



Annual Report

2013



☑ Committed | 💡 Enterprising | 🔄 Collaborative | 🤝 Caring

About this report

TransGrid's 2013 Annual Report outlines the organisation's operational and financial performance against set strategies, objectives and targets during 2012/13.

The aim of this report is to provide accurate and relevant information to all of TransGrid's stakeholders, including:

- Shareholding Ministers and Government
- Regulators
- Customers and end consumers of electricity
- Staff
- Suppliers and contractors
- The communities in which TransGrid operates

In addition to this report, TransGrid has also published an Annual Planning Report to provide advance information to market participants, customers and interested parties on the nature and location of emerging constraints in TransGrid's transmission network. To view this report and other TransGrid publications and reports please visit: www.transgrid.com.au

TransGrid welcomes comments and feedback on the Annual Report via email: web@transgrid.com.au.

This Annual Report and previous reports can also be accessed by visiting www.transgrid.com.au or by calling TransGrid on 02 9284 3000.

Letter to shareholders

31 October 2013

Dear Ministers,

We are pleased to submit the TransGrid Annual Report 2013 to Parliament. The Annual Report includes the Income Statement for the year ending 30 June 2013 and the Balance Sheet as at that date certified by the Auditor-General of New South Wales (NSW).

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

Sincerely,



Chum Darvall
Chairman



Peter McIntyre
Managing Director



TransGrid

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Corporate profile

About TransGrid

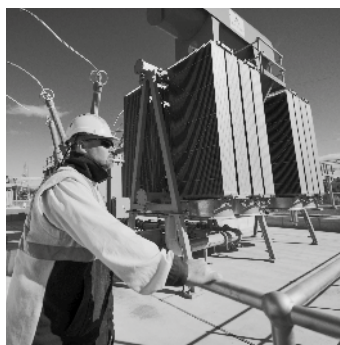
TransGrid owns, operates and manages one of the largest high-voltage transmission networks in Australia, connecting generators, distributors and major end-users in New South Wales (NSW) and the Australian Capital Territory (ACT).

TransGrid has a long history of delivering electricity to the people of NSW. TransGrid has built more than 12,600 kilometres of transmission line with links to Queensland and Victoria, enabling interstate energy trading. TransGrid's aim is to deliver on the service expectations of its customers through high levels of network performance and economic efficiencies.

At the core of TransGrid's business are high performing assets managed by a team of more than 1000 experienced and driven employees who are committed to providing the people of NSW with a safe and reliable power supply across the state.

The safety of employees, contractors and members of the public is TransGrid's number one priority.

TransGrid's head office is located in Sydney's CBD, with various sites around NSW including Eastern Creek, Orange, Wagga Wagga, Yass, Tamworth and Newcastle.

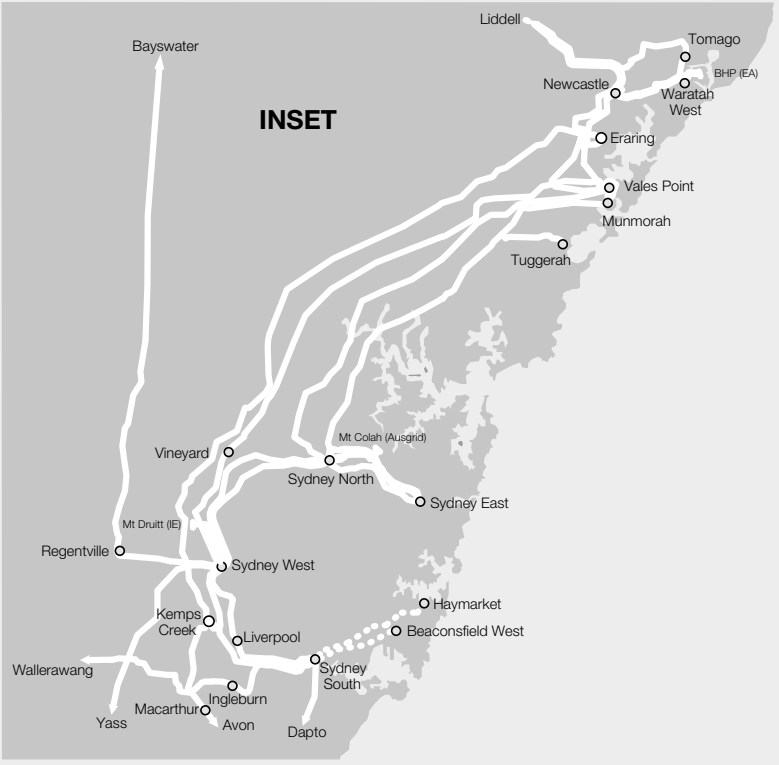
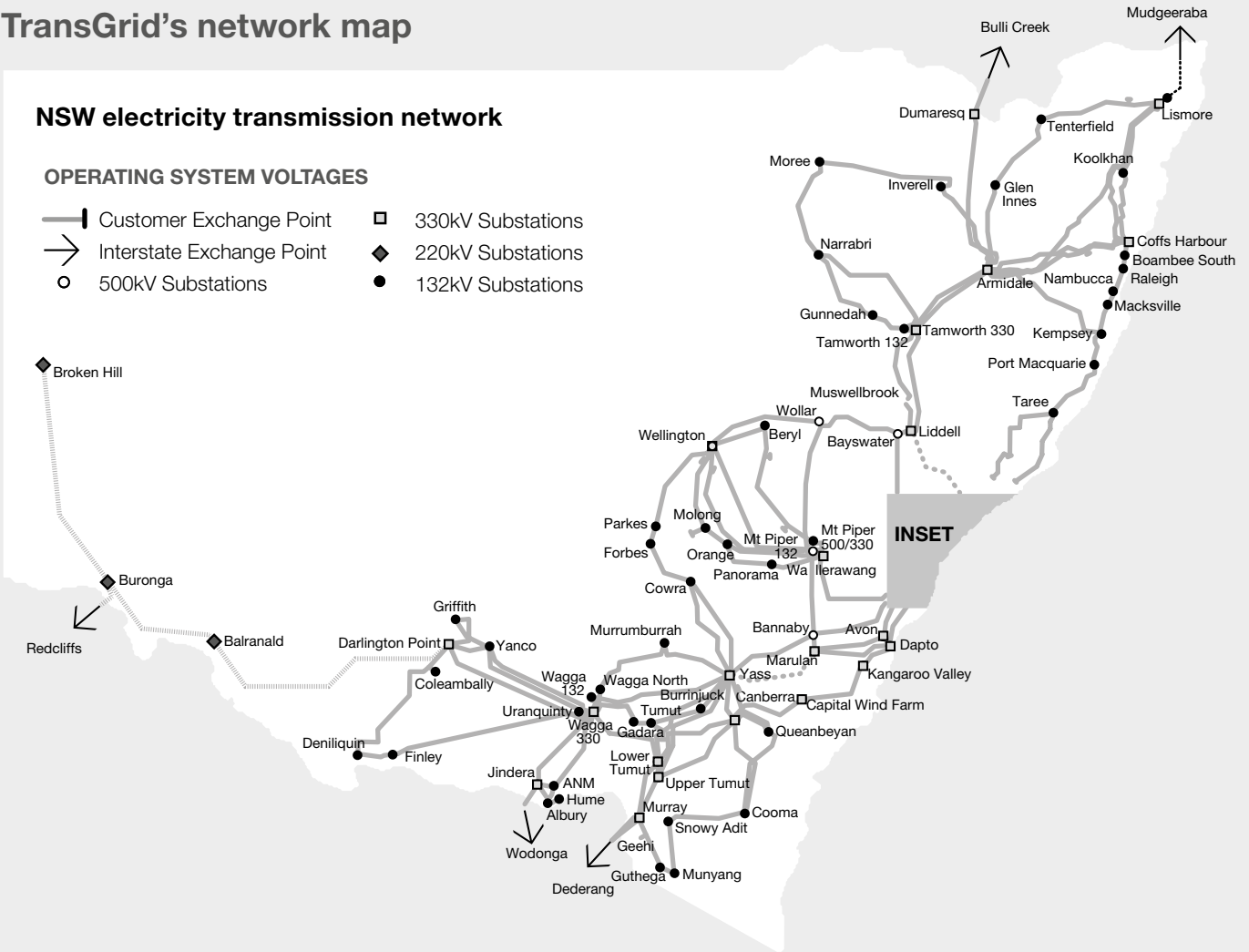


TransGrid's network map

NSW electricity transmission network

OPERATING SYSTEM VOLTAGES

- | Customer Exchange Point
- Interstate Exchange Point
- 500kV Substations
- 330kV Substations
- ◆ 220kV Substations
- 132kV Substations



Where TransGrid fits in the market

TransGrid holds an important position in the National Electricity Market and works closely with its stakeholders to provide the best value electricity transmission service possible. The below diagram demonstrates where TransGrid fits in the electricity delivery process.

Generators

Role: Generators produce electricity and compete to sell it in the National Electricity Market. Generators make electricity at power plants, most using coal, gas, water or wind. All electricity is centrally pooled and scheduled to meet demand. The Australian Energy Market Operator manages both wholesale and retail markets in electricity and gas and also oversees the system operations and security of the national market.

Generators: Eraring Energy, Macquarie Generation, Delta Electricity, Snowy Hydro, Infigen Energy and Origin Energy.

Transmission – TransGrid

Role: Electricity is transported along TransGrid's high voltage transmission lines and underground cables, through their substations and delivered to distributors across NSW and the ACT.

Distribution

Role: Electricity travels through distribution lines and substations where smaller pole-top transformers progressively reduce the voltage for use in homes and businesses.

Distributors: Ausgrid, Endeavour Energy, Essential Energy and ActewAGL.

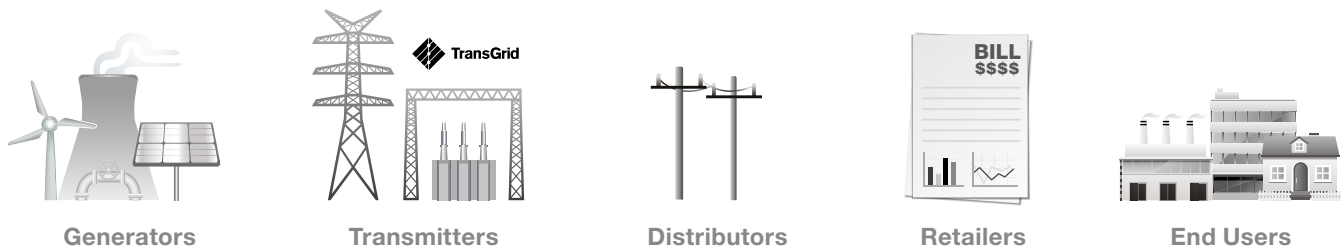
Retailers

Role: Retailers sell electricity and manage customer accounts and billing.

Retailers: Some include Energy Australia, Integral Energy, TRUenergy, Origin Energy, Country Energy and AGL.

End-users

Role: Homes and businesses across NSW and the ACT use the electricity supplied by their local distributor.



TransGrid's commitment

Vision

Excellence in all we do.

Mission

To provide safe, reliable and efficient transmission services to NSW, the ACT and the National Electricity Market.

TransGrid reviews its vision and mission on an annual basis to ensure it remains relevant to the community, market and employees.

TransGrid's business environment continues to change significantly. Along with its core ability to deliver safe and reliable transmission services, it is important the organisation adapts to the environment it operates in. This is why TransGrid actively engages with stakeholders, is extending its customer and consumer focus and is becoming more commercial.

While working to deliver its vision, TransGrid considers its critical role as a transmission network service provider, which is defined by the *National Electricity Rules*. These Rules set out the services to be provided.

What TransGrid values

TransGrid's reputation and performance is influenced by the decisions its people make and the actions they take on behalf of the business each day.

TransGrid's values influence these decisions and actions and guide employees on how to best conduct their work. TransGrid's values are the foundation of its reputation and success.

TransGrid's Code of Ethics and Conduct is built upon the values and is the organisation's commitment to the highest standards of conduct and behaviour. It plays an important role in assisting employees when dealing with any ethical questions they may face at work.

TransGrid's values and associated behaviours are embedded into the performance management system and reward and recognition framework.

Contractors and suppliers are expected to maintain the standards and principles set out in TransGrid's Code of Ethics and Conduct when undertaking work for, or on behalf of, TransGrid.

TransGrid values and behaviours



Committed

Deliver on promises and be accountable for actions.



Collaborative

Work as one to achieve our vision.



Enterprising

Embrace new ideas and not afraid to challenge the norm.



Caring

Treat all people with respect and dignity.

TransGrid's expectations


Over the last 12 months, TransGrid performed to a high standard in pursuit of its mission and against key corporate objectives. Reliability of service remained at excellent levels, profits increased and employee safety performance continues to approach the ultimate goal of zero lost time incidents

Business operations are also monitored by TransGrid's Board. The Board works to ensure the commitment to stakeholders and the community is fulfilled within strict governance frameworks.











TransGrid's Corporate Plan

TransGrid launched its Corporate Plan 2012–2016 on 1 July 2012. The Plan represented TransGrid's vision, mission and strategies and outlined what needed to be achieved during 2012/13.

CORPORATE PLAN



2011
2012
2013
2014
2015
2016

OUR VISION	STRATEGIC THEMES	OBJECTIVES	3 YEAR PERFORMANCE TARGETS				
<p>OUR VISION Excellence in all we do.</p> <p>OUR MISSION To provide safe, reliable and efficient transmission services to NSW, the ACT and the National Electricity Market.</p> <p>OUR VALUES</p> <div style="display: flex; justify-content: space-around; align-items: center;">  Collaborative  Committed  Enterprising  Caring </div> <p>MESSAGE FROM THE MANAGING DIRECTOR</p> <p>TransGrid's objectives are expected to remain relevant for the next few years. However, TransGrid does face an increasingly challenging business environment that is placing increased pressure on meeting these objectives. Electricity network businesses are experiencing increased scrutiny due to, among other things, increasing electricity prices. Uncertainty over future growth in customer demand for electricity requires us to be more responsive and flexible in project planning and delivery.</p> <p>The key to achieving our objectives in this challenging environment is the ability and commitment of our people – the essence of a performance culture. This underpins the delivery of the objectives in the other four themes: service the market, improve and innovate, contribute to our community, and increase business value.</p> <div style="text-align: right; margin-top: 10px;">  <p>Peter McIntyre Managing Director</p> </div>	<div style="background-color: #333; color: white; padding: 5px; margin-bottom: 5px;"> <p>SERVICE THE MARKET</p>  </div> <div style="background-color: #ccc; padding: 5px; margin-bottom: 5px;"> <p>IMPROVE AND INNOVATE</p>  </div> <div style="background-color: #333; color: white; padding: 5px; margin-bottom: 5px;"> <p>CONTRIBUTE TO OUR COMMUNITY</p>  </div> <div style="background-color: #ccc; padding: 5px; margin-bottom: 5px;"> <p>INCREASE BUSINESS VALUE</p>  </div> <div style="background-color: #333; color: white; padding: 5px;"> <p>FOSTER A PERFORMANCE CULTURE</p>  </div>	<p>Customer connection experience enhanced Transmission constraints efficiently managed Information provided to National Electricity Market participants and intending participants enhanced</p> <hr/> <p>Reliability at an efficient price A safe and healthy workplace A responsive and flexible program delivery process An innovative workplace</p> <hr/> <p>Confidence of Government Positive relationships with local communities Public safety ensured Environmentally responsible</p> <hr/> <p>Profitability A successful Revenue Determination A commercially sound regulatory framework Spend as if we own the business</p> <hr/> <p>TransGrid's values are lived by all employees: → Committed – We deliver on our promises and are accountable for our actions → Collaborative – We work as one to achieve our vision → Enterprising – We embrace new ideas and are not afraid to challenge the norm → Caring – We treat all people with respect and dignity</p>	<p>Customer experience performance of at least 75% Connection agreement established with NSW Distribution Network Service Provider</p> <hr/> <p>Maximise return from the Australian Energy Regulator reliability / availability incentive schemes Productivity levels show improvement Greater than 90% of capital projects on time and within budget Employee safety engagement of at least 80% Lost time injury frequency rate for employees and contractors = 0</p> <hr/> <p>No injuries to members of the public Measurable improvement in the sentiment of key stakeholders towards TransGrid No environmental incidents Meet workforce diversity targets</p> <hr/> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Earnings before interest, tax, depreciation and amortisation (EBITDA) = \$689 million</td> <td style="width: 50%; border: none;">Return on assets (ROA) = 5.7%</td> </tr> <tr> <td style="border: none;">Operating profit after tax = \$149 million</td> <td style="border: none;">Return on equity (ROE) = 5.8%</td> </tr> </table> <hr/> <p>Achieve employee engagement score of at least 65%</p>	Earnings before interest, tax, depreciation and amortisation (EBITDA) = \$689 million	Return on assets (ROA) = 5.7%	Operating profit after tax = \$149 million	Return on equity (ROE) = 5.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) = \$689 million	Return on assets (ROA) = 5.7%						
Operating profit after tax = \$149 million	Return on equity (ROE) = 5.8%						

Looking forward

On 1 July 2013, TransGrid launched its Corporate Plan 2013-2018 which sets out the organisation's vision, mission and strategies. It also clearly defines the future direction TransGrid is required to take in order to remain successful.

