



**ANNUAL REPORT
2001-02**



C O N T E N T S

Report on operations	4
Financial statements	18
Directors' declaration	33
Auditor's report	34
Directors' statutory report	35
Corporate governance	36

C O M P A N Y O V E R V I E W

Transend Networks Pty Ltd owns and operates the electricity transmission system in Tasmania and controls the Tasmanian power system. Transend is responsible for maintaining power system security and assisting with power system planning. The company does not generate or distribute electricity to end-use consumers.

M I S S I O N

Transend's mission is to efficiently:

- provide a reliable and secure electricity transmission service for Tasmanian consumers at a cost commensurate with appropriate and sustainable returns to shareholders; and
- arrange generation dispatch and ensure power system security in Tasmania.



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HIGHLIGHTS 2001–02

Profit: Transend recorded an after-tax profit of \$19.7 million, up from \$10.1 million in 2000–01.

Reliable supply: Power supply reliability was better than target and better than the previous year's result.

Safety record: Transend maintained its excellent record on workplace safety: for the third year in a row no time was lost due to injuries to Transend staff.

Capital expenditure: Transend invested \$32.5 million to continue the program of modernising and improving Tasmania's power supply.

Basslink and NEM: Transend established a special project team to handle the complex issues associated with Basslink and to prepare for Tasmania's entry to the national electricity market.

Returns to Government: Transend's returns to the State Government, including taxes and dividends, totalled \$21 million for the 2001–02 financial year.

RETURNS	2001–02	2000–01
Dividend	\$10.1 m	\$11.2 m
Income tax equivalent	\$10.3 m	\$8.3 m
Payroll tax	\$0.5 m	\$0.4 m
Guarantee fee	\$0.1 m	\$0.0 m
Total returns	\$21.0 m	\$19.9 m

KEY RESULTS

OBJECTIVE	TARGET	RESULT
Safety		
Ensure a safe working environment for employees, contractors and the public	Comply with industry safety codes and relevant legislation	No lost time due to safety incidents
Supply reliability		
Provide a reliable supply of electricity to Transend's demand-side connection customers	Less than 20 system minutes lost per annum	9.11 system minutes lost during the year
System security		
Maintain the power system in a secure operating state as defined in the Tasmanian Electricity Code (TEC)	100% compliance with TEC	98.28% secure
Costs		
Minimise costs of operating the business	Meet operating budget	Over budget by 2.1%
Return on capital		
Achieve appropriate and sustainable return on capital employed in the business	Achieve budget return on owners' equity: 6.9% in 2001–02	5.9% ROE

TRANSEND'S performance during 2001–02 was impressive. Power supply performance was better than target and profit rebounded from the previous year. And for the third year in a row, Transend achieved an excellent safety record. These results are commendable in any circumstances. The fact that they were achieved during the most challenging period in Transend's short history as a stand-alone company is an outstanding achievement. As well as its normal operations, Transend is grappling with three major issues—preparing for Basslink, getting ready for Tasmania's entry into the national electricity market, and developing a revenue application to the Australian Competition and Consumer Commission (ACCC). Any one of these issues presents a major challenge. To have all three happening at once is an extraordinary set of circumstances and a serious test for Transend's limited resources.

TRANSMISSION SERVICE PERFORMANCE

Transend's service performance was better than target during 2001–02. Transend measures the performance of its transmission system in a number of ways, including reliability and availability. These industry-wide performance measures enable the company to review trends in performance and compare results with other transmission companies. More importantly, the results help the company focus its improvement efforts and investment program on under-performing parts of the transmission system.

Table 1: Power supply reliability
12 months to 30 June (system minutes lost)

	2001–02	2000–01
Target	<1.65	<1.65
July	0.00	0.00
August	0.24	0.40
September	1.99	1.11
October	0.02	0.27
November	0.35	0.00
December	0.00	0.34
January	3.88	0.50
February	1.25	0.62
March	0.38	45.82
April	0.83	0.00
May	0.01	0.14
June	0.16	2.28
Total	9.11	51.48

System minutes measure the impact of the loss of electricity supply. In Tasmania, the loss of Transend's transmission system for one system minute is approximately equal to the loss of 27 MW for a period of one hour.

A reliable transmission system is critical to Tasmania's economy. Service levels are scrutinised by industry regulators, including the Tasmanian Energy Regulator and the ACCC. The ACCC is currently preparing a suite of service standards for transmission companies with a view to developing a performance incentive scheme. Transend, along with other Australian transmission companies, has been assisting the ACCC with its proposed incentive scheme. The incentive scheme could have a significant impact on Transend's capital expenditure program if the company has to invest in new assets to ensure it meets the new performance standards.

Reliability

Transend maintained a reliable power supply during 2001–02, losing only 9.11 system minutes in total. The result was well inside the target of less than 20 system minutes and a big improvement on 51.48 system minutes lost in 2000–01. System minutes measure the reliability of a transmission network in supplying energy to network customers. On a monthly basis, the average of 0.76 system minutes was within the target of no more than 1.65 system minutes lost per month; only two months were outside the target range.

Four separate incidents during January 2002 combined to result in the loss of 3.88 system minutes. The biggest loss (of 2.98 system minutes) was due to a fault at Transend's Savage River Substation on Tasmania's West Coast. While one of the transformers at the substation was out of service for maintenance, a protection relay operated, which tripped the other transformer at the substation. Supply was fully restored in just over two hours. The loss of 1.99 system minutes on 26 September 2001 was due to a fault at Trevallyn Substation that cut power to distribution feeders from the substation.

Availability

Transend's level of circuit availability was better than target for the year. Availability measures the time that plant is in service and fit for purpose. Transend monitors the availability of its transmission system in three plant categories: transmission lines, transformers and capacitor banks.

In the 12 months to 30 June 2002, transmission line circuits were available 99.17 per cent of the time on average, better than the target of

98.80 per cent (table 2). The result for transformer circuits was 99.13 per cent, which surpassed the target of 98.50 per cent. Meanwhile, Transend's capacitor bank circuits were available 98.83 per cent of the time on average, above the 98.50 per cent target. The result for transmission line availability was better than in 2000–01, while the results for transformer and capacitor bank availability were not quite as good as in the previous year.

Table 2: **Circuit availability**
12 months to 30 June (percentages)

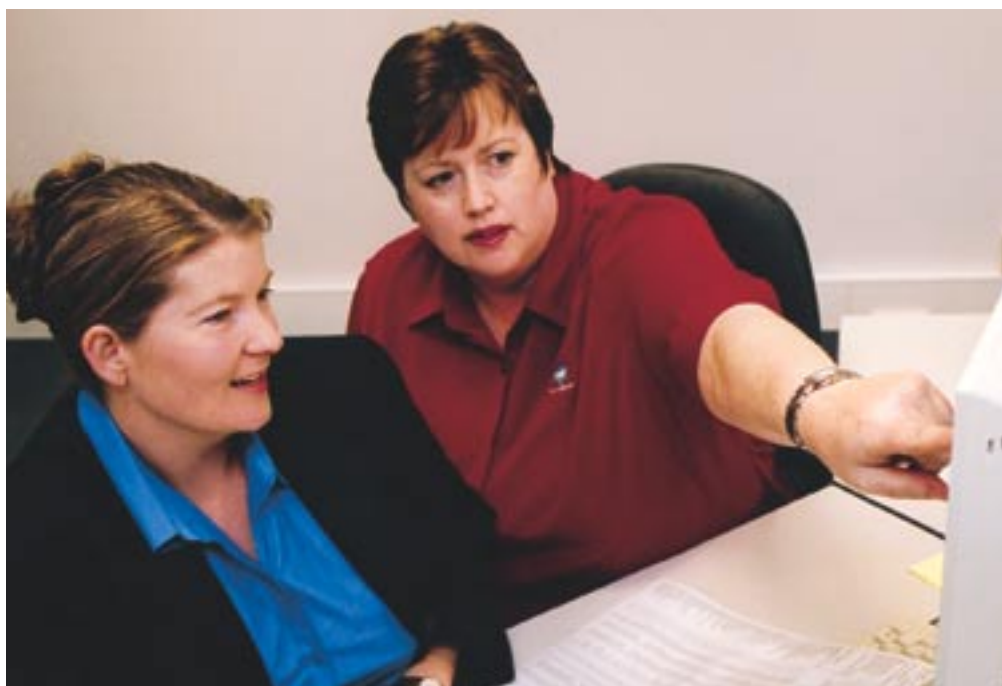
CIRCUIT	TARGET	2001–02	2000–01
Transmission line circuits	≥98.80	99.17	98.96
Transformer circuits	≥98.50	99.13	99.17
Capacitor bank circuits	≥98.50	98.83	99.92

Circuit availability measures the actual time all transmission circuits are available compared with the total time in the relevant period (expressed as a percentage).

FINANCIAL PERFORMANCE

Transend's after-tax profit bounced back from the previous year's result, up by \$9.6 million to \$19.7 million. The result yields a 5.9 per cent return on owners' equity, up 2.9 per cent on 2000–01 but short of the budget target of 6.9 per cent. Cash returns to the State Government during 2001–02, including dividend, income tax equivalent, payroll tax and guarantee fees, totalled \$21 million, up by \$1 million from 2000–01. The directors have recommended a dividend of \$9.8 million out of the 2001–02 profit.

Earnings were affected by the costs associated with Basslink and Tasmania's entry into the national electricity market (NEM). Transend established a special project team to ensure the successful implementation of these important State Government initiatives. The original estimate for the project over its three-year life was \$3.3 million. The time-frame for the project has been extended by at least a year because Basslink has been delayed and is now unlikely to be commissioned until 2005. In consequence, the cost of Transend's NEM entry project will be more than originally estimated.



SUPPORT SERVICES: Kirsty Palmer (left), Financial Accountant, and Tracy Green, Financial Systems Administrator, of the Finance and Business group provide essential support services for Transend.

These costs were not anticipated in the Tasmanian Energy Regulator's allowance for transmission use of system charges, part of the 1999 electricity pricing determination. The company originally believed that the Regulator's budget determination for the System Controller would include recovery of the costs associated with preparing for entry into the NEM. However, this might not be the case and some of the costs might not be recovered. As Transend has no other means of cost recovery, the extra costs incurred by the company to fund its contribution to the State Government's NEM entry initiative have had a direct impact on earnings. Transend has previously informed shareholders that these unrecovered costs would affect the company's year-end profit. The result is a \$1.2 million reduction in profit before tax in 2001–02 alone (table 3).

