this high standard of reliability.

Network Availability

TransGrid's connected customers perceive the network's availability as its readiness to effectively transfer energy from the generators to the distributors. Simply put, it is a measure of the total time all transmission assets were in service compared to the theoretical ideal of all assets being in serviced for 100% of the time. It is impacted by the duration of planned outages for scheduled maintenance and capital construction or replacement programs as well as unscheduled outages from plant failures. Higher values of transmission availability may be achieved by minimalisation of planned maintenance (through optimisation of maintenance policy) and more effective coordination of all planned outages, as well as improved maintenance practices to achieve fewer plant failures.

TransGrid has continued to achieve world's best practice levels of availability for 2005/2006 with an end of year availability of 99.47% compared to its target of 99.50%. The marginally below target value was due mainly to the abnormally large quantity of capital work for pole replacement programs during the year where the duration of outages for capital works exceeded that for scheduled maintenance.

Asset Management Process

TransGrid achieves these objectives through five operational groups located in three geographic regions: Northern Region, Central Region and Southern Region

These groups are responsible for the maintenance of the high voltage transmission assets, associated property and easements in accordance with TransGrid's policies and procedures, the field management and commissioning of capital projects and for providing the direct contact and interface with customers and the community;

There are two centralised Groups providing service and support:

- regional based group responsible for the maintenance, refurbishment and replacement of protection, metering, control and communication equipment, in accordance with TransGrid's policies and procedures, and the field management and commissioning of all protection, metering and communication equipment associated with capital projects;



Newcastle Regional Centre Staff

- centralised support group responsible for providing specialised business functions.

The process of asset management covers a wide range of integrated activities including the establishment of maintenance policies and refurbishment and replacement strategies, the assessment of the Regions' maintenance practices against policies, reviewing the trends of plant performance, and comparing maintenance and asset management practices with other best practice transmission organisations. When combined these processes provide valuable feedback on the performance of the network as a whole which allows both proactive and reactive adjustments to processes and policies.



Network Improvement

TransGrid's asset management improvement processes include:

- The implementation of its new Network Management Plan 2007 –2011 and Network 30-Year Plan for 2005-2034. These Plans provide a focus for ongoing analysis within TransGrid for continual improvement of the transmission system's management in order to meet corporate objectives for safety, environment, quality and the electricity supply.
- The performance of plant under all maintenance streams of substations, lines, cables, communications, protection and metering are reviewed and analysed by specialist Working Groups in order to identify issues that may require investigation and reporting. The Working Groups may authorise corrective actions in the field, as well as consider plant criticality and network risk exposure when reviewing maintenance policies and refurbishment and replacement strategies.
- Every three months a formal and detailed review is conducted of the causes of all forced and emergency outages of high voltage and secondary equipment plant. This process, called

Quarterly Asset Performance Review, considers the ongoing trends of each category of plant and initiates investigations and makes recommendations aimed at addressing issues that may impact on reliability, availability, the environment or safety.

- Technical Performance Assessments review each Region's maintenance processes and documentation for compliance with policies and standards. These assessments are conducted annually for each Region and while providing feedback to management on local issues, also identify any issues that need to be addressed at a broader level to facilitate improved performance across the whole network.
- Benchmarking results from the ITOMS 2005 (International Transmission Operations & Maintenance Study) confirmed TransGrid's continued best performer status. The ITOMS 2005 program involved 26 transmission organisations including six from Australasia with the balance from Europe, Scandinavia, South-East Asia, the Middle East, South Africa and North America. This benchmarking study utilised data from the previous financial year.

- Using a format similar to the ITOMS study, TransGrid conducts an annual internal benchmarking study that compares the maintenance costing and service level performance between the three network maintenance Regions. This allows TransGrid to identify specific maintenance process issues which, when addressed, improve overall performance and efficiency.

TransGrid has been working towards the streamlining of its business systems through the Asset Management Systems Improvement Program (AMSIP). Following a review of the effectiveness of the Network business systems, the AMSIP program was launched in late 2003 and will continue for the next two years



TransGrid Network System



Operating System Voltages

- 500kV Transmission Line
- 330kV Transmission Line
- 220kV Transmission Line
- 132kV Transmission Line
- 66kV Transmission Line
- - - 330kV Underground Cable
- 500kV Substation
- 330kV Substation
- 220kV Substation
- 132kV Substation
- Customer Exchange Point
- ← Interstate Exchange Point

Transmission Tower for the new Coffs Harbour substation taking shape



Graham McIlveen and Nick Osborne testing the newly installed Transformer at Port Macquarie Substation

CAPITAL WORKS

Future Network Planning

The National Electricity Market (NEM) structure has in place a framework to provide regional based network planning and market based energy solutions. The main documents published annually are:

- Annual Planning Reports covering electricity transmission network planning;
- System Development Review covering distribution networks;
- Statement of Opportunities which covers electricity supply demand balance in the NEM; and
- Annual National Transmission Statement covers the planning for major national electricity flow paths in the NEM.

These documents form an effective framework for the dissemination of planning and investment information throughout the NEM.

TransGrid has two main transmission network planning responsibilities:

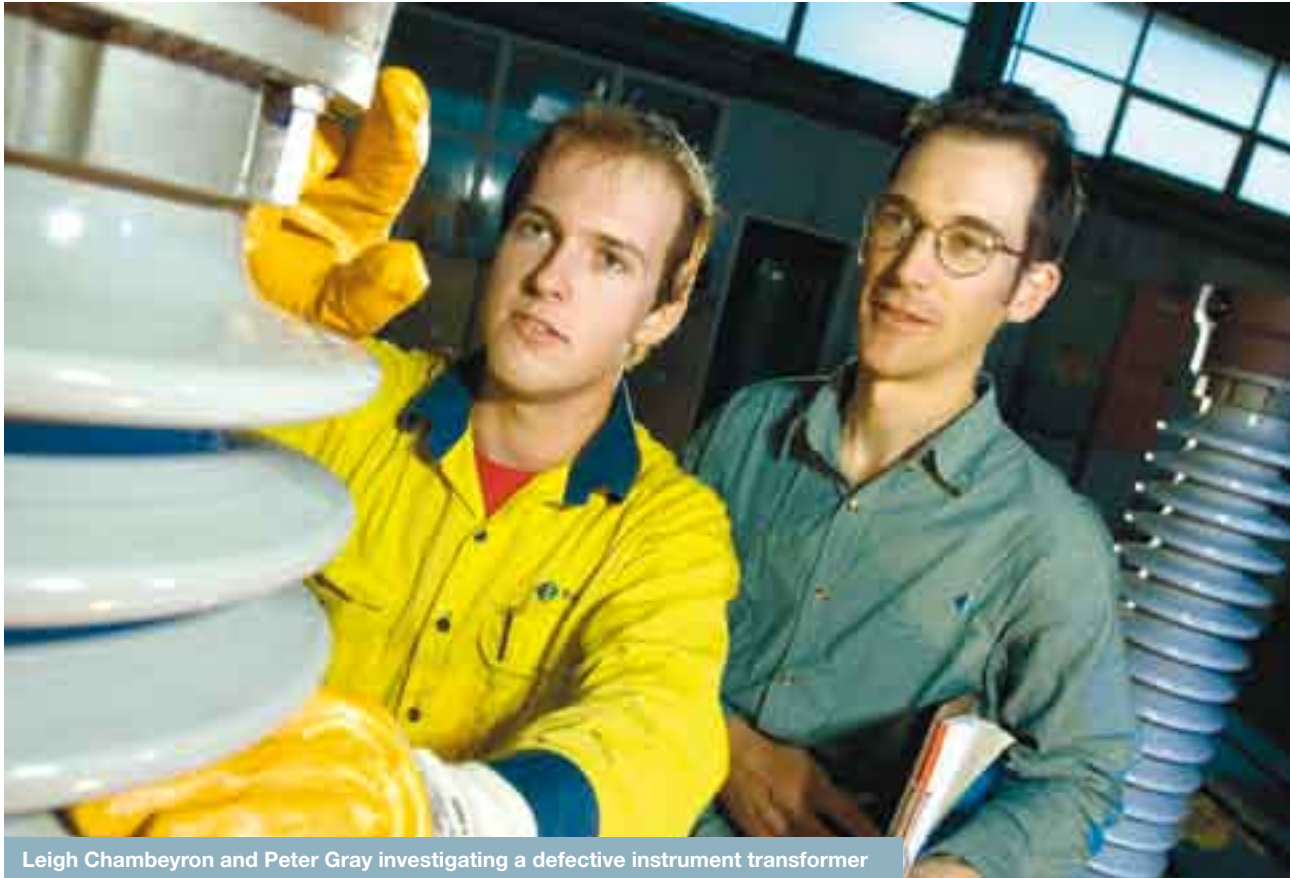
1. TransGrid has been nominated by the Minister to be the Jurisdictional Planning Body (JPB) for NSW; and
2. TransGrid is registered with NEMMCO as a Transmission Network Services Providers (TNSP) and is required to coordinate planning with Distributors

As a part of its Jurisdictional Planning Body and National Electricity Rules responsibilities, TransGrid undertakes an Annual Planning Review. This annual planning review is based on the load forecasts provided by Distributors and directly connects customers for a 10 year planning horizon. The annual

planning review culminates in the publication of the Annual Planning Report.

The Annual Planning Report provides NEM participants and interested parties with information that will help them understand emerging network constraints in the transmission networks in New South Wales and allow them to contribute to the optimum development of the network, in particular in developing proposals for Demand Management and embedded generation options.

As required by the National Electricity Rules, TransGrid published the New South Wales Annual Planning Report for 2006 on its web site on 30th June 2006.



Leigh Chambeyron and Peter Gray investigating a defective instrument transformer

The Annual Planning Report 2006 includes:

- Outcomes of planning analysis, identification of network constraints and the proposals for network augmentations;
- Consultation on 12 proposed New Small Network Assets (network augmentations) which each have an expected capital expenditure of between \$1 million and \$10 million dollars; and
- An update of TransGrid's State electricity demand forecast that takes account of peak loads for winter 2005 and summer 2005/2006. This data is also provided to NEMMCO for aggregation on a NEM-wide basis and inclusion in its 2006 Statement of Opportunities that will be published in October 2006.

TransGrid anticipates that over the five year regulatory period commencing in 1 July 2004 that over \$1.2 billion will be invested in capital works or equivalent non-network solutions to ensure the service standards required by the Regulator, Jurisdictions and Customers continue to be met. During the first two years of the regulatory period TransGrid has spent \$270.8 million \$2004 on capital works.

TransGrid has an integrated process which considers the optimum outcome for capital expenditure for both asset renewal and enhancement of the transmission system capability. Prior to any investment decision being made for increasing the network's capability, the merits of each project must be assessed in accordance with the requirements set out in Chapter 5 of the National Electricity Rules. This means for projects in excess of \$10 million

an extensive and transparent consultation process is undertaken which includes an assessment of options against the AER's Regulatory Test.

For capital projects of a lower value, a similar, but less detailed approval process is followed.

Major Capital Works Delivery

TransGrid's capital works program involves the expansion of the network to meet the growing customer demand requirements. The network demands change as population and industrial growth occur in almost all areas of NSW. Additionally, TransGrid has a major on-going program of refurbishment and replacement of ageing assets to ensure efficient and reliable supply to all customers.

The capital works program is the result of extensive planning and investment analysis aimed at delivering the most efficient outcome for network uses. The regulatory environmental approval processes for major projects are complex and challenging, and successful projects require extensive stakeholder consultation to ensure the best and most efficient result is achieved.

Most construction works are carried out through a competitive tender and contract framework, which requires a strong design and project management framework, covering the complete range of activities of the teams providing project management, contract administration, design, environmental assessment and construction of major capital projects.



Capital Program Delivery/Projects Team

Yass 330/132kV Substation

June 2006 saw the completion of the reconstruction of Yass 330/132kV substation. The old Yass substation was constructed in 1959 and had reached the end of its effective life. The new Yass substation was constructed on part of the existing substation site, thus reducing overall community impacts. This required very careful design and a complex staging of the works to minimise outages and ensure transmission system reliability throughout the construction period. The new substation was progressively commissioned over several months from September 2005 until June 2006. No major supply interruptions took place during the reconstruction of Yass substation. The new substation incorporates a number of new design features which are now being included in other new substations being constructed around the state.

Coffs Harbour 330/132kV Substation

To meet the growing electricity demand in the Far North Coast, a new 330/132kV substation is being constructed adjacent to the existing 132/66kV substation at Karangi, about 10 Kilometres west of Coffs Harbour. The design of the new substation carefully considered the environmental impacts of the substation and associated transmission line works. The result is a substation with minimal environmental impact.

Site works commenced in August 2005, and the major construction works were completed by the end of June 2005. Testing and commissioning is due for completion in August 2006.

The new Coffs Harbour 330/132kV substation will provide a major boost to the capacity and reliability of electricity delivered to the Far North Coast.



Coffs Harbour substation construction

Transformer Replacement Projects

As part of our asset replacement program and to meet increasing customer demand for electricity, TransGrid has a program for transformer replacement and additions at a number of our substations.

To meet the rapidly increasing load in western Sydney, the second 200 MVA transformer at Vineyard was replaced with a new large capacity 375 MVA transformer in September 2005. The first 200 MVA transformer had been upgraded in October 2004.

A program to replace four 45 year old 375 MVA transformers at Sydney West commenced in 2005 with the first transformer being replaced with a new 375 MVA unit in December 2005. The remaining three transformers will be replaced later in 2006 and early 2007 with new 375MVA transformers.

The existing transformers at our Wellington substation are being replaced with much larger 375 MVA transformers. At Port Macquarie substation, the first of three new transformers to be upgraded was commissioned in May 2006 and the remaining two transformers will be replaced later in 2006 and in 2007.



Graham Cosgrove, John McCall and Neil Mitchell of Newcastle's Projects team discussing one of their many current projects

Armidale Substation Upgrade

Work is progressing on the upgrade of the Armidale 132kV substation with the delivery of the first of the substation's two new transformers. The two new 132/66kV transformers are twice the size of existing ageing transformers.

The first transformer arrived on site in June 2006 and is scheduled to be placed in service by the end of July 2006. A second transformer is due to be installed later this year, doubling the substation's capacity to deliver the electricity needs of the area.

The original transformers were installed fifty years ago and whilst they have provided reliable and valuable service over this time, regional demand for electricity has grown to the point that extra capacity is required.

This upgrade will provide the region with additional capacity to meet current and future demand for the continued development of this important area which is experiencing above average growth in its population.

Wollar to Wellington 330 kV Transmission Line

The central western area of New South Wales continues to experience steady load growth. As part of a process of consultations and investigations that have been underway since 2001, TransGrid has developed a proposal to improve reliability of supply to the area, by constructing a 330 kV transmission line to Wellington from Wollar, north east of Mudgee and a new switching station at Wollar.

A route for the proposed transmission line was selected in late 2003 following an extensive community consultation program. An alignment for the transmission line has been negotiated with individual affected property owners and agreement on the alignment has been reached with most owners.

An Environmental Impact Statement or EIS was prepared and displayed for public comment from 29 August 2005 until 30 September 2005. A Submissions Report, responding to all issues raised in submissions to the EIS, has been prepared and was lodged with the NSW Department of Planning in March 2006.

A Switching Station at Wollar would connect the proposed 330 kV transmission line to the existing Bayswater to Mount Piper 330kV transmission line. The site for the Switching Station was selected in 2003 as part of the community consultation program, and a Development Application for the Switching Station has been approved by the Mid Western Regional Council.

During the approval process TransGrid became aware of a new power station proposal which may have provided the opportunity to defer the project.

In order to ensure that a transparent and equitable public process is in place which considers all projects or schemes that have the potential to defer or replace a transmission line option, TransGrid has elected to seek formal Requests for Proposals from the market place for opportunities to defer western area reinforcements of the transmission system. This includes the Wollar Wellington 330kV proposal and, possibly, a 132kV proposal between Manildra and Parkes.

TransGrid considers that embedded generation and demand side response proposals may have the potential to play a significant role in meeting the future power needs of NSW.

Until a determination is able to be made later this year as to how the emerging power needs of the central west can best be met, the transmission line remains a proposal that may yet be implemented.

Major Capital Works Completed or in Progress

Project	Purpose	Progress
Completed Works		
MetroGrid – Haymarket 330/132kV Substation – connection of Energy Australia 132kV Cables	To meet increasing inner Sydney loads, two additional EnergyAustralia 132kV cables from Beaconsfield Substation were connected to Haymarket Substation.	Work completed in August 2005.
Vineyard 330/132kV No.1 transformer replacement	To meet future demand in the northwest region of the Western Sydney Metropolitan Area, the existing No. 1, 200MVA transformer was replaced with a 375MVA transformer.	New No.1 transformer placed in service in October 2005. (The No 2 transformer was replaced in 2004).
Yass 330/132kV Substation	To ensure reliability, the ageing Yass Substation was replaced by a new substation within the existing site boundaries.	Substation progressively commissioned from September 2005, with final cut-overs in June 2006.
Sydney West No 7 330 kV Capacitor	To provide additional voltage support in the Sydney Metropolitan area, an additional 200 MVar capacitor bank was installed at Sydney West Substation.	Completed in February 2006.
Sydney West No 4 375 MVA transformer replacement	To ensure reliable supply to western Sydney, the 40 year old No 4 375MVA transformer at Sydney West was replaced with a new 375 MVA three phase transformer.	Completed in February 2006.
Newcastle No 1 375 MVA transformer replacement	To ensure reliable supply to the Newcastle region, the ageing No 1 375MVA transformer at Newcastle Substation was replaced with a new 375 MVA transformer.	Completed in December 2005.
Vales Point 2 x 200 MVar 330kV Capacitors	To provide additional voltage support on the main 330kV system, two 200 MVar capacitor banks were installed at Vales Point Substation.	Completed in April 2006.
Canberra 132 kV 120MVar Capacitor Bank	To provide voltage support in the Canberra region, a new 120 MVar capacitor was installed at Canberra Substation.	Completed in May 2006.
Port Macquarie Substation – replacement of 132/33 kV Transformers	To ensure reliable supply and to meet growing load in the mid-north coast, the three 30 MVA transformers at Port Macquarie Substation are being replaced with new 60 MVA transformers.	First transformer commissioned in June 2006. (See works in progress).
Communications Upgrades in Southern Area	To improve communications, an upgrade of microwave radio systems in the southern part of the state was undertaken in parallel with the Yass Substation reconstruction.	Equipment commissioned progressively through 2005/06, with final completion in June 2006.
North Coast Communications Upgrade	To improve communications, an upgrade of microwave radio systems to Coffs Harbour and Lismore 330/132kV substations was undertaken utilising, where possible, sites and equipment from the Macrocomm network purchased in 2004.	Completed in April 2006.
Wellington 330/132kV substation transformer replacements	To meet future load growth in central west region and ensure reliable supply, the 190 and 200 MVA transformers at Wellington are being replaced with 375 MVA transformers.	First replacement transformer completed in June 2006.