To ensure continued success, it is essential TransGrid adapts and remains flexible in the changing environment it operates in by:

- Developing a true commercial mindset – where improving profitability is a central consideration in all business decisions.
- Learning how to compete for new customers and develop new profitable income streams related to core competencies.
- Lifting stakeholder engagement beyond mere compliance. This includes identifying and understanding all stakeholders, the relationships between various stakeholder groups and fostering a culture of transparency, responsiveness and openness.
- Developing culture, competence, structures and processes that support these requirements.

TransGrid's Corporate Plan is based on five strategic themes:

- **Service the market** – focuses on increasing the effectiveness of TransGrid as a transmission network service provider in the National Electricity Market.
- **Improve and innovate** – aims to maintain a reliable service at a reasonable cost and includes efficient delivery of a challenging network investment program without compromising strong safety and asset maintenance performance.
- **Contribute to our community** – focuses on developing and maintaining the confidence of Government, achieving positive relationships with local communities impacted by TransGrid's activities, ensuring public safety and behaving in an environmentally responsible way.

- **Increase business value** – creating value for TransGrid's owners over time which includes implementing effective preparation for the next revenue reset process, maintaining an efficient framework for regulating income and services and building a cultural commitment to improving commercial outcomes including further efficiency and cost reduction.
- **Foster a performance culture** – aims to develop the desire and ability of TransGrid's people to work together in support of organisational goals and is recognised as the foundation for achieving the required outcomes in each of the other four focus areas.



TransGrid's Board



Chum Darvall
B.A., F Fin, FAICD
Director and Chairman

Mr Chum Darvall was appointed as Chairman of TransGrid on 16 January 2012. Chum is also non-executive Vice Chairman of Deutsche Bank. Previously, he was Chief Executive Officer of Deutsche Bank Australia and New Zealand from July 2002 to March 2011. Prior to this he worked in a variety of roles across the banking industry including Director Treasury and Head of Global Markets at Deutsche Bank and positions in the financial markets division of Westpac. Chum brings to the Board experience across the banking and finance industry.

Chum's current Board memberships include Wilson HTM, Pinnacle Investment Management, Metrics Credit Partners, the Financial Markets Foundation for Children, Victor Chang Cardiac Research Institute (VCCRI), Macquarie University Council, the Australian Cricketer's Association Player Hardship Fund and Major Performing Arts Panel of the Australian Council.



Peter McIntyre
BSc, BE (Hons), MBA (Technology Management), FIEAust, FAIE, FAICD
Executive Director and Managing Director

Mr Peter McIntyre was appointed as Executive Director of TransGrid from 27 April 2010.

As Managing Director of TransGrid, Peter is responsible for the development, operation and maintenance of the NSW bulk electricity transmission network.

Peter has 30 years experience in the electricity transmission industry, with particular expertise in policy development, asset management and regulatory strategy.

Prior to his appointment as Managing Director, Peter held three Executive positions with TransGrid: General Manager/System Operations, General Manager/Network Performance and Development and General Manager/Network Development and Regulatory Affairs.

Peter holds a degree in science, an honours degree in electrical engineering and an MBA.

Peter is Chairman of Grid Australia and a Director of the Energy Networks Association.



Neville Betts
Director

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

Neville is currently the Assistant Secretary of the Electrical Trades Union of Australia, NSW branch and has been a union official since 1984. He is also a member of the Divisional Council Power Industry Committee, Treasurer and past Deputy Chairman of the ACT Utilities and Light Manufacturer Industry Training Advisory Board (ITAB), a member of the National Training Advisory Group (NTAG) for the Electrical Transmission and Distribution Industry, Board member of ACT Construction Industry Training Council, Board member of the ACT Building and Construction Industry Training Fund Authority and a member of the ACT Labor Council Executive.

Neville is also a committee member and past president of the Hall "Renaissance Homes" Bushrangers Rugby Football Club and former member of the ACT Government Industrial Relations Advisory Committee.

Neville brings an understanding of the electricity industry and associated industrial relations training and union activities to the Board.



Trevor Danos
LLB, BEc, GradDipSc
Director

Mr Trevor Danos was appointed to the TransGrid Board on 6 September 2010. Trevor is a lawyer. During his career spanning more than thirty years, Trevor has specialised in domestic and international corporate finance, as well as major procurements.

Trevor brings to the Board an understanding of industry and government needs, expectations and limitations having acted for a number of prominent domestic and overseas financial institutions as well as a number of Commonwealth and State Government authorities.

Trevor is board member of the Civil Aviation Safety Authority and the Sydney Local Health District, and is a member of the Cooperative Research Centres Committee and the Australian Government Procurement Consultation Committee. Trevor brings to the board his passion for science and engineering as chair of the Dean of Science's Advisory Committee at UNSW.



Suzanne Jones
BTP (Hons), MBA, MPIA, FAICD
Director

Ms Suzanne Jones was appointed to the TransGrid Board on 8 August 2012. Suzanne brings to the board expertise and skills in infrastructure planning, procurement and development and environmental and sustainability issues. Suzanne has held senior public and private sector executive roles involving project delivery, long term planning, public tendering, environmental assessment, conflict resolution, corporate governance and stakeholder management.

Suzanne is currently the Chair of the NSW National Parks and Wildlife Advisory Council, Chair of the NSW Conservation Audit and Compliance Committee and a Director of University of New England Partnerships Pty Ltd. Suzanne has previously been a director of the NSW Public Transport Authority, Parramatta Rail Link Company Pty Ltd (which financed and constructed the Chatswood to Epping underground railway and the Parramatta Transport Interchange), the Illawarra Regional Information Service and Garrigal Housing.

Suzanne has a Bachelor of Town Planning (Honours), a Masters of Business Administration, is a Fellow of the Australian Institute of Company Directors and a Member of the Planning Institute of Australia. Suzanne has undertaken a business leadership course at Harvard and was awarded an international leadership fellowship by the United States government.



Michael Nugent
FCPA, FAICD
Director

Mr Michael Nugent was appointed to the TransGrid Board on 1 August 2008 and currently holds a directorship with Electrometals Technologies Limited, an ASX company, providing mineral extraction equipment and related technology. He also holds a directorship with Murrumbidgee Irrigation Limited, a water infrastructure company servicing farmers in the MIA.

Michael was formerly a non-executive director of Eraring Energy, Rail Access Corporation, Snowy Mountains Engineering Corporation in the energy, infrastructure and engineering sector and a director of LiveCorp, a provider of services to the live animal export sector. Michael was previously the Chief Executive of Goodman Fielder Limited (1990-1994) and the Managing Director of Elders Agribusiness and an executive director of its parent company Fosters Brewing Group Limited (1983-1990). Michael also held a number of general management, marketing and financial positions in the food, transport and vehicle industries respectively with Henry Jones IXL Limited, Provincial Traders Holdings Limited, Brambles, Ansett and British Leyland Motor Corporation over the period of 1965-1982. Prior to this, Michael worked for Peat Marwick now KPMG (1961-1965).

Michael is an experienced company Director and brings a broad range of skills and experience in management, strategy, governance, marketing and finance. Michael also has experience in infrastructure management and the execution of large capital projects across a broad range of industries.

TransGrid's leadership team



Stephen Clark
BEng (Hons), PEng
Executive General Manager/Network
Planning and Performance

Stephen is responsible for making investment decisions associated with the planning and development of TransGrid's transmission network, including its supporting infrastructure and systems, the associated regulatory processes, network performance and monitoring.

Stephen is also responsible for setting TransGrid's approach to asset management and network access.



Michael Gatt
Adv Cert Electrotechnology, Dip Elec
Engineering, BComm (Business)
Executive General Manager/People,
Strategy and Corporate Services

Michael manages how TransGrid interacts with internal and external stakeholders, including the community.

Michael is also responsible for corporate and regulatory strategy, legal, health, safety, environment, procurement, human resources and the cultural change necessary to deliver a more flexible and adaptive workforce.

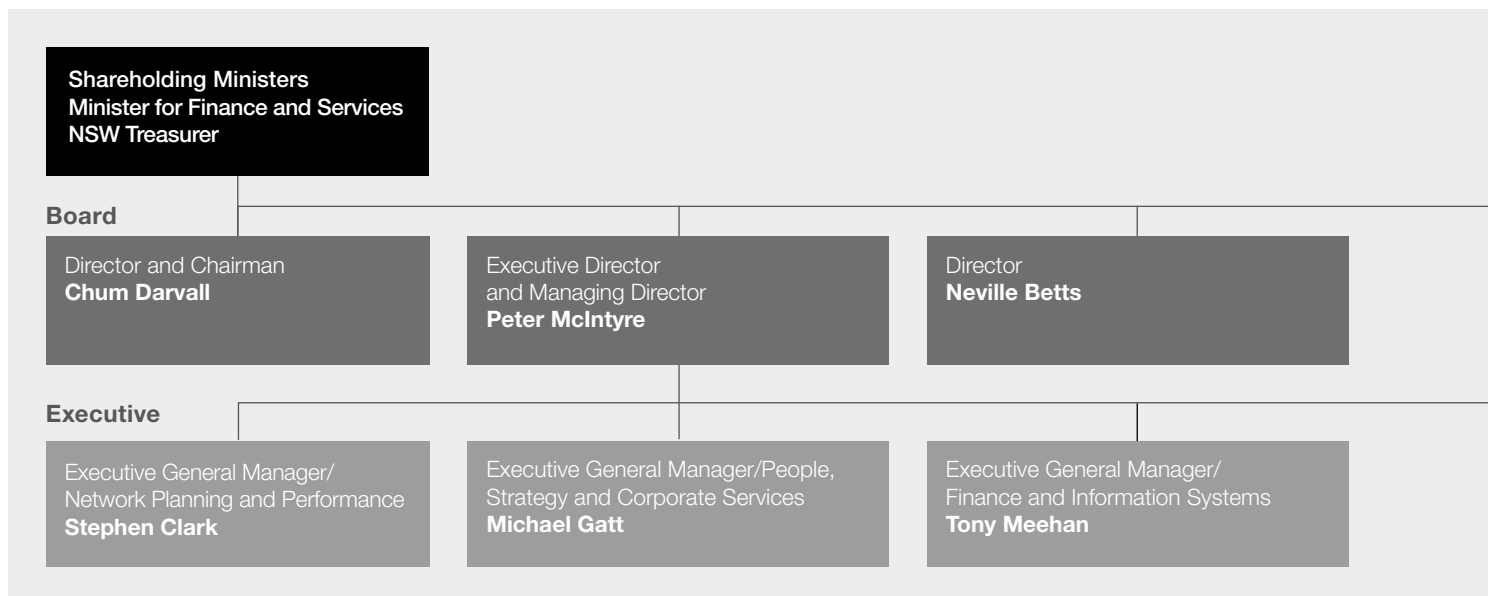


Tony Meehan
BComm (Accounting, Finance
and Systems), FCPA
Executive General Manager/
Finance and Information Systems

Tony is primarily responsible for the financial operations of the organisation, including corporate accounting, treasury, accounting and insurance areas.

Tony also manages TransGrid's corporate governance through risk and audit, information communications and technology, board secretary and revenue reset functions.

Board and executive organisation chart





Gerard Reiter
 BEng (Hons), CPPD, RPEQ
 Executive General Manager/
 Capital Program Delivery

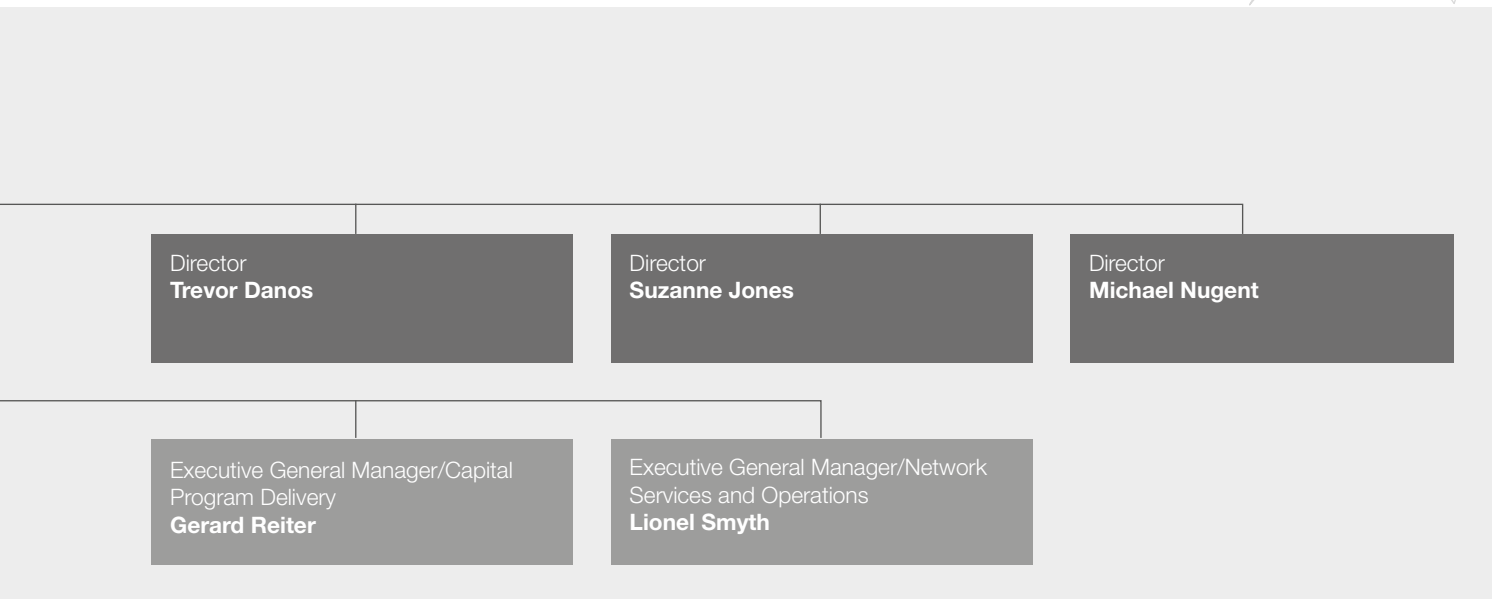
Gerard is the project manager of TransGrid's capital works program and is responsible for the timely and efficient delivery of capital works, contract management, property, engineering design, project development and environmental impact assessments.



Lionel Smyth
 BEng (Elec), Grad Mgt Qual, GAICD
 Executive General Manager/
 Network Services and Operations

Lionel is responsible for managing TransGrid's high voltage transmission assets and associated protection, metering, communication, property, easements, field management and field services.

Lionel also manages the commissioning of major capital projects and oversees external work consistent with TransGrid's network expertise and capabilities.



Performance

Financials

Income (\$M)

\$887.9

Increased by **\$55.9 million**

2012/13	887.9
2011/12	832
2010/11	758.3
2009/10	695.0
2008/09	652.8

Earnings before interest,
tax, depreciation and
amortisation (\$M)

\$734.4

Increased by **\$62.9 million**

2012/13	734.4
2011/12	671.5
2010/11	612.3
2009/10	543.7
2008/09	473.3

Operating profit
before tax (\$M)

\$349.9

Increased by **\$59.3 million**

2012/13	349.9
2011/12	290.6
2010/11	243.5
2009/10	225.3
2008/09	217.4

Reliability

Network reliability
(system minutes lost)*

1.1

* A 'system minute' is equal to the amount of energy that would not be supplied if the whole TransGrid system was to shut down for one minute at a time of maximum demand.