Despite costs associated with Basslink and Tasmania's entry into NEM, Transend went close to achieving its goal of minimising normal operating costs. However, strong vegetative growth in the transmission line easements meant more had to be spent on vegetation management. In addition, some additional critical work had to be done at the company's substations. Some of the overspending was offset by delays in the asset decommissioning program.

Table 3: Profit and loss summary
12 months to 30 June (\$ million)

	2001–02	2000–01
Earnings before interest and tax	31.0	23.4
Interest	-1.2	-1.0
Basslink and NEM entry costs	-1.2	-
Profit before tax	28.6	22.4

Recent world events are having a significant effect on the cost of insurance. Transend's insurance premiums increased by more than 80 per cent during 2001–02 to more than \$460,000. The company expects further increases in 2002–03 and has budgeted for insurance costs of about \$750,000. Transend takes a proactive approach to managing its business risks and conducts formal risk reviews at least once every two years. The reviews provide the basis for developing action plans to manage the risks.

CAPITAL INVESTMENT

Transend's capital investment program aims to improve the power supply for Tasmanian consumers, provide for forecast load growth and cater for new connections to the transmission system. The investment program continued during 2001–02, but some projects were delayed. Although well down on the budget forecast, more than \$32 million was invested during the year to upgrade and develop the Tasmanian transmission system. Over the past four years, Transend has invested more than \$150 million in the transmission system (table 4).

Table 4: Capital expenditure
12 months to 30 June (\$ million)

YEAR	
1998–99	54.0
1999–00	36.2
2000–01	28.7
2001–02	32.5
Total	151.4

Hobart area

One of the company's largest capital projects during 2001–02 was the redevelopment of Creek Road Substation in Hobart. Work on the \$8.3 million project began in May 2001 and was completed within budget and ready for service by winter 2002. The redevelopment is the first stage of a long-term program to upgrade infrastructure in the Hobart area. The program, which is based on upgrading the local distribution system from 22 kV to 33 kV, will improve the reliability and security of the power supply, and provide more flexibility to handle future variations in demand.

Creek Road now features three new 110/33 kV transformers, new indoor 33 kV switchgear and up-to-date protection and control equipment. Some of the new switchgear will continue to operate at 22 kV until later stages of the Hobart upgrade program are completed. The new equipment replaces assets from the 1950s, which had reached the end of their service lives.

Redevelopment of Risdon Substation in Hobart, the company's largest capital project currently under way at \$16 million, continued throughout 2001–02. When completed, the redeveloped substation will have new connection

assets for Pasmaenco Hobart Smelter, which is next to the substation, and redeveloped 110 kV substation infrastructure that facilitates the supply of electricity to a large part of Hobart. At the end of 2001–02, the 110 kV gas-insulated switchgear, and the 11 kV switchboard that supplies the smelter were installed and in service. This project was due to be completed in the second half of 2001 but a number of factors have combined to delay the project. Transend now anticipates that the project will be completed later in 2002.

North-west developments

Smithton Substation is the next major facility targeted for redevelopment, due to its advanced age—the 110 kV switchgear is 63 years old—and inadequate capacity. After a tender process that attracted the interest of Australia's leading electrical contractors, Enerserve, a division of Energy Australia Pty Ltd, was awarded the contract to carry out the Smithton redevelopment. Site work began in September 2002 and the redeveloped substation should be in operation by the middle of 2003.



SUBSTATION REDEVELOPMENT: Adam King, Transend's Project Manager for the Creek Road Substation redevelopment, in front of one of the new transformers at the substation

The transmission network in Tasmania's north-west will also be strengthened while Smithton Substation is being redeveloped. This work involves two major changes to the transmission line between Burnie and Smithton. A second transmission circuit will be strung between Port Latta and Smithton to improve the reliability of the network in the area and provide extra capacity for the Woolnorth Wind Farm when it connects to the transmission system. In addition, an optical fibre ground wire (OPGW) will be strung on the line between Burnie and Smithton. The OPGW serves two functions: it protects the line from lightning damage and provides a communication channel for the company's automated control system.

Transend made good progress towards complying with contemporary standards for conductor-to-ground clearances on transmission lines around the State. The compliance program gathered momentum during 2001–02 as contractors moved from field investigations to remedial work. During the year, 323 spans that did not meet the contemporary standards were rectified. The company is about half-way through its compliance program, which is estimated to cost up to \$26 million.

Mowbray

Transend's long-awaited Mowbray substation development made slow progress during 2001–02. The project stalled in February 2001 when the Launceston City Council rejected Transend's development application for the new substation and associated transmission line. Transend's subsequent appeal to the Resource Management and Planning Appeal Tribunal was unsuccessful. However, in November 2001, the Supreme Court agreed with Transend's submission that the tribunal had erred in law. The court ordered the tribunal to re-hear Transend's appeal.

Although the tribunal eventually approved the Mowbray project, the conditions of the approval will add more than \$1 million to the project cost, not to mention the delay in gaining approval. The original target for completing the project was the winter of 2002. The next step is to seek endorsement for the proposal from the Reliability and Network Planning Panel (RNPP). Transend was preparing its submission to the RNPP at the end of the financial year.

The Mowbray project illustrates a dilemma for Transend as it endeavours to provide vital infrastructure for maintaining acceptable service levels. On the one hand, the community expects a secure and reliable power supply. On the other hand, local planning authorities are reluctant to approve the development of the power lines and substations necessary to provide that supply. The result is lengthy delays and extra costs, which ultimately lead to increased prices for electricity.

Control system

During the year, Transend began installing a new network operation and control system, which will monitor and control the transmission system. The new system and the project to set it up are estimated to cost up to \$8.25 million. The new system will replace the network control and monitoring functions of the existing energy control system, which is owned by Hydro Tasmania. It will be suitable for use in a contestable electricity market and compatible with the National Electricity Market Management Company's (NEMMCO) technical standards. Transend is installing a system produced by US-based Open Systems International (OSI). A contract with OSI was signed in December 2001 and installation started in February 2002. The new system is scheduled to be in service by the end of 2002.



NETWORK CONTROL: Ian Stewart, an engineer with Open Systems International Australia, has been involved in building Transend's network operation and control system—the hardware and software that will control Tasmania's transmission network.

Substation upgrades

Much of the equipment in Transend's older substations is nearing the end of its service life, needs considerable repair and maintenance, and is inadequate to meet the forecast demand for electricity. So, a large part of the company's capital investment program is aimed at replacing old assets with modern, more reliable equipment. One of the company's larger replacement projects is the redevelopment of Waddamana Substation. The existing substation was built in 1952 to connect the old Waddamana B power station to the transmission network. The power station has since been decommissioned but the substation still forms an integral part of the southern 110 kV transmission system.

The Waddamana redevelopment, estimated to cost up to \$4.4 million, includes the installation of new 110 kV circuit breakers and disconnectors, new protection and control systems, and oil containment facilities. The project presents an opportunity to rearrange the switchyard to better integrate with related transmission line upgrades in the central highlands. The redevelopment will also remove a number of safety and environmental problems associated with the existing substation. Tenders for the project closed in July 2002 and site work is scheduled to begin in the autumn of 2003.

Transend's program of replacing old 22 kV and 11 kV switchgear is continuing with projects at the company's Burnie and Queenstown substations. The existing 22 kV and 11 kV switchgear at these substations has reached the end of its service life and will be replaced by modern indoor switchgear. The new equipment will improve the supply to local

communities, provide capacity for extra feeders and reduce safety hazards within the switchyards. The combined cost of these two projects is estimated at up to \$3.8 million. Transend has invited tenders for the Burnie project and will soon invite tenders for the Queenstown project. Work is expected to be under way for both projects during 2003.

The company has also approved work at George Town Substation to cope with projected load growth in the area by replacing an existing 110/22 kV transformer with a larger capacity unit, and providing connections for two more feeders for Aurora. Transend also intends to replace the 25-year-old control and protection systems at the George Town and Temco substations. These systems are reaching the end of their service lives. The combined projects at George Town are estimated to cost \$4 million and are scheduled to begin in 2003.

The ongoing capital program illustrates Transend's commitment to improve the reliability of Tasmania's transmission system and reduce the risk of interruptions to the power supply. At the same time, capital investment in the transmission system has the added benefits of improving operational efficiency and reducing environmental and safety risks. Over the past four years, Transend has invested more than \$150 million to modernise the Tasmanian power system. This is a massive investment in vital infrastructure for the Tasmanian community.

C U S T O M E R C O N N E C T I O N S

Transend has undertaken a significant amount of work on new connections to the transmission system during 2001–02. On the supply side, the company had a number of enquiries for the connection of wind generators as well as thermal generators. On the demand side, Transend worked with Aurora Energy to progress new connections for Risdon Substation and the proposed substation at Mowbray.

The company also worked with Aurora Energy and Hydro Tasmania to modify existing connections to better meet their needs. Examples are the planned upgrades of Smithton, George Town, Queenstown and Burnie substations and increasing the ratings of lines that connect some of Hydro Tasmania's power stations to the transmission network.

All of these new and modified connections require the associated connection agreements to be created or modified. In 2001–02, Transend established new connection agreements with the owners of Bell Bay Power Station and with Aurora Energy for Smithton Substation.