Project	Purpose	Progress
In Progress		
Armidale 132/66kV Substation – replacement of 132/66 kV Transformers	To ensure reliable supply to the New England region, the two 30MVA 132/66kV transformers at Armidale Substation are being replaced with new 60 MVA transformers.	First transformer scheduled for completion in September 2006 and second transformer in November 2006.
Armidale 330/132kV Substation – replacement of 330/132kV Transformers	To ensure reliable supply to the New England region, the three 330/132 kV transformers at Armidale 330/132 kV Substation are being replaced with two new 375 MVA transformers.	First 330kV transformer scheduled for completion in April 2007 and the second transformer in October 2007.
Armidale 330/132kV Substation – reconnection of 87 line.	To improve security of supply to Lismore and Coffs Harbour, 87 Line (Armidale to Coffs Harbour 330kV line) is being reconfigured to allow double selection.	Scheduled for completion in December 2007.
966 line uprating (Armidale to Koolkhan 132 kV transmission line)	To improved interchange capability over QNI, the existing 966 line (Armidale to Koolkhan 132 kV line) is being uprated to 75 deg C operation.	Scheduled for completion in November 2006.
Capacitor Augmentations at Rural Substations.	To provide voltage support, 13 capacitor banks (either 132kV or 66kV) are being installed at 132/66kV substations at Koolkhan, Nambucca, Parkes, Forbes, Cowra, Panorama, Deniliquin, Cooma and Narrabri. The works require new capacitor installations and switchbays, busbar and bench extensions.	Commissioning progressively scheduled through to May 2007.
Coffs Harbour 330kV Substation	To meet growing system loads in the mid-north coast area, a new 330/132kV substation is being established at Coffs Harbour.	Substation to be completed in July 2006, with final commissioning in August 2006.
Dapto 330/132kV Substation – installation of 132kV capacitor banks	To improve voltage support at Dapto Substation, two 120MVar capacitor banks are being installed.	Scheduled for completion in April 2007.
Darlington Point 330/132kV Substation – installation of 2x20 MVar capacitor banks	To improve voltage support at Darlington Point Substation, two 20MVar capacitor banks are being installed.	Scheduled for completion in January 2007.
Finley 132/66kV Substation augmentation	To meet increasing supply requirements in the south-west of the state, the existing 30 MVA transformer at Finley is being replaced with a 60 MVA transformer and a second 60 MVA transformer installed.	Scheduled for completion in August 2008.
Glen Innes 132/66kV Substation - reconstruction	To improve security of supply to the New England and north-west area of NSW, a new 132/66kV substation is being constructed at Glen Innes to replace the existing substation.	Scheduled for completion in March 2007.
Kemps Creek 330kV capacitor bank installation	To provide additional voltage support in the Sydney metropolitan area, two new 330kV 200Var capacitor banks are to be installed at Kemps Creek 500/330kV substation.	Scheduled for completion in May 2007.
Macarthur 330/132/66kV substation establishment	To meet the growing load of the southwest sector of the Sydney Metropolitan area, a new 330/132/66kV substation is being established in the Macarthur Region.	Scheduled for completion in June 2009.
Muswellbrook 330/132kV Substation - detuned capacitor bank.	To improve overall system performance and to remove harmonic disturbances, filters are being installed on the existing 132kV capacitor bank at Muswellbrook Substation.	Scheduled for commissioning in August 2007.
Port Macquarie Substation – replacement of 132/33 kV Transformers	To ensure reliable supply and to meet growing load in the mid-north coast, the three 30 MVA transformers at Port Macquarie Substation are being replaced with new 60 MVA transformers.	Second and third transformers scheduled for completion in December 2006 and September 2007.
Sydney South 330/132kV Substation – replacement of No 1 and No 2 transformers	To improve reliability of supply to the Sydney metropolitan area, the existing aging 250MVA transformers at Sydney South Substation are to be replaced with new 375MVA units.	First replacement transformer scheduled for completion in November 2007 and the second in May 2008.
Sydney West 330/132kV Substation – replacement of transformers	To improve reliability of supply to the Sydney metropolitan area, the three aging transformers at Sydney West Substation are to be replaced with new 375 MVA units. The No 4 transformer was replaced in 2005/06.	Schedule for completion No. 1 – November 2006 No. 3 – June 2007 No. 2 – December 2007.
Tamworth 330/132kV Substation – installation of two 330kV reactors	To provide voltage support, two 330kV reactors are to be installed at Tamworth 330/132kV substation.	Scheduled for completion in December 2007.
Tuggerah 330/132kV Substation augmentation	To meet the increasing load of the Central Coast area of NSW, an additional 375MVA transformer and additional 132kV switchbays are being installed at Tuggerah Substation.	Scheduled for completion in August 2008.
Vales Point 330/132kV Substation – replacement of 330 transformers.	To meet EPA noise limits, the existing two “tie” transformers at Vales Point 330/132kV Substation are to be replaced with 200 MVA transformers.	Scheduled for completion in October 2007.

Project	Purpose	Progress
In Progress		
Wellington 330/132kV substation – replacement of transformers	To meet future load growth in central west region and ensure reliable supply, the 190 and 200 MVA transformers at Wellington are being replaced with 375 MVA transformers.	First replacement transformer completed in June 2006. Second transformer scheduled to be in service in November 2006.
Western 500kV Development – Bannaby 500/330kV Substation establishment	To augment the main western transmission network supporting the Sydney/Newcastle/Wollongong load area to 500kV. Bannaby 500/330kV substation will connect the 500kV network to the southern 330kV system.	Scheduled for completion in November 2009.
Western 500kV Development – Bayswater 500/330kV Substation establishment	To augment the main western transmission network supporting the Sydney/Newcastle/Wollongong load area to 500kV. Bayswater 500/330kV substation will connect the 500kV network to the northern 330kV system.	Scheduled for completion in April 2009.
Western 500kV Development – Mount Piper 500/330kV Substation establishment	To augment the main western transmission network supporting the Sydney/Newcastle/Wollongong load area to 500kV. Mt Piper 500/330kV substation will connect the 500kV network to the western 330kV system.	Scheduled for completion in July 2009.
Western Communications Upgrade	The microwave system west from Mount Piper/Wallerawang to Wellington is being rebuilt to provide communications capacity and to replace ageing equipment.	Scheduled for completion by November 2007.
Williamsdale 330/132kV Substation establishment	To provide increased security of supply and addition reliability to Canberra, a new 330/132kV substation is being constructed at Williamsdale, south of Canberra.	Scheduled for completion in May 2009



Architect designed vent shaft for MetroGrid Cable Tunnel

Armidale to Koolkhan 132kV transmission line uprating

TransGrid is currently uprating the existing 132kV transmission line between Armidale and Koolkhan (near Grafton). The project is one of a number of electricity transmission system upgrade projects aimed at strengthening the supply to the North Eastern Region of New South Wales.

Over recent years, electricity demand in this region has experienced above average growth. At an estimated cost of \$5.1 million, the uprating of the existing transmission line will increase the delivery capacity of the 132kV system particularly in periods with high demand during summer.




Armidale – Koolkhan 132kV Line Uprating

TransGrid, the New South Wales High Voltage electricity transmission operator is currently uprating the existing 132kV transmission line between Armidale and Koolkhan (near Grafton) and refitting a number of existing wood poles.


TransGrid is carrying out this work progressively over the next five months, work commenced in June 2006 starting from the Armidale end.

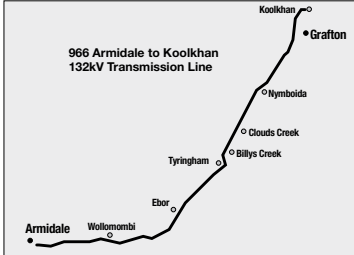
We recognise that there will be some inconvenience to local communities during this time and we will endeavour to minimise the impacts and inconvenience.



This project is part of TransGrid's extensive \$1.1 billion five year capital works program to be spent across New South Wales.

Should anyone wish to contact us about this work, please contact **Mr Bruce Fraser Project Manager, on 1800 998 049.**





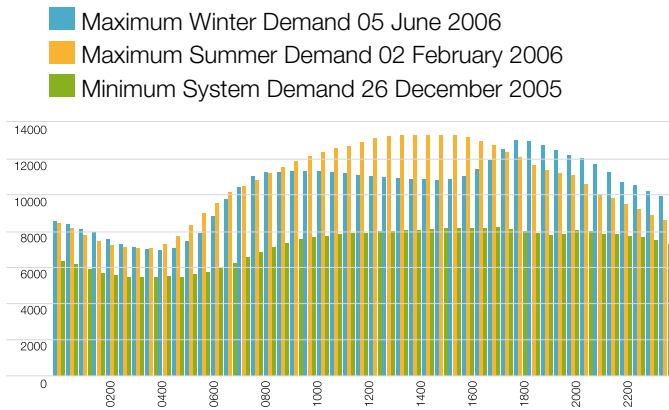
Advertisement advising community of proposed Armidale - Koolkhan 132kV Line Uprating



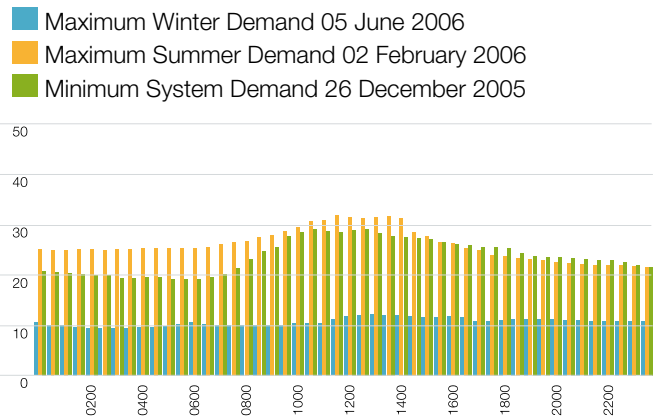
Coffs Harbour substation construction works

Electricity Customers

Variation of Daily State Demand (MW)



Variation of Daily Temperature (degrees Celsius)



Operating our Network

TransGrid is responsible for ensuring that the NSW transmission network is operated in a safe, secure and reliable manner and that safe access is available for maintenance, repair and capital works.

TransGrid's network is continuously monitored and operated from three control rooms. There are regional control rooms located at Yass and Newcastle and a Central Control Centre located at Wallgrove.

These control rooms assist the National Electricity Market Management Company (NEMMCO) to ensure the secure operation of the interconnected transmission network.

Through a five year Operating Agreement renegotiated during 2005-2006, TransGrid provides high quality services to NEMMCO relating to operation of the NSW transmission network. Together we seek to maximise availability and minimise constraints across the network.

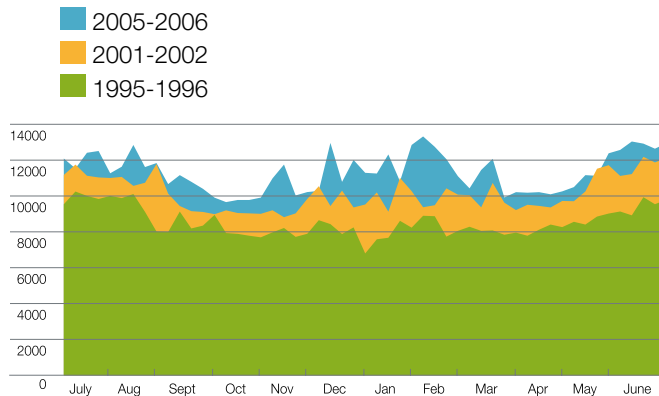


Minister for Energy visits TransGrid's System Control Centre.
Lionel Smyth, Chris Courtney, The Hon. Joe Tripodi MP, Kevin Murray, Vic Galea

TransGrid must ensure that its operational arrangements have the ability to respond to real time incidents on the transmission system. To ensure our people are ready for any eventuality, significant effort was again put into critical incident training this year. All control room staff have attended scenario based training utilising a simulation application that closely mirrors the situation in a real control room. The training allows skills to be tested and assessed in a controlled environment.

TransGrid has a large capital works program underway and as a result has requirements for a significant number of network outages. Market participants, particularly generators, need as much advance notice as possible of future outages that affect them. In recognition that there will be a need to focus more attention in this area as the capital works program ramps up, TransGrid now provides a group with specific responsibility for longer term outage planning and co-ordination.

New South Wales Weekly Maximum Demand (MW)



TRANSMISSION REGULATION & CUSTOMERS

Commencement of New Electricity Market Regulatory Regime and Further Reforms in the Energy Market

On 1 July 2005, the New National Electricity Law commenced, and the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER) commenced operations. Significant and comprehensive energy market reviews were commenced by various regulators. TransGrid is prepared to meet the new challenges in the dynamic and evolving regulatory environment, and has contributed constructively to the reviews, establishing positive relationships with stakeholders.

Among these reviews, the Council of Australian Governments (COAG) has established the Energy Reform Implementation Group (ERIG) for the possible introduction of further reforms to the Australian electricity market in order to achieve a fully national transmission grid, competitive and efficient electricity market structures, and transparent and effective energy financial markets.

The Ministerial Council on Energy (MCE) conducted a consultation on achieving a common approach to transmission and distribution revenue and network pricing across electricity and gas, as part of its response to the Productivity Commission Review of the National Gas Access Regime.

AEMC consultations included a Review of Electricity Transmission Revenue and Pricing Rules, Reform of the Regulatory Test Principles, Review into the Enforcement of and Compliance with Technical Standards, Congestion Management Review, and a Comprehensive Reliability Review, in an effort to achieve a more efficient transmission investments, a more efficient regional boundary arrangement and a more reliable and secure power system.

Customer Relations

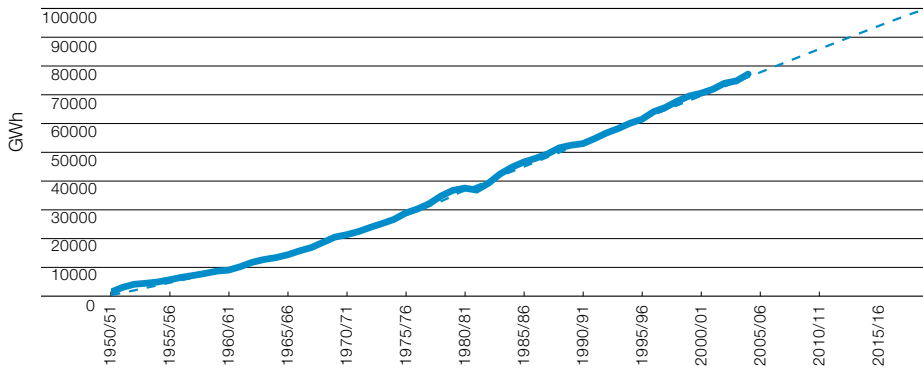
TransGrid is the predominant transmission network service provider in NSW and provides the link between generators and consumers of electricity within the NSW region. Its network provides the backbone that facilitates electricity sales and purchases in the National Electricity Market. TransGrid's customers comprise

both existing and prospective purchasers of network high voltage transmission services. Our network is designed and operated to ensure the services delivered to our customers meet their expectations and TransGrid's obligations under the National Electricity Rules.

Our existing customers include:

- The major generators who are the producers of electricity. This category includes generating companies such as Delta Electricity, Eraring Energy, Macquarie Generation and Snowy Hydro Limited.
- Large industrial consumers of electricity who are directly connected to TransGrid high voltage network. TransGrid has three directly connected end-use customers currently connected to the transmission network
- Other Distribution Network Service Providers. This category includes distributors within the NSW region such as EnergyAustralia, Integral Energy, Country Energy and ActewAGL.
- Inter-regional customers connected through the inter-regional interconnectors such as Powerlink (Queensland) and SPI Powernet (Victoria).

Historical New South Wales Energy Use



TransGrid is working with a number of potential new customers who have approached TransGrid and have made an application to connect to its high voltage network. Over the reporting period these new customers have been primarily requesting connection of possible new electricity generation equipment to the transmission network. This trend is expected to continue with competition between new investors to develop projects that will lead to the building of new generation plant in New South Wales.

TransGrid is continuing to work with its existing customers by providing assistance to them to maintain compliance with all obligations of the National Electricity Rules.

Transmission Pricing

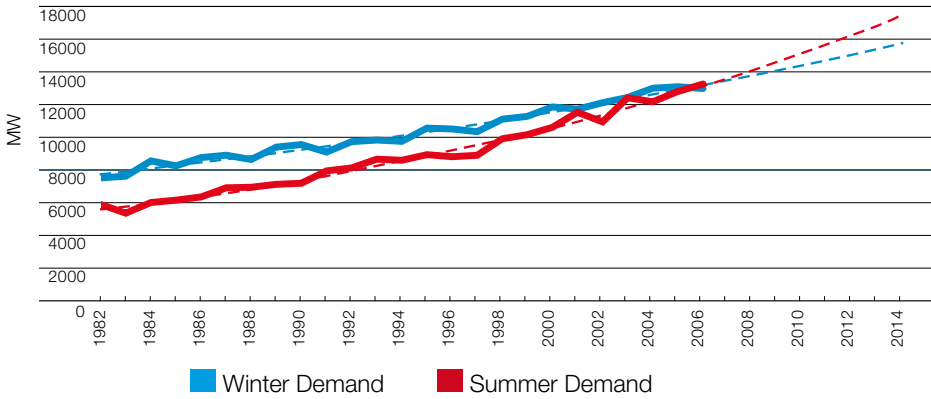
TransGrid's prices for 2006-2007 were published in May 2006, as required by the National Electricity Rules. Prices to our customers are based on the revenue determination made by the National Electricity Market Regulator in 2005.

TransGrid has continued to act as the Co-ordinating Network Service Provider for the New South Wales and Snowy regions for the determination of the transmission network pricing in the National Electricity Market.

Canberra No. 3 132kV Capacitor Bank installed June 2006



Historical New South Wales Winter and Summer Demand



The transmission prices to Distributors and directly connected customers for 2006-2007 have remained relatively static. A proportion of TransGrid's total revenue to be provided from the proceeds of NEMMCO's settlement residue auction proceeds and from intra-regional settlement residues, and provides a rebate on the final charges to customers.

Non-Regulated Activities

TransGrid continues to leverage its resources, both its fixed assets and its people, to undertake non-regulated projects, provided they are consistent with TransGrid's core skills and do not compromise TransGrid's core objectives. TransGrid's expertise in planning, designing and maintaining high voltage transmission networks gives it a strong competitive position by being able to offer these skills to the market place.

The sharing of part of TransGrid's infrastructure to provide third party telecommunication service will continue to be an important source of non-regulated income.

Demand Management Investigations

TransGrid is committed to consider non-network alternatives such as Demand Side Response (DSR) and embedded generation to address emerging constraints and to meet its electricity delivery reliability obligations to its customers.

During 2005-2006 there have been two major transmission projects seeking non-network alternatives under investigation: in the greater Sydney area Demand Management Planning Project (DMPP) and on the main 330kV and 500kV transmission system serving the Newcastle-Sydney-Wollongong area.

TransGrid's Amal Hanna, Manager/TeleGrid appointed President of Engineer's Australia, Sydney



ENVIRONMENTAL PERFORMANCE



OVER A FOUR MONTH PERIOD STAFF FROM THE CORPORATE ENVIRONMENT GROUP TRAVELLED OVER 5,000 KILOMETRES VISITING EACH OF TRANSGRID'S 82 SUBSTATIONS AND SWITCHING STATIONS TO FACILITATE AN IN-DEPTH ENVIRONMENTAL RISK ASSESSMENT

Environmental Management System (EMS)

TransGrid's EMS was first accredited in 1996 and the organisation has maintained this certification to date. During our most recent EMS audit conducted by an external certification team, the auditors stated that:

"Environmental management continues to show strength and the audit revealed that the system continues to be effectively applied to evaluating compliance with environmental legal obligations and other requirements arising from TransGrid's operations".



TransGrid's Corporate Environmental Manager Mathew Morris and Professional Officer James Anderson undertaking an environmental risk assessment

TransGrid's EMS is the primary mechanism for identifying environmental risks, developing environmental management programs to address such risks and to communicate environmental issues to staff, contractors and external stakeholders.