2012/13	1.1
2011/12	0.4
2010/11	2.2
2009/10	1.3
2008/09	0.4

Network availability (%)

98.9%

2012/13	98.9
2011/12	99.1
2010/11	99.0
2009/10	98.2
2008/09	98.4

Percentage of
maintenance achieved (%)

98.6%

People

Staff numbers by category

Staff Category	2012/13			2011/12			2010/11		
	F	M	Total	F	M	Total	F	M	Total
Administrative Officer	104	65	169	103	69	172	93	65	158
Apprentice	4	42	46	3	45	48	3	39	42
Line Worker	–	29	29	0	28	28	–	30	30
Contract Officer	5	12	17	4	5	9	–	–	–
Engineering Officer	8	275	283	9	272	281	8	288	296
Operator	1	17	18	0	21	21	–	23	23
Power Worker	–	35	35	0	39	39	–	39	39
Professional Officer	55	213	268	50	210	260	48	208	256
Senior Contract Officer	11	88	99	10	85	95	9	80	89
Team Leader – Network	–	17	17	0	19	19	–	19	19
Tradesperson	1	92	93	2	92	94	–	78	78
Grand Total	191	892	1083***	181	885	1066*	161	869	1030**

(*) Does not include two Managing Director scholars, five industrial work experience students and two casual employees.

(**) Does not include five directors, two casual employees, five industrial students and three Managing Director scholars.

(***) Does not include one casual employee, five industrial work experience students and three Managing Director scholars.

Staff numbers by employment type

Employment type	F	M	Total
Apprentice	4	42	46
Casual	–	1	1
Full Time	126	712	838
Full Time Graduate	8	26	35
Individual Employee Agreement	5	11	16
Individual Flexible Arrangement	4	1	5
Part Time Leave Without Pay	8	1	9
Part Time Parental Leave	10	–	10
Part Time	8	4	12
Senior Contract Officer	11	82	93
Temporary Employee	7	7	14
Grand Total	191	892	1083

Staff numbers by location

Location	Number of employees
Sydney (Commonwealth St)	81
Sydney (Elizabeth St)	243
Wallgrove	343
Newcastle	160
Tamworth	65
Yass	71
Wagga Wagga	57
Orange	63
Total	1083

Equal Employment Opportunity

The following Equal Employment Opportunity (EEO) initiatives were implemented during the year as part of TransGrid's Multicultural Policies and Services Program:

- An online retirement planning program was launched to enable access for employees and their families at regional and remote locations.
- Diversity and inclusion pages were launched on TransGrid's intranet which provide access to information on internal programs and services as well as access to child and elder care kits and the online retirement planning program.
- Continued support for the organisation's mentoring program which grew by 22 per cent in 2012/13. Now 17 per cent of all employees are directly engaged in the program.
- An online EEO Anti-discrimination, Harassment and Bullying program was developed.
- Gold sponsorship of the Women in Engineering Summit at Wollongong University.
- Sponsorship of the National Centre of Indigenous Excellence.

Key multicultural strategies proposed for 2013/14 include:

- Partnering with the National Centre of Indigenous Excellence to deliver cultural engagement sessions for team leaders who manage, or will potentially manage, Indigenous staff.
- Partnering with specialised recruitment organisations to improve recruitment and retention of people with a disability.
- Embedding diversity and inclusion training in the Leadership Development Framework.

EEO Group	Percentage (%) of total Staff			
	Benchmark or target	2013	2012	2011
Women	50	17.8	16.9	15.9
Aboriginal people and Torres Strait Islander	2.6	0.6	1	0.8
People whose first language is not English	19	20.8	20.5	19.5
People with a disability	N/A	5.1	5.2	5.4
People with a disability requiring work-related adjustment	1.5	0.4	0.4	0.5

These are % of those who responded to the questions

Note: At the time of publishing, trends in the distribution of EEO groups 2013 data was not available to TransGrid.

Disability Action Plan

TransGrid's Disability Action Plan is consistent with the *NSW Government's Disability Policy Framework*, the *NSW Disability Services Act 1993* and the *NSW Anti-Discrimination Act 1977*.

The plan aims to remove barriers to services for people with a disability, giving information in a range of formats, making buildings and facilities physically accessible to people with a disability, helping people with a disability participate in public consultations and increasing employment participation of people with a disability.

In 2012/13, TransGrid continued to develop and strengthen its relationships with specialised disability organisations that can assist with recruitment needs.

Industrial relations

TransGrid's workplace relations environment continued, on the whole, to be harmonious during 2012/13 with issues managed effectively within the workplace and through discussions with relevant unions. No time has been lost as a result of disputes.

On one occasion, TransGrid's management was in discussions with relevant unions regarding the efficiency program implemented in October 2012, and the decision to bring together teams that are split across locations. 80 employees will be relocated as a result. The United Services Union notified TransGrid of a dispute in relation to the consultation undertaken regarding relocation.

TransGrid met all obligations and has provided assistance to the effected employees including more than 12 months notice and an ex gratia payment. TransGrid continues to work through individual issues with impacted employees.

The TransGrid Enterprise Agreement is due to expire on 1 December 2013. TransGrid has commenced negotiations with bargaining representatives for the next Enterprise Agreement. More employees are engaged in the process than ever before, with bargaining representative nominations received from 53 employees.

TransGrid is seeking an agreement that is smart and sustainable, yet flexible and fair and will ensure that staff are engaged and informed throughout negotiations.

Number of days lost as a result of industrial disputes	Nil
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Building program

Capital projects 2012/13

Substation projects – completed and commissioned

Port Macquarie Substation Augmentation

Hawks Nest 132/66 kV Substation Connection

Orange North 132 kV Switching Station Establishment

Wallerawang 132 kV Substation Redevelopment (ongoing project)

Beaconsfield Substation Redevelopment

Transformer projects – completed and commissioned

Port Macquarie Substation Augmentation

Munyang 132 kV Transformer Replacements

Narrabri Transformer Replacement Project

Tomago Transformer Project

Sydney South Transformer Replacement

Transmission line projects – completed and commissioned

Williamsdale to Canberra 330 kV Transmission Line and Communications

Ravensworth North Deviation of the Liddell-Tomago Transmission Line for Xstrata

Liddell – Additional 330 kV Bay

Erskine Park Link Road Deviation for Roads and Maritime Services

Telecommunications projects – completed and commissioned

North Coast Microwave Telecommunications Upgrade

Telecommunications Augmentations for Gadara and Tumut Substations

Other projects – completed and commissioned

Griffith Capacitor Bank

Smart Grid – Phase Angle Monitors

Coffs Harbour 66 kV Capacitor Bank Replacement

Sydney West Capacitor Bank Replacement

For 2012/13,
TransGrid achieved

93%

of capital program against budget

On-time handover of projects for
delivery in 2012/13 was

92%

Health, safety and the environment

Health and safety

TransGrid's health and safety strategies are aimed at ensuring the wellbeing and safety of employees and contractors and have a major focus on risk management.

TransGrid's goal is zero injuries. With regret, TransGrid reports that a contractor working on the Murray to Guthega transmission line upgrade, sustained fatal injuries and passed away on 11 April 2013. At the time of the incident, emergency procedures were deployed, an emergency signal was triggered and emergency services crews notified. WorkCover was also contacted and since that time a number of interviews with a WorkCover investigation officer have taken place. TransGrid continues to cooperate with WorkCover in its investigation.

TransGrid acknowledges that this is not an acceptable outcome. Support services have been provided for all those affected by the tragedy including friends, family and colleagues.

TransGrid's Occupational Health and Safety Management System is certified to Australian Standard AS/NZS 4801. TransGrid conducts health and safety system audits throughout the year and any non-conformance identified by these audits is actioned and tracked.

TransGrid implements an annual Corporate Health and Safety Plan, which is based on the health and safety risks and key initiatives. Each business unit develops its own customised plan which addresses the business specific health and safety risks, based on the Corporate Health and Safety Plan objectives.

Waste Reduction and Purchasing Policy (WRAPP)

TransGrid has an ongoing commitment to incorporating the principles of the NSW Government's Waste Reduction and Purchasing Policy (WRAPP) into its operations.

Since 1999, TransGrid has supported the WRAPP framework by maximising resource efficiency and reducing waste generation through avoidance, reduction, reuse and recycling.

TransGrid's WRAPP plan includes the following waste reduction initiatives for the office environment:

- Reduction in paper use.
- An increase in recycling.
- Education initiatives through TransGrid's 'Live Green' program to inform staff about environmental issues.

TransGrid is currently preparing its biennial WRAPP report and will send it to the Office of Environment and Heritage as required.

Employee Lost Time Injury Frequency Rate (LTIFR)

2012/13	2011/12	2010/11	2009/10	2008/09
1.4	1.4	1.0	2.0	3.5

Contractor Lost Time Injury Frequency Rate (LTIFR)

2012/13	2011/12	2010/11	2009/10	2008/09
3.5	11.7	13.3	10.9	0.0

Community

Community consultation

TransGrid is committed to connecting with communities across NSW by engaging with the public and building valuable relationships to ensure stakeholder interests are considered at all stages of a project.

Community consultation is a priority for TransGrid and a review into how engagement with communities can be improved has been launched. TransGrid has appointed an experienced community engagement consultant to undertake the review and the recommendations from this review will guide the approach long term.

TransGrid has developed a new engagement strategy and this will be used for all new projects. The approach is aimed at being more inclusive, transparent and robust.

There were a total of **194** formal consultations with the community during 2012/13.

	Community updates	Stakeholder meetings	Community enquiries responded to on time	Advertisements issued
Far North NSW Project	1	19	6	0
Stroud to Taree Project	2	15	133	10
Tomago to Stroud Project	2	0	6	0
Western Sydney Supply Project	0	0	–	–
Total	5	34	145	10

Complaints management

There were 38 complaints registered during 2012/13

Dominant areas of complaint:

- Dust and noise generation from construction work
- Valuation process associated with acquiring easements
- Gates left open on private properties
- Access to business during construction works
- Traffic management concerns

Sponsorships

	2012/13
Number of sponsorships supported	45
Total expenditure on sponsorships	\$523,894

BeSafeKidz Schools Program

An educational program that targets schools where TransGrid is actively working in the community.

	2012/13
Number of schools visited	9

List of sponsorships, donations and partnerships in 2012/13

Name of organisation	Amount	Nature and purpose of sponsorship and donations
Engineers Australia – Sydney Division	\$5,500	In 2013 TransGrid entered into a second three year sponsorship with Engineers Australia – Sydney Division to sponsor the annual Excellence Awards Event. The cost of this sponsorship is \$5,500 per annum for 2013, 2014 and 2015.
Royal Botanic Gardens and Domain Trust	\$82,500	PlantBank is a 2,800 square metre research facility to be built over a 3 year period in south western Sydney at the Australian Botanic Garden, Mount Annan. This is the third year of a three year sponsorship agreement, with PlantBank completed during October 2013.
The Warren Centre, Engineering Professional Performance – Implementing Professional Performance, Innovation and Risk known as the EPP Project	\$44,000	The Warren Centre for Advanced Engineering is an independent, industry linked institute committed to fostering excellence and innovation in advanced engineering throughout Australia.
EarthWatch Institute	\$18,600	TransGrid supported two EarthWatch fellowship programs in 2012/2013, continuing an eight year partnership with EarthWatch. The EarthWatch Institute engages people worldwide in scientific field research and education to promote the understanding necessary for a sustainable environment.
EarthWatch Institute	\$2,000	Five “Scientist for a Day” programs were conducted during 2012/2013. The program “Bandicoots on the brink at North Head” helps protect long-nosed bandicoots at North Head, Manly, NSW from extinction. Each of the five programs had eight staff members attend.
Tenterfield District Tennis Association	\$5,000	Sponsorship of Tenterfield District Tennis Association upgrade project (July 2012).
Engineers Australia	\$5,500	Sponsorship of the Great Engineering Challenge 2012 held as part of Engineering Week 2012 (August 2012).
Stroud Road Community Hall and Progress Association Inc	\$500	Stroud Road Bash ‘n Bang – Bonfire and Fireworks Fundraiser (August 2012). TransGrid is active in this local area with the current Tomago to Stroud Project and has supported this local community event since 2010.
Gala Dinner – 10 Year Anniversary Celebrations, NSW Parliamentary Lions Club	\$1,400	Purchased table of ten to be allocated at the discretion of Mr Stephen Bromhead, MP (September 2012).
The Engineering Link Group (TELG)	\$5,500	Support of the Engineering Link Project (September 2012). TELG provides links between engineers, scientists and schools by running award winning courses and experiences for high school teachers and students.
Picnic Point Public School Parents and Citizen’s Association (P&C), Billy Cart Derby for “50 Year Fair”	\$1,609	Funding of the road closure to allow the Billy Cart Derby at the Picnic Point Public School “50 Year Fair” to take place (October 2012).
Energy Users Association of Australia (EUAA) Annual Conference	\$10,495	Annual Conference (October 2012). The EUAA is a non profit organisation funded by membership fees, internally generated revenue and external funds. EUAA activities cover national and state issues dealing with electricity and gas as well as climate change and energy efficiency.
School of Electrical and Information Engineering, Faculty of Engineering and Information Technologies at the University of Sydney	\$5,500	The Research Conversazione (November 2012) is an event where postgraduate and undergraduate students showcase the results of their research in poster format for industry representatives. This sponsorship was funded via the Innovation Demand Management Fund.
Rotary Club of Yass Inc.	\$1,100	Community Event and Fundraiser (November 2012)

Name of organisation	Amount	Nature and purpose of sponsorship and donations
Dragon Boats NSW Inc.	\$550	TransGrid supported a team of employees from the Orange Area Centre who participated in the Central West Dragon Boat Regatta (November 2012).
The University of Wollongong	\$11,000	The Women in Engineering Summit (January 2013) "So you think you can Engineer?" is a residential summit for young women (those entering Year 11 in the 2013 school year) interested in a career in engineering.
TransGrid Sports and Social Club (Orange branch)	\$2,500	The Dragon Boat Team who competed in the Central West Dragon Boat Regatta competed in the Chinese New Year Dragon Boat Regatta, held at Darling Harbour (February 2013). The donation was provided to the Orange Sports and Social Club to cover their expenses in participating in the Chinese New Year Dragon Boat Regatta, held at Darling Harbour in February 2012.
Child Safety Handbook, NSW Police Legacy	\$2,200	Sponsorship of the Child Safety Handbook and advertising of TransGrid's BeSafeKidz Primary School program (Issue 1 – March/April 2013).
TransGrid Football Club, Domain Soccer League	\$1,500	Support of TransGrid Football Club who competed in the Domain Soccer League (April – September 2013) through purchase of uniforms and equipment.
Southern Tablelands Rotary Clubs Science and Engineering Challenge	\$1,000	Community Event (June 2013).
Electric Energy Society of Australia (EESA)	\$16,500	Gold sponsorship of the EESA National Conference and Trade Exhibition (June 2013).
Dungog Shire Bennett Park Stakes Organising Committee	\$500	The Dungog Shire Bennett Park Stakes (originally scheduled for February 2013 but delayed due to bad weather until October 2013) is a social community sporting competition with the aim being to raise \$20,000 to enable the upgrade of the surface of Bennett Park.
Greening Australia	\$278,300	One year extension of TransGrid's GreenGrid Program while overall approach to environmental sponsorships was reviewed.
Various	\$400	The following donations were made on behalf of the Stroud to Lansdowne Community Working Group: → The Gloucester Project Inc. (\$200) → Stroud Road Community Hall and Progress Association Inc. (\$200)
Spring Cycle 2011	\$675	A 50 per cent rebate on entry fee was provided to employees participating in the Spring Cycle (October 2011).
Ms Maddison Dunster (National Youth Science Forum)	\$500	Donation to Ms Maddison Dunster towards contribution towards participation at Canada Wide Science Fair. Administered through the National Youth Science Forum (August 2012).
Standards Australia	\$2,000	Donation to Standards Australia for support of the secretariat of the International Electro technical Commission Committee on standards for insulators (TC36).
Local schools in Southern Region	\$900	The following donations for academic prizes to students who displayed application and progress in their studies were made to local schools in and around Yass: → Yass Public School \$100 → Berinba Public School \$100 → Mt Carmel School \$200 → Yass High School \$200 → Yass High School (Academic Scholarship) \$300 (September 2012).