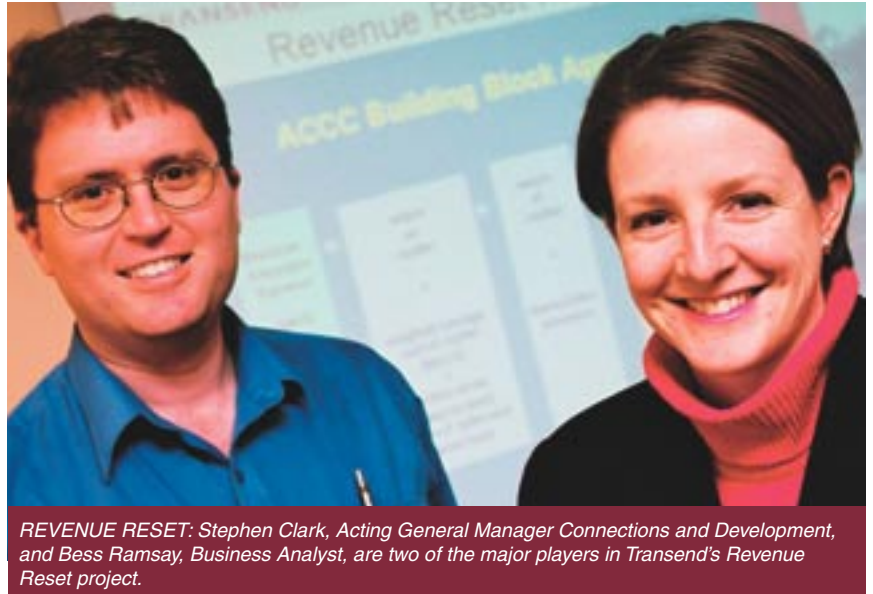
BASSLINK TEAM: (from left) Jonny Hosford, Basslink Pty Ltd (BPL); Dinesh Perera and Michael Green, Transend TWEM project; and David Strong, BPL, at a meeting of the Basslink Technical Issues Liaison Team

Each year Transend recalculates its transmission prices in accordance with the pricing principles laid down by the Tasmanian Energy Regulator in his 1999 pricing determination. This year Transend has gone through an extensive consultation process with affected industry participants to ensure a smooth implementation of the new prices. Although the consultation process was an improvement on previous years, further work is required to produce the prices in a timely manner.

Dealing with existing and potential customers is a vital part of the company's business. Connection issues are technically complex and require expert attention. In order to improve its service and responsiveness, Transend is adding more resources to look after its direct connection customers. This renewed focus on developing customer relationships is becoming increasingly important as more customers join the network and as Tasmania heads towards joining the NEM.

SPECIAL PROJECTS

During the year, Transend committed significant resources to two special projects, the outcomes of which will have long-term impacts on the company. These were the Tasmanian Wholesale Energy Market (TWEM) project and the Revenue Reset project. In addition, the company worked closely with Duke Energy to facilitate construction of the new gas pipeline.



REVENUE RESET: Stephen Clark, Acting General Manager Connections and Development, and Bess Ramsay, Business Analyst, are two of the major players in Transend's Revenue Reset project.

Transend's TWEM project was established to help the State Government implement its NEM entry initiative and manage issues relating to Basslink. The project is split into two main areas—connecting Basslink and preparing for Tasmania's entry to the NEM. A number of work streams are examining particular aspects of these two complex areas. The company named the project TWEM because the goal is to establish a wholesale electricity market in Tasmania.

By the end of the financial year, the TWEM team had seven full-time staff. Other staff and consultants are participating in some of the work streams.

Transend's work on Basslink has focused on the technical and commercial issues of connecting Basslink to the Tasmanian power system. It also includes developing a system-wide protection scheme that will ensure the security of the power system. Basslink Pty Ltd is responsible for designing the protection scheme but Transend will own it.

Key areas examined during the year in the NEM entry project included mapping out the scope of the project in detail and starting the long lead-time activities, such as:

- determining responsibility for security of the Tasmanian power system during the transition from the Tasmanian System Controller to NEMMCO;
- defining the parts of the power system for which Transend will retain responsibility for security;
- defining the communication and information technology requirements required between Tasmania and NEMMCO;
- determining how Tasmania can integrate into NEM systems for providing ancillary services—such as frequency and voltage control, which NEMMCO needs to ensure that the power system can be managed securely and satisfactorily;
- developing limit equations that define the boundary of acceptable operation of the Tasmanian power system; and
- establishing trial sites for new metering that NEMMCO will use for billing and payment purposes for market participants.

The TWEM project was estimated to cost \$3.3 million over three years. However, the time-frame for the project has been extended by at least a year because of delays in the Basslink project. As a result, TWEM will cost more than the original estimate. Some of the TWEM costs might not be recovered and will therefore reduce Transend's profits over the life of the project.

Revenue Reset

The Revenue Reset project is preparing Transend's revenue application to the ACCC. The application seeks to ensure that Transend has sufficient revenue to provide regulated transmission services to the level expected by its customers. The application will put the case for Transend's revenue stream for the five-and-a-half years between 1 January 2004 and 30 June 2009. It is an almost impossible task trying to predict what Transend's world will look like by June 2009: major initiatives such as Basslink, NEM entry, natural gas and wind farms will have enormous impacts on Tasmania's energy market.

Seven teams worked in tandem during the year to draw up a complete picture of Transend's revenue needs. The first draft of Transend's submission was almost completed by the end of the financial year.

The regulated income for determination by the ACCC is estimated to be around \$500 million for the five-and-a-half years, which represents almost all of Transend's income as a transmission network service provider. It does not include the income from Transend's role as System Controller.

Under the present pricing determination set by the Tasmanian Energy Regulator, when the revenue cap is calculated for each year, actual changes in capital expenditure are recognised. In contrast, to date the ACCC has adopted a fixed revenue approach in its regulation of capital expenditure for transmission businesses. Under the ACCC's approach, capital expenditure for the whole regulatory period is typically set as part of the revenue determination, and is not revisited to account for differences between forecast and actual expenditure. Transend is concerned about the risks of this approach and has proposed an alternative that combines elements of the fixed and variable approaches to the regulation of capital expenditure.

Transend must prepare a robust submission that justifies the company's revenue and capital requirements for the period from 1 January 2004 to 30 June 2009. The company aims to submit its revenue application to the ACCC by February 2003 and expects that the ACCC will deliver its draft decision by September 2003.

Natural gas

Tasmania recently witnessed the arrival of natural gas in the state via Duke Energy's new pipeline from Victoria. The pipeline runs parallel with Transend's transmission lines for about 15 kilometres in total, and crosses under



COOPERATION: David Inglis (left), Transend Transmission Line Maintenance Officer, and Colin Salmon, Construction Manager for McConnell Dowell, inspecting the Duke Energy gas pipeline in one of Transend's easements

the lines in 35 places. Transend worked with Duke Energy to resolve a range of issues, including the use of shared easements and ensuring the safe operation of transmission lines during pipe-laying work.

The two parties executed a deed that sets out mutual obligations relating to safety, liability and technical matters associated with the construction of the pipeline and its eventual operation. Transend's field staff worked closely with Duke Energy and its contractors to accommodate the gas project's tight time-frame. The pipeline is protected by a cathodic protection system, so the potential exists for stray currents to accelerate the corrosion of Transend's tower legs. The results of commissioning tests carried out to date suggest minimal interference from the cathodic protection system.

SYSTEM CONTROLLER

As well as its role as a transmission network operator, Transend is the power system controller in Tasmania. The System Controller is responsible for maintaining power system security, managing the dispatch of generation and contributing to planning for the power system. Transend measures the operating state of the power system in terms of three key criteria: secure, satisfactory and reliable. These criteria are defined in section 4.2 of the Tasmanian Electricity Code.

The power system was in a non-secure state for 1.63 per cent of the year, or a total of 143 hours, due mainly to stress on the transmission elements caused by increases in demand and contingency events. If a second credible contingency had happened while the power system was in a non-secure state, the system would have been in a non-satisfactory state, as it would have resulted in overloading a transmission element beyond its firm rating. In fact, the power system was in a satisfactory state for all but about seven hours throughout the year. During that time, there was no need for the System Controller to give orders to shed load. The power system had sufficient capacity at all times to supply the demand, resulting in the power system being in a reliable operating state for 100 per cent of the time.

The RNPP is required to determine and review at least yearly the power system security and reliability standards. These standards may include but are not limited to:

- frequency of the power system in operation;
- contingency capacity reserves; and
- guidelines for managing electricity supply shortfall events.



PLANNING AHEAD: Doug Clarke, General Manager System Control, with a copy of Transend's 2001 Planning Statement for the Tasmanian power system, which was published in December 2001

Table 5: System Controller performance
12 months to 30 June (percentages)

OPERATING STATES			
OF THE POWER SYSTEM	TARGET	2001-02	2000-01
Secure	100.0	98.37	99.21
Satisfactory	100.0	99.92	99.88
Reliable	100.0	100.00	99.71

Frequency operating standards specify the normal range of system frequency variation for day-to-day operation, which is set at 50 Hz (plus or minus 0.15 Hz). The frequency standards also establish how much the frequency can change when events such as loss of generation or a transmission line, or a sudden change in load happen. These standards were determined by the RNPP in December 1999. The RNPP decided in May 2002 that there was no need to change these standards.

Capacity reserve standards ensure that the power system always has sufficient reserves available to allow power system security to be restored and maintained following a credible contingency event, such as the loss of the largest generator supplying energy to the system. The System Controller is currently reviewing the capacity reserve standards for the RNPP.

The Tasmanian Energy Regulator issued Guidelines for Power System Directions by the System Controller in January 2002. The guidelines specify when and how the System Controller can issue directions to industry participants (such as Hydro Tasmania, Transend and Aurora Energy) as a last resort when normal power system operating processes cannot ensure that power system security will be maintained. To help manage electricity shortfall events, the System Controller has also developed a draft Load Shedding Protocol for the Tasmanian power system.

SAFETY AND ENVIRONMENT

In the past year, Transend maintained its excellent record on workplace safety: no time was lost due to injuries. This was the third year in a row that the company achieved this safety result. However, a linesman employed by one of Transend's contractors sustained a bruised shoulder after falling from a transmission tower, resulting in one day of lost work time. Transend keenly monitors its contractors' safety performance and requires them to file workplace health and safety reports each month.

One dangerous incident during the year involved a member of the public. On 16 June 2002, an excavator operator working near Elderslie escaped injury when the boom of his machine touched a power line carrying 110 kV. Incidents such as this are a serious concern to Transend and a major reason for the company's annual "Look Up, Look Out!" safety campaigns.

The company's environmental auditor, BVQI Australia Pty Ltd, recently commended Transend for its environmental performance. Reporting on his July 2002 audit of Transend sites, the auditor was impressed with the standard to which substation sites were maintained and remarked on the high level of environmental awareness within the company. The BVQI auditor reported no environmental incidents in the 12 months to 30 June 2002.



SAFETY: John Blackwell, of "Roydon" near Elderslie, keeps an eye out for overhead transmission lines on his property when he works with machinery. Transend runs annual "Look Up, Look Out!" safety campaigns.



GRADUATE ENGINEERS: Ranmal Liyanage (left), Cameron Thomas and Alastair Pinkard, three of the engineers employed as part of Transend's graduate recruitment program

One of Transend's significant environmental risks is the threat of transformer oil escaping from substation sites. Transend is steadily eliminating this risk by constructing oil containment facilities in substations that do not comply with contemporary design standards. Oil containment facilities were installed at several sites over the past year and only four sites remain to be fixed. These four projects are scheduled for completion by the end of 2003.