Some of the system highlights include:

- **Implementation of our Environmental Compliance Audit Strategy.** A key part of the system to inspect a range of activities and sites to confirm compliance with legal and other requirements

- **Identification of our Significant Environmental Aspects.** An annual workshop bringing together management, technical experts and staff to identify the significant environmental risks faced by the organisation

- **Reviewing of TransGrid's EMS Accreditation.** An assessment of the EMS to verify compliance with the new EMS international standard, ISO 14001: 2004

TransGrid's EMS is a living and growing system. TransGrid's environmental performance and implementation of the EMS is monitored on an ongoing basis through the Executive Environment Committee.

Site Based Environmental Risk Assessments

TransGrid's high voltage network is the largest in Australia and comprises over 82 substations and switching stations extending across the eastern half of New South Wales from Queensland to Victoria and the Snowy system to Broken Hill in the west.

Over a 4 month period staff from the Corporate Environment Group travelled over 5,000km visiting each of these sites to undertake an in-depth environmental risk assessment.

The assessment considered a range of aspects such as the number of oil fill transformers located on the site, and the age of all the equipment.

Each aspect was weighted and all sites have been ranked based on the level of perceived environmental risk. TransGrid now has a powerful tool to assist the organisation to place a priority on environmental improvements at those sites that would benefit from, for example, additional oil containment infrastructure or the accelerated replacement of ageing assets.

This program will place a priority on future works will allow expenditure to be better targeted, lower risks to the environment and demonstrate TransGrid's commitment to continuous improvement in its environmental performance.

Environmental Incident Notification

During the year, TransGrid implemented a computer-based environmental incident notification system to replace its previous paper based system. The notification system is accessed via the organisation's intranet and is available to all TransGrid employees, is easy to use and has been well received by staff.

If an environmental incident or near miss occurs, staff are required to immediately notify their supervisor or team leader who will then log an electronic incident notification form, capturing the relevant information about the incident or near miss.

When the incident details are submitted, key management automatically receive notification about the incident or near miss allowing the situation to be monitored to ensure effective remedial actions have been successfully implemented.

The electronic environmental incident notification system has allowed TransGrid to more rapidly respond to environmental issues and therefore reduce the potential or actual environmental impact on the environment.

Chairman's Environmental Award

TransGrid's Executive and Board members play an active role in supporting environmental initiatives throughout the organisation. In 2002, TransGrid's Chairman, Mr Philip Higginson, initiated the Chairman's Environmental Award, an annual program to recognise and reward employees who develop or implement innovative environmental solutions, technologies, practices or processes.

2005 Winner

Murray Williams, from Newcastle, was the 2005 Chairman's Environment Award winner. Murray was nominated for his contribution to TransGrid's environmental performance associated with community liaison and project management on new infrastructure projects including the Coffs Harbour substation augmentation.

Murray commenced his career as a Linesman and Patrolman at Tamworth later moving into environmental management. He has furthered his career by achieving professional standing with a Bachelor of Applied Science in Environmental Planning, then a Graduate Diploma in Environmental Management.



TransGrid Chairman Philip Higginson congratulates 2005 Chairman's Environmental Award winner Murray Williams

Environmental Training and Authorisation

Compliance with TransGrid's Environmental Rules is a mandatory requirement for staff and contractors when accessing or working on TransGrid assets such as transmission lines, easements, substations, depots and underground cables.

Under the Environmental Rules, staff and contractors must be trained, assessed as competent and authorised to undertake nominated activities.

The Environmental Rules include a number of specific environmental trigger questions, which if tripped, require the development and approval of an internal Environmental Impact Assessment (EIA). Once an approved EIA has been issued, staff and/or contractors can undertake their work subject to any environmental controls as listed in the EIA being correctly implemented.

This system is unique in the electricity industry and provides a high level of due diligence by considering environmental risks and implementing environmental controls to reduce or eliminate these risks.

TransGrid has been working closely with agencies such as National Parks and Wildlife Services to incorporate their requirements into the Environmental Rules when work is required in places such as National Parks or Nature Reserves.

Over the past two years we have trained over 650 staff and contractors who are issued with an authorisation card for the types of assets they will be working on.



Jane Burkitt Professional Officer



Rob Norton Professional Officer

Environmental Initiatives

TransGrid currently has three major environmental initiatives being GreenGrid, Earthwatch, and Keep Australia Beautiful.

GreenGrid

TransGrid's award-winning association with Greening Australia in the Southern Region of NSW has to date engaged more than 250 landholders and over 1000 community volunteers in focused, positive and practical environmental activities.

The GreenGrid relationship, which began as a local environmental sponsorship in 1997, has evolved today into a significant commitment to combine corporate and community action on a multi-regional scale. Already, GreenGrid has won the support of farmers, enjoyed national recognition and helped to inspire similar projects around Australia.

Earthwatch

In 2005 TransGrid entered into a partnership with Earthwatch to provide our environmental graduates with the opportunity to participate in small scientific research teams around NSW. These teams undertook a range of activities out in the field under the guidance of an expert scientist covering two programs of relevance to TransGrid.

Jane Burkitt (Professional Officer – Southern Region) participated in the "Return of the Dawn Chorus" project, while Rob Norton (Professional Officer – Northern Region) was involved in the "Australia Burning" expedition. TransGrid plans to expand this program to other staff members in the coming year.

Keep Australia Beautiful

TransGrid continued the organisation's long relationship with Keep Australia Beautiful by sponsoring a Community Grants program in the State's Central-West.

TransGrid announced that grants totalling over \$40,000 were awarded to community groups, schools and land-care groups in the New South Wales Central-West as part of TransGrid's sponsorship of the Community Grants Scheme.

The grants of up to \$5000 each will assist with projects such as the restoration of native vegetation areas, salinity reduction, visual improvements to communities through landscape projects and the beautification of community assets.

OUR PEOPLE



TRANSGRID RECOGNISED THE SERVICE OF 178 STAFF MEMBERS THROUGH A SERIES OF RECOGNITION DINNERS HELD ACROSS NEW SOUTH WALES.



Succession Planning

Strategic goals can only be achieved with an effective program for leadership succession.

TransGrid's succession planning program nurtures future leaders and assists to facilitate a positive culture within the organisation. Planning ensures that the pool of leadership skills keeps pace with TransGrid's business direction.

To achieve these aims, TransGrid has established a process that identifies positions critical to continued success and targets individuals with the potential to move into these positions. It has been implemented at the General Manager, Group Manager and Regional Manager levels through 2005-2006 with possible successors being identified both within and outside of their own business units. In addition this process has been used to identify positions where internal resourcing is insufficient and possible external resourcing will be necessary.

Development plans are provided to these identified succession candidates to support their potential transition to a senior position. These development plans target both technical and management/leadership skill gaps and also take into account whether the candidate requires a longer or shorter time to gain the appropriate level of capability.

Training and Development

TransGrid is committed to life long learning and providing quality training opportunities.

The implementation of Employee Development Programs based on competency standards continued during this year.

These programs will become available throughout the organisation as position descriptions are reviewed and supporting training programs are sourced.

Apprenticeships

TransGrid currently employs 52 Electrical, Communications and Transmission Line apprentices. The 2006 intake was a significant increase on previous years and reflects TransGrid's commitment to both organisational resource planning and social responsibility.

Apprenticeships are aligned with National Training Packages involving both on the job and off the job training. Apprentices completing their apprentice contract are eligible to apply for relevant positions both within TransGrid and with outside organisations.

Managing Director's Apprentice Scholarship Program

The Managing Director's Apprenticeship Scholarship program has been established by TransGrid's Managing Director, Kevin Murray, to support selected 4th year apprentices in furthering their University studies.

The program will be awarded on an annual basis to apprentices who have demonstrated high academic achievement, leadership qualities and an interest in furthering their studies in electrical engineering at a higher level.



TransGrid's 2006 Apprentice Intake

Leadership Development Programs

TransGrid has continued to develop and deliver a customised program in Business Management (Frontline Management). The program offers formal qualifications at Certificate III, IV and Diploma level. Further programs are planned for 2006-2007.

To support the succession planning process and to complement the Frontline Management programs, a leadership program is being developed targeting upper management from Branch Manager/Team Leader to General Manager. The program is to be based on the TransGrid Leadership Capabilities model.

Through these two programs, TransGrid aims to ensure a core set of management and leadership skills for all key staff.

Graduates, Cadets and Scholarship Programs

During 2005-2006 TransGrid maintained its commitment to its graduate, cadet and scholarship development programs, these are also supporting TransGrid's resource and succession planning through the provision of holistic on the job learning & development in the disciplines of engineering, accountancy, information systems and the environment. This is achieved by rotating graduates on an annual basis across various teams and Business Units within the organisation, each placement affording a unique opportunity for the development of diverse skills, knowledge and competencies.

TransGrid currently has twenty-five graduates and three cadets across the disciplines of Engineering, Accounting, Information Systems and the Environment.

During 2005-2006, TransGrid has continued its commitment to scholarship programs for undergraduates and cadets by offering scholarships in electrical engineering and environmental studies at the University of Newcastle, University of Wollongong, University of New England and the University of Technology (Sydney).



TransGrid's Managing Director Kevin Murray congratulates Scholarship recipients Adam Rands and Jeremy Roberts

Workforce Diversity

TransGrid recognises the diversity of its workforce through the creation and maintenance of an environment where employees can work to achieve their highest potential.

TransGrid has in place a Workforce Diversity Strategy which promotes the development of a diverse and skilled workforce to meet the needs of our business, customers and stakeholders.

The Strategy is reviewed annually to ensure relevance to and compliance with legislation. Workforce Diversity Data Collection forms are forwarded to all new employees in order to facilitate collation of important workforce diversity data.

TransGrid also encourages and supports a Referral Officer Network, which provides information to staff in relation to any issues of harassment, discrimination and workplace bullying.

Referral Officers are readily available to assist employees in exploring options in relation to grievances, harassment and/or discriminatory behaviour. Referral Officers provide information and confidential support to employees regarding TransGrid's Grievance Management Procedure.

Staff Recognition

TransGrid recognised the service of a large number of staff through a series of Recognition Dinners. These Recognition Dinners were held across New South Wales.

TransGrid recognised the service of 178 staff members through a series of Recognition Dinners attended by the Managing Director and members of the Executive, which were held across New South Wales.



A group of TransGrid staff at the Sydney Recognition Dinner

TransGrid's Managing Director, Kevin Murray, attended all dinners and commented that these special nights were TransGrid's way of saying thanks to its employees for the years of dedicated service and commitment to the electricity industry.

Health & Safety

TransGrid's safety goal is zero injuries, occupational illnesses and incidents. Our first priority is the health and safety of our people, our contractors, our visitors and the public.

Our Occupational Health and Safety (OHS) Management System is aligned with AS 4801 and TransGrid has applied for certification to this standard which is expected to be completed in early 2007. As a self insurer, TransGrid also complies with the WorkCover OHS Model for Self Insurers and is audited by WorkCover on a three-yearly basis prior to renewal of our self insurer licence.

Our strategies are aimed at continually improving our performance and maintaining a positive safety culture. TransGrid's Health and Safety Plan for 2005–2006 again focussed on the issues of risk management, consultation, communication and training.

Consultation and communication is integral to the effective implementation of occupational health and safety strategies. The Safety Communications Steering Committee (including all 7 elected OHS Committee Chairpersons) assists with the review of policy and procedures, and develops initiatives to promote health and safety and maintain a high level of awareness amongst staff. The specific initiatives for 2005 - 2006 focused on health and safety issues both on and off the job and included self awareness checks, working at heights, asthma and allergies, working away from home, knowing your limitations, the right tools for the job, stretch and flex, plan the job before you start, eat well – stay well and think before you move. Strategies included presentations, health assessments, information kits, displays and demonstrations.

TransGrid is an active member and continues to participate in a number of industry and WorkCover committees to ensure that trends and expectations of legislators, industry and the community are understood and managed effectively.



Safety Day 2005



Ian Burden Power Worker

Safety Day

TransGrid's eleventh annual Safety Day was held in Orange on 12 October 2005 with all TransGrid locations represented. As in previous years, the competition was intense. Orange, Metropolitan and System Operations were divisional winners (First Aid, Fire Fighting and Risk Assessment respectively) with Metropolitan taking out overall honours and the Safety Day Shield.

TransGrid also participated in the First Aid and Risk Assessment competitions held in conjunction with the Electricity Supply Industry Field Days held in Dubbo in June.

Chairman's Award

The annual Chairman's Safety Award recognises an individual or team who has made a significant contribution to safety in TransGrid.

A record number of nominations were received from across TransGrid for various innovations and outstanding commitment to OHS. It was very difficult to select only one from the innovative solutions that were nominated. However, the 2005 award winner was Ian Burden, a power worker from Yass who designed and constructed a herbicide spray unit to fit a tractor mower. The unit enabled weed control which has proven to be safe and effective in all areas requiring the application of herbicides. As well as the marked improvement to safety, there was also a corresponding increase in efficiency and productivity.

Taking Safety Home

Along with the children's annual drawing competition this year, the Yass OHS Committee also initiated and sponsored a "Kids Risk Assessment and Colouring Competition" for primary schools in the Yass area. This was highly successful and all participating schools were very appreciative of TransGrid's initiative.



Occupational Health & Safety

Frequency Rate	3.7
Average Lost Time Rate	32.6
Total Lost Time Injuries	7
Total Days Lost	228

Lost Time Injuries Sustained

Part of Body Injured	Number	Type of Injury	Days Lost
Multiple	1	Multiple	172
Ankle	1	Sprain/strain	1
Knee	2	Sprain/strain	12
Shoulder	1	Sprain/strain	6
Groin	1	Sprain/strain	36
Hip	1	Sprain/strain	1
TOTAL	7	Sprain/strain	228

Financial Report

Income Statement

Balance Sheet

Cash Flow Statement

Statement of Changes in Equity

Notes to the Financial Statements

Statement by Members of the Board

Independent Audit Report

Beginning of Audited Financial Report

INCOME STATEMENT

For the year ended 30th June 2006

	Note	2006 \$'000	2005 \$'000
Income from Ongoing Activities	3	478,478	451,180
Superannuation Income / (Expense)	5(a)	57,148	(24,534)
Expenses from Ongoing Activities excluding Finance Costs	4	(260,875)	(245,132)
Finance Costs	4	(99,492)	(104,091)
Profit/(Loss) Before Income Tax Equivalent Expense		175,259	77,423
Income Tax Equivalent Expense	6(a)(i)	(50,571)	(25,020)
Profit/(Loss) After Income Tax Equivalent Expense		124,688	52,403

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

As at 30th June 2006

	Note	2006 \$'000	2005 \$'000
Current Assets			
Cash and cash equivalents	7	24,905	33,317
Receivables	8	45,944	53,027
Inventories	9	26,195	23,552
Derivatives	10	458	–
Other current assets	11	110	2,413
		97,612	112,309
Non-current assets held for sale	12	3,172	3,917
Total Current Assets		100,784	116,226
Non-Current Assets			
Available-for-sale financial assets	13	183	–
Other financial assets	14	–	50
Deferred tax assets	6(b)	25,477	41,986
Property, plant and equipment	15	3,145,130	3,081,174
Intangibles	16	478,421	457,630
Total Non-Current Assets		3,649,211	3,580,840
Total Assets		3,749,995	3,697,066
Current Liabilities			
Trade and other payables	18	68,649	61,802
Borrowings	22	158,486	196,602
Provisions	19	130,631	96,965
Current tax payable		6,649	6,766
Derivatives	20	1	–
Other current liabilities	21	52,189	113,520
Total Current Liabilities		416,605	475,655
Non-Current Liabilities			
Borrowings	22	1,296,814	1,323,062
Deferred tax liabilities	6(b)	410,536	371,712
Provisions	19	5,555	4,657
Total Non-Current Liabilities		1,712,905	1,699,431
Total Liabilities		2,129,510	2,175,086
Net Assets		1,620,485	1,521,980
Capital & Retained Earnings			
Capital	23	651,967	651,967
Reserves	24	891,371	849,936
Retained Profits/(Accumulated Losses)	25	77,147	20,077
		1,620,485	1,521,980

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 30th June 2006

	Note	2006 \$'000	2005 \$'000
Cash Flows from Operating Activities			
Cash Receipts from Customers		524,066	506,219
Cash Paid to Suppliers and Employees		(166,987)	(174,453)
Finance Costs Paid		(102,131)	(106,234)
Interest Received		1,346	1,374
Income Tax Paid		(13,920)	(3,842)
Net Cash Flows from Operating Activities	35(e)	242,374	223,064
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment		(156,659)	(135,781)
Proceeds from the Sale of Property, Plant and Equipment		5,206	5,852
Net Cash Flows from Investing Activities		(151,453)	(129,929)
Cash Flows from Financing Activities			
Proceeds from Borrowings		152,000	190,500
Repayments of Borrowings		(213,333)	(191,500)
Dividends Paid	19(a)	(38,000)	(70,000)
Net Cash Flows from Financing Activities		(99,333)	(71,000)
Net Increase / (Decrease) in Cash and cash equivalents		(8,412)	22,135
Cash and cash equivalents at Beginning of the Financial Year		33,317	11,182
Cash and cash equivalents at the End of the Financial Year	35(a)	24,905	33,317

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2006

	Note	2006 \$'000	2005 \$'000
Asset Revaluation Reserve: Net increase/(decrease) in revaluations	24	61,293	312,407
Net Unrealised Gains/(Losses) Reserve: Net gains/(losses) taken to equity on Available-for-sale financial assets	24	(228)	–
Cash Flow Hedge Reserve: Net unrealised gains/(losses) taken to equity	24	2,368	–
Income tax on items taken directly to equity	6(a)(ii)	(19,030)	(95,079)
Net income recognised directly in equity		44,403	217,328
Profit for the year		124,688	52,403
Total recognised income and expense for the year attributable to members of TransGrid		169,091	269,731
Effect of change in accounting policy arising from adoption of AASB 139 "Financial Instruments: Recognition and Measurement"	37(b)	(1,086)	–

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

1. CORPORATE INFORMATION

The financial report of TransGrid for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 18 September 2006.

TransGrid is a Statutory State Owned Corporation under the State Owned Corporations Act, 1989 and was corporatised under the Energy Services Corporations Amendment (TransGrid Corporatisation) Act, 1998.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are a general-purpose financial report, and have been prepared in accordance with Australian Accounting Standards and Urgent Issues Group Interpretations.

The financial statements have been prepared to comply with the requirements of the Public Finance and Audit Act, 1983; the Public Finance and Audit Regulation, 2005; the State Owned Corporations Act, 1989; and relevant Treasury Circulars.

Property, plant and equipment, assets classified as held for sale, derivative financial instruments and available-for-sale financial assets are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention.

All amounts are rounded to the nearest thousand dollars (\$'000) and are expressed in Australian currency.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include the Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with the International Financial Reporting Standards.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, unless otherwise permitted.

In accordance with AASB 1 "First-time Adoption of Australian equivalents to International Financial Reporting Standards" and Treasury Mandates, the date of transition to AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" was deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the previous Australian Accounting Standards which applied to the year ended 30 June 2005. Under previous Accounting Standards, financial instruments were recognised at cost, with the exception of TCorp Hour-Glass Facilities, which were measured at fair value.

Reconciliations of AIFRS equity and surplus for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 37. This note also includes separate disclosure of the 1 July 2005 equity adjustments arising from the adoption of AASB 132 and AASB 139.

(c) New Australian Accounting Standards issued

In accordance with Treasury Mandate, TransGrid has early adopted AASB 2005-4 "Amendments to Australian Accounting Standards: AASB 139 Financial Instruments: Recognition and Measurement" on the designation of financial instruments at "fair value through profit and loss" upon initial recognition.