Name of organisation	Amount	Nature and purpose of sponsorship and donations
TAFE NSW – Riverina Institute – Wagga Wagga Campus	\$500	Donation to Annual Graduation and Awards Presentation at Wagga Wagga Campus, Riverina Institute, TAFE NSW (September 2012).
24 Hour Fight Against Cancer	\$500	Donation in support of a TransGrid employee who participated in the 24 Hour Fight Against Cancer (October 2012).
Spring Cycle 2012	\$420	A 50 per cent rebate on entry fee was provided to employees participating in the Spring Cycle (October 2012).
Heart Foundation (Heart Week)	\$1,033	\$5 donated to each of TransGrid's four chosen charities for 2012 for each completed Employee Survey.
Cancer Council Australia (Australia's Biggest Morning Tea)	\$1,033	\$5 donated to each of TransGrid's four chosen charities for 2012 for each completed Employee Survey.
Cancer Council Australia (Pink Ribbon Day)	\$1,033	\$5 donated to each of TransGrid's four chosen charities for 2012 for each completed Employee Survey.
Movember Foundation (Movember)	\$1,033	\$5 donated to each of TransGrid's four chosen charities for 2012 for each completed Employee Survey.
Cancer Council of Australia	\$2,057	Dollar for dollar matching of employees donations to Pink Ribbon Day (December 2012).
Movember Foundation – Movember	\$1,736	Donation to TransGrid Movember Team. Amount an average of other dollar for dollar amounts to Heart Week, Biggest Morning Tea and Pink Ribbon Day (December 2012).
Heart Foundation (Heart Week)	\$739	\$5 donated to each of TransGrid's four chosen charities for 2013 for each completed Culture Survey.
Cancer Council Australia (Australia's Biggest Morning Tea)	\$739	\$5 donated to each of TransGrid's four chosen charities for 2013 for each completed Culture Survey.
Cancer Council Australia (Australia's Biggest Morning Tea)	\$739	\$5 donated to each of TransGrid's four chosen charities for 2013 for each completed Culture Survey.
Prostate Cancer Foundation of Australia (Prostate Cancer Awareness Month)	\$739	\$5 donated to each of TransGrid's four chosen charities for 2013 for each completed Culture Survey.
NSW Corporate Games	\$1,353	50 per cent subsidy on entry provided to TransGrid employees who choose to participate (March 2013).
Yass High School	\$200	Donation to Yass High School for outdoor infrastructure rehabilitation works (July 2013).
Heart Foundation	\$864	Dollar for dollar matching of employees donations to Heart Week (May–June 2013) Note this amount was accrued in June 2013 but was not actually paid until July 2013.
Cancer Council of Australia	\$1,451	Dollar for dollar matching of employees donations to Australia's Biggest Morning Tea (May–June 2013) Note this amount was accrued in June 2013 but was not actually paid until July 2013.

All amounts are inclusive of GST.

Community Partnership Program

TransGrid's Community Partnership Program (CPP) continued to gain momentum, delivering more than \$85,000 in funding support to 10 community initiatives in 2013 and more than \$48,000 to 12 community initiatives in 2012.

The Program is designed to provide financial assistance to not-for-profit groups to assist in the delivery of local projects. Community or sporting groups, Parent and Citizen Associations, research groups and charities can apply for funding. Funds may be awarded to one community project or shared across a number of not-for-profit groups in the project area.

All applications must demonstrate how their project provides a lasting benefit to their community covering one of the below:

- Improves and/or promotes public safety or wellbeing.
- Improves and/or supports health or education.
- Improves and/or supports the environment.

Community Partnerships Program 2012

Project	Organisation	Funding
Manildra Parkes Transmission Line	Forbes North Public School P&C Association	\$10,000.00
	Buckinbah Creek Reserve	\$884.32
	Nashdale Hall Committee	\$4,424.63
	Molong Hospital Auxiliary	\$2,000.00
	Molong Advancement Group	\$2,000.00
	Eugowra Progress Association	\$4,185.00
	Eugowra Community Children's Centre	\$3,794.00
	Manildra and District Improvement	\$3,683.00
Western Sydney Supply Project	Healthwise Seniors	\$2,000.00
	Karelle Life Enrichment	\$9,550.00
	MS Australia	\$1,870.00
	Auburn Baptist Pre-school	\$3,627.00
Total		\$48,018.00

Community Partnerships Program 2013

Project	Organisation	Funding
Wallerawang to Orange Project	Raglan Sporting and Social Committee	\$5,154
	Manildra Tennis Club	\$30,000
	Daffodil Cottage Palliative Care	\$5,600
Western Sydney Supply Project	Birrong Girls High School	\$2,000
	Timehelp	\$5,000
	North Bankstown Soccer Club	\$2,240
	Chester Hill Neighbourhood Centre	\$1,950
	Auburn Public School P&C Association	\$20,000
	MS Australia	\$3,329.55
	Birrong Public School	\$10,000
Total		\$85,273.55

Promotion

TransGrid makes a wide variety of information available to customers, stakeholders, employees and suppliers.

TransGrid produced the following publications during the reporting period:

- Annual Report.
- NSW Annual Planning Report.
- Statement of Corporate Intent.

→ Variety of brochures, advertisements, fact sheets, community updates and project newsletters informing stakeholders about our capital projects.

→ Review of Environmental Factor (REF) reports for our various capital projects.

TransGrid online

TransGrid uses many different communication tools to engage the public, customers, employees and suppliers.

TransGrid provides employees with facilities to securely access electronic corporate applications, such as the intranet and their email account through the internet.

TransGrid's external website www.transgrid.com.au provides a range of information to meet the needs of stakeholders. The public can subscribe to regular updates on capital projects, media releases and regulatory documents. The website also facilitates simple access to the e-tendering and e-recruitment sites. Over the next 12 months, TransGrid will be adding new functionality to its external website to drive further interactivity with stakeholders.

Corporate governance

Shareholders

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

TransGrid's Board of Directors

Board Charter

The TransGrid Board has a charter which is reviewed annually and is available on the TransGrid website www.transgrid.com.au.

The Charter has been developed to align with the recommendations in the NSW Treasury Guidelines for Boards of Government Businesses as well as the ASX Corporate Governance Principles and Recommendations. The current Charter includes details on the role, powers and specific responsibilities of the Board as well as details of the key stakeholders and Board operations.

Board Responsibilities

In undertaking their responsibilities, directors are expected to adhere to the highest ethical and professional standards. A Directors Code of Conduct has been developed to guide directors in their role when required and is reviewed annually.

The responsibilities of the Board include:

- Providing strategic guidance and direction to the organisation, including contributing to the development of and approving the corporate strategy.

- Reviewing and approving business plans, the annual budget and financial plans including capital expenditure initiatives.
- Overseeing and monitoring:
 - organisational performance and achievement of strategic goals and objectives;
 - compliance with the organisation's Code of Ethics and Conduct; and
 - progress on major capital expenditure and other significant corporate projects.
- Monitoring financial performance.
- Ensuring there is an effective system of corporate governance.
- Ensuring effective management including executive development and succession planning.

Board Structure

The *Energy Services Corporations Act 1995* provides for the board to consist of:

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

The period of appointment of non-executive directors is at the discretion of the voting shareholders.

Terms of Office

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

Independent Professional Advice and Conflicts of Interest

Director independence plays an important role in ensuring good corporate governance. All TransGrid directors are considered independent.

On occasion a situation may arise where a director must disclose interests to the board (which includes positions and pecuniary interests) in corporations, partnerships or other businesses that may be relevant to the activities of the board or an associated Committee. A register of such interests is maintained by TransGrid and the process is clearly documented in the Code of Conduct.

In addition, directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at TransGrid's expense.

Remuneration

The remuneration of each non-executive director is paid out of TransGrid funds, and is determined by the shareholders.

The total income received, or due receivable, by all directors of TransGrid is listed in the Notes to the Financial Statements. The Managing Director is not entitled to any additional remuneration for being an Executive Director.

Meetings of the Board

11 board meetings and one Board and Executive Corporate Planning Session were held in the year ended 30 June 2013. TransGrid Directors also undertook individual or small group site visits during the year as part of their commitment to their health and safety obligations.

Name	TransGrid Board	
	Meetings Attended	Meetings Entitled to Attend
Mr C Darvall	11	11
Mr P McIntyre	11	11
Mr N Betts	10	11
The Hon. J Price	10	11
Mr M Nugent	11	11
Mr T Danos	10	11
Ms S Jones*	10	10

Name	Board Audit and Risk Committee		Board Health and Safety Committee		Board Regulatory Committee		Board Remuneration and Structure Committee	
	Meetings Attended	Meetings Entitled to Attend	Meetings Attended	Meetings Entitled to Attend	Meetings Attended	Meetings Entitled to Attend	Meetings Attended	Meetings Entitled to Attend
Mr C Darvall	5	5	NM	NM	8	8	5	5
Mr P McIntyre	5	NM	4	4	8	8	5	5
Mr N Betts	NM	NM	3	4	NM	NM	NM	NM
The Hon. J Price	NM	NM	4	4	NM	NM	5	5
Mr M Nugent	5	5	NM	NM	8	8	5	5
Mr T Danos	4	5	4	4	8	8	NM	NM
Ms S Jones	4	4	NM	NM	6	6	NM	NM

* Ms Suzanne Jones was appointed as a Director from 8 August 2012.

NM – denotes that this Director is not a member of the Committee and therefore does not attend these Committee meetings unless specifically invited.

Board Committees

To assist the Board in fulfilling its responsibilities, the Board currently utilises four Committees as follows:

- the Board Audit and Risk Committee.
- the Board Remuneration and Structure Committee.
- the Board Health and Safety Committee.
- the Board Regulatory Committee.

A charter governing each of these committees is available on the TransGrid website. Each Committee is chaired by a Non Executive Director and a report detailing the items considered by the committee is tabled at the following Board Meeting.

Executive Board Committee

The Board may also convene the Executive Board Committee usually consisting of the Managing Director and the Chairman however other directors may be invited to sit on this Committee as and when required or considered appropriate. The purpose of this Committee is to consider matters between Board Meetings which would otherwise require Board approval.

The Board Audit and Risk Committee

Chaired by Michael Nugent, the primary function of the Board Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the overall audit process of the organisation, the systems of internal control which management and the Board of Directors have established, risk management process and determination of risk appetite for the organisation, the process for monitoring compliance with laws and the Code of Conduct and financial information which will be provided to the Board Audit and Risk Committee from time to time.

The Board Remuneration and Structure Committee

Chaired by Chum Darvall, the primary function of this Board Committee is to assist the Board in determining the remuneration and employment conditions of TransGrid's executive and senior management and reviewing the organisational structure of TransGrid.

The Board Health and Safety Committee

Chaired by John Price, the primary function of this Board Committee is to assist the Board in fulfilling its responsibilities relating to the Health and Safety of the organisation's employees and contractors.

The Board Regulatory Committee

Chaired by Trevor Danos, the primary function of the Committee is to assist the Board in preparing, verifying and signing off on the TransGrid's Revenue Reset for the 2014/15 to 2018/19 regulatory period.

The Committee also has such other functions (if any) in relation to managing and reviewing regulatory changes and/or regulatory decisions arising from the National Electricity Law, Rules and Regulations as are delegated to it by the Board from time to time.

TransGrid's Executive

Remuneration paid

Name	Title	Remuneration Paid (2012/13)
Peter McIntyre	Executive Director and Managing Director	\$743,775
Lionel Smyth	Executive General Manager/Network Services & Operations	\$391,971
Tony Meehan	Executive General Manager/Finance & Information Systems	\$382,034
Gerard Reiter	Executive General Manager/Capital Program Delivery	\$380,588
Michael Gatt	Executive General Manager/People, Strategy & Corporate Services	\$377,813
Stephen Clark	Executive General Manager/Network Planning & Performance	\$374,841

Executive performance statements

Peter McIntyre

Executive Director and Managing Director was assessed by the Board as having achieved the performance criteria set in the Corporate Plan and the Statement of Corporate Intent including revenue, profitability, efficiency and reliability targets.

The Board also recognised the following significant achievements:

- Continuing improvement of the commercial focus of the organisation.
- Achieving a sharper focus on customer service delivery.
- Improving regulatory arrangements for transmission networks in the NEM.
- Developing a business and culture adaptable to future challenges and opportunities.

Stephen Clark

Executive General Manager/Network Planning and Performance was assessed by the Managing Director as having achieved all performance criteria, including:

- Prudently deferred three major capital projects in response to reduced load forecasts reducing TransGrid's capital requirements and increasing profit.
- Improved the network connection application process resulting in improved customer experience for new connections and line deviations.
- Led the successful competitive tender for the provision of network support services to AEMO resulting in significant savings to the National Electricity Market and good financial returns to TransGrid.
- Continued championing of hybrid planning standards (as part of Grid Australia) resulting in this approach being supported by the AEMC.

Michael Gatt

Executive General Manager/People Strategy and Corporate Services was assessed by the Managing Director as having achieved all performance criteria, including:

- Implemented the strategic procurement review, including the deployment of sourcing strategies for substation construction, vegetation management, IT programs and general inventory.
- Resolved a number of contractual disputes with contractors and service providers avoiding high cost legal disputes and litigation.
- Provided leadership in the development of contemporary human resources practices including implementing a successful reward and recognition program and performance management in the company.
- Implemented a professional approach to corporate strategy and provided well respected regulatory management.

Tony Meehan

Executive General Manager/Finance and Information Systems was assessed by the Managing Director as having achieved all performance criteria including:

- Managed the financial performance of the corporation with a profit after tax result of \$349.9 million, \$26 million above budget.
- Actively worked on opportunities for forward start transactions and debt restructures to lower the long term profile and costs of debt.
- Provided Executive sponsorship of the 2014/15 to 2018/19 Revenue Reset project with the development of the revenue proposal and new AER guidelines.
- Oversaw the outsourcing tender for ICT with a new provider selected that will lower the costs of ICT into the future whilst contracted to provide the same service levels.
- Developed the business diversification strategy and targets for the growth of non prescribed business.

Gerard Reiter

Executive General Manager/Capital Program Delivery was assessed by the Managing Director as having achieved all performance criteria, including:

- Delivered an 'on time and on budget' performance of major capital projects with improvements up from 67 per cent to 72 per cent.
- The Better Project Delivery initiative was completed during the year. This initiative which was carried out in collaboration with Network Services and Operations, and People, Strategy and Corporate Services will ensure that the project delivery process is streamlined. The initiative removed significant amounts of excess non-productive paperwork from the process.
- Ensured the substation panel continued to deliver projects to a high quality. The panel arrangement has also lead to improvements in workplace health and safety as well as improvements to the construction and environment management plans.
- Progressed the \$470 million Western Sydney Supply Project with the project on track to achieve 'on time' and 'on budget' delivery.
- Created and implemented a safety in design to ensure TransGrid's compliance with the new Workplace Health and Safety Act. An audit of the process has also shown the new process to be compliant with the Act.

Lionel Smyth

Executive General Manager/Network Services and Operations was assessed by the Managing Director as having achieved all performance criteria including:

- Implemented version 5.1 of the Power System Safety Rules to significantly improve the clarity of the Rules.
- Exceeded the maintenance achievement target with an achievement of 98.6 per cent. This is the highest ever recorded annual maintenance achievement.
- Delivered customer satisfaction ratings between 74 and 82 per cent.
- Oversaw the construction of Ultimo Building Project, currently running on time and budget for occupancy in February 2014.
- Achieved significant incentive payments from the AER service and market incentive schemes (\$8.3 million to December 2012).

Risk management

The Executive Audit and Risk Committee supports the Board Audit and Risk Committee and is responsible for ensuring risks are identified and effectively managed.

Implementation of risk management strategies is the responsibility of all levels of management and a framework exists to ensure that all risks are proactively and explicitly managed on an ongoing basis.

The Corporate Audit and Risk Group provides assistance in the development and monitoring of enterprise-wide risk management plans, training employees in risk management processes and the ongoing verification and review of risk mitigation actions across the organisation.

Enhancements to Risk Management Strategies

During the year, TransGrid revised its Risk Management Framework to include guidance from the NSW Treasury Risk Management Toolkit.

TransGrid also undertook a risk management maturity assessment, to drive continuous improvement. The results indicated that TransGrid had a mid to high level of maturity.

Over the next two years, TransGrid will focus reaching a consistently high level of maturity. TransGrid will improve risk management maturity through further employee education and training, improving the interaction of project and enterprise risk reporting and undertaking a review of appropriate technology solutions to support the risk management processes.

Improvements in the internal control framework are undertaken by management as a result of process improvements or internal audit recommendations. During the year, TransGrid updated its Corporate Governance Framework to include a 'three lines of defence' model which provides greater clarity around roles and responsibilities for control implementation and monitoring.

The Board Audit and Risk Committee and Executive Audit and Risk Committee undertake a regular review of TransGrid's fraud and corruption risk indicators and make changes to business processes to improve the fraud control framework where required. In 2013/14 TransGrid will undertake a three-yearly fraud risk assessment and an employee fraud awareness health check.

Insurance

TransGrid's insurance strategy is to obtain the most comprehensive insurance coverage available at the most economical cost.