Transend is serious about its safety and environmental performance. It has a well-established Environmental Management System that is certified to international ISO 14001 standard and a Safety Management Policy that meets the Australian Standard AS/NZS 4801. In addition, Transend requires its contractors to prepare and present Contractor Management Plans (CMPs) before they begin their site work. These CMPs include workplace health and safety, environment and risk management plans.

The board recognises the need to remain vigilant on environment and safety matters. Late in the year, the board established an Environment and Safety Committee to monitor and report to the board on the management of company's environmental and safety responsibilities.

PEOPLE

The number of people employed by Transend has more than doubled in the four years since the company started operations. At 30 June 2002, the company had 115 employees, 21 more than at the same date the previous year.

Despite the increase in numbers, the extra workload associated with special projects—especially TWEM and Revenue Reset—has put a heavy burden on the company's human resources. Many staff have been seconded to these projects but not all positions have been back-filled, adding extra pressure to those remaining in Transend's operational groups. The board and management recognises and appreciates the efforts of Transend's employees during the year.

Transend has a relatively high proportion of employees who are aged 45 years or older. To help lower the age profile and ensure that the company has the right people in place for the future, Transend has a well-established graduate recruitment program. For the first three years of their employment, graduates are rotated through the company's various areas of operation to give them broad knowledge and skills. The company employed its first female graduate engineer during the year. In 2002, the company began a scholarship program with the School of Engineering at the University of Tasmania. The aim of the scholarship is to encourage engineering undergraduates to specialise in electrical engineering and to alert students to the career opportunities in the electricity supply industry.

Transend's first three-year enterprise agreement expired in August 2002. During the year, negotiations began on a new agreement in which the major issue related to ensuring and encouraging the appropriate work-life balance for staff. The company is also concerned about the health and wellbeing of its employees, and provides access to stress management courses, counselling and activities aimed at physical wellbeing.

Transend's southern staff are based in two locations in Hobart—leased premises in Bowen Road in Moonah and company-owned accommodation at Maria Street, Lenah Valley. The board approved a proposal to design and construct an office to house all the Hobart staff in one location. The land for the proposed new office is adjacent to Transend's existing Maria Street site.

LOOKING AHEAD

Transend faces a number of major challenges above and beyond the daily challenge of providing Tasmanians with a reliable and secure power supply. Special projects like NEM entry will continue to test the company's mettle. Some of the new connections to the network—especially Basslink and the proposed wind farms—will stretch the capability of the transmission system. Meanwhile, Transend is working towards its biggest development program to date: the upgrade of supply into southern Tasmania. And at the national level, Transend, along with others in the electricity supply industry, will have to adapt to yet more industry reforms.

Basslink and NEM entry are major issues for Transend, which are already consuming large quantities of the company's resources. Tasmania's entry to the NEM will affect nearly everyone in Transend, particularly staff in System Control and Network Operations. Transend will continue to work with the State Government, Basslink Pty Ltd and NEMMCO to ensure that Tasmania is ready to enter the NEM six months before Basslink is commissioned. Apart from all the complex technical aspects, a major ingredient for Transend is to prepare the company's staff for inevitable changes.

Wind farms

Tasmania is starting to realise its wind power potential. Stage one of the Woolnorth wind farm is already generating power and more stages and other farms will follow once Basslink is committed. Wind farms will add to the state's renewable energy capacity and provide environmental benefits through reduced carbon emissions. However, wind farms present significant technical and policy challenges for power system operators and transmission companies like Transend.

The best sites for wind farms are usually in remote areas where, in general, the transmission system is either weak or non-existent. The Tasmanian system would need a massive development program to cope with all the proposed



ELECTRONIC MAP: Peter Johnson (left), Brent McKillop and Ann-Maree Keogh were instrumental in developing Transend's electronic easement and wayleave agreement map that was up and running by 1 January 2002 as required by the Electricity Wayleaves and Easements Act 2000. The map has saved Ann-Maree, Transend's Wayleave Officer, a lot of time in her wayleave searches.



REPLACING EQUIPMENT: Phil Smith, who works for one of Transend's contractors, replacing post insulators on the 220 kV bus at Chapel Street Substation in Hobart as part of Transend's upgrade of the transmission system.

wind farms, including new lines to connect the farms and reinforcements to the existing network. Wind generators also present technical problems for power system security, frequency control and quality of supply, all of which have cost implications. Transend must therefore ensure that wind farm developers are made aware of the impact of wind generators on the transmission system. Before the benefits of wind can be realised, these problems must be resolved so that wind can be economically integrated into the power system without adversely affecting existing customers or system security.

Southern development

Transend is developing a strategy aimed at reinforcing the power supply into Hobart and southern Tasmania. This part of the State relies on some of the oldest and most constrained transmission lines in Tasmania and

depends heavily on Chapel Street Substation as the main injection point. Transend is analysing a range of options to solve the problems in the southern power system; options include network augmentation, demand-side management and new power station developments proposed by external parties. Transend will seek endorsement from the RNPP before proceeding to implement its southern development strategy.

Industry reforms

The electricity supply industry in Australia has been transformed over the past few years as it has adapted to a series of market-based reforms. The reform agenda is set to continue as the outcomes of industry reviews begin to be implemented. Major reviews that are currently in progress include the Energy Market Review, which is being conducted on behalf of the Council of Australian Governments (COAG), and a review by the NEM Ministers' Forum into the electricity market framework. Both forums—COAG and the NEM Ministers—have identified electricity transmission as the key to unlocking the true potential of the electricity market. Transend is not alone in hoping that these and other reviews will lead to more certainty for investors in the industry and better outcomes for consumers.

CONCLUSION

Every day Transend overcomes obstacles to ensure a reliable and secure supply of electricity to Tasmanian consumers. This is a full-time role in itself. However, in addition to that vital role Transend has been managing a number of extraordinary issues throughout the year, in particular the TWEM and Revenue Reset projects. The challenge of coping with these special projects and dealing with ongoing reforms continues to put considerable pressure on the company's human and financial resources.

Nevertheless, Transend's performance during 2001–02 was impressive. Revenue and expenditure were both close to budget projections and the company recorded an after-tax profit of \$19.7 million. Transend's capital program continued, with \$32.5 million invested to upgrade power supply infrastructure around the State. In terms of operational performance, power supply reliability was better than target, the power system was secure more than 98 per cent of the time, and Transend maintained its excellent records on safety and environmental performance.



CHECKING ASSETS: Peter Smith, Senior Asset Officer – Substations, during an inspection of a substation. A 220 kV current transformer is in the background.



STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
Revenues from ordinary activities	2	81,027	77,939
Expenses from ordinary activities	2	(29,780)	(27,899)
Write off of decommissioned assets	2, 9	(143)	(9,173)
Borrowing costs expense	3	(1,153)	(1,006)
Depreciation expense	2	(21,314)	(17,454)
Profit (loss) from ordinary activities before income tax expense		28,637	22,407
Income tax expense from:	4		
- ordinary activities		(11,113)	(12,341)
- increase in future income tax benefit resulting from entry into the National Taxation Equivalent Regime		2,150	-
Net profit (loss)		19,674	10,066
Increase (decrease) in asset revaluation reserve	14	118,068	21,475
Total changes in equity from non- owner related transactions		137,742	31,541

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
Current assets			
Receivables	5	9,075	9,744
Investments	6	-	530
Inventories	7	481	489
Other assets	8	112	1,102
Total current assets		9,668	11,865
Non-current assets			
Property, plant and equipment	9	580,736	451,682
Deferred tax asset		2,817	623
Total non-current assets		583,553	452,305
Total assets		593,221	464,170
Current liabilities			
Bank overdraft		197	76
Accounts payable	10	9,344	10,806
Borrowings	11	1,760	5,052
Income tax equivalent payable	4	712	4,113
Provisions	12	12,260	12,274
Other liabilities		1	826
Total current liabilities		24,274	33,147
Non-current liabilities			
Borrowings	11	15,490	10,418
Deferred tax liability		22,592	18,327
Provisions	12	7,604	6,921
Total non-current liabilities		45,686	35,666
Total liabilities		69,960	68,813
Net assets		523,261	395,357
Equity			
Share capital	13	336,549	336,549
Reserves	14	155,707	37,639
Accumulated profits		31,005	21,169
Total equity	15	523,261	395,357

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
Cash flows from operating activities			
Receipts from customers		89,551	87,434
Interest received		44	45
Payments to suppliers and employees		(38,544)	(32,749)
Interest paid		(1,203)	(1,124)
Income tax equivalents paid		(10,293)	(8,295)
Net cash provided by operating activities	23	39,555	45,311
Cash flows from investing activities			
Proceeds from sale of property and plant		221	197
Proceeds from transfer of System Controller functions		-	2,046
Payments for fixed assets and capital work in progress		(32,359)	(32,073)
Net cash used in investing activities		(32,138)	(29,830)
Cash flows from financing activities			
(Repayment)/proceeds - overnight borrowings		1,760	(9,400)
(Payment)/proceeds - overnight investment		530	(530)
Net (repayment)/proceeds - fixed term borrowings		263	5,689
Dividends paid		(10,091)	(11,199)
Net cash provided by financing activities		(7,538)	(15,440)
Net increase /(decrease) in cash held		(121)	41
Cash at the beginning of financial year		(76)	(117)
Cash at the end of financial year	23	(197)	(76)

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of these financial statements are listed below.

(a) Basis of preparation

The financial statements are a general purpose financial report and have been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, *Corporations Act 2001* and Treasurer's Instructions issued by the Department of Treasury and Finance.

The financial statements have been prepared on an accrual basis under the historical cost convention, with the exception of property, plant and equipment and corresponding depreciation as described in notes 1(i), 1(o), 2 and 9.

All values expressed in the notes are to the nearest thousand dollars unless otherwise stated.

(b) Accounting estimate revisions

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(c) Accounts payable

Liabilities are recognised, including accruals for accounts not yet billed, when goods are received or services are provided (note 10). Accounts are usually settled within normal trading terms. The carrying amount of accounts payable approximates net fair value.

(d) Accounts receivable

Accounts receivable are generally settled within prescribed periods. To ensure the carrying amount of accounts receivable approximates their fair value, a provision for doubtful debts is, if required, raised at year-end after assessing the collectability of outstanding debts (note 5). Bad debts are written off in the year they are identified.