There is no change to TransGrid's accounting policies and therefore no consequential impact on TransGrid's financial report arising from the following:

- Accounting Standard that has been early adopted from 1 July 2005;

- Accounting Standards and Urgent Issues Group Interpretations available for early adoption from 1 July 2005 but have not been early adopted;

- Accounting Standards and Urgent Issues Group Interpretations that have been recently issued or amended but are not yet effective.

(d) Changes in Accounting Policies

First-time adoption of AASB 132 and AASB 139 on 1 July 2005 is treated as a change in accounting policy for the year, with the impact on equity disclosed in the Statement of Changes in Equity.

(e) Property, plant and equipment

(i) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by TransGrid. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

(ii) Revaluations

Property, plant and equipment are valued in accordance with NSW Treasury's Policy TPP 05-3 "Valuation of Physical Non-Current Assets at Fair Value".

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

TransGrid revalues depreciable property, plant and equipment by reference to current prices for assets newer than those being revalued, and adjusts those amounts to reflect the present condition of the asset. The accumulated depreciation for the revalued asset is restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount, in line with Treasury Policy.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Balance Sheet, unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement.

Any revaluation deficit is recognised in the Income Statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset or parts of asset being sold is transferred to retained earnings.

Property, plant and equipment comprise the following types of assets:

Regulated Assets

Regulated Assets comprise property, plant and equipment used by TransGrid to provide electricity transmission services that are regulated by the Australian Energy Regulator (AER). Regulated assets as disclosed in Notes 15(a) and (b) are:

- Network Asset
- Other Assets

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

Network Asset is a complex infrastructure asset that works together as an integrated whole to provide regulated electricity transmission services. It comprises the following major parts:

- Land
- Buildings
- System Plant and Equipment
- Communication Equipment

TransGrid's valuation policy provides for a full and detailed valuation of these assets to be undertaken at five-year intervals, in conjunction with NSW Treasury Policy and in association with the transmission network revenue setting process. In the intervening years, a revaluation based on price index movements is undertaken.

A detailed valuation of land was undertaken as at 30 June 2005 by independent valuers. Detailed valuations of system plant and equipment, buildings and communication equipment associated with optical fibres were undertaken by TransGrid staff as at 30 June 2004.

Non-regulated Assets

Non-regulated Assets comprise property, plant and equipment used by TransGrid to provide services other than regulated electricity transmission services. Non-regulated assets as disclosed in Notes 15(a) and (b) are:

- Substation Assets
- Communication Equipment
- Other Assets

Valuation of non-regulated assets is based on relevant commercial agreements, which define their earning capacity.

(iii) Capitalisation

Capital expenditure is defined as expenditure in relation to:

- acquisition of a new unit of plant;
- installation of a new unit of plant;
- work performed on a unit of plant, where the need for the work existed at the time the unit was acquired and the work was carried out prior to it being put into operation;
- replacement of a unit of plant, or of a substantial part of a unit of plant;
- an addition or alteration to a unit of plant, which results in a significant improvement to its overall design.

Expenditure is not capitalised below a minimum threshold of \$1,000.

(iv) Depreciation

Property, plant and equipment excluding land are depreciated over their estimated useful lives. The straight-line method is used. Assets are depreciated from the month of acquisition or in respect of constructed assets, from the time the asset reaches practical completion and is ready for use. Asset lives are reviewed annually in accordance with AASB 116 "Property, Plant and Equipment", and where required, adjustments have been made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence.

The useful lives presently assigned to TransGrid's assets are shown in the table below.

(f) Intangible assets

Intangible assets comprise the following assets as disclosed in Notes 16(a) and (b):

- Easements
- Computer software
- Airspace rights

Intangible assets are measured at cost.

Easements are a component of TransGrid's infrastructure assets that provide electricity transmission services that are regulated by the Australian Energy Regulator (AER). Easements are not amortised.

Computer software is amortised over a period of 5 years using the straight-line method. The useful life for software is reviewed annually, and adjustments, where applicable, are made on a prospective basis.

Airspace rights have been recognised when the cost of the asset can be measured reliably and it is probable that the asset will generate expected future economic benefits for TransGrid. Airspace rights are not amortised.

Capital expenditure on intangible assets is defined as expenditure in relation to:

- acquisition of computer software or easements;
- installation of computer software;
- an addition or alteration to computer software, which results in a significant improvement to its overall design.

Expenditure is not capitalised below a minimum threshold of \$1,000.

Regulated Assets	Network Asset	Buildings	30 years
		System Plant and Equipment	40-50 years
		Communication Equipment	10-35 years
	Other Assets		2-10 years
Non-regulated Assets	Substation Assets		20-40 years
	Communication Equipment		35 years
	Other Assets		2-10 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(g) Impairment

TransGrid's business as a whole represents a cash-generating unit. At each reporting date, TransGrid's specialised plant and infrastructure assets, land and buildings, and easements are tested for impairment as part of the cash-generating unit. If there is any indication that the cash-generating unit may be impaired, TransGrid makes an estimate of the recoverable amount of the unit.

As TransGrid's revenue from electricity transmission services is determined by the AER, the risks of impairment for the business as a whole during the regulatory period are considered to be extremely low.

The recoverable amount of the cash-generating unit is based on the value in use for the business as a whole. In assessing value in use, the estimated future cash flows for the business are discounted to their present value using a pre-tax discount rate that reflects the risks specific to the business and relevant market assessments of the time value of money as applied by the AER in determining TransGrid's revenue cap.

If the carrying amounts of the assets exceed the recoverable amount of the business, the assets comprising the business as a whole are considered to be impaired. The assets are written down proportionately to ensure their carrying amounts reflect the recoverable amount.

(h) Investments

Investments are recognised at the fair value of the consideration given, including any acquisition charges associated with the investment, less any impairment.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is disposed of or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

TransGrid's available-for-sale investment is traded on the Australian Stock Exchange. The fair value of this investment is determined by reference to the Stock Exchange quoted market bid price at the close of business on the balance sheet date.

TransGrid does not actively engage in external investment activities.

(i) Non-current assets held for sale

TransGrid has non-current assets classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

(j) Inventories

Inventories of Stores and Materials are valued at the average cost of items in store automatically adjusted at time of delivery of new items, separately determined for each location.

(k) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet and for purposes of the Cash Flow Statement comprise cash at bank and deposits at call with financial institutions.

(l) Borrowings

All borrowings are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Finance costs include interest and costs incurred in connection with the arrangement of borrowings. Discount/Premium on loans is in the nature of a cost/cost reduction of borrowing. Discount/Premiums are amortised over the term of the loans. The amount applicable to

each year is included in the Income Statement as part of TransGrid's borrowing costs for the year.

Interest on borrowings is recognised as an expense in the period in which it is incurred unless it relates to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use. Where funds are borrowed generally, interest on the borrowings is capitalised to qualifying assets in accordance with AASB 123 "Borrowing Costs".

The amount of interest attributed to qualifying assets during the year was \$2,606,000 (2005 – \$2,373,000) at a weighted average rate of 6.75% (2005 – 6.74%).

(m) Dividends

Provision is made for the amount of dividend payable in relation to the current financial year, in accordance with the dividend recognition policy set out in Treasury Circular NSW TC 05/11 "Accounting for Dividends". Accordingly, a dividend in relation to the financial year is taken to be determined before reporting date, consistent with the requirements of AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

(n) Employee Benefits

A calculation in accordance with AASB 119 "Employee Benefits" is made each year in respect of TransGrid's liability at reporting date for employees' entitlements to long service leave and annual leave, and an annual contribution is made to adjust the provision to an amount which is considered adequate to meet that liability.

(i) Annual Leave

The provision for employee entitlements to annual leave represents the amount which TransGrid has a present obligation to pay resulting from employees' services provided up to reporting date.

The provision has been calculated at nominal amounts based on the remuneration rates that are expected to be paid when the leave is taken.

(ii) Long Service Leave

The liability for employee entitlements to long service leave has been calculated on the basis of current salary rates to be paid by TransGrid resulting from employees' services provided up to reporting date and includes related on-costs, in accordance with the guidelines of Treasury Circular NSW TC 06/09 "AASB 119 'Employee Benefits' other than Superannuation".

(o) Superannuation

TransGrid has four defined benefit schemes and one accumulation scheme.

The Defined Benefits Schemes include:

- Energy Industries Superannuation Scheme Pool B (EISS)
- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)

With the Defined Benefits Schemes, a component of the final benefit is derived from a multiple of member salary and years of membership. All the Defined Benefits Schemes are closed to new members.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

The Superannuation Schemes advise the level of liability in respect of TransGrid's superannuation commitments to its employees who are members of the various divisions of the schemes. The calculation of the superannuation position is based upon actuarial

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

reviews independent of TransGrid's ongoing activities and involvement. The main drivers of the actuarial calculations are the level of investment return, salary inflation and CPI increases. Details of these assumptions are presented below:

Actuarial Assumptions	EISS Pool B	SASS, SANCS & SSS
Investment Return		
2004/2005	7.3%	7.3%
2005/2006	7.6%	7.6%
Salary Inflation		
2004/2005	4.0%	4.0%
2005/2006	4.0%	4.0%
Increase in CPI		
2004/2005	2.5%	2.5%
2005/2006	2.5%	2.5%
Discount rate at 30 June 2005		
	4.9%	5.2%
Discount rate at 30 June 2006		
	5.5%	5.9%

TransGrid recognises the net total of the following as an asset or a liability in its Balance Sheet:

- Present value of the defined benefit obligation at reporting date
- Fair value of plan assets at reporting date

The difference between the opening and closing balances of the net defined benefit asset or liability for the year is brought to account as revenue or expense in TransGrid's Income Statement, depending on the direction of movement in the superannuation reserve.

(p) Insurance

TransGrid maintains a mix of external insurance policies and internal provisioning in accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets". The treatment of risks and associated liabilities are determined in conjunction with independent insurance advisers and loss adjusters.

TransGrid is a self-insurer for Workers' Compensation. The liability for claims made, or to be made, against the Insurance Provision is determined by reference to the Workers' Compensation Act, 1987 and the WorkCover Authority's guidelines to self-insurers. The amount recognised as a provision for workers' compensation at reporting date is based on best estimate of the expenditure required to settle the present obligation at that date, as determined by the judgement of management, supplemented by independent actuary assessment. Management adopts a conservative position in the determination of the adequacy of the provision, consistent with generally accepted level of organisational risk aversion.

(q) Receivables

Receivables from debtors are recognised at amounts due less a provision for doubtful debts. The ability to collect debts is reviewed on an ongoing basis. A provision for doubtful debts is raised when some doubt as to collection exists. Debts which are known to be uncollectible are written off.

Trade debtors are normally settled within 20 working days from date of issue of invoice. The payment terms for other debtors are generally within 30 working days.

(r) Payables

Accounts payable, including accruals not yet billed, are recognised when TransGrid has an obligation to pay as a result of the completion of a work or service. Trade accounts are usually settled within 60 days.

(s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to TransGrid and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from electricity transmission services is subject to the application of an AER-determined revenue cap for the financial year. The revenue caps are determined by the AER at five-year intervals. The transmission service prices are set at the beginning of the financial year to achieve the revenue cap applicable for that year.

Revenue from the rendering of other services is recognised when the service is provided or by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest

Interest revenue is recognised as it is earned, using the effective interest method as set out in AASB 139 "Financial Instruments: Recognition and Measurement".

(t) Income Tax

TransGrid is subject to the National Tax Equivalent Regime (NTER) administered by the Australian Taxation Office. The NTER is based on application of federal income tax laws under which TransGrid pays income tax equivalents to NSW Treasury.

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

- where the deferred income tax asset arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(u) Goods and Services Tax

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

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

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

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

(v) Derivative Financial Instruments

TransGrid uses derivative financial instruments such as forward foreign currency contracts to hedge its risks associated with foreign currency fluctuations.

For the purposes of hedge accounting, TransGrid classifies its hedges as cash flow hedges. The hedges are undertaken to address exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge firm commitments which meet the specific conditions for hedge accounting, the portion of the

gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the Income Statement.

When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

(w) Segment Reporting

TransGrid operates in one industry being the transmission of electricity in New South Wales. As such, TransGrid has only one business segment as well as one geographical segment in accordance with AASB 114 "Segment Reporting", and this is reported in the financial statements.

(x) Income / (Expenses) from Ongoing Activities

Income / (Expenses) from Ongoing Activities represent TransGrid's financial performance on its day to day business operations, the activities of which TransGrid is able to exercise some degree of control over the outcomes.

(y) Superannuation Income / (Expense)

Superannuation Income / (Expense) represents the movement during the year in the superannuation position for the defined benefit superannuation schemes, as determined by actuarial reviews.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

3. INCOME

	2006	2005
	\$'000	\$'000
Revenue from Ongoing Activities		
Transmission of Electricity	459,485	435,257
Non-regulated Work	15,562	12,408
Conveyancing Inquiries	1,678	1,612
Interest	1,353	1,372
Sundry	400	531
Total Revenue	478,478	451,180

4. EXPENSES

	2006	2005
	\$'000	\$'000
Expenses from Ongoing Activities excluding Losses & Finance Costs		
Transmission of Electricity	246,748	235,736
Other Services	10,579	9,113
Total Expenses from Ongoing Activities excluding Losses & Finance Costs	257,327	244,849
Net Loss on Disposal of Property, Plant and Equipment	3,342	283
Net Loss on Cash Flow Hedges	206	–
Total Expenses from Ongoing Activities excluding Finance Costs	260,875	245,132
Finance Costs	99,492	104,091
Total Expenses from Ongoing Activities	360,367	349,223

Total Expenses above include:

	2006	2005
	\$'000	\$'000
Depreciation of Property, Plant and Equipment (refer to Note 15(b))	124,036	116,560
Amortisation of Intangibles (refer to Note 16(b))	3,045	2,593
Bad Debts/Doubtful Debts	–	8
Inventory Expense	2,449	3,083
Employee Benefits Expense	82,391	81,999
Maintenance Expenses:		
Employee-related maintenance expenses	25,065	27,996
Other maintenance expenses	36,827	35,378
	61,892	63,374

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

5. SUPERANNUATION DEFINED BENEFIT PLANS

The following tables summarise the components of movement in employer's superannuation reserve recognised in the Income Statement, and the funded status and amounts recognised in the Balance Sheet for the respective defined benefit superannuation plans.

(a) Movement in Employer's Superannuation Reserve during the year

2006	Asset/(Liability) at 1 July 2005 \$'000	Net Movement Revenue/(Expense) \$'000	Asset/(Liability) at 30 June 2006 \$'000
Name of Plan			
Energy Industries Superannuation Scheme (EISS) Pool B	(75,732)	57,130	(18,602)
State Authorities Superannuation Scheme (SASS)	102	15	117
State Authorities Non-Contributory Superannuation Scheme (SANCS)	(13)	3	(10)
State Superannuation Scheme (SSS)	3	–	3
	92	18	110
Superannuation Income / (Expense)		57,148	

Name of Plan	Net Gains/ (Expenses) \$'000	Contributions \$'000	Net Movement Revenue/(Expense) \$'000
Energy Industries Superannuation Scheme (EISS) Pool B	49,666	7,464	57,130
State Authorities Superannuation Scheme (SASS)	(3)	19	16
State Authorities Non-Contributory Superannuation Scheme (SANCS)	(1)	4	3
State Superannuation Scheme (SSS)	(1)	–	(1)
	(5)	23	18
	49,661	7,487	57,148

2005	Asset/(Liability) at 1 July 2004 \$'000	Net Movement Revenue/(Expense) \$'000	Asset/(Liability) at 30 June 2005 \$'000
Name of Plan			
Energy Industries Superannuation Scheme (EISS) Pool B	(51,211)	(24,521)	(75,732)
State Authorities Superannuation Scheme (SASS)	(85)	187	102
State Authorities Non-Contributory Superannuation Scheme (SANCS)	(57)	44	(13)
State Superannuation Scheme (SSS)	247	(244)	3
	105	(13)	92
Superannuation Income/(Expense)		(24,534)	

Name of Plan	Net Gains/ (Expenses) \$'000	Contributions \$'000	Net Movement Revenue/(Expense) \$'000
Energy Industries Superannuation Scheme (EISS) Pool B	(32,615)	8,094	(24,521)
State Authorities Superannuation Scheme (SASS)	163	24	187
State Authorities Non-Contributory Superannuation Scheme (SANCS)	39	5	44
State Superannuation Scheme (SSS)	(244)	–	(244)
	(42)	29	(13)
	(32,657)	8,123	(24,534)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(b) Movements in Superannuation Reserve recognised in Income Statement

2006	EISS \$'000	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	(1,972)	(29)	(5)	–	(2,006)
Interest cost on benefit obligation	(21,600)	(38)	(4)	–	(21,642)
Expected return on plan assets	25,235	58	5	–	25,298
Net actuarial gains/(losses) recognised in the year	48,003	59	3	–	48,065
Change in surplus in excess of recovery available from scheme	–	(53)	–	(1)	(54)
Past service cost	–	–	–	–	–
Net gains/(expense)	49,666	(3)	(1)	(1)	49,661

2005	EISS \$'000	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	(12,386)	(24)	(4)	–	(12,414)
Interest cost on benefit obligation	(20,312)	(33)	(4)	–	(20,349)
Expected return on plan assets	21,775	32	1	18	21,826
Net actuarial gains/(losses) recognised in the year	(21,692)	188	46	(262)	(21,720)
Past service cost	–	–	–	–	–
Net gains/(expense)	(32,615)	163	39	(244)	(32,657)

(c) Actual return on plan assets

2006	EISS \$'000	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on plan assets	58,315	121	11	1

2005	EISS \$'000	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on plan assets	38,443	77	6	8

(d) Superannuation Surplus/(Deficit)

2006	Fair Value of Plan Assets at End of Year \$'000	Present Value of Defined Benefit Obligations at End of Year \$'000	Surplus in excess of recovery available from scheme \$'000	Net Asset/(Liability) Recognised in Balance Sheet at End of Year \$'000
Name of Plan				
Energy Industries Superannuation Scheme (EISS) Pool B	387,066	(405,668)	–	(18,602)
State Authorities Superannuation Scheme (SASS)	465	(295)	(53)	117
State Authorities Non-Contributory Superannuation Scheme (SANCS)	26	(36)	–	(10)
State Superannuation Scheme (SSS)	4	–	(1)	3
	495	(331)	(54)	110

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

2005	Fair Value of Plan Assets at End of Year	Present Value of Defined Benefit Obligations at End of Year	Surplus in excess of recovery available from scheme	Net Asset/(Liability) Recognised in Balance Sheet at End of Year
Name of Plan	\$'000	\$'000	\$'000	\$'000
Energy Industries Superannuation Scheme (EISS) Pool B	335,671	(411,403)	–	(75,732)
State Authorities Superannuation Scheme (SASS)	753	(651)	–	102
State Authorities Non-Contributory Superannuation Scheme (SANCS)	68	(81)	–	(13)
State Superannuation Scheme (SSS)	3	–	–	3
	824	(732)	–	92

(e) Funding Arrangements for Employer Contributions

The following is a summary of the 30 June 2006 and 30 June 2005 financial position of the defined benefit superannuation schemes calculated in accordance with AAS 25 "Financial Reporting by Superannuation Plans".