Each year, TransGrid looks at the risks for which it is prepared to seek cover, the available insurance coverage or other means to meet the remaining risks and the costs of covering these risks.

Government Information (Public Access) Act 2009 (GIPA)

TransGrid received 12 access applications during the year.

TransGrid did not refuse, either wholly or in part, any applications because the application was for disclosure of information for which there is a conclusive presumption of overriding public interest against disclosure.

However, TransGrid refused eleven applications (in whole) because the applications were considered to require an unreasonable and substantial diversion of resources to deal with.

Table A: Number of applications by type of applicant and outcome*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	0	0	0	0	0	0	0	0
Members of the public (other)	0	1	11	0	0	11	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Explanatory Recordings relating to Table A

¹ There were twelve applications from members of the public:

- one application was granted in part as some of the information did not exist (i.e. was not held) and some of it would require additional time and processing charges. The applicant did not request the rest of the information; and
- the other eleven applications (all of which were related) were refused in whole as it was determined that it would require an unreasonable and substantial diversion of resources to process the applications. This decisions can be made under section 60(1),(a) of the Act.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	412	0	0	0	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

The total number of decisions in Table B should be the same as Table A.

Table C: Invalid applications

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 of the Act

	Number of times consideration used*
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

	Number of occasions when application not successful
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	412
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	412

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendation to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Charter

TransGrid was established as a state owned corporation on 14 December 1998, by and under the *Energy Services Corporations Act 1998*.

Section 6C of the Act gives TransGrid, as an energy transmission operator, two principal functions:

1. To establish, maintain and operate facilities for the transmission of electricity and other forms of energy.
2. To provide services for the transmission of electricity and other forms of energy in accordance with the relevant regime.

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

The principal legislation TransGrid operates under is the *Energy Services Corporations Act 1995*, the *Electricity Supply Act 1995* and the *State Owned Corporations Act 1998*.

Events affecting financial operations

There were no events that had a significant effect on TransGrid's financial operations during 2012/13.

Consultant fees

During the year, \$251,846.97 was spent on consulting services relating to the preparation of environmental impact assessments.

Privacy

TransGrid is committed to adherence with the principles of sound privacy practice to ensure that personal information is managed in accordance with the *Privacy and Personal Protection Act 1998*.

TransGrid has a Privacy Management Plan which facilitates adherence to the principles of the Act and to communicate to employees how privacy is managed within the organisation.

TransGrid's Privacy Management Plan is available to all employees via the internal intranet.

Credit card usage

TransGrid's credit card usage is in accordance with its documented procedures. TransGrid continues to promote the correct usage of corporate credit cards and continually reviews usage characteristics and authorisations.

Legislative changes

During the reporting period, there were no changes in legislation which significantly affected TransGrid's operations.

Judicial decisions

During the reporting period, there were no decisions which affected TransGrid's operations, financial position or financial performance to a material extent.

Cost of the annual report

The total external costs for producing this Annual Report were \$19,092 + GST.

Reporting exemptions

The following reporting exemptions have been granted by NSW Treasury to enable financial reporting requirements that apply, to be broadly consistent with Corporations Act reporting requirements.

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

Abbreviations: ARSBA – *Annual Reports (Statutory Bodies) Act 1984*. ARSBR – *Annual Reports (Statutory Bodies) Regulation 2005*

Public Interests Disclosure

Statistical information on Public Interests Disclosure (PID)	30 June 2013
Number of public officials who made PIDs	1
Number of PIDs received	1
Of PIDs received, number primarily about:	
Corrupt conduct	1
Maladministration	Nil
Serious and substantial waste	Nil
Government information contravention	Nil
Local government pecuniary interest contravention	Nil
Number of PIDs finalised	1

TransGrid has an internal reporting procedure “Reporting of corruption, maladministration, serious and substantial waste or government information contraventions”. The procedure has been established to provide guidance to employees on the Public Interest Disclosures (PID) Act 1994, its confidentiality provisions, how disclosures will be managed within TransGrid and TransGrid’s commitment to the proper investigation and the protection of employees making disclosures.

This procedure was implemented in accordance with a detailed communications plan. Communication activities included an email from the Managing Director, posters, an information pack for managers and team leaders and a page on the intranet. Further organisational updates will be made via the intranet and targeted communications as appropriate.

Overseas visits

Below is a listing of the overseas visits undertaken by TransGrid employees over the reporting period.

Name	Position	Countries visited	Purpose of visit
P. Antuch	Engineering Officer	China	Tower steelwork inspection
G. Luff	Professional Engineer	China	Tower steelwork inspection
W. Goldsmith	Engineering Officer	Sweden	Testing for SCADA upgrade
A. Hammond	Engineering Officer	Sweden	Testing for SCADA upgrade
G. Spence	Engineering Officer	Sweden	Testing for SCADA upgrade
D. Paton	Manager	Japan	Design review and testing of 330 kV cables
K. Tang	Professional Officer	Japan	Design review and testing of 330 kV cables
A. Klepac	Manager	South Korea	Design review of 330/132 kV transformers
J. Abbatantuono	Professional Engineer	South Korea	Design review of 330/132 kV transformers
M. Grierson	Engineering Officer	Austria	Witness factory acceptance testing of shunt reactors
G. Reiter	Executive General Manager	New Zealand	Attend Grid Australia Transmission Engineering Managers meeting
A. Meehan	Executive General Manager	New Zealand and USA	Attend Grid Australia CFO meetings and Ventyx user conference
S. Maharjan	Professional Engineer	China	Tower steelwork inspection
J. Cairns	Professional Officer	Japan	Witness factory acceptance testing of 330 kV cables
D. Yoga	Professional Engineer	South Korea	Witness factory acceptance testing of 330/132 kV power transformers
G. Turner	Manager	USA	Attend Ventyx user conference
S. Barber	Manager	Philippines	Site visit to assess the suitability of CGI to deliver IT Services
H. Tan	Chief Information Officer	Philippines	Site visit to assess the suitability of CGI to deliver IT Services
H. Allen	Engineering Officer	Austria	Witness factory acceptance testing of 330 kV transformer

Financials 2012/13

Statement of financial position

As at 30th June 2013

	Note	2013 \$'000	2012 \$'000
Current Assets			
Cash and cash equivalents	7	1,101	1,572
Trade and other receivables	8	126,484	123,051
Inventories	9	31,048	28,047
Derivatives	10	1,331	–
Other	11	4,670	4,325
Total Current Assets		164,634	156,995
Non-Current Assets			
Deferred tax assets	6(b)	115,103	140,828
Property, plant and equipment	12	5,330,054	5,503,900
Intangibles	13	612,110	580,595
Other	14	7,502	7,320
Total Non-Current Assets		6,064,769	6,232,643
Total Assets		6,229,403	6,389,638
Current Liabilities			
Borrowings		296,286	148,210
Trade and other payables	15	158,106	139,755
Current tax liabilities		32,430	26,166
Provisions	16	259,800	224,174
Derivatives	17	–	3,903
Other	18	33,590	37,445
Total Current Liabilities		780,212	579,653
Non-Current Liabilities			
Borrowings		2,139,563	2,115,255
Deferred tax liabilities	6(b)	849,078	949,122
Provisions	16	287,062	385,315
Total Non-Current Liabilities		3,275,703	3,449,692
Total Liabilities		4,055,915	4,029,345
Net Assets		2,173,488	2,360,293
Equity			
Capital	19	651,967	651,967
Reserves	20	1,402,067	1,708,326
Retained Earnings	21	119,454	–
Total Equity		2,173,488	2,360,293

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30th June 2013

	Note	2013 \$'000	2012 \$'000
Income	3	887,852	831,986
Expenses excluding Finance Costs	4	(397,003)	(390,787)
Finance Costs	4	(140,933)	(150,595)
Profit/(Loss) Before Income Tax Expense		349,916	290,604
Income Tax Expense	6(a)(i)	(102,325)	(90,786)
Profit/(Loss) For The Year		247,591	199,818
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Asset Revaluation Surplus: Net increase/(decrease) in revaluations	20	(440,493)	(7,257)
Superannuation Actuarial Gains/(Losses)	5(b)	77,780	(209,765)
Income tax relating to items not reclassified	6(a)(ii)	108,814	65,107
Total items that will not be reclassified to profit or loss		(253,899)	(151,915)
Items that may be reclassified subsequently to profit or loss:			
Cash Flow Hedge Reserve: Net increase/(decrease)	20	5,235	161
Income tax relating to items that may be reclassified	6(a)(ii)	(1,570)	(49)
Total items that may be reclassified subsequently to profit or loss		3,665	112
Other Comprehensive Income For The Year, Net of Tax		(250,234)	(151,803)
Total Comprehensive Income For The Year		(2,643)	48,015

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

Statement of changes in equity

For the year ended 30th June 2013

	Capital \$'000	Retained Earnings \$'000	Cash Flow Hedge Reserve \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance at 1 July 2011	651,967	89,745	(2,826)	1,720,386	2,459,272
Comprehensive Income For The Year:					
Profit/(loss) for the year	–	199,818	–	–	199,818
Other comprehensive income for the year before related tax effects	–	(209,765)	161	(7,257)	(216,861)
Income tax relating to components of other comprehensive income	–	62,930	(49)	2,177	65,058
Total Comprehensive Income For The Year	–	52,983	112	(5,080)	48,015
Transfers In Reserves:					
Transfers from Asset Revaluation Surplus	–	4,134	–	(4,134)	–
Income tax relating to Transfers from Asset Revaluation Surplus	–	–	–	(132)	(132)
Total Transfers In Reserves	–	4,134	–	(4,266)	(132)
Owner Related Equity Transactions:					
Dividend	–	(146,862)	–	–	(146,862)
Total Owner Related Equity Transactions	–	(146,862)	–	–	(146,862)
Balance at 30 June 2012	651,967	–	(2,714)	1,711,040	2,360,293
Balance at 1 July 2012	651,967	–	(2,714)	1,711,040	2,360,293
Comprehensive Income For The Year:					
Profit/(loss) for the year	–	247,591	–	–	247,591
Other comprehensive income for the year before related tax effects	–	77,780	5,235	(440,493)	(357,478)
Income tax relating to components of other comprehensive income	–	(23,334)	(1,570)	132,148	107,244
Total Comprehensive Income For The Year	–	302,037	3,665	(308,345)	(2,643)
Transfers In Reserves:					
Transfers from Asset Revaluation Surplus	–	2,255	–	(2,255)	–
Income tax relating to Transfers from Asset Revaluation Surplus	–	–	–	676	676
Total Owner Related Equity Transactions	–	2,255	–	(1,579)	676
Owner Related Equity Transactions:					
Dividend	–	(184,838)	–	–	(184,838)
Total Owner Related Equity Transactions	–	(184,838)	–	–	(184,838)
Balance at 30 June 2013	651,967	119,454	951	1,401,116	2,173,488

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

Statement of cash flows

For the year ended 30th June 2013

	Note	2013 \$'000	2012 \$'000
Cash Flows from Operating Activities			
Cash Receipts from Customers		986,100	914,424
Cash Paid to Suppliers and Employees		(285,374)	(223,382)
Finance Costs Paid		(146,823)	(155,659)
Interest Received		205	985
Income Tax Paid		(62,460)	(41,584)
Net Cash Inflows/(Outflows) from Operating Activities	30(c)	491,648	494,784
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment, and Intangibles		(508,420)	(353,112)
Proceeds from the Sale of Property, Plant and Equipment		4,469	17,148
Net Cash Inflows/(Outflows) from Investing Activities		(503,951)	(335,964)
Cash Flows from Financing Activities			
Proceeds from Borrowings		488,172	358,299
Repayments of Borrowings		(329,478)	(382,897)
Dividends Paid	16(a)	(146,862)	(133,947)
Net Cash Inflows/(Outflows) from Financing Activities		11,832	(158,545)
Net Increase/(Decrease) in Cash and cash equivalents		(471)	275
Cash and cash equivalents at Beginning of the Financial Year		1,572	1,297
Cash and cash equivalents at the End of the Financial Year	7, 30(a)	1,101	1,572

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

Notes to the Financial Statements

For the Year Ended 30th June 2013

1. Reporting Entity

The financial statements of TransGrid for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 17 September 2013.

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

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general-purpose financial statements, and have been prepared in accordance with Australian Accounting Standards including Accounting Interpretations, the requirements of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010*, the *State Owned Corporations Act 1989* and relevant Treasury Circulars.

TransGrid is classified as a for-profit entity for the purposes of the application of Australian Accounting Standards and New South Wales Treasury Policy TPP 05-4 *Distinguishing For-Profit from Not-For-Profit Entities*.

Property, plant and equipment and derivative financial instruments are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention, except as otherwise stated in the financial statements.

Comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. Where necessary, comparative information has been reclassified to conform to the current year's presentation.

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

(b) Statement of Compliance

The financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) New Australian Accounting Standards and Interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by TransGrid in preparing the financial statements in accordance with Treasury Circular NSW TC 13-02 *Mandates of Options and Major Policy Decisions under Australian Accounting Standards*.

The following standards, amendments to standards and interpretations included in the table below have been identified as those which may impact TransGrid in the period of initial application. It is considered that the impact of these new standards in future periods will primarily be to the presentation of the financial statements and associated note disclosures.

Australian Accounting Standard/Interpretation	Applies to annual reporting periods beginning on or after:	Expected to be initially applied in the financial year ending:
AASB 11 <i>Joint Arrangements</i>	1 January 2013	30 June 2014
AASB 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013	30 June 2014
AASB 13 <i>Fair Value Measurement</i> and AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i>	1 January 2013	30 June 2014
AASB 119 <i>Employee Benefits</i> and AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	1 January 2013	30 June 2014
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> , AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> , AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i> , AASB 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i> and AASB 2012-7 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013	30 June 2014
AASB 9 <i>Financial Instruments</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> and AASB 2012-6 <i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	1 January 2015	30 June 2016

(d) Significant Accounting Judgements, Estimates and Assumptions made by management

In applying TransGrid's accounting policies, management evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on TransGrid. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current set of circumstances known to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements Impairment

TransGrid assesses impairment of all assets at the end of the reporting period by evaluating conditions specific to TransGrid's business as a whole, which may lead to impairment. If an impairment trigger exists, the recoverable amount of the value in use for the business is determined. Further details on the value in use calculations and adjustment for impairment are disclosed in Note 2(h)(ii).

Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Long Service Leave Provision

The liability for long service leave is based on an annual independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

Workers' Compensation Provision

The liability for workers' compensation is based on an annual independent actuarial assessment, supplemented by management considerations, to arrive at a best estimate of the expenditure required to settle present obligations at the end of the reporting period.

(ii) Significant accounting estimates and assumptions

Allowance for impairment loss on trade and other receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by management. This

assessment is based on supportable past collection history and historical write-offs of bad debts.

Estimation of useful lives of assets

The estimation of the useful lives of assets is based on historical experience, industry comparisons, as well as expected usage, physical wear and tear, and the rate of technical and commercial obsolescence. Further information on the estimation of useful lives is disclosed in Note 2(h)(v).

(e) Changes in Accounting Policies

Accounting Policies are consistent with those applied in the previous year.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and for purposes of the Statement of Cash Flows comprise cash on hand, cash at bank and deposits with financial institutions.

(g) Trade and Other Receivables

Receivables from trade and other debtors are recognised at amounts due less an allowance for any uncollectible amounts. Collectability of these receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are

written off when identified. An allowance for impairment loss on trade and other receivables is raised when there is objective evidence that TransGrid will not be able to collect the debt.

Short-term receivables are measured at their original invoice amount.

(h) Property, Plant and Equipment

(i) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by TransGrid. Cost is the amount of cash or cash equivalents paid at the time of acquisition or construction. Cost includes interest on borrowings related to Qualifying Assets as detailed in Note 2(h)(iv).

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

(ii) Revaluations

Property, plant and equipment is recognised at fair value less accumulated depreciation in accordance with AASB 116 *Property, Plant and Equipment* and New South Wales Treasury Policy TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*. The valuation of property, plant and equipment is determined in a two-step process. First, fair value is determined in accordance with AASB 116 *Property, Plant and Equipment*. Second, the fair value is subject to a separate impairment test in accordance with AASB 136 *Impairment of Assets*.

Fair Value

In March 2012, NSW Treasury Policy TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value* was amended to allow the option in AASB 116 *Property, Plant and Equipment* to measure the fair value of assets using either depreciated replacement cost or an income approach. In previous years, TransGrid has measured the fair value of its assets using the depreciated replacement cost approach.

