TransGrid

AUDIT OPINION

The audit of TransGrid's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

PERFORMANCE INFORMATION

TransGrid is responsible for providing accessible, efficient, safe and reliable facilities for transmitting electricity. Following are some of the key indicators it uses to assess its performance.

Operational Performance

Energy Maximum Demands

Energy use in New South Wales has increased at about 1,380 gigawatt hours (GWh) per annum over the past ten years. New South Wales has the largest summer peak demand in the National Electricity Market (NEM), with maximum summer demands forecast to increase by some 440 megawatts a year. In January 2008, TransGrid recorded a peak summer demand of 12,954 megawatts (13,458 megawatts in 2006-07).

TransGrid has a $1.3 billion capital works program over its current five year regulatory period to 30 June 2009, to help it meet increasing demand. TransGrid expects to achieve its program.

Reliability of Transmission Network

The Australian Energy Regulator (AER) monitors the performance of transmission networks against AER targets set for the regulatory period 2004 to 2009. TransGrid's performance has been:

Year ended 31 December	Actual			Target
	2005	2006	2007	2004-2009
Transmission circuit availability (%)	99.57	99.57	*99.38*	*99.50*
Transformer availability (%)	98.90	98.84	*97.46*	*99.00*
Reactive plant availability (%)	99.64	98.92	*99.23*	*98.60*
Frequency of lost supply events greater then 0.05 mins	1	2	*4*	*5*
Frequency of lost supply events greater than 0.40 mins	--	--	*1*	*1*
Average outage duration (minutes)	717	824	*788*	*1,500*

Source: Australian Energy Regulator and TransGrid.

TransGrid has generally performed well against its targets. The decreasing transformer availability is mainly due to TransGrid's augmentation and asset replacement capital works programs, and does not indicate a reduction in network reliability.

Financial Performance

Year ended 30 June	Actual			Target*
	2006	2007	2008	2008
Earnings before interest and tax ($m)	216.3	231.0	*299.7*	*253.7*
Return on equity (%) (a)	5.4	5.4	*8.0*	*6.0*
Return on assets (%) (b)	5.8	6.0	*7.4*	*6.2*
Dividends to government ($m)	69.5	71.5	*105.9*	*83.8*
Capital expenditure	158.6	218.2	*355.0*	*383.2*

* Source: TransGrid 30 June 2008 Statement of Corporate Intent (SCI). To reflect the SCI targets, the actual performance information excludes superannuation gains/(losses).
(a) net profit after tax (excluding superannuation gains/(losses)) divided by average equity.
(b) earnings before interest and tax (excluding superannuation gains/(losses)) divided by average assets.

Contributions to Government for 2007-08 were $152 million, comprising a dividend of $106 million ($71.0 million) and a taxation equivalent expense of $46.3 million ($54.5 million).

Capital expenditure increased significantly from 2007 as a number of major capital projects were well advanced including the Western 500kV Development Project, Wollar-Wellington 330kV Transmission Line Project and the transformer replacements at Sydney South and Tuggerah Substations.

FINANCIAL INFORMATION

Abridged Income Statement

Year ended 30 June	2008 $'000	2007 $'000
REVENUE (excluding superannuation movement)	*572,987*	504,838
Superannuation (expense)/income	*(48,677)*	39,701
TOTAL REVENUE	*524,310*	544,539
PROFIT BEFORE BORROWING COSTS, DEPRECIATION AND TAX	*394,931*	407,666
Borrowing costs	*101,882*	100,726
Depreciation	*141,996*	135,486
PROFIT BEFORE TAX	*151,053*	171,454
Income tax equivalent expense	*46,315*	54,498
PROFIT AFTER TAX	*104,738*	116,956
Dividend provided	*105,910*	71,482

Revenue included $527 million from the transmission of electricity ($487 million). Increases in revenue are limited to the revenue cap set by the regulator and performance incentive amounts. The revenue cap is adjusted each year by indexing for inflation.

Revenue also included $29.2 million in 2007-08 from non-cash capital contributions relating to the transfer of transmission assets, forming part of the Uranquinty Power Station project.

Abridged Balance Sheet

At 30 June	2008 $'000	2007 $'000
Current assets	*127,524*	136,057
Non-current assets	*4,093,090*	3,792,919
TOTAL ASSETS	*4,220,614*	3,928,976
Current liabilities	*559,624*	550,437
Non-current liabilities	*1,910,772*	1,677,020
TOTAL LIABILITIES	*2,470,396*	2,227,457
NET ASSETS	*1,750,218*	1,701,519

Current liabilities include $37.4 million ($61.5 million) for monies received for electricity transmission services in excess of TransGrid's revenue cap. This amount is to be returned to customers through lower transmission prices.

CORPORATION ACTIVITIES

See the 'Electricity Industry Overview' appearing earlier in this report for general industry comment.

TransGrid principally establishes, maintains and operates facilities to transmit electricity and other forms of energy.

TransGrid is a statutory State owned corporation constituted by the *Energy Services Corporations Act 1995*. It was corporatised under the *State Owned Corporatisation Act 1989* in December 1998.

For more information on TransGrid, refer to www.tg.nsw.gov.au.