30 June 2006	Net Market Value of Scheme Assets	Accrued Benefits	Net Surplus/ (Deficit)
Name of Plan	\$'000	\$'000	\$'000
Energy Industries Superannuation Scheme (EISS) Pool B	387,067	(331,764)	55,303
State Authorities Superannuation Scheme (SASS)	465	(286)	179
State Authorities Non-Contributory Superannuation Scheme (SANCS)	26	(34)	(8)
State Superannuation Scheme (SSS)	4	–	4
	495	(320)	175

30 June 2005	Net Market Value of Scheme Assets	Accrued Benefits	Net Surplus/ (Deficit)
Name of Plan	\$'000	\$'000	\$'000
Energy Industries Superannuation Scheme (EISS) Pool B	335,671	(301,112)	34,559
State Authorities Superannuation Scheme (SASS)	753	(566)	187
State Authorities Non-Contributory Superannuation Scheme (SANCS)	68	(67)	1
State Superannuation Scheme (SSS)	3	–	3
	824	(633)	191

Recommended contribution rates for the Defined Benefit Schemes are:

	EISS Division B	EISS Division C	EISS Division D	SASS	SANCS	SSS
	Multiple of member contributions	% Member salary	Multiple of member contributions	Multiple of member contributions	% Member salary	Multiple of member contributions
Recommended Contribution Rate	1.90	2.50	1.64	1.90	2.50	–

The method used to determine the employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

6. INCOME TAX

(a) Income Tax Equivalent Expense

Major components of income tax expense for the years ended 30 June 2006 and 2005 are:

(i) Income Statement

	2006	2005
	\$'000	\$'000
Current Income Tax Equivalent		
Current income tax charge	13,971	11,294
Adjustments in respect of current income tax of previous years	–	(14)
Deferred Income Tax		
Relating to origination and reversal of temporary differences	36,600	13,740
	50,571	25,020

(ii) Statement of Changes in Equity

	2006	2005
	\$'000	\$'000
Deferred Income Tax		
Net gain on revaluation of property, plant and equipment	19,251	95,079
Write back asset revaluation reserve for recognition of airspace right as intangible asset	(863)	–
Net gain/(loss) on available-for-sale financial assets	(68)	–
Net gain/(loss) on cash flow hedges	710	–
	19,030	95,079
Income tax on items taken directly to equity during the year		
Adjustments to opening equity reserves: Change in accounting policy from adoption of AASB 139 "Financial Instruments: Recognition and Measurement"	(465)	–
	18,565	95,079

(iii) Reconciliation of income tax expense on pre-tax accounting profit to income tax expense reported in the Income Statement

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the Income Statement as follows:

	2006	2005
	\$'000	\$'000
Profit/(Loss) Before Income Tax Equivalent Expense	175,259	77,423
Income tax equivalent expense/(benefit) calculated at statutory income tax rate of 30%	52,578	23,227
Capital allowances	288	1,693
Expenditure not allowed for income tax purposes	19	114
Reversal of temporary differences recognised in previous years	(2,314)	–
Adjustments in respect of current income tax of previous years	–	(14)
	50,571	25,020

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(b) Deferred Income Tax

Deferred Income Tax at 30 June relates to the following:

	Balance Sheet		Income Statement	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred Tax Assets				
Provisions	18,844	18,110	(734)	(917)
Employer Superannuation Reserve Deficit	5,581	22,720	17,140	(7,356)
Property, plant and equipment	969	1,070	101	127
Doubtful debts & impairment losses	–	–	–	–
Other	83	86	3	(23)
Gross Deferred Tax Assets	25,477	41,986		
Deferred Tax Liabilities				
Property, plant and equipment and Intangibles	(409,433)	(371,103)	19,941	22,001
Other	(1,103)	(609)	149	(92)
Gross Deferred Tax Liabilities	(410,536)	(371,712)		
Deferred Tax Charge			36,600	13,740

7. CASH AND CASH EQUIVALENTS

	2006 \$'000	2005 \$'000
Cash on Hand	13	14
Deposits at Call	24,892	33,303
	24,905	33,317

Deposits at call bear average floating interest rates of 5.77% (2005 – 5.72%).

8. RECEIVABLES

	2006 \$'000	2005 \$'000
Current		
Debtors		
Trade Debtors	39,698	49,813
Debtors Other Than Trade	5,227	2,346
	44,925	52,159
Provision For Doubtful Debts	–	–
Total Debtors	44,925	52,159
Prepayments	917	775
Other	102	93
	45,944	53,027

9. INVENTORIES

	2006 \$'000	2005 \$'000
Transmission Plant Spares	25,740	23,398
Other	455	154
	26,195	23,552

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

10. DERIVATIVES (CURRENT ASSET)

	2006 \$'000	2005 \$'000
Forward Contract	458	–

11. OTHER ASSETS

	2006 \$'000	2005 \$'000
Current		
Superannuation Surplus	110	92
Deferred exchange losses and costs on forward foreign exchange contracts	–	2,321
Total	110	2,413

Deferred exchange losses on forward foreign exchange contracts are recognised as assets in the comparative period in accordance with accounting policies applicable to that period. Such losses are not recognised as assets in the current period under AASB 139, but are deferred in equity or recognised in the Income Statement, as appropriate.

Non-Current

TransGrid holds one "B" Employer Class Share in Energy Industry Superannuation Scheme Pty. Limited. The Share has a par value of \$1.00.

12. NON-CURRENT ASSETS HELD FOR SALE

	2006 \$'000	2005 \$'000
Network Assets		
Land	3,055	3,725
Buildings	117	192
	3,172	3,917

Non-current assets held for sale comprise land and buildings that are available for immediate sale at reporting date. An active program has been initiated for the sale of these assets and it is highly probable that the sale will occur within one year from reporting date.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2006 \$'000	2005 \$'000
Investments	183	–

Available-for-sale financial asset comprises listed shares in Geodynamics Limited. This does not represent a material interest in the entity. The investment in Geodynamics Limited was undertaken as part of TransGrid's research and development activities to sponsor investigation of sustainable green energy through the generation of electricity from hot dry rocks geothermal energy.

14. OTHER FINANCIAL ASSETS

	2006 \$'000	2005 \$'000
Investments	–	50

Other financial asset comprises listed shares in Geodynamics Limited recognised at cost in the comparative period in accordance with accounting policies applicable to that period. The asset is recognised at fair value in the current period under AASB 139 (refer Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

15. PROPERTY, PLANT AND EQUIPMENT

(a) Valuation and accumulated depreciation for each class of property, plant and equipment

	2006	2005
	\$'000	\$'000
Regulated Assets		
Network Assets	6,050,607	5,815,699
Accumulated Depreciation	(3,082,333)	(2,920,783)
Work in Progress	127,594	131,872
	3,095,868	3,026,788
Other Assets	80,428	76,369
Accumulated Depreciation	(46,972)	(39,864)
Work in Progress	3,253	5,969
	36,709	42,474
Total Regulated Assets	3,132,577	3,069,262
Non-regulated Assets		
Substation Assets	13,128	13,126
Accumulated Depreciation	(2,155)	(1,559)
Work in Progress	19	13
	10,992	11,580
Communication Equipment	197	197
Accumulated Depreciation	(41)	(32)
	156	165
Other Assets	1,637	149
Accumulated Depreciation	(260)	(33)
Work in Progress	28	51
	1,405	167
Total Non-regulated Assets	12,553	11,912
Total Property, Plant and Equipment	3,145,130	3,081,174

TransGrid has within its books fully depreciated assets, comprising Air Conditioners, Office Machines and Miscellaneous Equipment. These items are considered immaterial in the context of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(b) Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year

	Carrying Amount at Beginning of year	Additions	Disposals	Non-current Assets Held for Sale	Depreciation	Impairment	Revaluation Increments/ (Decrements)	Carrying Amount at End of year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2006								
Regulated Assets:								
Network Assets	3,026,788	119,059	(2,641)	744	(112,253)	-	64,171	3,095,868
Other Assets	42,474	10,250	(5,327)	-	(10,688)	-	-	36,709
Total Regulated Assets	3,069,262	129,309	(7,968)	744	(122,941)	-	64,171	3,132,577
Non-regulated Assets:								
Substation Assets	11,580	8	-	-	(596)	-	-	10,992
Communication Equipment	165	-	-	-	(9)	-	-	156
Other Assets	167	2,577	(849)	-	(490)	-	-	1,405
Total Non-regulated Assets	11,912	2,585	(849)	-	(1,095)	-	-	12,553
Total	3,081,174	131,894	(8,817)	744	(124,036)	-	64,171	3,145,130

	Carrying Amount at Beginning of year	Additions	Disposals	Non-current Assets Held for Sale	Depreciation	Impairment	Revaluation Increments/ (Decrements)	Carrying Amount at End of year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2005								
Regulated Assets:								
Network Assets	2,719,385	105,481	(1,321)	(3,917)	(105,247)	-	312,407	3,026,788
Other Assets	40,243	17,985	(5,087)	-	(10,667)	-	-	42,474
Total Regulated Assets	2,759,628	123,466	(6,408)	(3,917)	(115,914)	-	312,407	3,069,262
Non-regulated Assets:								
Substation Assets	12,176	-	-	-	(596)	-	-	11,580
Communication Equipment	173	-	-	-	(8)	-	-	165
Other Assets	115	94	-	-	(42)	-	-	167
Total Non-regulated Assets	12,464	94	-	-	(646)	-	-	11,912
Total	2,772,092	123,560	(6,408)	(3,917)	(116,560)	-	312,407	3,081,174

(c) Cost Model

	Cost	Accumulated Depreciation	Net Book Value
	\$'000	\$'000	\$'000
As at 30 June 2006			
Regulated Assets:			
Network Assets	2,646,600	(519,826)	2,126,774
As at 30 June 2005			
Regulated Assets:			
Network Assets	2,536,500	(440,523)	2,095,977

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

16. INTANGIBLES**(a) Valuation and Accumulated Amortisation of Intangibles**

	2006	2005
	\$'000	\$'000
Easements	452,063	445,805
Work in Progress	2,968	3,047
	455,031	448,852
Computer software	42,758	28,208
Accumulated Depreciation	(28,544)	(25,499)
Work in Progress	1,961	6,069
	16,175	8,778
Airspace rights	7,215	–
Total Intangibles	478,421	457,630

(b) Reconciliations of the carrying amounts of intangibles at the beginning and end of the financial year

	Carrying Amount at Beginning of year	Additions	Disposals	Amortisation	Impairment	Adjustment	Carrying Amount at End of year
2006	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Intangible Assets							
Easements	448,852	6,179	–	–	–	–	455,031
Computer software	8,778	10,442	–	(3,045)	–	–	16,175
Airspace rights	–	10,093	–	–	–	(2,878)	7,215
Total	457,630	26,714	–	(3,045)	–	(2,878)	478,421

	Carrying Amount at Beginning of year	Additions	Disposals	Amortisation	Impairment	Adjustment	Carrying Amount at End of year
2005	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Intangible Assets							
Easements	444,201	4,651	–	–	–	–	448,852
Computer software	7,254	4,117	–	(2,593)	–	–	8,778
Airspace rights	–	–	–	–	–	–	–
Total	451,455	8,768	–	(2,593)	–	–	457,630

17. CAPITAL EXPENDITURE COMMITMENTS

Commitments arising from contracts for expenditure in respect of property, plant and equipment to the extent not provided for in the accounts:

	2006	2005
	\$'000	\$'000
Payable Within One Year	66,136	44,918
Payable One to Five Years	1,970	24,285
Payable Later than Five Years	–	–
Total (including GST)	68,106	69,203

Total Expenditure Commitments above include input tax credits of \$6,191,000 (2005 – \$6,291,000) that are expected to be recoverable from the Australian Taxation Office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

18. TRADE AND OTHER PAYABLES

	2006	2005
	\$'000	\$'000
Current		
Creditors	31,287	22,361
Accrued Interest	34,104	35,565
Other	3,258	3,876
Total	68,649	61,802

19. PROVISIONS

	2006	2005
	\$'000	\$'000
Current		
Dividend	69,500	38,000
Employees' Accrued Entitlements	59,982	57,962
Insurance	1,149	1,003
	130,631	96,965
Non-Current		
Employees' Accrued Entitlements	1,966	1,632
Insurance	3,589	3,025
	5,555	4,657
Total	136,186	101,622

(a) Dividends

	2006	2005
	\$'000	\$'000
Opening Balance	38,000	70,000
Dividend Payments	(38,000)	(70,000)
Dividend for the year	69,500	38,000
Closing Balance	69,500	38,000

(b) Employees' Accrued Entitlements

The following table shows a breakdown of the Employees' Accrued Entitlements Provision at reporting date:

	2006	2005
	\$'000	\$'000
Annual Leave	12,945	13,001
Long Service Leave	49,003	46,593
	61,948	59,594

The following table shows a breakdown of the Current Portion of the Employees' Accrued Entitlements Provision at reporting date, split into the period of time the entitlement amount is expected to be settled:

	2006	2005
	\$'000	\$'000
Within one year	10,230	9,758
Later than one year	49,752	48,204
	59,982	57,962

All of the above liabilities have been fully provided. During the financial year, \$12,512,000 (2005 – \$11,368,000) was contributed to the above provisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(c) Insurance

In accordance with Condition 6(a)(iii) of the license granted under Section 211 of the Worker's Compensation Act, 1987, the provision for total outstanding workers' compensation claims liability including incurred but not reported claims and administration is \$4,583,000 (2005 – \$3,802,000). During the financial year, \$2,070,870 (2005 – \$117,056) was contributed to the provision for Workers' Compensation.

The following table details the movements in the insurance provision during the year.

Class	Opening Balance \$'000	Contributions \$'000	Payments \$'000	Closing Balance \$'000
General	226	–	(71)	155
Workers' Compensation	3,802	2,071	(1,290)	4,583
Total	4,028	2,071	(1,361)	4,738

20. DERIVATIVES (CURRENT LIABILITY)

	2006 \$'000	2005 \$'000
Forward Contract	1	–

21. OTHER CURRENT LIABILITIES

	2006 \$'000	2005 \$'000
Electricity Creditors	33,458	35,322
Superannuation Liability	18,602	75,732
Net Payable on Hedges	–	2,321
Other	129	145
Total	52,189	113,520

Electricity Creditors relates to monies received for electricity transmission services that are above the revenue cap as determined by the AER and from the National Electricity Market settlement residues process.

The National Electricity Market (NEM) includes inter-regional trading between the defined market regions using transmission interconnectors. Settlement residues accrue from the power flows between respective regions. The National Electricity Market Management Company (NEMMCO) auctions these inter-regional settlement residues. Under the National Electricity Rules, the proceeds of the auction are paid to the Transmission Network Service Provider in the importing region. Accordingly NEMMCO pays to TransGrid the auction proceeds for interconnectors that import energy into the New South Wales and Snowy market regions.

In addition, the settlement process within each market region results in the accumulation of intra-regional settlement residues. These residues are not auctioned and are paid directly to the relevant Transmission Network Service Provider. TransGrid receives intra-regional settlement residues for the New South Wales and Snowy market regions.

In the event that these residues cause the total revenue received during the year to exceed TransGrid's revenue cap, the excess is held in Electricity Creditors and is taken into account when setting the next period's transmission service prices, resulting in those prices being lower than they would have otherwise been.

22. MATURITY ANALYSIS OF BORROWINGS

	2006 \$'000	2005 \$'000
Summary of Maturity Pattern		
Up to one year	158,486	196,602
Over one and up to two years	255,522	158,489
Over two and up to three years	143,489	257,373
Over three and up to four years	144,740	143,489
Over four and up to five years	277,274	144,740
Over five years	475,789	618,971
Total	1,455,300	1,519,664

Premium on domestic loans issued by NSW Treasury Corporation amounted to \$6,820,000 (2005 – Premium \$9,903,000). The effective interest rate applicable for the debt portfolio is 6.20% (2005 – 6.27%).

Borrowings shown as current liability are nominally due for repayment within twelve months. However due to the availability of rollover facilities and the liquidity of the underlying debt instruments, TransGrid may not necessarily need to repay these loans within twelve months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

23. CAPITAL

TransGrid commenced operations on 1st February 1995 on separation from Pacific Power under the Electricity Transmission Authority Act, 1994 at which time a series of assets and liabilities were transferred.

TransGrid was corporatised as a Statutory State Owned Corporation on 14th December 1998, with share capital of two \$1.00 shares.

These shares were issued to the Treasurer and the Minister for Finance as at 30th June 2006. The \$2.00 is reported as part of Capital.

	2006	2005
	\$'000	\$'000
Capital		
Opening Balance	651,967	584,871
Transfer from reserves – Revaluation reserve attributable to easement at Corporatisation	–	67,096
Closing Balance	651,967	651,967

24. RESERVES

Reserves	Asset Revaluation Reserve \$'000	Net Unrealised Gains/(Losses) Reserve \$'000	Cash Flow Hedge Reserve \$'000	Total \$'000
At 1 July 2004	695,181	–	–	695,181
Revaluation of Property, Plant & Equipment (Note 15(b))	312,407	–	–	312,407
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	(95,079)	–	–	(95,079)
Transfer to Retained Earnings – Revaluation Reserve for assets disposed (Note 25)	4,523	–	–	4,523
Transfer to Capital – Revaluation Reserve attributable to easement at Corporatisation (Note 23)	(67,096)	–	–	(67,096)
At 30 June 2005	849,936	–	–	849,936
Application of AASB 132 and 139 (Note 37(b)) At 1 July 2005	–	360	(1,911)	(1,551)
Tax effect: Application of AASB 132 and 139 (Note 37(b)) At 1 July 2005	–	(108)	573	465
Revaluation of Property, Plant & Equipment (Note 15(b))	64,171	–	–	64,171
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	(19,251)	–	–	(19,251)
Write back asset revaluation reserve for recognition of airspace right as intangible asset (Note 16(b))	(2,878)	–	–	(2,878)
Tax effect: Write back asset revaluation reserve for recognition of airspace right as intangible asset (Note 6(a)(ii))	863	–	–	863
Transfer to Retained Earnings – Revaluation Reserve for assets disposed (Note 25)	(1,882)	–	–	(1,882)
Unrealised Net Gains/(Losses) on Available-for-Sale Financial Assets	–	(228)	–	(228)
Tax effect: Unrealised Net Gains/(Losses) on Available-for-Sale Financial Assets (Note 6(a)(ii))	–	68	–	68
Unrealised Net Gains/(Losses) on Cash Flow Hedges	–	–	2,368	2,368
Tax effect: Unrealised Net Gains/(Losses) on Cash Flow Hedges (Note 6(a)(ii))	–	–	(710)	(710)
At 30 June 2006	890,959	92	320	891,371

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

Nature and Purpose of Reserves

Asset Revaluation Reserve

This reserve is used to record increases in the fair value of property, plant and equipment, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Net Unrealised Gains/(Losses) Reserve

This reserve records fair value changes on available-for-sale investments.

Cash Flow Hedge Reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be effective.

25. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	2006	2005
	\$'000	\$'000
Opening Balance	20,077	10,197
Net Profit/(Loss) Before Dividend	124,688	52,403
Dividend	(69,500)	(38,000)
Transfer from Asset Revaluation Reserve	1,882	(4,523)
Closing Balance	77,147	20,077

26. DIVIDEND AND CONTRIBUTIONS TO SHAREHOLDER

A dividend of \$69,500,000 (2005 – \$38,000,000) has been recognised for distribution to the shareholder. The dividend will be paid during the course of the 2006/07 financial year and is represented by the dividend provision.

27. SECURED LIABILITIES

At reporting date, there was no loan liability of TransGrid secured by a charge over TransGrid's assets.

28. AUDIT FEES

Amounts received, or due and receivable, by the auditors for:

	2006	2005
	\$'000	\$'000
Auditing the financial report	175	162

29. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2006	2005
	\$'000	\$'000
Short-term employee benefits	2,265	2,061
Post-employment benefits	456	280
Other long-term benefits	409	307
Total	3,130	2,648

(i) Fees Paid to Directors

Fees, including superannuation benefits paid to Directors, other than salaries paid to full-time Directors, were \$390,065 (2005 – \$370,753). There are no vacant Board positions at reporting date.