In the current year, TransGrid has elected to adopt the option to measure the fair value of its assets using the income approach. TransGrid's view is that the income approach better reflects the nature of the current regulatory regime. The allowed revenue from the Australian Energy Regulator (AER) is consistent with the principles of valuing specialised assets under the income approach.

The effect of this change in accounting estimate will reduce depreciation expense and increase profit/(loss) before income tax expense by approximately \$21.0 million per annum in future years.

The accumulated depreciation for the revalued asset is restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount, in line with NSW Treasury Policy.

TransGrid assesses at the end of the reporting period whether there is any indication that an asset's carrying amount differs materially from fair value. If any indication exists, the asset is revalued.

Where an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in Other Comprehensive Income and accumulated in Equity under the heading of Asset Revaluation Surplus.

Where an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in Other Comprehensive Income to the extent of any credit balance existing in the Asset Revaluation Surplus in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under the heading of Asset Revaluation Surplus.

Impairment Assessment

Each year, TransGrid's specialised plant and infrastructure assets, land and buildings, and easements are tested for impairment. Should there be any indication that the cash generating unit may be impaired, TransGrid makes an estimate of the recoverable amount. TransGrid as a whole represents a cash generating unit.

The recoverable amount is based on the value in use for the business as a whole. In assessing value in use, the estimated future cash flows for the business are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments.

If the carrying amounts of the assets, as represented by the current depreciated replacement cost, exceed the recoverable amount of the business, the assets comprising the business as a whole are considered to be impaired. The assets are written down proportionately to

ensure their carrying amounts reflect the recoverable amount and a corresponding impairment loss is recognised as a revaluation decrease.

At the end of each year, an assessment is made as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, TransGrid estimates the recoverable amount of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is allocated proportionately to the assets to ensure their carrying amounts reflect the recoverable amount. A corresponding amount is recognised as a revaluation increase.

Retirements or Disposals

Upon retirement or disposal, any revaluation surplus relating to the particular asset is transferred to Retained Earnings.

(iii) Categories

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

→ Prescribed Assets

Prescribed Assets comprise property, plant and equipment used by TransGrid to provide electricity transmission services that are regulated by the AER. Prescribed assets as disclosed in Notes 12(a) and (b) are:

- Network Asset; and
- Other Assets.

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

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

→ Negotiated Transmission Assets

Negotiated transmission assets include those assets relating to some connection services between TransGrid and:

- Generators; and
- Large load customers.

→ **Non-regulated Assets**

Non-regulated Assets comprise property, plant and equipment used by TransGrid to provide services other than prescribed and negotiated electricity transmission services. Non-regulated assets as disclosed in Notes 11(a) and (b) are:

- Network Asset; and
- Other Assets.

(iv) Capitalisation

Capital expenditure is defined as expenditure in relation to:

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

Interest on borrowings is capitalised against Qualifying Assets in accordance

with AASB 123 *Borrowing Costs*. Qualifying Assets are assets which take more than 12 months to be ready for their intended use.

Expenditure is not capitalised below a minimum threshold of \$3,000.

(v) Depreciation

Property, plant and equipment, excluding land, are depreciated over their estimated useful lives. The straight-line depreciation method is used. Assets are depreciated from the month of acquisition or in respect of constructed assets, from the time the asset reaches practical completion and is ready for use.

Asset lives are reviewed annually in accordance with AASB 116 *Property, Plant and Equipment*, and where required, adjustments have been made to the remaining useful lives of separately identifiable parts of assets having regard to factors such as asset usage and the rate of technical and commercial obsolescence.

Within the Prescribed, Non-regulated and Negotiated Transmission Asset base the following sub-categories have been established. The useful lives presently assigned to these assets are:

Prescribed & Non-regulated Assets	Network Asset	Buildings	40 years
		System Plant and Equipment	20 – 50 years
		Communication Equipment	7 – 35 years
	Other Assets		2 – 10 years
Negotiated Transmission Assets	Network Asset	System Plant and Equipment	20 – 40 years

(i) Intangible assets

Intangible assets are measured at cost and comprise Easements and Computer software as disclosed in Notes 13(a) and (b).

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

- acquisition of computer software or easements;
- installation of computer software;
- an addition or alteration to computer software, which results in an increase in economic benefits.

Easements are a component of TransGrid's infrastructure assets that

provide electricity transmission services that are regulated by the AER. Easements are assessed for impairment on an annual basis and are not amortised as they are granted for an unlimited time, and thus have an indefinite useful life.

Computer software is amortised over a period of 5 years using the straight-line amortisation method. Amortisation expense is included in the "Expenses excluding Finance Costs" line item of the Statement of Profit or Loss and Other Comprehensive Income. The useful life for software is reviewed annually, and adjustments where applicable, are made on a prospective basis.

Expenditure is not capitalised below a minimum threshold of \$3,000.

(j) Inventories

Inventories of Stores and Materials are valued at the lower of cost and net realisable value. Cost is determined by TransGrid to be the weighted average cost of items in store. TransGrid's inventories relate mostly to specialist equipment. As there is no active market in respect of the majority of TransGrid's inventories, TransGrid recognises the weighted average cost of items as a proxy for lower of cost and net realisable value.

(k) Borrowings

All borrowings are measured at amortised cost using the effective interest method. Furthermore, TransGrid's overall debt portfolio includes a number of Consumer Price Index (CPI) linked bonds which are subject to a quarterly CPI adjustment.

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

The amount of interest attributed to qualifying assets during the year was \$24.9m (2012 – \$24.2m) at a weighted average rate of 6.8 per cent (2012 – 7.2 per cent).

Loans are classified as current when they have a maturity of less than one year from the end of the reporting period.

(l) Payables

Accounts payable, including accruals not yet billed, are recognised when TransGrid has an obligation to pay as a result of the completion of a work or service.

(m) Dividends

Provision is made for the amount of dividend payable in relation to the current financial year, in accordance with the dividend recognition policy set out in Treasury Circular NSW TC 10-16 *Accounting for Dividends*. Accordingly, a dividend in relation to the financial year is taken to be determined before the end of the reporting period, consistent with the requirements

of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The dividend is calculated in accordance with TPP 09-6 *Financial Distribution Policy for Government Businesses*. The dividend payable of \$184.8m (2012: \$146.9m) is calculated based on profit for the year. The dividends are determined by TransGrid's Board after negotiation with NSW Treasury.

(n) Employee Benefits

A calculation in accordance with AASB 119 *Employee Benefits* and Treasury Circular NSW TC 12/06 *Accounting for Long Service Leave and Annual Leave* is made each year in respect of TransGrid's liability at the end of the reporting period for employee benefits relating to long service leave, annual leave and short term incentive schemes, and an annual contribution is made to adjust the provision to an amount which is considered adequate to meet that liability.

(i) Annual Leave

The provision for employee benefits relating to annual leave represents the amount which TransGrid has a present obligation to pay resulting from employees' services provided up to the end of the reporting period.

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

(ii) Long Service Leave

The liability for employee benefits relating to long service leave has been calculated on the basis of current salary rates to be paid by TransGrid resulting from employees' services provided up to the end of the reporting period and includes related on-costs. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(o) Superannuation

TransGrid contributes to the Energy Industries Superannuation Scheme (EISS) Pool B which is a defined benefit superannuation scheme for which liabilities accrue.

TransGrid also contributes to a number of accumulation superannuation schemes for which no long-term liability accrues.

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

The EISS advises the level of liability in respect of TransGrid's superannuation commitments to its employees who are members of the various divisions of the schemes. The calculation of the superannuation position is based upon actuarial reviews independent of TransGrid's ongoing activities and involvement. Various actuarial assumptions underpin the determination of TransGrid's defined benefit obligations. These assumptions and the related carrying amounts are disclosed in Note 5.

TransGrid recognises the net total of the following as an asset or a liability in its Statement of Financial Position:

- Present value of the defined benefit obligation at the end of the reporting period; and
- Fair value of plan assets in the defined benefit schemes at the end of the reporting period.

The total of the net superannuation expense (or revenue) for the year, including amounts recognised in the accounts, is the difference between the opening and closing balances of the net defined superannuation liability (or prepaid superannuation contributions) plus the contributions paid by TransGrid to the EISS.

In accordance with NSW Treasury Circular NSW TC 11/04 *Accounting for Superannuation*, actuarial gains and losses are recognised in Other Comprehensive Income while non-actuarial gains and losses are recognised in profit or loss.

(p) Insurance

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

Prior to 1 July 2012, TransGrid was a self-insurer for Worker's Compensation. The liability for claims made, or to be made, against the Insurance Provision was determined by reference to the *Worker's Compensation Act 1987* and the WorkCover Authority's guidelines to self-insurers. From 1 July 2012, TransGrid's insurance arrangements, including Worker's Compensation, are provided by the NSW Treasury Managed Fund (TMF).

Insurable incidents occurring prior to 1 July 2012 are treated in accordance with the previous insurance arrangements, while incidents from 1 July 2012 onwards are managed under the TMF arrangements. This development will reduce TransGrid's need to self-insure and provides broader commercial protection for the period post 30 June 2012.

(q) Electricity Creditors

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

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

(r) Derivative Financial Instruments

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

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

In relation to cash flow hedges to hedge firm commitments which meet the specific conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in Other Comprehensive Income and the ineffective portion, subject to a materiality threshold, is recognised in profit or loss.

When the underlying transaction results in the recognition of an asset or liability, then at the same time the associated gains or losses from the hedge that had previously been recognised in Other Comprehensive Income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

AASB 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is made up of the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In accordance with the requirements of AASB 7 *Financial Instruments: Disclosures*, all of TransGrid's derivative financial instruments fall within the Level 2 category of the fair value hierarchy. There were no transfers between categories during the year.

(s) Revenue

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

(i) Sale of goods

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

(ii) Rendering of services

Revenue from electricity transmission services is subject to the application of an AER determined Maximum Allowable Revenue (MAR) for the financial year. TransGrid is in the fourth year of the current five year regulatory determination which operates from July 2009 to June 2014. The transmission service prices are set at the beginning of the financial year in accordance with the MAR.

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

(iii) Interest

Interest revenue is recognised as it is earned, using the effective interest method.

(iv) Contributions for Capital Works

Cash and non-cash capital contributions are recognised in accordance with Accounting Interpretation 18 *Transfers of Assets from Customers*.

Contributions of non-current assets are recognised as revenue and an asset when TransGrid gains control of the asset. The amount recognised is the fair value of the contributed asset at the date on which control is gained.

Cash capital contributions are recognised as revenue when the network is extended or modified, consistent with the terms of the contribution.

(t) Income Tax

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset arises from the initial recognition of an asset or liability, and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Income taxes relating to items recognised directly in equity (such as asset revaluation surplus, cash flow hedges and superannuation actuarial gains and losses) are recognised in equity and not in profit or loss.

(u) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), with the following exceptions:

- Where the amount of GST incurred is not recoverable from the 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; and
- Receivables and payables are stated with the amount of GST included.

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

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

(v) Financial Risk Management**Overview**

TransGrid has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity and funding risk;
- Interest rate risk;
- Foreign exchange risk;
- Commodity risk; and
- Operational risk.

Credit Risk

Credit risk is the risk that arises if a financial loss is suffered due to the inability of the counterparty being able to meet its financial obligations to TransGrid.

The risk is managed by only undertaking transactions with government owned financial institutions and commercial banks with a minimum credit rating threshold. Monetary limits apply to contain the exposure within reasonable levels.

→ Trade and other receivables

TransGrid's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of TransGrid's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

TransGrid considers a concentration of credit risk to exist when an individual customer's outstanding trade receivable balance exceeds 10 per cent of the total trade receivables balance. Approximately 88 per cent (2012 – 88 per cent) of TransGrid's trade receivables balance is attributable to three distribution customers who have individual trade receivable balances in excess of 10 per cent of the total balance. All of TransGrid's distribution customers have been transacting with the organisation since its inception, with no credit losses occurring during that time.

Liquidity and Funding Risk

The main objective of liquidity risk management is to ensure that TransGrid has sufficient funds available to meet its financial obligations and in a timely manner.

TransGrid maintains detailed cash flow forecasts and uses approved instruments with liquidity limits to maintain adequate cash flow. Borrowing limits are monitored to ensure funding commitments for major capital works are in place. The debt portfolio is managed in such a way that no more than 20 per cent of the total projected portfolio will mature in any 12 month period.

TransGrid has entered into forward start borrowing agreements with the NSW Treasury Corporation to manage liquidity and funding risk.

As at 30 June 2013, TransGrid had 6 forward start borrowings with an aggregate face value of \$291.4m which will be drawn during the 2013/14 financial year.

Interest Rate Risk

Interest rate risk is the risk of a material change in earnings as a consequence of adverse movements in interest rates.

The objective in managing interest rate risk is to minimise interest expense volatility whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements and movements in market interest rates. To achieve this, TransGrid's overall debt portfolio comprises nominal, floating rate, Consumer Price Index (CPI) linked and working capital facilities.

As TransGrid's debt portfolio includes CPI linked bonds, a component of the interest rate risk relates to the risk from CPI movements.

Foreign Exchange Risk

Foreign Exchange risk is the risk that TransGrid suffers financial loss due to a change in foreign exchange rates.

TransGrid's policy is to hedge all foreign currency exposures in excess of AUD 0.5 million equivalent.

Commodity Risk

TransGrid may be exposed to commodity price risk typically in relation to adverse and unexpected increases in costs for infrastructure related capital expenditure. TransGrid's preferred position in relation to commodity risk is to negotiate fixed price contracts with its suppliers. In addition, appropriate policies are in place to monitor movements in commodity prices with hedging strategies to mitigate risk.

Operational Risk

Operational risk is the risk that TransGrid suffers financial loss due to mismanagement, error, fraud or unauthorised use of financial products.

Appropriate segregation of duties and maintenance of control systems are in place to mitigate operational risk.

(w) Capital Management

TransGrid has been subject to the NSW Government's Financial Distribution Policy since its inception and is fully committed to providing an adequate return to its Shareholder. This objective must be managed within the regulatory framework provided by the NER, given that the majority of TransGrid's revenue is subject to regulation.

TransGrid's return on capital is based on a Weighted Average Cost of Capital (WACC) set by the AER, as part of the revenue cap determination process at five-year intervals. The regulatory rate of return is set at a level deemed sufficient to ensure the continuing viability of TransGrid's business and to encourage necessary investment in new and replacement assets. The WACC applicable to TransGrid for the current five-year regulatory period ending 30 June 2014 is 10.05 per cent.

There were no changes in TransGrid's approach to capital management during the year.

TransGrid is not subject to externally imposed capital requirements.

(x) Joint Ventures

TransGrid has entered into an Unincorporated Joint Venture Agreement for the future provision of telecommunications services.

In accordance with AASB 131 *Interests in Joint Ventures*, the joint venture is deemed to be a jointly controlled operation as each venturer uses its own assets in pursuit of the joint operations. The joint venture has not traded.

3. Income

	2013 \$'000	2012 \$'000
Revenue		
Prescribed	864,412	807,118
Non-prescribed Work	22,586	17,348
Interest	205	985
Sundry	649	639
Total Revenue	887,852	826,090
Net Gain on Disposal of Property, Plant and Equipment	–	5,896
Total Income	887,852	831,986

4. Expenses

	2013 \$'000	2012 \$'000
Expenses excluding Losses & Finance Costs		
Prescribed	383,155	379,911
Non-prescribed	12,838	10,771
Total Expenses excluding Losses & Finance Costs	395,993	390,682
Net Loss on Disposal of Property, Plant and Equipment	925	–
Net Loss on Cash Flow Hedges	85	105
Total Expenses excluding Finance Costs	397,003	390,787
Finance Costs	140,933	150,595
Total Expenses	537,936	541,382

Total Expenses above include:

	2013 \$'000	2012 \$'000
Depreciation of Property, Plant and Equipment (refer to Note 12(b))	234,770	223,350
Amortisation of Intangibles (refer to Note 13(b))	9,063	7,968
Impairment Loss on Trade and Other Receivables	16	–
Inventory Expense	2,537	3,109
Inventory Write-downs	441	75
Employee Benefits Expense	109,443	115,669
Defined Contribution Superannuation Plans Expense	7,561	7,116

Maintenance Expenses are a subset of the above total expenses:**Maintenance Expense:**

Prescribed		
Employee-related maintenance expense	40,902	37,060
Other maintenance expense	22,625	27,633
Prescribed – Maintenance Expense	63,527	64,693
Non-prescribed		
Employee-related maintenance expense	49	37
Other maintenance expense	156	298
Non-prescribed – Maintenance Expense	205	335
Total Maintenance Expense	63,732	65,028

5. Superannuation Defined Benefit Plans

The following tables summarise the components of movement in employer's superannuation reserve recognised in Profit or Loss and Other Comprehensive Income, and the funded status and amounts recognised in the Statement of Financial Position for the defined benefit superannuation plans.