(e) Acquisition of assets

All assets acquired, including property, plant and equipment, are initially recorded at their costs of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

(f) Borrowing costs

Borrowing costs are recognised on an effective yield basis and include interest and amortisation of discounts or premiums relating to borrowings.

Borrowing costs are expensed as they are incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use. As funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate (note 3).

(g) Borrowings

Loans are carried on the statement of financial position at an amount equal to the original proceeds received adjusted for any discount/premiums written off/back (note 11).

(h) Cash assets and bank overdrafts

Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate net fair value.

(i) Depreciation

Depreciation on property, plant and equipment is based on the straight-line method and expensed over their useful lives (notes 1(o) and 9).

The useful lives presently assigned to Transend's major assets are listed below.

	2002	2001
Transmission lines	60 yrs	60 yrs
Substation switchbays	50 yrs	45 yrs
Substation establishment	60 yrs	60 yrs
Capacitors	45 yrs	50 yrs
Transformers	45 yrs	45 yrs
Control & protection schemes	15 yrs	45 yrs

(j) Employee entitlements

The provisions for employee entitlements represent the amount that Transend has a current obligation to pay resulting from employees' services provided up to the balance date. Transend adopts the liability calculation methodology recommended under Australian Accounting Standard AASB 1028 *Accounting for Employee Entitlements* (note 12).

Contributions to these provisions are included in the cost of labour and charged directly to capital jobs or cost centres, and correspondingly, the provisions absorb the cost when employees utilise their entitlements. An annual adjustment is made to the provisions in order to represent the fair value of the provision at year-end.

NOTE 1
(CONTINUED)

Annual leave and annual leave loading

The provisions for annual leave and annual leave loading have been calculated using undiscounted amounts based upon salaries at balance date, including appropriate labour oncosts.

Long service leave

The provision for long service leave represents the present value of Transend's obligations at balance date, including appropriate labour oncosts. Liabilities for employee entitlements are, where appropriate, discounted using rates attached to Commonwealth bonds at balance date which closely match the terms of the related liabilities. Future salary increases and staff departure rates have also been taken into account.

Sick leave

No provision for sick leave is allowed for in the accounts as sick leave is non-vesting and employee entitlement only exists when an employee becomes sick.

Workers compensation

Transend is insured by an external organisation for liabilities arising from workers compensation claims.

Superannuation

The superannuation liability associated with the Retirement Benefits Fund (RBF) Contributory Scheme is fully provided for as a provision in the accounts of Transend. Employee contributions to the scheme are transferred to independent RBF administrators, while employer contributions are retained internally in a provision. Transend's share of its emerging superannuation obligations is met from this provision.

(k) Foreign currency

Transactions

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions.

Hedging

Transend uses forward foreign currency contracts to hedge currency exposures above a limit of \$0.050m relating to the purchase of equipment. Gains and losses arising from these contracts are deferred and included in the purchase cost of the goods or services acquired.

Forward foreign currency contracts are not entered into for speculative purposes.

(l) Goods and services tax

Revenue, expenses and property, plant and equipment 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 liability in the statement of financial position.

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

(m) Income tax

Transend is required to make income tax equivalent payments to the State Government as if it were a company under Commonwealth income tax laws. From 1 July 2001, Transend was required to be part of the National Taxation Equivalent Regime (NTER), which replaces the existing state Taxation Equivalent Regime (TER).

Transend adopts the liability method of tax effect accounting (note 4).

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income and expenditure. The tax effect of timing differences, resulting from items being accounted for in different periods for tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless the realisation of the asset is assured beyond reasonable doubt.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value, with a provision being maintained for loss on disposal of surplus stores (note 7). Inventories are not held for resale and are used in the maintenance and construction of the transmission system.

(o) Property, plant and equipment

Network assets

The network assets have been valued based upon the depreciated optimised replacement cost (DORC) methodology. This methodology, as applied in other Australian states, is the methodology adopted by the Tasmanian Energy Regulator in his 1999 determination on electricity supply industry pricing policies.

The gross replacement cost of modern equivalent assets is determined for each class of asset and consequentially optimised for over-design, over-capacity and redundant assets. The DORC value is derived from the gross optimised replacement cost after allowing for depreciation, which is calculated using the remaining useful life and the assigned useful life of each class of asset.

Management has valued the network assets as at 1 July 2001 based upon work undertaken by Sinclair Knight Merz Pty Ltd (SKM). SKM is a firm of consulting engineers engaged by Transend to assist with the preparation of an asset valuation for regulatory purposes. The valuation by SKM is in respect of assets in use at 30 June 2001 and excludes work in progress.

This valuation has been inflated to 30 June 2002 values by applying a 2.8% escalation factor based upon the Australian Bureau of Statistics Consumer Price Index (weighted average of eight capital cities). Allowance is also made for assets completed and transferred to completed works since the last valuation (valued at cost), assets retired from use, and for depreciation of the assets.

The carrying amount of Transend's assets is reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of Transend's assets exceeds the recoverable amount, the assets are written down to the lower amount. Management's valuation, based upon the DORC methodology, which is adopted by the Tasmanian Energy Regulator, is a reasonable approximation of recoverable amount and therefore no write down is considered necessary.

The cost of network assets includes the cost of contracted services, materials, direct labour costs and an appropriate portion of overhead costs. Costs incurred on an asset subsequent to the initial acquisition are capitalised when the original capacity of an asset has been enhanced, or the life of an asset has been extended.

Land and buildings

Land and buildings are valued at market value where known. Otherwise the Valuer-General's most recent valuation is used as the basis of determining values for those assets.

Other assets

Other assets include motor vehicles, application systems, computer equipment, office furniture and equipment. These assets are valued at their written-down historic cost value because of their lower value, shorter lives and higher turnover.

Capital work-in-progress

Capital work-in-progress is valued at cost.

Disposal of assets

The gain or loss on the disposal of assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the operating result in the year of disposal.

Revaluations on non-current assets

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

Leased assets

Payments made for operating leases are charged against profit over the period of the lease.

(p) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST payable to the ATO.

Regulated revenue

Transmission use of system (TUOS) revenue is earned by the transportation of electricity through the transmission system owned and operated by Transend (note 2). System Controller revenue is earned by ensuring a secure and reliable electricity system (note 2). Revenue is recognised when the service is provided.

Interest

Interest revenue is recognised as it accrues.

Asset sales

The gross proceeds of asset sales are included as revenue; the profit or loss on sale is recognised when an unconditional contract of sale is signed.

Customer contributions

Transend's policy is to treat funds from customers as contributions towards capital projects as revenue. Where capital works are incomplete, the portion of customer contributions received in advance for the incomplete works is included as a liability in the balance sheet.

(q) Segment reporting

Transend owns and operates the transmission system and, as from 1 July 2000, acquired the functions of the System Controller which is integral to ensuring a secure and reliable electricity system. Revenue earned and costs incurred are associated with the performance of that function, and the reporting of information by segment is not required for the 2001–02 financial year.

2. STATEMENT OF FINANCIAL PERFORMANCE DETAILS

	2002 \$'000	2001 \$'000
Operating revenue		
Transmission use of system (TUOS)	70,702	68,185
System Controller	9,145	8,329
Interest received	113	50
Proceeds from the sale of assets	201	179
Income from external work	408	926
Rental and lease income	85	89
Other	373	181
Total operating revenue	81,027	77,939
Operating expenses		
Operating and maintenance costs - TNSP*	18,643	18,199
Operating and maintenance costs - SC**	8,499	8,244
Tasmanian Wholesale Electricity Market - TNSP*	667	-
Tasmanian Wholesale Electricity Market - SC**	575	-
Lease payments	395	351
Write off of decommissioned assets (note 9)	143	9,173
Borrowing costs (note 3)	1,153	1,006
Insurance	461	303
Cost of external work	540	802
Depreciation	21,314	17,454
Total operating expenses	52,390	55,532
Operating profit (loss) before tax	28,637	22,407
Taxation equivalent expense (note 4)	(8,963)	(12,341)
Profit (loss) after tax	19,674	10,066

* Transmission network service provider

** System Controller

3. BORROWING COSTS

Borrowing costs incurred during financial year	1,624	1,456
Borrowing costs capitalised during the financial year	(471)	(450)
	1,153	1,006
Weighted average capitalisation rate on funds borrowed	6.42%	7.19%

4. STATEMENT OF TAXATION EQUIVALENT

	2002 \$'000	2001 \$'000
The prima facie tax equivalent on operating profit differs from the income tax equivalent provided in the accounts and is calculated as follows:		
Prima facie tax equivalent expense on operating profit (30% of \$28.637m) (2001 at 34%)	8,591	7,618
Adjustment to tax expense for permanent differences:		
Depreciation	2,656	2,267
Loss on decommissioning of assets	-	2,851
Other permanent differences	(25)	64
Taxation equivalent expense	11,222	12,800
Under/(over) provision of income tax equivalent from prior year	(109)	5
Adjustment relating to the change in tax rate:		
Decrease in provision for deferred income tax equivalent	-	(466)
Decrease in future income tax benefit	-	2
Taxation equivalent expense	11,113	12,341
Income tax equivalent expense comprises:		
Income tax equivalent payable	7,001	8,855
Increase in provision for deferred income tax	4,265	3,495
Increase in future income tax benefit	(44)	(14)
Under/(over) provision of income tax equivalent from prior year	(109)	5
	11,113	12,341
Provision for income tax payable comprises:		
Income tax equivalent payable	7,001	8,855
Tax instalments 1, 2 and 3 paid during the financial year	(6,289)	(4,742)
Provision for income tax equivalent payable	712	4,113

4. STATEMENT OF TAXATION EQUIVALENT (CONTINUED)

Individually significant tax adjustment

As from 1 July 2001, Transend entered into the National Taxation Equivalent Regime (NTER). As a result of this change, Transend is now able to claim an income tax deduction for amounts previously accrued as a liability for superannuation entitlements. This deduction will be available at the time that the relevant entitlement is paid.

The future income tax benefit arising from this change has been brought to account in the financial statements as at 1 July 2001.

The total additional deductions now expected as a result of this change in both the current and future periods is \$7.167m, giving rise to a future income tax benefit (at 30%) of \$2.150m.