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

	2006	2005
	\$'000	\$'000
Contract Liability	311	2,446

Contract Liability

In addition to the contract liability disclosed above, TransGrid is disputing claims lodged by its contractor on a construction work-related contract. At this stage, it is not possible for management to form an opinion on the likely outcomes arising from the settlement of these claims.

Other

A claim for compensation is being pursued via arbitration against TransGrid, for alleged reduction in the value of a coal mine due to the construction of a transmission tower. At this stage, it is not possible for management to form an opinion about the likely outcome of the arbitration.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

31. EVENTS OCCURRING AFTER REPORTING DATE

There are no post reporting date events that affect TransGrid's financial statements.

32. CONSULTANCY COSTS

The costs of consultancy services during the financial year were \$336,505 (2005 – \$287,447).

33. FAIR COMPENSATION TRUST FUND

In accordance with the Land Acquisition (Just Terms Compensation) Act, TransGrid maintains a Trust Account. The account balance at reporting date was \$61,846 (2005 – \$118,007).

34. LEASES

TransGrid has no finance lease commitments. The following lease commitments disclosed are in the nature of operating leases.

Lessor

Lease of property

An operating lease for a building is in existence. Lease commitment receivable, GST-inclusive as at reporting date amounts to \$202,330 (2005 – \$605,000).

Lessee

TransGrid has operating lease commitments under a commercial lease for office accommodation, which expires in 2007. The lease expenditure for the financial year, GST-exclusive, was \$2,391,319 (2005 – \$1,964,907).

Minimum rentals payable GST-inclusive, as at 30 June are as follows:

	2006	2005
	\$'000	\$'000
Within one year	2,097	2,518
Later than one year but not later than 5 years	–	2,153
Later than 5 years	–	–
Total (including GST)	2,097	4,671

35. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2006	2005
	\$'000	\$'000
Cash and Cash Equivalents	24,905	33,317

(b) Dividends and Taxes

No dividends were received. Dividends and tax equivalents paid during the year amounted to \$51,920,000 (2005 – \$73,842,000).

(c) Acquisitions and Disposals of Entities

No entities were acquired or disposed of during the year.

(d) Financing Arrangements

TransGrid is required to borrow all new money through NSW Treasury Corporation. TransGrid has an overdraft facility of \$6,000,000 with the ANZ Bank and this facility was undrawn at reporting date. TransGrid also has approval for an indemnity guarantee facility for \$10,000,000 of which \$5,059,200 has been drawn.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(e) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit

	2006 \$'000	2005 \$'000
Profit/(Loss) after Income Tax Equivalent Expense	124,688	52,403
Add/(Less): Items Classified as Financing/Investing Activities		
Loss/(Gain) on Disposal of Property, Plant and Equipment	3,342	283
Add/(Less) Non-Cash Items		
Depreciation and Amortisation	127,081	119,153
Amortisation of (Premium)/Discount on Loans	(3,032)	(2,949)
Provision for Doubtful Debts	–	–
Accruals relating to other than operating activities	44	273
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities	252,123	169,163
Net Changes in Assets and Liabilities During the Financial Year		
(Increase)/Decrease in Trade Debtors & Other Receivables	7,083	9,464
(Increase)/Decrease in Inventories	(2,643)	(25)
(Increase)/Decrease in Other Current Assets	2,303	(2,040)
Increase/(Decrease) in Trade Creditors & Other Payables	5,124	(3,076)
Increase/(Decrease) in Provisions	3,064	2,112
Increase/(Decrease) in Income Tax & Deferred Taxes	36,651	21,178
Increase/(Decrease) in Other Liabilities	(61,331)	26,288
Net Cash Provided by Operating Activities	242,374	223,064

36. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

TransGrid's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and liability is set out in the following table. Exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. TransGrid's exposure is limited due to the majority of its financial assets and liabilities being either non-interest bearing or held in fixed rates.

	Note	Weighted Average Effective interest rate %		Floating interest rate \$'000		Fixed interest rate \$'000		Non-interest bearing \$'000		Total \$'000	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets											
Cash	7	5.77	5.72	24,892	33,303	–	–	13	14	24,905	33,317
Receivables	8			–	–	–	–	45,944	53,027	45,944	53,027
Available-for-sale financial asset	13			–	–	–	–	183	–	183	–
Other financial asset	14			–	–	–	–	–	50	–	50
Total Financial Assets				24,892	33,303	–	–	46,140	53,091	71,032	86,394
Liabilities											
Accounts Payable	18	6.20	6.27	–	–	34,104	35,565	34,545	26,237	68,649	61,802
Other financial liabilities	21	5.54	5.33	33,458	35,322	–	–	129	145	33,587	35,467
Borrowings	22	6.20	6.27	–	–	1,455,300	1,519,664	–	–	1,455,300	1,519,664
Total Financial Liabilities				33,458	35,322	1,489,404	1,555,229	34,674	26,382	1,557,536	1,616,933

(b) Credit Risk

Credit risk represents the loss that would occur if counterparties failed to perform as contracted. TransGrid does not have any significant exposure to any individual customer or counterparty.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(c) Foreign Exchange Risk

TransGrid enters into forward foreign exchange contracts to hedge certain anticipated purchase and sales commitments denominated in foreign currencies (12% United States Dollars and 88% European Euro). The terms of these commitments are for not more than two years.

Cash Flow Hedges

As at 30 June 2006, TransGrid held eight forward foreign exchange contracts in European Euro and five forward foreign exchange contracts in United States Dollars, designated as hedges of expected future purchases, for which TransGrid has firm commitments.

The forward foreign exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are as follows:

	Buy	Maturity	Forward Exchange Rate (AUD/EUR)		Buy	Maturity	Forward Exchange Rate (AUD/USD)
European Euro:	316,280	13-Jul-06	0.6019	United States Dollars:	397,163	24-Jul-06	0.7524
	245,868	23-Oct-06	0.6075		420,463	15-Aug-06	0.7522
	2,105,745	31-Oct-06	0.6040		412,293	30-Oct-06	0.7502
	2,105,745	30-Nov-06	0.6019		397,163	30-Nov-06	0.7461
	2,105,745	29-Dec-06	0.6000		397,163	30-Nov-06	0.7461
	175,930	22-Jan-07	0.5829				
	2,105,745	30-Mar-07	0.5939	Total	2,024,245		
	2,105,745	30-Apr-07	0.5919				
Total	11,266,803						

Cash Flow Hedge Equity Movements

	Carrying Amount at beginning of period (1/7/05)	Amount recognised in equity during the period	Amount removed from equity and included in Income Statement	Amount removed from equity and included in assets	Carrying Amount at end of period (30/6/06)
	\$'000	\$'000	\$'000	\$'000	\$'000
Equity	(1,911)	1,506	6	856	457

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and liabilities, with the exception of borrowings, is reflected by their carrying amounts in the Balance Sheet, in accordance with AASB 132 and AASB 139.

The net fair value of borrowings is based on market value derived by NSW Treasury Corporation using market interest rates current at reporting date.

The carrying amounts and net fair values of financial assets and liabilities at reporting date are:

	2006		2005	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets				
Cash	24,905	24,905	33,317	33,317
Receivables	45,944	45,944	53,027	53,027
Available-for-sale financial asset	183	183	–	–
Other financial asset	–	–	50	410
Forward contract	458	458	–	–
Total Financial Assets	71,490	71,490	86,394	86,754
Financial Liabilities				
Accounts payable	68,649	68,649	61,802	61,802
Borrowings	1,455,300	1,484,118	1,519,664	1,589,726
Other financial liabilities	33,587	33,587	35,467	35,467
Forward contract	1	1	–	–
Net Payable on Hedges	–	–	2,321	1,093
Total Financial Liabilities	1,557,537	1,586,355	1,619,254	1,688,088

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

37. IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AEIFRS)

TransGrid has applied the AEIFRS for the first time in the 2005/06 financial report. The key areas where changes in accounting policies have impacted on the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. TransGrid has adopted the options mandated by NSW Treasury.

The impacts of adopting AEIFRS on the total equity and surplus/(deficit) as reported under previous AGAAP are shown below. There are no material impacts on TransGrid's cash flows.

(a) Reconciliations – 1 July 2004 and 30 June 2005

Reconciliation of equity under previous AGAAP to equity under AEIFRS:

	Notes	30 June 2005** \$'000	01 July 2004* \$'000
Total Equity Under AGAAP		1,867,944	1,516,408
Adjustments to accumulated funds			
Defined benefit superannuation adjustment for change in discount rate	1	(110,390)	(71,364)
Tax effect adjustment	2	33,574	19,274
Adjustments to other reserves			
Write back asset revaluation reserve for recognition of easement as intangible	3	(23,612)	(23,612)
Tax effect adjustment	2	(245,536)	(150,457)
Total Equity Under AEIFRS		1,521,980	1,290,249

* 1 July 2004 reflects adjustments as at the date of transition to AEIFRS.

** 30 June 2005 reflects the 1 July 2004 opening AEIFRS with 2004/05 transactions accounted for under AEIFRS.

Reconciliation of surplus/(deficit) under previous AGAAP to surplus/(deficit) under AEIFRS:

	Notes	\$'000
Year ended 30 June 2005		
Surplus/(deficit) under previous AGAAP		77,129
Defined benefit superannuation	1	(39,026)
Income tax expense	2	14,300
Surplus/(deficit) under AEIFRS		52,403

Notes to tables above

Note 1 – Defined Benefit Superannuation Adjustment

AASB 119 "Employee Benefits" requires the defined benefit superannuation obligation to be discounted using the Government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets.

The difference in the basis of the discount rate used under previous AGAAP compared to AEIFRS resulted in a significant impact on the superannuation position, turning a surplus under previous AGAAP to a deficit under AEIFRS.

The use of the Government bond rate in future calculations is likely to introduce significant volatility from year to year in the calculation of the superannuation position with a flow-on impact to reported profit level.

Note 2 – Tax effect adjustment

AASB 112 "Income Taxes" uses a balance sheet approach which requires the differences between the accounting and tax value of assets and liabilities to be recognised as deferred tax assets or liabilities. Previous AGAAP uses an operating statement method that accounts for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB 112 approach alters the quantum and timing of tax assets and liabilities recognised. In particular, the balance sheet approach results in the recognition of a deferred tax liability in relation to revalued assets that are generally not recognised under previous AGAAP, and the recognition of deferred tax impact associated with employer's superannuation reserve. This also changes the quantum and timing of tax expense.

Note 3 – Easement Adjustment

The adoption of AASB 138 "Intangible Assets" resulted in the reclassification of easements from Property, Plant and Equipment to Intangible Assets.

A write back of the easement revaluation reserve was required to reflect the valuation of easement at cost, in the absence of an active market for revaluation purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2006

(b) Financial Instruments – 1 July 2005 first time adoption impacts

As discussed in Note 2(b), the comparative information for 2004/05 for financial instruments has not been restated and is presented in accordance with previous AGAAP. AASB 132 and AASB 139 have been applied from 1 July 2005.

Accordingly, the 1 July 2005 AEIFRS opening equity adjustments for the adoption of AASB 132 and AASB 139 are shown below:

	Note	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Other reserves \$'000	Total \$'000
Total opening AEIFRS equity 1 July 2005		20,077	849,936	–	870,013
Increase/(Decrease) in fair value recognised through Equity – Net Unrealised Gains/(Losses) Reserve – Available-for-sale financial asset	1	–	–	360	360
Increase/(Decrease) in fair value recognised through Equity – Cash Flow Hedge Reserve	2	–	–	(1,911)	(1,911)
Tax effect of unrealised gain on Available-for-sale financial asset	3	–	–	(108)	(108)
Tax effect of net unrealised losses on Cash flow hedges	3	–	–	573	573
Restated opening AEIFRS equity 1 July 2005		20,077	849,936	(1,086)	868,927

Notes to table above

Note 1 – Available-for-sale financial assets

Under AASB 139, TransGrid's available-for-sale financial asset is recognised at fair value through a reserve. Previously, the asset was recognised at cost. This change has increased the financial asset and other reserves.

Note 2 – Cash flow hedges

Under AASB 139, TransGrid's forward foreign exchange contracts used to hedge risks associated with foreign currency fluctuations are classified as cash flow hedges. The hedging instruments are measured at fair value, through a reserve. Previously, the gains or costs arising from entry into hedging transactions, together with subsequent exchange gains or losses resulting from those transactions are deferred from the inception of the hedge transaction up to the date of purchase or sale and included in the measurement of the purchase or sale. This change has resulted in unrealised gains and losses on the hedges being recognised through equity.

Note 3 – Tax effect adjustment

The deferred taxes associated with the revaluation of available-for-sale financial asset and cash flow hedges are recognised in equity, consistent with recognition of the underlying unrealised gains/(losses) in equity.

END OF AUDITED FINANCIAL REPORT

STATEMENT BY MEMBERS OF THE BOARD
For the year ended 30th June 2006



TRANSGRID

STATEMENT BY MEMBERS OF THE BOARD

Pursuant to Section 41C of the Public Finance and Audit Act 1983, and in accordance with a resolution of the Board of TransGrid we declare on behalf of TransGrid that in our opinion:

1. the accompanying Financial Statements and Notes exhibit a true and fair view of the financial position and financial performance of TransGrid for the year ended 30th June 2006;
2. the Financial Report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the State Owned Corporations Act 1989, and relevant Treasury Circulars; and
3. we are not aware of any circumstances at the date of this declaration which would render any particulars in the Financial Report to be misleading or inaccurate.


P R HIGGINSON
CHAIRMAN


K MURRAY
MANAGING DIRECTOR

INDEPENDENT AUDIT REPORT
For the year ended 30th June 2006



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

TRANSGRID

To Members of the New South Wales Parliament

Audit Opinion

In my opinion the financial report of TransGrid (the Corporation):

- presents fairly the Corporation's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Corporation for the year ended 30 June 2006.

The directors of the Corporation are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the directors had not fulfilled their reporting obligations.

INDEPENDENT AUDIT REPORT

For the year ended 30th June 2006

My opinion does not provide assurance:

- about the future viability of the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



G J Gibson, FCA
Assistant Auditor-General

SYDNEY
21 September 2006

STATUTORY INFORMATION

GOVERNANCE

Minister

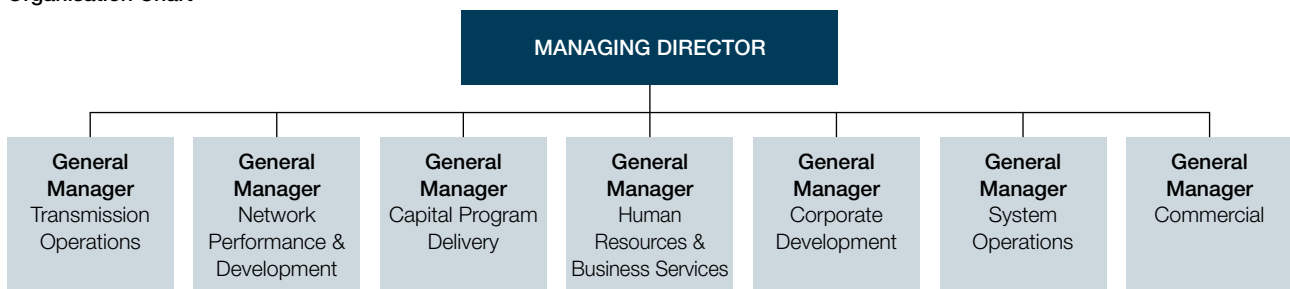
TransGrid is subject to the control and direction of its Portfolio Minister.

From 1 July 2005 to 2 August 2005, TransGrid formed part of the portfolio of The Hon. Frank Sartor MP; Minister for Energy and Utilities, Minister for Science and Medical Research, Minister Assisting the Minister for Health (Cancer), and Minister Assisting the Premier on the Arts.

From 3 August 2005 to 16 February 2006, TransGrid formed part of the portfolio of The Hon. Carl Scully MP; Minister for Utilities and Minister for Police.

From 17 February 2006 to 30 June 2006, TransGrid formed part of the portfolio of The Hon. Joe Tripodi MP; Minister for Energy, Minister for Ports and Waterways, and Minister Assisting the Treasurer on Business and Economic Regulatory Reform.

Organisation Chart



Aims & Objectives

Australia's largest transmission company serving the national and international electricity supply industry.

Our Objectives

KEY RESULT AREAS	OBJECTIVES
Business	To be commercially successful
	To have the necessary business processes in place to enable innovation and continual improvement
	To achieve a fair outcome in the next revenue reset
Customers	To be socially responsible
	To provide reliable and accessible facilities for the transmission of electricity
Safety and Environment	To be responsive to the needs of our customers
	To be environmentally responsible
	To provide a safe environment for the public
People	To provide for the safety of our people
	To develop our people in line with business needs
	To value our people
Stakeholders	To attract high quality candidates in key areas
	To be responsive to our stakeholders needs
	To influence our stakeholders views
	To communicate with our stakeholders

Our Values; In pursuing its goals, TransGrid seeks to draw on its values of;

1. Honesty and Integrity

To be truthful and consistent in all our dealings

2. Trust and Respect

To recognise and have confidence in the ability of our colleagues, value their contributions and opinions and accept the differences, as well as the similarities of people

3. Open Communication

To share information in an open and transparent manner

4. Professionalism

To undertake our tasks diligently and to address competently the difficult as well as the ordinary issues that we face

5. Fairness and Equity

To undertake our duties without fear or favour and make decisions with impartiality and sensitivity

6. Consideration

To treat people with understanding and consider their viewpoints when making decisions

STATUTORY INFORMATION

Charter

TransGrid was established as a State-owned corporation on 14 December 1998, by and under the *Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998*, which effected various amendments to the *Energy Services Corporations Act 1995*.

Section 6C of the *Energy Services Corporations Act* gives TransGrid, as an energy transmission operator, two principal functions, viz.

- (a) to establish, maintain and operate facilities for the transmission of electricity and other forms of energy, and
- (b) to provide services for the transmission of electricity and other forms of energy in accordance with the relevant regulatory regime.

The Section also empowers TransGrid to utilise and develop its electricity transmission facilities to carry out telecommunications services.

The principal legislation under which TransGrid operates is the *Energy Services Corporations Act 1995*, the *Electricity Supply Act 1995* and the *State Owned Corporations Act 1989*.

Senior Officers

Position	Name	Qualifications
Executive Director and Managing Director	Mr Kevin Murray	BE (Elec), Dip Bus Studies, FAICD
General Manager/Commercial and Board Secretary	Mr John Byrne	Comm. (Acctg Proc) Cert, Cost Acctg Post Cert, Comm Prog Cert, FCPA, FAICD
General Manager/Capital Program Delivery	Mr Chris FitzGerald	BSc, BE (Hons), ME, Grad Dip (Bus Admin), FIE Aust, CP Eng
General Manager/Transmission Operations	Mr Vic Galea	BE (Elec)
General Manager/Network Performance and Development	Mr Peter McIntyre	BSc, BE (Hons), MBA (Technology Management), GAICD
General Manager/Human Resources and Business Services	Mr Paul Phillips	BE (Hons), BSc, MMgt
General Manager/System Operations	Mr Lionel Smyth	BE (Elec), Grad Mgt Qual, GAICD
General Manager/Corporate Development	Mr Kym Tothill	B.Tech (Electrical), B.Economics, C.P.Eng., MIEE, GAICD, Post Grad. Dip. Business Management

Performance Statements

Mr K Murray, Managing Director, was assessed by the Board as having achieved all key performance criteria set in the Corporate Plan and the Statement of Corporate Intent with the NSW Government including restructuring the organisation to provide an increased focus on core activities, an improved capital works governance process and strategies to continue to reduce real operating costs.