The Assets and Liabilities of TransGrid's EISS Defined Benefit Plans are provided by the Scheme's Actuary, Mercer Consulting (Australia) Pty Ltd.

(a) Movements in Superannuation Liability recognised in profit or loss

	2013 \$'000	2012 \$'000
Current service cost	(7,828)	(6,866)
Interest cost	(24,404)	(29,740)
Expected return on Fund assets	29,895	30,780
Total net income/(expense)	(2,337)	(5,826)

(b) Movements in Superannuation Liability recognised in Other Comprehensive Income

	2013 \$'000	2012 \$'000
Total actuarial gains/(losses)	77,780	(209,765)

(c) Superannuation Net Asset/(Liability)

	2013 \$'000	2012 \$'000
Fair value of Fund assets at the end of the year	435,006	371,133
Present value of defined benefit obligation at the end of the year	(704,562)	(738,659)
Net Asset/(Liability) recognised in Statement of Financial Position at the end of the year	(269,556)	(367,526)

(d) Reconciliation of the present value of the defined benefit obligations

	2013 \$'000	2012 \$'000
Present value of defined benefit obligations at the beginning of the year	(738,659)	(555,058)
Current service cost	(7,828)	(6,866)
Interest cost	(24,404)	(29,740)
Contributions by Fund participants	(3,568)	(3,573)
Actuarial gains/(losses)	50,323	(174,902)
Benefits Paid	19,574	31,480
Present value of defined benefit obligations at the end of the year	(704,562)	(738,659)

(e) Reconciliation of the fair value of Fund assets

	2013 \$'000	2012 \$'000
Fair value of Fund assets at the beginning of the year	371,133	380,315
Expected return on Fund assets	29,895	30,780
Actuarial gains/(losses)	27,457	(34,863)
Employer Contributions	22,527	22,808
Contributions by Fund participants	3,568	3,573
Benefits Paid	(19,574)	(31,480)
Fair value of Fund assets at the end of the year	435,006	371,133

(f) Percentage invested in each asset class at the end of the reporting period

Asset Class	2013	2012
International Equity	22%	27%
Fixed Income	20%	13%
Alternatives	18%	17%
Australian Equity	14%	25%
Infrastructure	9%	6%
Cash	9%	4%
Property	7%	7%
Private Equity	1%	1%

(g) Fair value of Fund assets

All Fund assets are invested by the Trustees at arm's length through independent managers.

(h) Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

(i) Actual return on Fund assets

	2013 \$'000	2012 \$'000
Actual return on Fund assets	57,352	(3,900)

(j) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(k) Economic Assumptions

	30 June 2013
Salary increase rate (excluding promotional increase)	2.5% p.a.
Rate of CPI Increase	2.5% p.a.
Expected rate of return on assets	8.1% p.a.
Discount rate	3.80% p.a.

(l) Demographic Assumptions

The demographic assumptions at 30 June 2013 are those used in the 2012 triennial actuarial valuation.

(m) Historical Information

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Present value of defined benefit obligation	(704,562)	(738,659)	(555,058)	(547,814)	(468,958)
Fair value of Fund assets	435,006	371,133	380,315	346,559	307,166
Surplus/(Deficit) in Fund	(269,556)	(367,526)	(174,743)	(201,255)	(161,792)
Experience adjustments – Fund liabilities	50,323	(174,902)	2,025	(49,876)	(34,330)
Experience adjustments – Fund assets	27,457	(34,863)	9,274	5,847	(98,840)

(n) Expected Contributions

	\$'000
Expected employer contributions to be paid in the 2013/14 financial year	16,959

(o) Funding Arrangements for Employer Contributions**(i) Net Surplus/(Liability)**

The following is a summary of the financial position of the Fund at the end of the reporting period calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	2013 \$'000	2012 \$'000
Net market value of Fund assets	435,006	371,133
Accrued benefits	(477,772)	(446,118)
Net Surplus/(Liability)	(42,766)	(74,985)

(ii) Funding Method

The method used to determine the employer contribution recommendations in the 2012 triennial actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

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

(iii) Economic Assumptions

The economic assumptions adopted by the Scheme's Actuary in determining the employer contribution recommendations are set out in the following table. These assumptions differ from the economic assumptions shown in Note 5(k) which are used to determine the superannuation net asset/(liability) in the Statement of Financial Position.

Weighted Average Assumptions	
Expected rate of return on Fund Assets	7.0% p.a.
Expected salary increase rate	3.5% p.a. until 30 Jun 2018, 4% p.a. thereafter
Expected rate of CPI Increase	2.5% p.a.

(iv) Nature of Asset/Liability

As a liability is recognised in the Statement of Financial Position as at 30 June 2013, TransGrid is responsible for the difference between the organisation's share of Fund assets and the defined benefit obligation.

(p) Other

The superannuation expense recognised in profit or loss is included in the line item "Expenses excluding Finance Costs". Superannuation actuarial gains/(losses) of \$77.8m (2012: \$209.8m loss) are separately identified in Other Comprehensive Income.

6. Income Tax**(a) Income Tax Expense**

Major components of income tax expense for the years ended 30 June 2013 and 2012 are:

(i) Profit or loss

	2013 \$'000	2012 \$'000
Current Income Tax		
Current income tax charge	69,713	53,710
Adjustments in respect of current income tax of previous years	(989)	(1,875)
Deferred Income Tax		
Relating to origination and reversal of temporary differences	33,601	38,951
Income tax expense	102,325	90,786

(ii) Other Comprehensive Income

	2013 \$'000	2012 \$'000
Deferred Income Tax		
Net tax (gain)/loss on revaluation of property, plant and equipment	(132,148)	(2,177)
Net tax (gain)/loss on superannuation reserve on underlying actuarial losses/gains	23,334	(62,930)
Net tax (gain)/loss on cash flow hedges	1,570	49
Income tax on items taken directly to equity during the year	(107,244)	(65,058)

(iii) Statement of Changes in Equity

	2013 \$'000	2012 \$'000
Deferred Income Tax		
Net tax (gain)/loss on transfers from asset revaluation surplus	(676)	132
Income tax on items taken directly to equity during the year	(676)	132

(iv) Reconciliation of income tax expense on pre-tax accounting profit to income tax expense reported in profit or loss

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

	2013 \$'000	2013 \$'000	2012 \$'000	2012 \$'000
Profit/(Loss) Before Income Tax Expense	349,916		290,604	
Income tax expense/(benefit) calculated at statutory income tax rate of 30%		104,975		87,181
Capital allowances		–		24
Expenditure not allowed for income tax purposes		19		20
Origination and reversal of temporary differences recognised in relation to previous years		(1,680)		5,436
Adjustments in respect of current income tax of previous years		(989)		(1,875)
Income tax expense reported in profit or loss		102,325		90,786

(b) Deferred Income Tax

Deferred Income Tax at 30 June relates to the following:

	Recognised in Statement of Financial Position		Recognised in Profit or Loss	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred Tax Assets				
Provisions	24,482	24,936	454	(4,109)
Superannuation Liability	80,867	110,258	6,057	5,095
Property, plant and equipment and Intangibles	8,682	3,070	(5,611)	(742)
Other	1,072	2,564	319	1,448
Gross Deferred Tax Assets	115,103	140,828	1,219	1,692
Deferred Tax Liabilities				
Property, plant and equipment and Intangibles	(838,097)	(944,481)	26,441	35,351
Other	(10,981)	(4,641)	5,941	1,908
Gross Deferred Tax Liabilities	(849,078)	(949,122)	32,382	38,951

7. Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash on Hand	13	13
Cash at Bank	1,088	1,559
Total	1,101	1,572

8. Trade and other receivables

	2013 \$'000	2012 \$'000
Current		
Debtors		
Trade Debtors	119,325	119,053
Debtors Other Than Trade	7,080	3,923
	126,405	122,976
Allowance for Impairment Loss on Trade and Other Receivables	–	–
Total Debtors	126,405	122,976
Other		
Prepaid Railway Travel Passes	79	75
Total Other	79	75
Total	126,484	123,051

9. Inventories

	2013 \$'000	2012 \$'000
Transmission Plant Spares	31,048	27,892
Other	–	155
Total	31,048	28,047

10. Derivatives (Assets)

	2013 \$'000	2012 \$'000
Current		
Forward Foreign Currency Contracts	1,331	–
Non-Current		
Forward Foreign Currency Contracts	–	–
Total	1,331	–

11. Other current assets

	2013 \$'000	2012 \$'000
Prepayments	4,009	3,727
Insurance Recovery Asset	661	598
Total	4,670	4,325

12. Property, plant and equipment**(a) Valuation and accumulated depreciation for each class of property, plant and equipment**

	2013 \$'000	2012 \$'000
Prescribed Assets		
Network Assets	9,743,127	10,539,293
Accumulated Depreciation	(5,199,051)	(5,607,559)
Work in Progress	631,274	449,098
	5,175,350	5,380,832
Other Assets	112,196	109,856
Accumulated Depreciation	(68,759)	(60,430)
Work in Progress	10,446	7,406
	53,883	56,832
Total Prescribed Assets	5,229,233	5,437,664
Negotiated Transmission Assets		
Network Assets	64,194	64,194
Accumulated Depreciation	(11,740)	(9,125)
Work in Progress	18,456	3,001
Total Negotiated Transmission Assets	70,910	58,070
Non-regulated Assets		
Network Assets	19,775	12,776
Accumulated Depreciation	(10,780)	(5,877)
Work in Progress	19,683	221
	28,678	7,120
Other Assets	1,097	998
Accumulated Depreciation	(176)	(152)
Work in Progress	312	200
	1,233	1,046
Total Non-regulated Assets	29,911	8,166
Total Property, Plant and Equipment	5,330,054	5,503,900

(b) Reconciliations of the carrying amounts of each class of Property, Plant and Equipment at the beginning and end of the financial year

Property, Plant and Equipment is treated in accordance with the various explanations set out in Note 2. Property, Plant and Equipment are valued in accordance with NSW Treasury Policy TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*.

At the end of the reporting period, no non-current assets held for sale were recognised in TransGrid's accounts (2012 – Nil).

2013	Carrying Amount at Beginning of year \$'000	Movements \$'000	Disposals \$'000	Depreciation \$'000	Revaluation Increments/ (Decrements) \$'000	Carrying Amount at End of year \$'000
Prescribed Assets						
Network Assets	5,380,832	454,328	(2,245)	(217,072)	(440,493)	5,175,350
Other Assets	56,832	13,862	(2,760)	(14,051)	–	53,883
Total Prescribed Assets	5,437,664	468,190	(5,005)	(231,123)	(440,493)	5,229,233
Negotiated Transmission Assets						
Network Assets	58,070	15,455	–	(2,615)	–	70,910
Total Negotiated Transmission Assets	58,070	15,455	–	(2,615)	–	70,910
Non-regulated Assets						
Network Assets	7,120	22,427	–	(869)	–	28,678
Other Assets	1,046	739	(389)	(163)	–	1,233
Total Non-regulated Assets	8,166	23,166	(389)	(1,032)	–	29,911
Total	5,503,900	506,811	(5,394)	(234,770)	(440,493)	5,330,054

2012	Carrying Amount at Beginning of year \$'000	Movements \$'000	Disposals \$'000	Depreciation \$'000	Revaluation Increments/ (Decrements) \$'000	Carrying Amount at End of year \$'000
Prescribed Assets						
Network Assets	5,265,967	334,420	(7,763)	(204,535)	(7,257)	5,380,832
Other Assets	57,875	17,412	(3,053)	(15,402)	–	56,832
Total Prescribed Assets	5,323,842	351,832	(10,816)	(219,937)	(7,257)	5,437,664
Negotiated Transmission Assets						
Network Assets	55,678	5,005	–	(2,613)	–	58,070
Total Negotiated Transmission Assets	55,678	5,005	–	(2,613)	–	58,070
Non-regulated Assets						
Network Assets	9,062	(1,279)	–	(663)	–	7,120
Other Assets	1,009	610	(436)	(137)	–	1,046
Total Non-regulated Assets	10,071	(669)	(436)	(800)	–	8,166
Total	5,389,591	356,168	(11,252)	(223,350)	(7,257)	5,503,900

(c) Cost Model

As at 30 June 2013	Cost \$'000	Accumulated Depreciation \$'000	Net Book Value \$'000
Prescribed Assets			
Network Asset	4,575,846	1,283,499	3,292,347

As at 30 June 2012	Cost \$'000	Accumulated Depreciation \$'000	Net Book Value \$'000
Prescribed Assets			
Network Asset	4,409,036	1,202,252	3,206,784

13. Intangibles
(a) Valuation and Accumulated Amortisation of Intangibles

	2013 \$'000	2012 \$'000
Easements	514,145	512,058
Work in Progress	43,768	22,780
	557,913	534,838
Computer software	73,922	50,859
Accumulated Amortisation	(34,720)	(25,658)
Work in Progress	14,995	20,556
	54,197	45,757
Total Intangibles	612,110	580,595

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

2013	Carrying Amount at Beginning of Year \$'000	Additions \$'000	Disposals \$'000	Amortisation \$'000	Impairments \$'000	Carrying Amount at End of Year \$'000
Intangible Assets						
Easements	534,838	23,075	-	-	-	557,913
Computer software	45,757	17,503	-	(9,063)	-	54,197
Total	580,595	40,578	-	(9,063)	-	612,110

2012	Carrying Amount at Beginning of Year \$'000	Additions \$'000	Disposals \$'000	Amortisation \$'000	Impairments \$'000	Carrying Amount at End of Year \$'000
Intangible Assets						
Easements	521,032	13,806	–	–	–	534,838
Computer software	39,297	14,428	–	(7,968)	–	45,757
Total	560,329	28,234	–	(7,968)	–	580,595

14. Other non-current assets

	2013 \$'000	2012 \$'000
Insurance Recovery Asset	7,502	7,320
Total	7,502	7,320

15. Trade and other payables

	2013 \$'000	2012 \$'000
Current		
Creditors	89,802	73,064
Accrued Finance Costs	63,250	59,413
GST Payable	5,054	7,278
Total	158,106	139,755

16. Provisions

	2013 \$'000	2012 \$'000
Current		
Dividend	184,838	146,862
Employees' Accrued Benefits	73,924	76,032
Insurance	1,038	1,280
	259,800	224,174
Non-Current		
Employees' Accrued Benefits	7,108	6,262
Insurance	10,398	11,527
Superannuation Liability (Note 5(c))	269,556	367,526
	287,062	385,315
Total	546,862	609,489

(a) Dividends

The following table details the movements in the Dividend Provision during the year:

Class	Opening Balance \$'000	Contributions \$'000	Payments \$'000	Closing Balance \$'000
Dividends	146,862	184,838	(146,862)	184,838
Total	146,862	184,838	(146,862)	184,838

(b) Employees' Accrued Benefits

The following table shows a breakdown of the Current Portion of the Employees' Accrued Benefits Provision at the end of the reporting period, split into the period of time the benefits are expected to be settled:

	2013 \$'000	2012 \$'000
Within one year	19,432	16,423
Later than one year	54,492	59,609
Total	73,924	76,032

(c) Insurance

Prior to July 2012 TransGrid was self insured for Workers Compensation and in accordance with Condition 6(a)(iii) of the license granted under Section 211 of the *Worker's Compensation Act, 1987*, the provision for total outstanding workers' compensation claims liability including incurred but not reported claims and administration is \$11.4m (2012 – \$12.8m). During the financial year, \$1.5m (2012 – \$3.3m) was contributed to the provision for Workers' Compensation.

The provision includes \$8.2m for a 2005 workers' compensation claim under TransGrid's reinsurance policy. Reinsurance recoveries have commenced and future recoveries for this claim are considered to be virtually certain. TransGrid has recognised an insurance recovery asset of \$8.2m based on independent actuarial advice (refer to Notes 11 and 14).