5. ACCOUNTS RECEIVABLE

	2002 \$'000	2001 \$'000
Current accounts receivable	9,075	9,744
Provision for doubtful debts	-	-
	9,075	9,744
Bad debts identified or written off during the financial year.	-	-

6. INVESTMENTS

	2002 \$'000	2001 \$'000
Cash management facility	-	530

All money market investments transacted during the financial year were executed with the Tasmanian Public Finance Corporation.

7. INVENTORIES

	2002 \$'000	2001 \$'000
Consumables		
Stores (valued at cost)	158	158
Provision for loss on stores	(2)	-
	156	158

Transend reviewed the nature and quantity of consumables held at 30 June 2002 in order to determine its fair value, and as a result, a provision for loss on stores was raised.

	2002 \$'000	2001 \$'000
Reclaimed steel		
Reclaimed steel	425	427
Provision for loss on reclaimed steel	(100)	(96)
	325	331

Transend assessed the value of the reclaimed steel held at 30 June 2002 to determine its fair value, and as a result, the provision for loss on the reclaimed steel was increased.

8. OTHER ASSETS

	2002 \$'000	2001 \$'000
Other current assets		
Prepayments	110	1,064
Miscellaneous	2	38
	112	1,102

9. PROPERTY, PLANT AND EQUIPMENT

Asset values as at 30 June are as follows:

	2002 \$'000	2001 \$'000
Network assets		
Transmission lines and cables - at directors' valuation	562,957	451,007
Transmission lines and cables - at cost	4,834	4,490
Optimised replacement cost	567,791	455,497
Accumulated depreciation	(279,366)	(239,603)
Depreciated optimised replacement cost	288,425	215,894
Transmission substations - at directors' valuation	528,596	446,868
Transmission substations - at cost	26,886	21,852
Optimised replacement cost	555,482	468,720
Accumulated depreciation	(289,823)	(256,938)
Depreciated optimised replacement cost	265,659	211,782
Land and buildings		
Land substation - at directors' valuation	2,975	-
Land and buildings - at market value	2,192	2,064
Accumulated depreciation	(46)	(30)
Depreciated value	5,121	2,034
Other assets		
Other assets - at cost	6,154	5,789
Accumulated depreciation	(3,182)	(2,817)
Depreciated value	2,972	2,972

Reconciliation of the movement in property, plant and equipment during the financial year:

	\$'000	\$'000	\$'000	\$'000	\$'000
	Transmission lines	Transmission substations	Land and buildings	Other assets	Total
Asset valuation at 30 June 2001	215,894	211,782	2,020	2,986	432,682
Additions during the year	4,834	26,886	59	1,105	32,884
Increase in asset revaluation reserve (note 14)	75,951	42,029	88		118,068
Decommissioned assets	-	-	-	(143)	(143)
Transfer of assets between classes	-	(2,975)	2,975	-	-
Depreciation (notes 1(i) and 2)	(8,254)	(12,063)	(21)	(976)	(21,314)
Property, plant and equipment at 30 June 2002	288,425	265,659	5,121	2,972	562,177
Capital work in progress at 30 June 2002	3,682	14,594	178	105	18,559
Total property, plant and equipment 30 June 2002	292,107	280,253	5,299	3,077	580,736

10. ACCOUNTS PAYABLE

	2002 \$'000	2001 \$'000
Current accounts payable		
Trade creditors	8,482	10,301
Accrued expenses	125	76
Accrued interest	339	275
GST payable	398	154
	9,344	10,806

All trade creditors and accrued expenses are unsecured.

11. BORROWINGS

Throughout the 2001–02 financial year, all borrowings were executed with the Tasmanian Public Finance Corporation (Tascorp), in accordance with Transend's Treasury Policy Statement. Transend did not enter into any derivative instruments or debt restructuring activities during the 2001–02 financial year.

Transend borrowings comprised the following:

	2002 \$'000	2001 \$'000
Overnight borrowings	1,760	-
Term borrowings with less than one year maturity	-	5,052
Total current borrowings	1,760	5,052
Non-current borrowings	15,490	10,418
Total borrowings	17,250	15,470
For information purposes only, borrowings have been revalued at 30 June using market yield to maturity.	17,236	15,574

12. PROVISIONS

	2002 \$'000	2001 \$'000
Current provisions		
Employee entitlements:		
Annual leave	530	472
Long service leave	101	142
Superannuation	1,792	1,569
	2,423	2,183
Other current provisions:		
Provision for dividend	9,837	10,091
Total current provisions	12,260	12,274
Non-current provisions		
Employee entitlements:		
Annual leave	408	355
Long service leave	1,080	968
Superannuation	6,116	5,598
Total non-current provisions	7,604	6,921

Provision for dividend

The board recommended a dividend of \$9.837m.

RBF defined benefits scheme

Each year, the State Actuary conducts a valuation of the past service and accrued liabilities within the Retirement Benefits Fund defined benefit scheme at the reporting date. Any shortfall between the value of these benefits and the market value of the Retirement Benefits Fund assets relevant for those members determines the value of any unfunded superannuation liability, and is shown as a liability in the balance sheet.

The funding status of Transend for the defined benefit scheme as at 30 June based upon actuarial valuations is summarised as follows:

Vested benefits	13,729	12,552
Accrued benefits	11,539	10,413
Net market value of RBF assets	(3,631)	(3,246)
Superannuation liability applicable to Transend	7,908	7,167
Provision for superannuation at 30 June	7,908	7,167
Deficit	-	-

12. PROVISIONS (CONTINUED)

The assumptions that were used to determine these amounts are set out in a report prepared by PricewaterhouseCoopers, dated 15 July 2002. The main economic assumptions were:

	2002 %p.a.	2001 %p.a.
Discount rate (pensioners)	7.00	7.00
Discount rate (others)	7.00	7.00
Interest rate	7.00	7.00
Salary increase rate	4.00	4.00
Average weekly ordinary time earnings increases	3.50	3.00
CPI increases	2.50	2.50

Superannuation certificate

I, Richard Bevan, Chief Executive Officer, Transend Networks Pty Ltd, hereby certify that Transend has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of those employees who are members of the following complying superannuation schemes to which Transend contributes.

- Asgard Superannuation Account
- Australian Portfolio Managers
- BT Lifetime Super - Personal Plan
- CONNECT Superannuation Fund
- MLC Limited
- Optimix
- Perpetual's Investor Choice Retirement Fund
- Quadrant Superannuation
- RBF Investment Account
- Sunsuper
- Tasplan Superannuation Fund



R Bevan
Chief Executive Officer
Transend Networks Pty Ltd

13. SHARE CAPITAL

	2002 \$'000	2001 \$'000
Issued and paid-up capital		
Four ordinary shares, fully paid	336,549	336,549

No shares were issued during the 2001–02 financial year.

14. RESERVES

	2002 \$'000	2001 \$'000
Asset revaluation reserve		
Balance at 1 July	37,639	16,164
Net revaluation increment in the year	118,068	21,475
Balance at 30 June	155,707	37,639

15. EQUITY

	2002 \$'000	2001 \$'000
Total equity at beginning of year	395,357	373,907
Net profit (loss)	19,674	10,066
Increase in asset revaluation reserve	118,068	21,475
Total changes in equity from non-owner related transactions	137,742	31,541
Dividend (note 12)	(9,837)	(10,091)
Total equity at end of year	523,261	395,357

16. FINANCIAL INSTRUMENTS DISCLOSURES

At 30 June 2002, Transend's debt portfolio had increased by \$1.780m to \$17.250m, which was represented by borrowings with Tascorp. In accordance with Transend's Treasury Policy Statement, all borrowings and investments during 2001–02 were executed with Tascorp. During 2001–02, Transend did not enter into any derivative instruments such as interest rate swaps, futures contracts, options and forward rate agreements.

In coming years, financial instruments may be used by Transend to manage its interest rate risk exposures in a manner that is consistent with the long-term cashflow stability and the interest rate management strategy of the company. The administration of all financial instruments will be strictly controlled in accordance with the requirements of Transend's Treasury Policy Statement and debt management strategy.

16. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Interest rate exposures

Transend's exposure to interest rates on financial instruments at 30 June was as follows:

		2002						
		Weighted average effective interest rate 30 June 2002	Floating interest \$'000	Fixed interest rates			Non- interest bearing \$'000	Total \$'000
				1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000		
NOTE								
Financial assets								
	Current receivables	5	n/a				9,075	9,075
	Investments	6	n/a					
	Other current assets	8	n/a				2	2
	Total financial assets		0	0	0	0	9,077	9,077
Financial liabilities								
	Bank overdraft	23	3.5%				197	197
	Accounts payable	10	n/a				9,344	9,344
	Borrowings	11	6.0%	1,760	4,945	5,385	5,160	17,250
	Dividend payable	12	n/a				9,837	9,837
	Total financial liabilities			1,760	4,945	5,385	5,160	19,378
	Net financial assets/ (liabilities)			(1,760)	(4,945)	(5,385)	(5,160)	(10,301)
								(27,551)
		2001						
		Weighted average effective interest rate 30 June 2001	Floating interest \$'000	Fixed interest rates			Non- interest bearing \$'000	Total \$'000
				1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000		
NOTE								
Financial assets								
	Current receivables	5	n/a				9,744	9,744
	Investments	6	5.1%	530				530
	Other current assets	8	n/a				38	38
	Total financial assets		530	0	0	0	9,782	10,312
Financial liabilities								
	Bank overdraft	23	3.8%				76	76
	Accounts payable	10	n/a				10,806	10,806
	Borrowings	11	6.4%	5,052	4,883	5,535		15,470
	Dividend payable	12	n/a				10,091	10,091
	Total financial liabilities		0	5,052	4,883	5,535	20,973	36,443
	Net financial assets/ (liabilities)		530	(5,052)	(4,883)	(5,535)	(11,191)	(26,131)

16. FINANCIAL INSTRUMENTS DISCLOSURES (CONTINUED)

Liquidity risk

Liquidity risk arises from the possibility that Transend is unable to settle a transaction on the due date. Liquidity risk can also arise when a financial instrument requires exiting, but there is no market to trade the instrument. To counter this risk Transend will execute all financial instrument transactions with Tascorp.

Credit risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. Transend minimises counterparty risk by executing all transactions, other than transactions relating to routine banking functions, with Tascorp.