Mr J Byrne, General Manager/Commercial, was assessed by the Managing Director as having achieved all performance criteria, including the effective management of all TransGrid financial functions, successful implementation of International Accounting Standards (AIFRS) and improved business reporting systems including the upgrade of TransGrid's ERP, achievement of a significant level of Unregulated Income, and improved commercial arrangements with equipment suppliers.

Mr V Galea, General Manager/Transmission Operations, was assessed by the Managing Director as having achieved all performance criteria of his position, including network reliability, equipment availability, completion of Network's maintenance and asset replacement / refurbishment programs, construction and commissioning of various major capital works while maintaining a high level safety performance and environmental compliance.

Mr C FitzGerald, General Manager/Capital Program Delivery, was assessed by the Managing Director as having achieved all performance criteria including the achievement of the significant major capital works program for 2005/06 with the completion of the new Yass 330kV Substation and transformer replacements at Armidale, Liverpool, Wellington, Newcastle and Sydney West Substations being among the major milestones. GM/CPD also progressed to program a range of other major capital works including the Coffs Harbour 330kV Substation works and the Western 500kV Upgrade. The Capital Expenditure Steering Committee chaired by Chris FitzGerald has also been a major achievement in managing the capital works program for TransGrid.

Mr P McIntyre, General Manager/Network Performance and Development, was assessed by the Managing Director as having achieved all performance criteria including achievement of the transmission network planning and development requirements to facilitate TransGrid's significant capital program, the production of the 2007-2011 Network Management Plan and 2006 Annual Planning Report, the introduction of improved reliability governance processes, and the delivery of best-practice asset management services.

Mr P Phillips, General Manager/Human Resources and Business Services was assessed by the Managing Director as having achieved all performance criteria including workforce succession and resource planning, leading TransGrid's Safety Commitment and achieving an industry leading Lost Time Injury rate, achieving reliability of better than 99% for the corporate computer systems, maintaining certifications of TransGrid's Information Security Management System to AS 7799, Environmental Management System to ISO 14001 and Quality System to ISO 9001, development of TransGrid's Real Estate Plan and extension of TransGrid's Environmental Rules to cover premises and cables.

Mr L Smyth, General Manager/System Operations, was assessed by the Managing Director as having achieved all performance criteria including network reliability and availability targets, improving the systems and processes across the business unit, providing leadership in restructuring of the business unit, negotiating a new Operating Agreement with NEMMCO, commissioning a new Energy Management System, and developing new Safety Rules that are aligned with the national guidelines.

STATUTORY INFORMATION

Mr K Tothill, General Manager/Corporate Development, was assessed by the Managing Director as having achieved all performance criteria including the management of customers, addressing the needs of stakeholders, preparation for the next regulatory revenue reset activity, implementation of transmission pricing and discount arrangements, and contributing to the development of the strategies for the approach to the potential changes of the NEM arrangements applying to the transmission business.

Mr M Park, Executive Manager/Strategic Network Planning, was assessed by the General Manager/Network Performance and Development as having achieved all performance criteria including the preparation of Strategic Network plans for the NSW system, the implementation of effective Joint Planning processes, preparation of 5 and 10 year capital works programs, implementation of Demand Side initiatives and effectively representing TransGrid on the Regional Planning Committees.

Significant Committees

Management Activities – TransGrid Committees

Executive Team

Mr K Murray	Managing Director
Mr J Byrne	General Manager/Commercial
Mr C FitzGerald	General Manager/Capital Program Delivery
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr L Smyth	General Manager/System Operations
Mr K Tothill	General Manager/Corporate Development

Executive Risk Management Committee

The Executive Risk Management Committee ensures the effectiveness of management control is maintained. It oversees the setting of policies, co-ordination and communication of risk management strategies and ensures that TransGrid's overall risk management framework operates effectively.

Mr K Murray	Managing Director (Convenor)
Mr J Byrne	General Manager/Commercial
Mr C FitzGerald	General Manager/Capital Program Delivery
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr L Smyth	General Manager/System Operations
Mr K Tothill	General Manager/Corporate Development
Mr D Van Beek	Corporate Risk and Audit Manager (Meeting Secretary)

Executive Occupational Health and Safety Committee

The Executive Occupational Health and Safety Committee provides direction on policies and procedures relating to occupational health and safety matters, and provides executive support to location managers and Occupational Health and Safety Committees.

Mr K Murray	Managing Director (Convenor)
Mr C FitzGerald	General Manager/Capital Program Delivery
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr L Smyth	General Manager/System Operations
Mrs L Cooper	Health and Safety Manager
Mr K Dodds	Manager/Supply Management
Mr K Stephenson	Manager/Northern Region
Mr J Zahra	Manager/Corporate
Mr J Robinson	Senior Occupational Health and Safety Advisor (Meeting Secretary)

STATUTORY INFORMATION

Executive Regulation Committee

The Executive Regulation Committee operates as a steering committee with the principal responsibility and accountability for the development and delivery of NEM regulatory strategy for TransGrid.

Mr K Murray	Managing Director
Mr J Byrne	General Manager/Commercial
Mr C Fitzgerald	General/Manager/Capital Program Delivery
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr L Smyth	General Manager/System Operations
Mr K Tothill	General Manager/Corporate Development
Mr P Gall	Manager/Regulation

Executive Environment Committee

The Executive Environment Committee sets corporate environmental policy and monitors the effectiveness of environmental management within TransGrid.

Mr K Murray	Managing Director (Convenor)
Mr J Byrne	General Manager/Commercial
Mr C FitzGerald	General Manager/Capital Program Delivery
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr M Morris	Corporate Environmental Manager
Ms M Calvert	Environmental Engineer (Meeting Secretary)

Capital Works Program (CAPEX) Steering Committee

The CAPEX Steering Committee monitors the capital works program in TransGrid and facilitates and coordinates the delivery of the program and specific individual projects as required. The Committee also monitors the efficiency and effectiveness of the capital works delivery process.

Mr C FitzGerald	General Manager/Capital Program Delivery (Convenor)
Mr K Murray	Managing Director
Mr J Byrne	General Manager/Commercial
Mr V Galea	General Manager/Transmission Operations
Mr P McIntyre	General Manager/Network Performance and Development
Mr P Phillips	General Manager/Human Resources and Business Services
Mr L Smyth	General Manager/System Operations
Mr K Tothill	General Manager/Corporate Development
Mr M Park	Executive Manager/Strategic Network Development
Mr G Chubb	Manager/Network Planning
Mr A Power	Manager/Project Development (Meeting Secretary)

Staff Overseas Visits

Name	Position	Countries Visited	Purpose of Visit
M. Grierson	Engineering Officer	Thailand	Design Review of 132kV 60MVA Transformers
G. Ebb	Manager	Thailand	Design Review of 132kV 60MVA Transformers
P. Higginson	Chairman	Singapore & India	Attend the AESIEAP CEO Conference
H. Allen	Engineering Officer	Finland	Testing of Reactors for Canberra Capacitor Banks
M. Grierson	Engineering Officer	Thailand	Acceptance Testing of 132kV Transformers
P. Antuch	Engineering Officer	Turkey & China	Inspection and assessment of Manufacturer's works for transmission line projects
B. Harris	Professional Officer	USA	Attend SCADA Security Summit
J. Howland	Manager	Portugal	Attend ITOMS 2005 Conference/Workshop
V. Galea	General Manager	Portugal	Attend ITOMS 2005 Conference/Workshop
J. Byrne	General Manager	UK	Undertake work associated with placement of TransGrid's Insurance Coverage
K. Murray	Managing Director	UK	Undertake work associated with placement of TransGrid's Insurance Coverage
P. Higginson	Chairman	UK	Undertake work associated with placement of TransGrid's Insurance Coverage
P. McIntyre	General Manager	Canada	Attend International Grid Conference

A further 13 trips, of which the majority of costs were funded by other Organisations, were undertaken by TransGrid officers.

STATUTORY INFORMATION

Board of Directors Remuneration

Executive Remuneration Policy

The objective of TransGrid's executive remuneration framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of shareholder value and it conforms to market best practice for delivery of reward.

The Board Committee – Remuneration and Structure determines

Executive Remuneration. Each year the Committee commissions a report from an external executive remuneration consultant detailing equivalent market remuneration and a recommendation on suitable remuneration levels for all executive officers.

All executive officers have in place a written Performance Agreement aligned to the organisation's corporate goals. Performance outcomes are matched to performance targets with remuneration based on documented performance levels.

Remuneration of Directors

Chairman	P Higginson	\$105,501
Non-Executive Director	B Vaughan*	\$24,805
Non-Executive Director	B Foy**	\$32,305
Non-Executive Director	B Langton	\$59,018
Non-Executive Director	N Betts	\$54,527
Non-Executive Director	P Moy	\$54,527
Non-Executive Director	M Papathanasiou	\$59,381***

* Tenure ceased on 14/12/05

** Appointed on 15/12/05

*** includes a retrospective committee fee payment for June 2005

Remuneration of Senior Officers

Managing Director	K Murray	\$513,750
General Manager/Commercial	J Byrne	\$294,500
General Manager/Capital Program Delivery	C FitzGerald	\$255,500
General Manager/Corporate Development	K Tohill	\$247,250
General Manager/Network Performance & Development	P McIntyre	\$239,827
General Manager/Transmission Operations	V Galea*	\$234,635
General Manager/System Operations	L Smyth	\$220,000
General Manager/Human Resources & Business Services	P Phillips**	\$205,904
Executive Manager/Strategic Network Planning	M Park	\$218,500

* appointed 26/9/2005

** appointed 31/10/2005.

Numbers of Executive Officers

Executive Officers	As at 30th June 2006	As at 30th June 2005
Number of Executive Officers at SES Level 1 or above	87	79
Number of Female Executive Officers at SES Level 1 or above	5	5

STATUTORY INFORMATION

BUSINESS PERFORMANCE

Compliance 2005 to 2006

TransGrid has a formal compliance process to review the requirements of the National Electricity Market and which clarifies roles and responsibilities to support all of its activities associated with meeting its obligations to the participants of the National Electricity Market.

TransGrid continues to monitor and review all areas that are affected by changes in legislation and the National Electricity Rules to ensure that compliance is integrated into the culture of TransGrid operations and processes.

Comparison of Staff Numbers as at 30 June 2006

	Total Staff	No. P/T Staff	Equiv. F/T of P/T	Equiv. F/T Staff
Senior Contract Officers	101	0	0	101
Professional Officers	173	4	2.2	171.2
Engineering Officers	233	0	0	233
Administrative Officers	158	13	8.6	153.6
Tradespersons	64	0	0	64
Power Workers	54	0	0	54
Team Leader – Network	21	0	0	21
Operator	27	0	0	27
Lineworker	60	0	0	60
Apprentice	52	0	0	52
Total	943	17	10.8	936.8

Category Description	Number of Employees 2006	Number of Employees 2005	Number of Employees 2004
Administrative Officer	158	165	166
Apprentice	52	42	41
Engineering Officer	233	225	229
Lineworker	60	64	65
Operator	27	30	32
Professional Officer	173	175	177
Power Worker	54	59	63
Senior Contract Officer	101	106	110
Team Leader - Network	21	22	24
Tradesperson	64	65	67
Total	943	953	974

Graduates, Cadets, Sponsorship Program

During 2005/2006 TransGrid maintained its commitment to graduate, cadet and scholar development programs. These programs support TransGrid's resource and succession planning through the provision of holistic on the job learning & development in the disciplines of engineering, accountancy, information systems and the environment. This is achieved by rotating graduates on an annual basis across various teams and Business Units within the organisation; each placement affords a unique opportunity for the development of diverse skills, knowledge and competencies.

TransGrid currently has twenty-five (25) graduates and three (3) cadets across the disciplines of Engineering, Accounting, Information Systems and the Environment.

During 2005/06, TransGrid continued its commitment to scholarship programs for undergraduates and cadets by offering scholarships in electrical engineering or environmental studies at the University of Newcastle, University of Wollongong, University of New England and

the University of Technology (Sydney). TransGrid also awarded scholarships in Electrical Engineering to two of its high achieving electrical apprentices to be commenced at the conclusion of their apprenticeships.

Cost of Annual Report

TransGrid's annual Report was produced under the guidance of an internal steering committee in conjunction with an external graphic designer. The total external cost incurred in the production of the annual report was \$71,696.00. The annual report is available on the internet (www.transgrid.com.au) and on CD ROM.

Consultants Fees

During the year, \$336,505 was spent on consulting services relating to the preparation of environmental impact assessments, and for specific technical and management advice in the normal course of the business.

STATUTORY INFORMATION

Credit Card Usage

Credit Card usage in TransGrid is in accordance with its detailed documented procedures. TransGrid continues to promote the correct usage of its corporate Credit Cards and there is a continuous review of usage characteristics and authorisations.

Key Performance Indicators (Excluding Superannuation Income/(Expense))

	Actual	SCI Target
Earnings Before Interest and Tax (\$ million)	217.6	218.0
Operating Profit Before Tax (\$ million)	118.1	113.3
Dividend (\$ million)	69.5	59.0
Return on Assets	5.9%	5.8%
Return on Equity	5.3%	4.6%

TransGrid demonstrated strong financial performance during the year in comparison to its 2005/06 Statement of Corporate Intent (SCI) targets.

TransGrid achieved 70% of maximum incentive payment for performance above the targets for the 2005 calendar year.

TransGrid has successfully completed and continues to undertake a number of major projects to meet the increasing demand of electricity within NSW.

Land Disposal

The following surplus land was disposed of in the 2005-2006 financial year:

1. 1.1153 Old Northern Road, Dural – Lot 1 507547

1.76ha vacant land, was sold at public auction on 28.07.05 for \$350,000.00. A 60 metre transmission line easement was reserved for the Sydney West to Sydney North No: 2 330 Transmission Line.

2. 2.5 Cousins Drive, Wellington – Lot 8 DP 260674

723m² former staff cottage sold to the tenant at market value. Contract settled on 26.10.05 for \$80,000.00

Legislative Change

1 Workplace Relations Amendment (Workchoices) Act 2005 (cth):

The effect of this legislation is to dramatically increase the role of the Commonwealth in regulating workplace relations in New South Wales.

The effect on TransGrid employees is minimal because a common law agreement has been entered into between TransGrid and Unions covering TransGrid employees.

2 Protection of the Environment Operations Act 2005

The most relevant effect of this Act, which amended the Protection of the Environment Act 1997, was to replace the defence of “no knowledge” previously available to managers and directors of corporations found to have contravened a provision of the Act with two alternative defenses:

- that either the manager or director “was not in a position to influence the conduct of the corporation in relation to its contravention of the provision” or
- that they “used all due diligence to prevent the contravention by the corporation”.

3 Occupational Health and Safety Amendment (Workplace Deaths) act 2005

This legislation provides that anyone in an organisation, whether a director or employee, is liable to both heavy fines and up to five years imprisonment if they are reckless as to the danger of death or serious injury to any person at that person’s place of work.

4 National Energy Law

The National Energy Law came into effect this year

5 Electricity Supply Amendment (Protection of Electricity Works) Act 2006

This Act amended the Electricity Supply Act 1995 to protect the presence, operation and use of existing electricity works. It commenced on 26 May 2006.

The major effect of this amendment is to prevent owners of property on which existing electricity works are located but not protected by a registered easement from taking legal action against a network operator in respect of the presence, operation or use of those works, in the absence of negligence.

Judicial Decisions

There were no judicial decisions affecting TransGrid this year.

Research & Development

TransGrid promotes research relationships with external organisations and educational institutions for projects that align with business needs. This enables TransGrid to provide innovative solutions to achieve core objectives.

TransGrid has a number of research projects or is involved in projects in the following areas.

- Support for the newly formed Australian Power Institute.
- Power quality effects due to voltage variations in cooperation with University of Wollongong.
- Fibre Optic Current and Voltage transducers that use light to measure these quantities on high voltage networks in cooperation with University of Sydney and ABB Australia.
- Corporate condition monitoring system that will allow easy viewing, trending and analysis of data from online monitoring devices on the power network.
- Aging of insulation on extra high voltage transmission lines with the Queensland University of Technology.
- Demand side management with EnergyAustralia.
- Power system stability in cooperation with University of Adelaide.

STATUTORY INFORMATION

Risk Management & Insurance

The Executive Risk Management Committee is responsible for ensuring TransGrid's risks are identified and effectively managed. Implementation of risk management strategies are the responsibility of all levels of management within TransGrid and a framework exists to ensure that all risks are proactively and explicitly managed on an ongoing basis.

The Corporate Risk and Audit Group provide advice and assistance in the development and maintenance of enterprise wide risk management plans, training staff in all aspects of risk management and the ongoing verification and review of risk mitigation actions across the organisation.

The Corporate Risk and Audit Manager is responsible to the Managing Director for the provision of risk management services including internal audit.

Risk management programs include health and safety, environmental, legislation and National Market Code compliance. In recognition of the high level of importance that the organisation places on health and safety and the environment, separate Executive Committees exist for these activities.

TransGrid is a licensed workers compensation Self-Insurer. Other insurable risks are covered by a program of self-retained and external insurance policies.

Annual Reporting Exemptions

The following reporting exemptions have been granted by NSW Treasury to enable financial reporting requirements that apply, to be broadly consistent with Corporations Act reporting requirements, given that the entity operates in the competitive National Electricity Market:

Statutory Requirements	Act/Regulation References	Comments
Budgets		
• detailed budget for the year reported on	s.7(1)(a)(iii)ARSBA	
• outline budget for next year	s.7(1)(a)(iii)ARSBA	
• particulars of material adjustments to detailed budget for the year reported on	cl 6 ARSBR	
Report of Operations	s.7(1)(a)(iv)ARSBA	Exemption subject to the condition that information relating to the "Summary review of operations" is to be disclosed in a summarised form.
Management and Activities	Schedule 1 ARSBR	Exemption subject to the condition that relevant information is to be disclosed in a summarised form.
Research & Development	Schedule 1 ARSBR	
Human Resources	Schedule 1 ARSBR	
Consultants	Schedule 1 ARSBR	Exemption subject to the condition that the total amount spent on consultants is to be disclosed along with a summary of the main purposes of the engagements.
Land Disposal	Schedule 1 ARSBR	
Payment of Accounts	Schedule 1 ARSBR	
Time for Payment of Accounts	Schedule 1 ARSBR	
Report on Risk Management and Insurance Activities	Schedule 1 ARSBR	Exemption subject to the condition that relevant information is to be disclosed in a summarised form.
Investment Performance	cl 12 ARSBR	
Liability Management Performance	cl 13 ARSBR	

Abbreviations:

ARSBA Annual Reports (Statutory Bodies) Act 1984

ARSBR Annual Reports (Statutory Bodies) Regulation 2005

Funds Granted to Non-Government Community Organisations

Greening Australia	155,000
Keep Australia Beautiful	40,000
EarthWatch Institute	15,200
The Institute of Engineers	13,500
Australian National Committee of Technology Sponsorship	2,727
Yass Valley Festival	2,000

Internet Contact Details

The TransGrid Website can be located at www.transgrid.com.au

STATUTORY INFORMATION

CORPORATE SOCIAL RESPONSIBILITY

Fraud Prevention

TransGrid is committed to high ethical and governance standards in order to maintain public confidence in the way it does business. Fraud prevention and control are considered a high priority because of their integral position in TransGrid's governance framework.

During the year, a series of interactive Fraud Risk Assessment Workshops were carried out throughout the organisation and the resulting risks were entered into the organisation's Risk records.

Awareness continues to be created and maintained through Code of Ethics and Conduct awareness sessions, the use of anti corruption and fraud prevention posters as well as by articles in the Ethics Newsletter. The Ethics Helpline, in operation for a number of years, is designed for use by internal and external stakeholders.