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

Class	Opening Balance \$'000	Contributions \$'000	Payments \$'000	Unused Amounts Reversed \$'000	Closing Balance \$'000
Workers' Compensation	12,808	1,481	(763)	(2,090)	11,436
Public Liability	–	52	(52)	–	–
Total	12,808	1,533	(815)	(2,090)	11,436

17. Derivatives (Liabilities)

	2013 \$'000	2012 \$'000
Current		
Forward Foreign Currency Contracts	–	3,903
Non-Current		
Forward Foreign Currency Contracts	–	–
Total	–	3,903

18. Other current liabilities

	2013 \$'000	2012 \$'000
Electricity Creditors	30,136	33,711
Unearned Revenue	3,454	3,484
Security Deposits	–	250
Total	33,590	37,445

19. Capital

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

TransGrid was corporatised as a Statutory State Owned Corporation on 14 December 1998, with share capital of two \$1.00 shares. These shares were issued to the Treasurer and the Minister for Finance, as Voting Shareholders on behalf of the NSW Government, as at the end of the reporting period. The \$2.00 is reported as part of Capital.

	2013 \$'000	2012 \$'000
Capital		
Opening Balance	651,967	651,967
Movements	–	–
Closing Balance	651,967	651,967

20. Reserves

Reserves	Asset Revaluation Surplus \$'000	Cash Flow Hedge Reserve \$'000	Total \$'000
At 30 June 2011	1,720,386	(2,826)	1,717,560
Revaluation of Property, Plant & Equipment (Note 12(b))	(7,257)	–	(7,257)
Transfers to Retained Earnings – Revaluation Surplus for assets disposed (Note 21)	(4,134)	–	(4,134)
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	2,177	–	2,177
Tax effect of Transfers to Retained Earnings (Note 6(a)(iii))	(132)	–	(132)
Revaluation of Cash Flow Hedges	–	(1,849)	(1,849)
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	–	2,010	2,010
Tax effect of Cash Flow Hedge Equity Movements (Note 6(a)(ii))	–	(49)	(49)
At 30 June 2012	1,711,040	(2,714)	1,708,326
Revaluation of Property, Plant & Equipment (Note 12(b))	(440,493)	–	(440,493)
Transfers to Retained Earnings – Revaluation Surplus for assets disposed (Note 21)	(2,255)	–	(2,255)
Tax effect of Property, Plant & Equipment Revaluation (Note 6(a)(ii))	132,148	–	132,148
Tax effect of Transfers to Retained Earnings (Note 6(a)(iii))	676	–	676
Revaluation of Cash Flow Hedges	–	1,498	1,498
Realised (Gains)/Losses on Cash Flow Hedges removed from equity and included in assets	–	3,737	3,737
Tax effect of Cash Flow Hedge Equity Movements (Note 6(a)(ii))	–	(1,570)	(1,570)
At 30 June 2013	1,401,116	951	1,402,067

The net movement in equity, excluding tax effects, in respect of the Cash Flow Hedge Reserve during the year was \$5.2m (2012 – (\$0.2m)).

Asset Revaluation Surplus

This reserve is used to record increases in the fair value of property, plant and equipment, and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. Assets are revalued in accordance with NSW Treasury Policy TPP 07-1 *Valuation of Physical Non-Current Assets at Fair Value*.

Cash Flow Hedge Reserve

This reserve records the effective portion of the unrealised gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows.

21. Retained Earnings

	2013 \$'000	2012 \$'000
Opening Balance	–	89,745
Net Profit/(Loss) Before Dividend	247,591	199,818
Superannuation Actuarial Gains/(Losses)	77,780	(209,765)
Income Tax Benefit/(Expense) on Superannuation Actuarial Gains/(Losses)	(23,334)	62,930
Dividend	(184,838)	(146,862)
Transfers from Asset Revaluation Surplus	2,255	4,134
Closing Balance	119,454	–

22. Capital expenditure commitments

As at 30 June 2013, TransGrid has capital expenditure commitments of \$379.0m (2012 – \$438.6m) arising from contracts entered into relating to property, plant and equipment and intangibles. This expenditure has not been provided for in the accounts.

The capital expenditure commitments above include input tax credits of \$34.5m (2012 – \$39.9m) that are expected to be recoverable from the ATO.

23. Dividend and Contributions to Shareholder

A dividend of \$184.8m (2012 – \$146.9m) has been recognised for distribution to the shareholder. The dividend will be paid during the course of the 2013/14 financial year and is represented by the dividend provision.

24. Secured Liabilities

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

25. Audit Fees

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

	2013 \$'000	2012 \$'000
Auditing the financial statements	192	182

26. Compensation of Key Management Personnel

	2013 \$'000	2012 \$'000
Short-term employee benefits	2,869	2,773
Post-employment benefits	392	361
Other long-term benefits	81	194
Total	3,342	3,328

Fees Paid to Directors

Fees, including superannuation benefits paid to Directors, other than salaries paid to full-time Directors, were \$0.5m (2012 – \$0.4m).

No related party transactions were entered into during the 2012/13 financial year.

27. Contingent Liabilities and Contingent Assets

(a) Contingent Liabilities

	2013 \$'000	2012 \$'000
Contract Liabilities	4,650	2,600

Various claims for compensation associated with latent conditions, delays and disruption costs, breach of contract and other causes of action are being pursued against TransGrid by contractors. The amounts disclosed represent TransGrid management's best estimate at the end of the reporting period. At this stage, it is not possible for management to form an opinion on the likely outcome of these claims.

A further claim has been made against TransGrid regarding compensation for the acquisition of land. At this stage, it is not possible for management to form an opinion about the likely outcome or reliably estimate the amount of this claim. After an independent valuation conducted by the Valuer General \$12.1 million has been paid to the landowner.

(b) Contingent Assets

TransGrid has initiated legal proceedings to recover damages of up to \$28.0 million from its contractor and sub-contractors. At this stage, it is not possible for management to form an opinion on the likely outcome of the proceedings.

28. Fair Compensation Trust Account

In accordance with the Land Acquisition (Just Terms Compensation) Act, TransGrid maintains a Trust Account. TransGrid performs only a custodial role in respect of these monies, and as the monies cannot be used for the achievement of the entity's own objectives, these funds are not recognised in the financial statements. The account balance at the end of the reporting period was \$191K (2012 – \$50K).

29. Leases

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

Lessee

The lease expenditure recognised in the Statement of Profit or Loss and Other Comprehensive Income for the financial year, GST exclusive, was \$2.6m (2012 – \$2.0m) and predominantly relates to a commercial operating lease that commenced on 9 May 2013. Although this lease has a term of 3 years TransGrid has exercised an early termination option which takes effect on 8 November 2014. These lease payments are escalated annually by 4 percent.

TransGrid has entered into a second commercial operating lease which commenced on 29 June 2013. This lease has a 1 year term.

TransGrid intends to consolidate its lease arrangements during the 2013/14 financial year.

The future minimum lease payments are as follows:

	2013 \$'000	2012 \$'000
Not later than one year	3,337	2,477
Later than one year but not later than 5 years	1,028	–
Later than 5 years	–	–
Total (including GST)	4,365	2,477

Total Lease Commitments above include GST input tax credits of \$0.4m (2012 – \$0.2m) that are expected to be recoverable from the ATO.

30. Notes to Statement of Cash Flows**(a) Reconciliation of Cash**

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2013 \$'000	2012 \$'000
Cash and Cash Equivalents	1,101	1,572

(b) Dividends and Taxes

No dividends were received. Dividends and tax equivalents paid during the year amounted to \$209.3m (2012 – \$175.5m).

(c) Reconciliation of Profit after Income Tax Equivalent Expense to Net Cash Provided by Operating Activities

	2013 \$'000	2012 \$'000
Profit/(Loss) after Income Tax Equivalent Expense	247,591	199,818
Add/(Less): Items Classified as Financing/Investing Activities		
Net Loss/(Gain) on Disposal of Property, Plant and Equipment	925	(5,896)
Add/(Less) Non-Cash Items		
Depreciation and Amortisation	243,833	231,318
Amortisation of (Premium)/Discount on Loans	(667)	(884)
Capitalised Interest	(24,948)	(24,240)
Borrowings Indexation	14,357	18,296
Net Cash Provided by Operating Activities Before Change in Assets and Liabilities	481,091	418,412
Net Changes in Assets and Liabilities During the Financial Year		
(Increase)/Decrease in Trade Debtors & Other Receivables	(3,433)	(7,969)
(Increase)/Decrease in Inventories	(3,001)	36
(Increase)/Decrease in Other Current Assets	(345)	(2,004)
(Increase)/Decrease in Other Non-Current Assets	(182)	(1,631)
Increase/(Decrease) in Trade Creditors & Other Payables	4,330	5,807
Increase/(Decrease) in Provisions	(22,823)	(1,250)
Increase/(Decrease) in Income Tax & Deferred Taxes	39,865	49,202
Increase/(Decrease) in Other Current Liabilities	(3,854)	34,181
Net Cash Provided by Operating Activities	491,648	494,784

(d) Financing Arrangements

TransGrid has a number of financial arrangement facilities in place to meet liquidity and contractual requirements as identified in the table below:

Facility Type	Financial Institution	Facility Limit \$'000
Borrowings	NSW Treasury Corporation	3,070,000
Bank overdraft	Westpac Banking Corporation	30,000
Bank guarantee	NSW Treasury Corporation	8,000
Bank guarantee	Westpac Banking Corporation	8,000
Credit card	Westpac Banking Corporation	4,000

31. Financial Instruments Disclosure

(a) Credit Risk

Exposure to credit risk

The carrying amount of TransGrid's financial assets represents the maximum credit exposure. TransGrid's maximum exposure to credit risk at the end of the reporting period was:

Carrying Amount	Note	2013 \$'000	2012 \$'000
Cash and cash equivalents	7	1,101	1,572
Trade and other receivables	8	126,484	123,051
Forward exchange contracts used for hedging (Assets)	10	1,331	–
		128,916	124,623

Gross receivables and impairment losses

The aging of TransGrid's trade and other receivables at the end of the reporting period was:

	Gross Receivables 2013 \$'000	Impairment Losses 2013 \$'000	Gross Receivables 2012 \$'000	Impairment Losses 2012 \$'000
Not past due	125,597	–	121,215	–
Past due 1-30 days	780	–	1,801	–
Past due 31-60 days	16	–	18	–
More than 60 days	91	–	17	–
	126,484	–	123,051	–

The above table defines the Gross Receivables expected to be received by TransGrid.

As at 30 June 2013, all receivable transactions were assessed to determine their fair value and that collectability was highly probable. Although impairment losses were recognised during the year (refer to Note 4) no impairment losses were recognised in respect to TransGrid's outstanding Gross Receivables balances (2012 – Nil).

(b) Liquidity and Funding Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at 30 June 2013

	Carrying Amount \$'000	Contractual Cash flows \$'000	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities					
Borrowings	2,435,849	3,394,364	411,135	1,145,428	1,837,801
Forward start borrowings	–	117,301	(302,273)	58,279	361,295
Trade and other payables	158,106	158,106	158,106	–	–
Other financial liabilities	30,136	30,136	30,136	–	–
Derivative financial liabilities					
Forward exchange contracts used for hedging: Gross outflow	–	–	–	–	–
Total	2,624,091	3,699,907	297,104	1,203,707	2,199,096

As at 30 June 2012

	Carrying Amount \$'000	Contractual Cash flows \$'000	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities					
Borrowings	2,263,465	3,260,129	261,633	1,095,602	1,902,894
Forward start borrowings	–	49,637	(127,684)	29,970	147,351
Trade and other payables	139,755	139,755	139,755	–	–
Other financial liabilities	33,711	33,711	33,711	–	–
Derivative financial liabilities					
Forward exchange contracts used for hedging: Gross outflow	3,903	28,207	28,207	–	–
Total	2,440,834	3,511,439	335,622	1,125,572	2,050,245

(c) Foreign Exchange Risk**Cash Flow Hedges**

The cash flows arising from cash flow hedges are not expected to materially affect profit or loss.

Cash Flow Hedge Equity Movements

	Carrying Amount at beginning of period (1/7/12) \$'000	Amount recognised in equity during the period \$'000	Amount removed from equity and included in profit or loss \$'000	Amount removed from equity and included in assets \$'000	Carrying Amount at end of period (30/6/13) \$'000
2012/2013					
Equity	(3,903)	1,498	–	3,736	1,331

	Carrying Amount at beginning of period (1/7/11) \$'000	Amount recognised in equity during the period \$'000	Amount removed from equity and included in profit or loss \$'000	Amount removed from equity and included in assets \$'000	Carrying Amount at end of period (30/6/12) \$'000
2011/2012					
Equity	(4,064)	(1,849)	–	2,010	(3,903)

Sensitivity analysis

TransGrid employs cash flow hedges to remove currency risk associated with the purchase of overseas equipment.

A 10 percent strengthening and weakening of the Australian dollar against the following currencies would have increased/(decreased) equity, or profit or loss, by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As at 30 June 2013

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	\$'000 +10%	\$'000 -10%	\$'000 +10%	\$'000 -10%
CAD	–	–	–	–
USD	–	–	–	–
EUR	43	2,317	–	–
JPY	–	–	–	–
SEK	4	584	–	–

As at 30 June 2012

Foreign Currency	Impact on Equity in AUD		Impact on Profit or Loss in AUD	
	\$'000 +10%	\$'000 -10%	\$'000 +10%	\$'000 -10%
CAD	(83)	101	–	–
USD	(264)	323	–	–
EUR	(1,375)	1,681	–	–
JPY	(462)	564	–	–

(d) Interest Rate Risk**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates and the CPI at the end of the reporting period would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 30 June 2013

Variable Rate Instruments	Impact on Profit or Loss	
	\$'000 -100bp	\$'000 +100bp
Electricity Creditors	301	(301)
Bank Accounts	(11)	11
Borrowings	1,365	(1,365)
Borrowings: CPI Linked Bonds	6,682	(6,682)
Cash flow sensitivity (net)	8,337	(8,337)

As at 30 June 2012

Variable Rate Instruments	Impact on Profit or Loss	
	\$'000 -100bp	\$'000 +100bp
Electricity Creditors	337	(337)
Bank Accounts	(16)	16
Borrowings	235	(235)
Borrowings: CPI Linked Bonds	6,546	(6,546)
Cash flow sensitivity (net)	7,102	(7,102)

(e) Net Fair Value of Borrowings

The net fair value of borrowings is based on market values derived by Barrington Treasury Services using market interest rates current at the end of the reporting period. The carrying amounts and net fair values of borrowings at the end of the reporting period are:

	2013		2012	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Borrowings	2,435,849	2,647,715	2,263,465	2,613,140

End of Audited Financial Statements


Statement by members of the board



STATEMENT BY MEMBERS OF THE BOARD

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

1. the accompanying Financial Statements and Notes exhibit a true and fair view of the financial position and financial performance of TransGrid for the year ended 30th June 2013;
2. the Financial Statements and Notes have been prepared in accordance with Australian Accounting Standards including Accounting Interpretations, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2010, the State Owned Corporations Act 1989, and relevant Treasury Circulars; and
3. we are not aware of any circumstances at the date of this declaration which would render any particulars in the Financial Statements and Notes to be misleading or inaccurate.


C DARVALL
CHAIRMAN


P MCINTYRE
MANAGING DIRECTOR

17/9/2013
Date

Independent auditor's report



INDEPENDENT AUDITOR'S REPORT

TransGrid

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of TransGrid, which comprise the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of TransGrid as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010
- comply with International Financial Reporting Standards as disclosed in Note 2(b).

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

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the *State Owned Corporations Act 1989* and the PF&A Act, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 'Presentation of Financial Statements', that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent auditor's report (continued)

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Corporation
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and relevant ethical pronouncements. The PF&A Act further promotes independence by:

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



A Oyetunji
Director, Financial Audit Services

17 September 2013
SYDNEY

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Glossary

AER ('the regulator')

The Australian Energy Regulator

AEMO

The Australian Energy Market Operator

Assets

TransGrid's 'poles and wires', all the substations and electricity transmission lines that form the network.

Customers

TransGrid's customers are those directly connected to the network. They are either Distribution Network Service Providers, directly connected generators, large industrial customers, customers connected through inter-regional connections or potential new customers.

Easement

An easement over a property gives TransGrid the right to construct and maintain our assets, while ownership of the property remains with the original landowner.

kV

Operating voltage of electricity transmission equipment. One kilovolt is equal to one thousand volts.

Load

The amount of electrical power that is drawn from the network.

LTIFR

Lost time injury frequency rate

National Electricity Law

Common laws across the states which comprise the NEM, which make the NER enforceable.

National Electricity Rules (NER or 'the Rules')

The rules that govern the operation of the NEM.

NEM

The National Electricity Market

Network augmentation

An expansion of the existing electricity transmission network.

TNSP

Transmission Network Service Provider. A body that owns, controls and operates an electricity transmission system in the NEM.

Transmission line

A high-voltage power line running at 500 kV, 330 kV or 132 kV.



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