17. FOREIGN EXCHANGE

Forward foreign exchange contracts

Transend enters into forward foreign exchange contracts to buy and sell specified amounts of various foreign currencies in the future at pre-determined rates. The contracts are entered into to hedge goods or service commitments denominated in foreign currencies.

It is Transend's policy to enter forward foreign exchange contracts to hedge all foreign currency exposures greater than \$0.050m as soon as they are recognised. These hedges are maintained until the exposures expire.

Foreign currency exposures at 30 June

At 30 June 2002, Transend had no exposure to foreign currency exchange rates that required a hedge to be in place.

In accordance with Transend's foreign exchange policy, an exposure for USD 0.006m remained unhedged.

At 30 June 2001, Transend had a hedge in place to cover a foreign currency exposure for a period of less than three months of GBP 0.071m at an exchange rate of GBP 0.3410, which was equivalent to AUD 0.210m. An exposure for USD 0.011m remained unhedged.

Hedging (gains) / losses from hedging foreign currency exposures were:

	2002 \$'000	2001 \$'000
(Gains)	-	-
Losses	30	3

18. COMMITMENTS FOR EXPENDITURE

Capital expenditure commitments

The following items relate to Transend's contractual commitments as at 30 June.

	2002 \$'000	2001 \$'000
Not later than one year	12,084	8,005
Over one year and up to five years	-	8,503
	12,084	16,508

Operating expenditure commitments

Operating leases:		
Not later than one year	225	267
Over one year and up to five years	178	246
	403	513

Operating lease commitments relate to the lease of premises and office furniture and equipment. Contingent rental costs are mostly as a result of periodic escalation of leases by the Consumer Price Index. Since total contingent rentals are immaterial and cannot be reliably determined, they have been excluded from the calculations of lease commitments.

Other:		
Not later than one year	2,434	4,047
Over one year and up to five years	825	704
	3,259	4,751

19. CONTINGENT LIABILITIES

	2002 \$'000	2001 \$'000
Claims relating to insurance and other contractual matters outstanding at the date of publication of the accounts.	-	3

Transend is currently in negotiations with one of its contractors, in relation to variations on the contract. Depending upon the outcome of the negotiations Transend may be liable for additional costs, however at the time of publication of the accounts the costs were not quantifiable.

In addition to the above, in 2001 Supreme Court proceedings were brought against Transend and the Chief Executive Officer by a former employee who has sought damages following the termination of employment. The claims are being defended.

20. AUDITOR'S REMUNERATION

	2002 \$'000	2001 \$'000
The fee for auditing the financial statements to the annual report and regulatory financial statements required by the Office of the Tasmanian Energy Regulator, and payable to the Auditor-General by Transend, was:	47	47

The Auditor-General performed no other work for, or on behalf of, Transend.

21. DIRECTORS' REMUNERATION

The number of directors whose income from the company fell within the following bands was as follows:

	2002	2001
\$ 10,000 - \$ 19,999	-	1
\$ 20,000 - \$ 29,999	4	2
\$ 50,000 - \$ 59,999	1	1
\$210,000 - \$219,999	-	1
\$390,000 - \$399,999	1*	-

* A three-year agreement with this director, executed in 1998 when the company was established, included conditions relating to incentive entitlements. The incentives were designed to encourage this director to stay with the company during its establishment period and to achieve various corporate objectives. The director fulfilled the conditions of the agreement, and the board has since authorised payment of the incentive entitlements.

	\$'000	\$'000
Total income paid or payable to all directors:	562	335
Retirement benefits		
Superannuation benefits paid to directors:	13	33

Indemnity insurance

During the financial year, the company paid for directors' and officers' liability insurance, to the extent permitted under the *Corporations Act 2001*. In accordance with common commercial practice, the terms of the insurance policy prohibit disclosure of the nature of the liability insured against and the amount of the premium.

The names of all directors of the company are disclosed elsewhere in the report.

22. RELATED PARTY INFORMATION

	2002 \$'000	2001 \$'000
Directors and director related entities		
Mr John Lord has an interest as a partner in the business advisory firm KPMG. The total fees Transend paid to KPMG during the financial year were:	344	194

The payments related to the provision of professional advice and services relating to internal audit, taxation and commercial issues. KPMG successfully tendered to provide the audit and taxation services to Transend. Mr Lord did not participate in either the tendering process or the selection process and is not involved in the provision of professional advice and services to Transend.

Mr John Bennett had an interest as a partner in the legal firm Dobson Mitchell & Allport. The total fees Transend paid to Dobson Mitchell & Allport during the financial year were:	67	50
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The payments related to the provision of professional legal advice and services. Dobson Mitchell & Allport were selected as Transend's principal legal advisor prior to the appointment of John Bennett as a director. Mr Bennett did not participate in either the tendering process or the selection process and is not involved in the provision of professional advice and services to Transend.

All transactions with director related entities were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

Remuneration received or receivable by directors of Transend is disclosed in note 21.

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash reconciliation

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and 11am cash net of outstanding bank overdrafts. Cash at the end of the reporting period, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	2002 \$'000	2001 \$'000
Bank overdraft	(197)	(76)

(b) Loan facilities

Details of the limit and usage of all facilities are as follows:

	2002 \$'000	2001 \$'000
Bank overdraft facility		
Facility limit	1,000	1,000
Used	-	-
Balance	1,000	1,000
Payroll deduction authority		
Facility limit	-	200
Used	-	-
Balance	-	200
Corporate mastercard		
Facility limit	600	500
Used	(98)	(62)
Balance	502	438

(c) Reconciliation of net cash provided by operating activities to operating profit after income tax

	2002 \$'000	2001 \$'000
Operating profit after income tax equivalent	19,674	10,066
Depreciation	21,314	17,454
Proceeds on sale of fixed assets	(221)	(197)
Write off of decommissioned assets	143	9,173
Borrowing costs capitalised	(471)	(450)
Decrease in stores and consumables	8	-
Decrease in trade receivables	668	(552)
Increase in accrued interest payable	64	13
Decrease in deferred taxes	(1,331)	3,833
Decrease in trade creditors and accrued expenses	(187)	1,922
Increase in employee entitlement provisions	924	5,398
Changes in other assets/liabilities	(1,030)	(1,349)
Net cash provided by operating activities	39,555	45,311

24. EVENTS SUBSEQUENT TO BALANCE DATE

No events have occurred subsequent to balance date which would require adjustment to or disclosure in the financial report.



DIRECTORS' DECLARATION

The directors of Transend Networks Pty Ltd declare that the accompanying financial statements and notes thereto:

- comply with applicable accounting standards
- give a true and fair view of the financial position and performance of the company
- are in accordance with the *Corporations Act 2001*.

In the directors' opinion, as at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration was made in accordance with a resolution of the directors, pursuant to section 295(5) of the *Corporations Act 2001*. Signed for and on behalf of the board:

John Lord
Chairman

Richard Bevan
Chief Executive Officer

26 September 2002



Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To the members of Transend Networks Pty Limited

Scope

I have audited the financial report of Transend Networks Pty Limited for the financial year ended 30 June 2002, consisting of the Statement of Financial Performance, Statement of Financial Position, Cash Flow Statement, accompanying notes and the Directors' Declaration. The Company's Directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the *Corporations Act 2001* so as to present a view that is consistent with my understanding of the financial position of the Company, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Transend Networks Pty Limited is in accordance with:

- (a) The *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) Other mandatory professional reporting requirements in Australia.

TASMANIAN AUDIT OFFICE

D W R Baulch
Deputy Auditor-General
For the AUDITOR-GENERAL

15 October 2002
HOBART

DIRECTORS' STATUTORY REPORT

Review of operations and results

A review of Transend's operations and its results for the financial year to 30 June 2002 is set out on pages 4 to 17.

Significant changes

No significant changes in the company's state of affairs occurred during the year.

Principal activities

Transend's principal activities include the operation of Tasmania's electricity transmission system and being System Controller for the Tasmanian power system.

Events after 30 June 2002

No matters or circumstances have arisen since the end of 2001-02 that have significantly affected the company's operations, results of operations or the company's state of affairs in future financial years.

Likely developments

Transend is preparing for Tasmania's entry into the national electricity market and for the connection of Basslink to its network at George Town. When these events occur, the System Controller function will pass to National Electricity Market Management Company.

At present the Tasmanian Energy Regulator has set the company's regulated transmission use of system until the end of December 2003. From 1 January 2004 until 30 June 2009 that will be the responsibility of the Australian Consumer and Competition Commission.

Directors

Information on each of the directors and their attendance at board meetings is on page 36. Information on the remuneration of directors is shown in note 21 on page 31.

Environmental performance

Transend's environmental performance during 2001-02 is reviewed in the *Report on operations*, on page 13. There were no reportable environmental incidents during 2001-02.

Dividends paid to shareholders

Transend paid \$10.1 million as a dividend to its shareholders in 2001-02.

Dividends recommended to shareholders but not paid during the year

The directors have recommended a dividend of \$9.8 million from the profits for 2001-02.

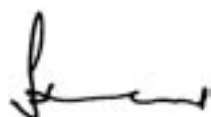
Returns to the Tasmanian Government

Total returns to the Tasmanian Government in the financial year were \$21 million.

Indemnity for directors

Transend pays liability insurance that covers professional indemnity up to \$35 million per claim for the directors.

This statutory report has been made in accordance with a resolution of directors.



John Lord
Chairman



Richard Bevan
Chief Executive Officer

26 September 2002

The board of directors is accountable to shareholders for the performance of the company. The board oversees the business of Transend Networks Pty Ltd and is responsible for the overall corporate governance of the company. The board currently comprises five non-executive directors and the Chief Executive Officer.

To help carry out its responsibilities, the board has established an Audit Committee. The Audit Committee considers any matters relating to the financial affairs of the company and to internal and external audit that it considers necessary. The committee also examines any other matters referred to it by the board.

The Audit Committee comprises two non-executive directors who usually meet four times a year. Also attending the meetings, by invitation, are the Chief Executive Officer, the Manager Finance and Business, the company's internal and external auditors, and the Company Secretary.

The board recently established an Environment and Safety Committee with directors Jan Field and John Bennett as the committee's members. The committee will monitor and report to the board on the management of company's safety and environmental responsibilities.