During the year, TransGrid's fraud and corruption prevention systems were acknowledged when the organisation won the Corruption Prevention Network Award in the State Public Sector category in recognition of corruption prevention excellence through its corruption reporting systems.

Freedom of Information & FOI Statement

TransGrid received one (1) Freedom of Information (FOI) application under the Freedom of Information Act 1989 in 2005/2006.

TransGrid received one (1) request for internal review under Section 47 of the Act. TransGrid determined that the document was exempt.

In addition, two external agencies received applications under the Act for access to certain documents and in the course of dealing with the applications, the agencies sought TransGrid's views under Section 32 of the Act as to whether the documents were exempt by virtue of Clause 7 of Schedule 1 to the Act. TransGrid advised both agencies that it did not see the documents as exempt.

The following table provides an overview of responses to requests made under the Freedom of Information Act 1989.

FOI Requests	Total	
	2005 – 06	2004 – 05
Numbers of requests received	1	9
Brought forward	0	0
Completed	1	9
Transferred out	0	0
Unfinished (Carried forward)	0	0
Granted in full	0	4
Partially granted	0	2
Refused	1	3
Fees received	\$40	\$5,090

During the 2005/2006 year:

- The impact of the requirements of the Act on TransGrid's activities was minor.
- No major issues arose in connection with TransGrid's compliance with the requirements of the Act.
- No determination by TransGrid was the subject of review by the Ombudsman, the Administrative Decisions Tribunal or the Supreme Court.

Statement of Affairs

Information required under Section 14(2) of the Act, is located as follows:

- The agency's structure and functions: Corporate Governance
- The way its functions affect the public: Environment, People, Business Performance and Corporate Social Responsibility
- How the public may participate in agency policy development: Environment
- The kinds of documents the agency holds: Promotion
- How members of the public may access and amend agency documents: Promotion, Environment, FOI

Guarantee of Service

TransGrid has defined service commitments with its customers through its Connection Agreements. TransGrid's service levels are monitored by its regulator, the Australian Energy Regulator, and the New South Wales Department of Energy, Utilities and Sustainability

Industrial Relations Policies & Procedures

During 2005/06, the Industrial Relations Commission of New South Wales ratified the TransGrid Employees Award 2006. This agreement developed as a result of consultative and cooperative negotiations with Unions NSW and affiliate unions on behalf of TransGrid employees.

The TransGrid Employees Award 2006 provided an initial 4.6% wage increase for TransGrid Award employees. TransGrid continued to consult with Unions and employees on a range of industrial relations matters during the life of the Award.

STATUTORY INFORMATION

ENVIRONMENTAL PERFORMANCE

Waste Reduction And Purchasing Policy

TransGrid has been a participant in the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) since 1999, as a part of its commitment to reduce the amount of waste generated. This process is designed to promote ecologically sustainable development, one of our fundamental environmental drivers, with minimisation on usage of natural resources, and increased recycling of materials.

The key areas of waste reduction that TransGrid address are:

- Paper products
- Office equipment and components
- Vegetation materials
- Construction, demolition and excavated materials

TransGrid is committed to the reduction of waste and some of the strategies for the future are:

- Improved reporting mechanisms
- Implementation of updated organisational wide waste management procedure
- Increased organisational awareness of waste reduction and recycling issues

OUR PEOPLE

Aboriginal Employment & Development Statement

TransGrid's Aboriginal Employment and Development Strategy is an integral part in TransGrid's Workforce Diversity Strategy.

The Aboriginal Employment and Development Strategy has been developed with reference to the *Aboriginal Employment in Practice Plan for the NSW Public Sector*, issued by the New South Wales Premier's Department.

TransGrid is committed to playing its part in achieving meaningful and sustainable improvements in Indigenous employment by focusing on provision of development opportunities and support to enable Aboriginal & Torres Strait Islander people to develop their career potential.

Action Plan for Women

Provision of Programs for Women

TransGrid's major initiative in relation to women is the on-going development of the TransGrid Spokeswomen's Network. This Network forms part of the New South Wales Government's "Spokeswomen's Program" administered by the Premier's Department. The Program exists to promote efficiency and effectiveness in the NSW public sector by assisting women to develop their skills so that they can fully participate in the work environment.

The Spokeswomen's Network supports TransGrid's operations and business activities through the provision of relevant support to its women. The Network is comprised of a Women's Liaison Officer, a Spokeswomen's Co-coordinator and 10 Spokeswomen positions.

Spokeswomen consolidate and complement the activities of TransGrid management by bringing to their attention issues relating to women.

The main focus of Spokeswomen is identifying the needs of women in the organisation, in particular with respect to Equal Employment Opportunity.

This includes:

- information needs relating to women and work;
- career, training and development needs;
- anti-discrimination issues;
- providing access to a wide contact and referral network;
- provision of information in relation to workplace conditions; and
- identifying varying issues and priorities of women in different stages of their lifecycle or career paths.

During 2005/06, TransGrid encouraged female employees to participate in various activities specifically geared towards the development of women, such as:

- attendance of TransGrid's Spokeswomen at relevant training sessions, Network Days and the Annual Spokeswomen's Conference;
- the continued publication of the TransGrid Spokeswomen's quarterly newsletter, *Women of Today*;
- attendance of female employees at the Women's Information Days facilitated by the Spokeswomen's Program. These are held throughout the State and cover a wide variety of topics relating to women; and
- the continued participation in the Springboard Women's Development Program.

During the year the Spokeswomen's Network set up a Child Care page on TransGrid's Intranet that allows parents to select and book babysitting and child care services on-line.

TransGrid continues to value the diversity of its workforce and remains committed to the principles of equity, access, opportunity and participation.

STATUTORY INFORMATION

Code of Ethics & Conduct

TransGrid has reviewed its corporate position on Ethics Management in accordance with its organisational restructure and has realigned the responsibility for ethics policy and management within the Corporate Development Business Unit.

TransGrid's Corporate Plan identifies ethics management as an essential element of continued business success and continues to build upon the planning framework that has been implemented successfully since the formation of the company.

Our Code of Ethics and Conduct provides a framework for TransGrid to deliver our vision and mission and to ensure that our reputation as a trustworthy and honourable company is maintained.

Our commitment to our numerous stakeholders is such that we are committed to putting in place systems, processes and measures that allow our practices to be transparent and above reproach. TransGrid continues to monitor the standard of its business practices and recently reviewed "Our Code of Ethics and Conduct" which has now been distributed to all employees.

During 2005/2006, interactive workshops were conducted across Business Units in metropolitan and country areas, the objective of the workshops was to allow staff to appreciate and discuss ethical issues as well as ensuring that the Code remains a 'live document', relevant and effective to the needs of the organisation.

New employees continue to be introduced to TransGrid's ethical standards through an on-line induction program relaying the importance of TransGrid's reputation and to ensure their awareness and expected compliance.

The promotion of ethics and conduct is undertaken across TransGrid by the promulgation of a suite of ethics codes starting with the Directors Code of Conduct, Our Code of Ethics and Conduct and the associated brochure "TransGrid Business Ethics – A guide to Contractors, Clients and Agencies". Awareness and communication is undertaken on the TransGrid Internet site, our Intranet site, TransNet and internal posters providing messages and reminders for staff about ethical behaviour. The Ethics newsletter continued to keep employees abreast of topical ethics information and trends in behaviour. The Ethics Helpline with its 24 hour 1800 261 993 phone number allows easy access for staff to seek ethical advice or relay concerns in a confidential manner.

TransGrid continued to support the St James Ethics Centre, the Corruption Prevention Network and education programs with a number of staff attending seminars, tertiary courses and events on ethical subjects and anti- corruption measures.

Consumer Response

TransGrid receives Property Information Inquiries from solicitors, conveyancers and the general public regarding TransGrid's rights and interests that may affect title to land. For the year ending 30 June 2006, TransGrid responded to 65,880 such inquiries. Response times were within designated time frames.

More than 80% of these inquiries were processed using online access facilities provided by the Central Register of Restrictions administered by the Department of Lands.

Disability Plan

TransGrid has a documented Disability Action Plan as part of its overall workforce diversity strategy.

The Plan demonstrates TransGrid's commitment to the objectives of the NSW Government's Disability Policy Framework, the NSW Disability Services Act 1993 and the NSW Anti Discrimination Act 1977.

The plan has strategies, which have been implemented by management and staff to respond to the needs of disabilities of people within New South Wales. The Plan is published on TransNet to facilitate staff access.

EEO Disclosures

Commentary on EEO Achievements

Outcomes – July 2005 – June 2006

- Interactive workshops were provided to staff on the application of the Code of Ethics and Conduct.
- Information on harassment and discrimination prevention was kept updated and made available on the TransGrid intranet 'TransNet'.
- The current Referral Officer's Network was maintained and refresher training provided.
- All new employees attended an Induction Program which provides exposure to TransGrid's policies and conditions of employment including Occupational Health and Safety; Code of Ethics and Conduct; TransGrid Employees Award; Grievance and Dispute Procedures; Harassment Prevention; and Workforce Diversity.
- All Human Resources procedures are reviewed regularly to reflect changes in Workforce Diversity practice.
- The Apprentice intake for 2006 encouraged Indigenous applicants to apply for a range of apprentice opportunities across Sydney and Regional locations.

Major Planned Outcomes July 2006 – June 2007

- Review current Workforce Diversity Strategies and Plans.
- Include Workforce Diversity Data Collection Survey in the Induction Program for all new employees.
- Continued support for the Spokeswomen's Network.
- Develop a broader advertising strategy for vacant positions to encourage applications from female, disabled and indigenous applicants. Continued rollout of Workplace Bullying information sessions for Supervisors and Managers as required.

STATUTORY INFORMATION

EEO Disclosure

Trends in the Representation of EEO Groups

EEO Group	% of Total Staff (Refer Note 1)					
	2001	2002	2003	2004	2005	2006
Women	12	12	13	13.2	13	13
Aboriginal and TSI	0.53	0.73	0.73	0.62	0.52	0.64
People whose first language was not English	8	10	10	10.47	11	11
People with a disability	7	2	6	4.71	4.9**	4.97
People with a disability requiring work-related adjustment		1	0.51	0.42**	0.42	

1. Excludes casual staff

** Error in 2005 reporting (4.9% is correct figure)

Trends in the Distribution of EEO Groups

EEO Group	Distribution index (Refer Note 3)					
	2001	2002	2003	2004	2005	2006
Women	115	116	124	129	129	125
Aboriginal and TSI	5	7	7	6	5	6
People whose first language was not English	79	96	98	102	104	102
People with a disability	65	18**	53	46	47	47
People with a disability requiring work-related adjustment		13	5	4	4	

1. Current staff numbers are as at 30 June 2006

2. Excludes casual staff

3. A distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff.

** Error in reporting

Ethnic Affairs Priority Statement (EAPS)

As the New South Wales Transmission Network Service Provider, TransGrid provides services to business but has limited exposure to the general community. The organisation does, however, carry out community consultation on proposed major projects to ensure public understanding and identification of relevant concerns.

Key indicators applicable to EAPS include the maintenance of merit based recruitment practices, flexible work arrangements and accommodating the needs of employees in regards to cultural or religious customs.

Strategies for 2005/06 included:

- the provision of "plain English" promotional information for public use;
- consultation for projects affecting local community groups.

Strategies for 2006/2007 include:

- continued community consultation at all relevant stages of projects;
- review merit based recruitment practices to identify how they accommodate needs of a diverse general community.

STATUTORY INFORMATION

Occupational Health & Safety

Frequency Rate:	3.7
Average Lost Time Rate:	32.6
Total Lost time Injuries:	7
Total Days Lost:	228

Table of Lost time Injuries

Part of Body Injured	Number	Type of Injury	Days Lost
Multiple	1	Multiple	172
Ankle	1	Sprain/strain	1
Knee	2	"	12
Shoulder	1	"	6
Groin	1	"	36
Hip	1	"	1
Total	7	Total	228

Privacy Management Plan

Obligations for the use and protection of personal information in New South Wales are governed by the Privacy and Personal Information Protection Act 1998.

TransGrid is committed to adherence with the principles of sound privacy practice to ensure management of personal information is consistent with legislative requirements. TransGrid has a Privacy Management Plan in place to facilitate adherence to the principles of the Act and to communicate how privacy is managed within the organisation.

TransGrid's Privacy Management Plan is available to all staff via TransNet.

No complaints were received and TransGrid conducted no internal reviews during the requisite reporting period.

Promotion

TransGrid is committed to providing a variety of communication vehicles to inform the public, customers, stakeholders, employees and suppliers. Throughout the reporting period publications included:

- Annual Report
- Code of Ethics and Conduct
- Corporate Plan
- Environmental Handbooks
- Internet site
- NSW Annual Planning Report
- Network Asset Management Plan
- Project Specific Newsletters
- TransGrid Business Ethics – A Guide to Contractors, Clients and Agencies
- TransTalk: In-House Newsletter
- NSW 500 GRID Energising the Future Brochure
- Variety of Brochures and Advertisements promoting TransGrid's Business and Services

Staff by Category

Category Description	Number of Employees 2006
Administrative Officer	158
Apprentice	52
Engineering Officer	233
Lineworker	60
Operator	27
Professional Officer	173
Power Worker	54
Senior Contract Officer	101
Team Leader – Network	21
Tradesperson	64
Total	943

Workforce Diversity Achievements

Referral Officer Network

TransGrid encourages and supports a Referral Officer Network, which provides information on options available to staff in relation to harassment, discrimination and workplace bullying.

The Referral Officer Network continues to provide information and confidential support to employees regarding TransGrid's Grievance Management Procedure.

Vacation Care Subsidy

The continuation of the Vacation Care Program has ensured that subsidised childcare has been made available to all staff throughout TransGrid for all school vacation periods. During 2005/2006 twenty-six (26) subsidies were allocated.

Workforce Diversity Strategy

TransGrid has a documented Workforce Diversity Strategy developed in line with the requirements of Part 9A of the *Anti-Discrimination Act 1977*.

TransGrid is committed to Equal Employment Opportunity, Cultural Diversity and Ethical Practices. All employees are expected to demonstrate an understanding of and commitment to these areas.

During 2005/06, Workforce Diversity Data Collection Forms were forwarded to all new employees in an attempt to capture and maintain diversity data on a voluntary basis.

STATISTICAL INFORMATION

Table 1
NSW System Energy and Maximum Demand

	Yearly Energy (GWh)	Yearly Maximum (MW)
1992/93	54 750	9 792
1993/94	56 667	9 888
1994/95	58 242	10 613
1995/96	60 252	10 228
1996/97	61 260	10 564
1997/98	63 894	11 156
1998/99	65 420	11 324
1999/00	67 569	11 900
2000/01	69 353	11 572
2001/02	70 289	12 156
2002/03	71 687	12 456
2003/04	73 783	12 476
2004/05	74 584	13 126
2005/06	76 979	13 292

Yearly energy and maximum demand calculations are based on the total output of NSW scheduled generators, plus net import from other regions. Recent data is available from NEMMCO as "HistDemand" (see: <http://www.nemweb.com.au/reports/current/histdemand/>). Prior to the start of the NEM in December 1998 data was recorded by TransGrid without the Sithe generator. However, for consistency with later data, Table 1 includes an estimate of the Sithe generator during 1997 and 1998.

Table 2
Transmission Lines & Underground Cables in service as at 30th June, 2006

	Transmission Lines		Underground Cables	
	Route (km)	Circuit (km)	Route (km)	Circuit (km)
Operating Voltage				
500kV in service at 500kV	143	286		
500kV in service at 330kV	386	771		
Total 500kV	529	1057		
330kV in service at 330kV	4389	5214	47	47
330kV in service at 132kV	76	111		
Total 330kV	4465	5325	47	47
220kV in service at 220kV	681	681		
Total 220kV	681	681		
132kV in service at 132kV	5224	5305		
132kV in service at 66kV	4	4		
Total 132kV	5228	5309		
66kV in service at 66kV	61	61		
Total 66kV	61	61		
Totals	10964	12433	47	47

STATISTICAL INFORMATION

Table 3

Schedule of Substations and Switching Stations in service as at 30th June 2006

	Comm. Year	System Voltage kV	Comm. Year	System Voltage kV
Voltage 500kV – Site				
Eraring	1984	500/330		
Kemps Creek	1984	500/330		
	1989	330/16		
Total sites at 500 kV = 2				
Voltage 330kV – Site				
Armidale	1972	330/132		
	1969	132/66		
	2001	330/13.6		
Avon	1974	330		
Bayswater	1984	330		
Beaconsfield West	1979	330/132		
Canberra	1967	330/132		
Dapto	1962	330/132		
Darlington Point	1988	330/220		
		330/132		
Dumaresq	2000	330		
Haymarket	2004	330/132		
Ingleburn	1984	330/66		
Jindera	1979	330/132		
Kangaroo Valley	1976	330		
Liddell	1970	330		
Lismore	1992	330/132		
	2000	132/66		
Liverpool	1985	330/132		
Lower Tumut	1972	330		
Marulan	1992	330/132		
Mt Piper	1986	330/132		
Munmorah	1967	330/132		
Murray	1967	330/132		
Muswellbrook	1983	330/132		
Newcastle	1969	330/132		
Regentville	1998	330/132		
Sydney East	1976	330/132		
Sydney North	1963	330/132		
Sydney South	1961	330/132		
	2003	330/132		
Sydney West	1965	330/132		
	2004	330/18		
Tamworth	1968	330/132		
Tomago	1983	330		
Tuggerah	1986	330/132		
Upper Tumut	1959	330		
Vales Point	1962	330/132		
Vineyard	1994	330/132		
Wagga	1973	300/132		
Wallerawang	1975	330/132		
Waratah West	1992	330/132		
Wellington	1984	330/132		
Yass	2006	132/66		
		330/132		
Total Sites at 330kV = 38				
Voltage 220kV – Site				
Balranald	2000	220/22		
Broken Hill	1979	220/22		
Buronga	1988	220		
Total Sites at 220kV = 3				
Voltage 132kV – Site				
Albury	1958	132		
ANM	1981	132		
Beryl	1976	132/66		
Burrinjuck	1950	132		
Coffs Harbour	1979	132/66		
Coleambally	1993	132		
Cooma	1954	132/66/11		
Cowra	1960	132/66		
Deniliquin	1971	132/66		
Finley	1991	132/66		
Forbes	1969	132/66		
Gadara	2000	132/11		
Glen Innes	1970	132/66		
Griffith	1964	132/33		
Gunnedah	1985	132/66		
Guthega	1970	132		
Hume	1957	132		
Inverell	1984	132/66		
Kempsey	1967	132/33		
		66/33		
Koolkhan	1963	132/66		
Molong	2001	132/66		
Moree	1984	132/66		
Mt. Piper	1988	132/66		
Munyang	1989	132/33		
Murrumburrah	1985	132/66		
Narrabri	1965	132/66		
Nambucca	2001	132/66		
Orange	1954	132/66		
Panorama	1979	132/66		
Parkes	1993	132/66		
Port Macquarie	1979	132/33		
Queanbeyan	1957	132/66		
Tamworth	1961	132/66		
Taree	1958	132/66		
		132/33		
Tenterfield	1970	132/22		
Tumut	1967	132/66		
Wagga	1955	132/66		
Wallerawang	1953	132/66		
Yanco	1969	132/33		
Total Sites at 132kV = 39				
Total Sites at all Voltages = 82				
Total Transformers				
at rating	Total Number	Total Rating MVA		
500kV	9	3,600		
330kV	117	24,710		
220kV	3	230		
132kV	77	4,005		
66kV	2	30		
Total Transformers at all ratings	208	32,575		

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