Board and committee attendances:

12 months to 30 June 2001–02

DIRECTOR	BOARD MEETINGS	ATTENDED	AUDIT COMMITTEE	ATTENDED
John Lord	12	12	–	–
Richard Bevan	12	12	–	–
Ray Brown	12	12	5	5
Susan Hocking	12	12	5	5
John Bennett	12	12	–	–
Jan Field	12	12	–	–

D I R E C T O R S

John Lord (Chairman)

Mr Lord was appointed as a director of Transend in June 1998 and Chairman from 1 July 2000. He is a lawyer and chartered accountant and is a partner in KPMG's Tasmanian regional practice. Mr Lord is the Tasmanian member of the Tasmanian Freight Equalisation Scheme Review Authority, a fellow of the Taxation Institute of Australia and a member of the Australian Institute of Company Directors.

Richard Bevan

(Chief Executive Officer)

Mr Bevan was appointed Chief Executive Officer and a director in June 1998. Prior to this appointment, Mr Bevan had been General Manager of the Hydro-Electric Corporation's Network Division since 1994. His career started with the HEC in power scheme construction. In 1984 he moved to the mining industry, and later spent several years as a consulting engineer with an Adelaide-based firm. Mr Bevan is a fellow of the Institution of Engineers Australia and a graduate member of the Australian Institute of Company Directors. He is a member of the Australian National Committee of CIGRE (Conseil International des Grands Réseaux Electriques, or International Council on Large Electric Systems).



Transend's board of directors (from left): (standing) Richard Bevan, John Lord, John Bennett and Ray Brown; (sitting) Jan Field and Susan Hocking

Ray Brown

Mr Brown was appointed in February 1999. He is a lawyer and partner in the Hobart law firm of Page Seager. Mr Brown is a director of the Tasmanian hardware and building products company Kemp and Denning Limited.

John Bennett

Mr Bennett was appointed on 1 July 2001. He is a lawyer and a former partner in the Hobart law firm of Dobson, Mitchell and Allport. He was a Member of the House of Assembly between 1986 and 1990 and served as Attorney-General and Minister for Lands, Parks and Wildlife during that time. Mr Bennett was chairman of the Tasmanian Totalizator Agency Board from August 1993 until March 2001.

Jan Field

Ms Field was appointed on 1 July 2001. She operates an organisational change consultancy with her husband, Mr Michael Field. She completed a Master of Social Sciences degree in International Relations in 1994. Ms Field has management experience in small business, government and the aid and development sector. She was the State Director of Community Aid Abroad/Oxfam from 1995 to 1998 and worked as a project coordinator for Amnesty International in Tasmania in 1999. In 2000, she represented Australia as a member of the Australian Political Exchange delegation to Japan.

Susan Hocking

Ms Hocking was appointed on 1 July 2001. She is a consulting economist with clients in Australia and overseas. She has held senior research positions with the Victorian Parliament and the Industry Commission. In 1996, Ms Hocking moved to the Queensland Government and held the position of Manager Project Facilitation for Tourism Queensland until 1999. Ms Hocking is a fellow of the Australian Institute of Company Directors.



TRANSEND TEAM

EXECUTIVE MANAGEMENT

Richard Bevan

BTech, FIEAust, CPEng, GAICD
Chief Executive Officer

Doug Clarke*

BE, Grad Dip Man, MIEAust, GAICD
General Manager System Control

Michael Hunnibell

BEng, MBA, MIEAust, CPEng, GAICD
General Manager Network

Michael Green*

MEng Sc, BE (Hons), MIEAust, CPEng
General Manager Connections and
Development

Stephen Clark

BEng (Hons), PEng
Acting General Manager Connections
and Development

Ian Lamb

MA, Dip Admin, FCMA, CPA, GAICD
Manager Finance and Business
(until 14 June 2002)

Leigh Burrill

BCom, CPA
Manager Finance and Business
(from 15 June 2002)

Tim Wilson-Haffenden

Manager Human Resources

Elizabeth de Lacy

Dip Law
Manager Contracts and Legal

Paul Oxley

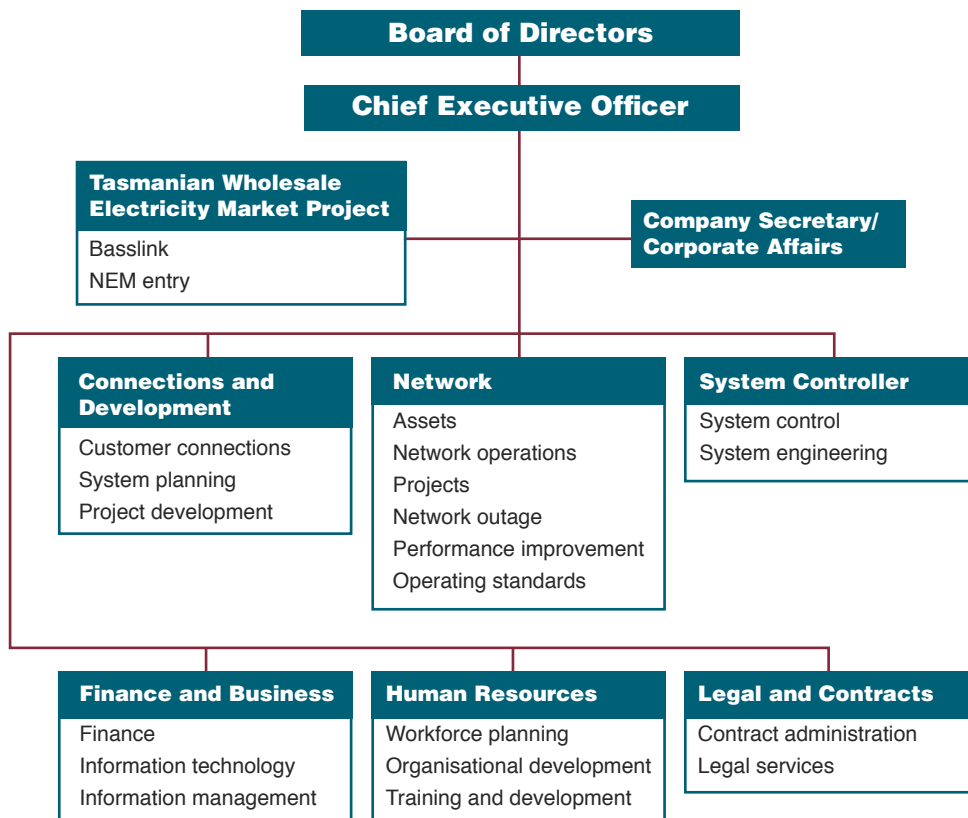
BLitt, MBA, DipCM, MPRIA
Company Secretary/
Manager Corporate Affairs

*Messrs Green and Clarke have been seconded to the TWEM project

STAFF AND DIRECTORS DURING 2001-02

Adam King	Daniel Lavis	John Lord	Peter Smith
Alan Wang	David Barwick	John Peter	Petrina Chua
Alastair Andrews	David Crouch	Judy Horne	Phil Adamson
Alastair Pinkard	David Inglis	Julia Johnson	Phil Tope
Alf Clark	David Pita	Kamal Aryal	Pradip Verma
Allyson Warrington	Dennis Crawford	Kerry Gourlay	Ranmal Liyanage
Alvin Wong	Dinesh Perera	Kevin Fagan	Ray Brown
Amanda Sims	Don Snodgrass	Kevin Murray	Rebecca Hidding
Andrew Jin	Doug Clarke	Kim Walters	Richard Bevan
Andrew Jones	Elizabeth de Lacy	Kirsty Palmer	Richard Howard
Andrie Peyper	Ellis Cox	Leigh Balcombe	Robin Jong
Ankur Maheshwari	Fred Triffitt	Leigh Burrill	Rod Jones
Anne White	Gavin Bowe	Malcolm Swingler	Rod Miller
Ann-Maree Keogh	Gavin Wright	Mark Wright	Sally Watts
Anthony Munnings	Geoff Nichols	Matthew Derbyshire	Samantha Pascoe
Barathy Kumaraparathy	Geoff Watts	Maurice Webb	Sara-Jean Hadley
Bernard Cane	Glenn Freeman	Melanie Rudewych	Satendra Bhola
Bess Ramsay	Gordon Murdock	Michael Ash	Sead Pasalic
Bill Fleming	Graham Shepherd	Michael Green	Shilpa Karri
Bill Morrison	Greg Salmon	Michael Hunnibell	Sonia French
Brent McKillop	Helen Cunningham	Michael Seddon	Sridhar Rao
Bronwyn Watkins	Hugh Watkins	Michael Whitehead	Stephen Clark
Bruce Longmore	Ian Farnill	Mike Mifsud	Stephen Griggs
Bruce Scanlon	Ian Lamb	Mike Talbot	Stephen Jarvis
Cameron Thomas	Irving Taylor	Mike Yaxley	Steve Frimston
Charles Bowles	James Hannon	Nicole Eastoe	Stewart Sayer
Chris Roberts	James Olivier	Nigel Dowd	Sue Drake
Chris Scott	Jan Dittmann	Paul Oxley	Susan Hocking
Chris Simmons	Jan Field	Paula Woodfield	Tim May
Christine Courtney	Janette Delamore	Peter Fitzpatrick	Tim Wilson-Haffenden
Chui Lee	Jenny Houghton	Peter Holton	Tony Neil
Craig Bush	John Bennett	Peter Johnson	Tracy Green
Craig Collins	John Bolton	Peter Palencia	Vanessa Gordon
Cranston Polson	John Lamprecht	Peter Ralph	Wayne Tucker

ORGANISATIONAL CHART



GLOSSARY OF TERMS

ACCC	Australian Competition and Consumer Commission
ATO	Australian Taxation Office
CMPs	Contractor Management Plans
COAG	Council of Australian Governments
DORC	Depreciated optimised replacement cost
GST	Goods and services tax
Hz	Hertz: unit of frequency, equal to one cycle per second
kV	Kilovolts (1 kilovolt is 1000 volts)
MW	Megawatts (1 megawatt is 1 million watts)
NEM	National electricity market
NEMMCO	National Electricity Market Management Company
NTER	National Taxation Equivalent Regime
OPGW	Optical fibre ground wire
RBF	Retirement Benefits Fund
RNPP	Reliability and Network Planning Panel
ROE	Return on owners' equity
SC	System Controller
SKM	Sinclair Knight Merz Pty Ltd
Tascorp	Tasmanian Public Finance Corporation
TEC	Tasmanian Electricity Code
TER	Taxation Equivalent Regime
TNSP	Transmission network service provider
TUOS	Transmission use of service
TWEM	Tasmanian Wholesale Electricity Market



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