
5.6 GTE performance reports

Delta Electricity (NSW)

Macquarie Generation (NSW)

Eraring Energy (NSW)

TransGrid (NSW)

EnergyAustralia (NSW)

Integral Energy (NSW)

Country Energy (NSW)

CS Energy (Queensland)

Stanwell Corporation (Queensland)

Tarong Energy (Queensland)

Enertrade (Queensland)

Powerlink (Queensland)

Ergon Energy Group (Queensland)

ENERGEX (Queensland)

Verve Energy (WA)

Western Power (WA)

Synergy (WA)

Horizon Power (WA)

Hydro-Electric Corporation (Tasmania)

Aurora Energy (Tasmania)

Transend Networks (Tasmania)

Power and Water Corporation (NT)

Snowy Hydro (Australian Government/NSW/Victoria)

Delta Electricity (Delta) operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. Delta is the second largest electricity generator in the National Electricity Market, contributing around 12 per cent of total supply. Although not facing direct price regulation, Delta is subject to the National Electricity Law and National Electricity Rules, which set a maximum spot price of \$10 000 per MWh (AEMC Reliability Panel 2007).

Delta's total income increased by 3.0 per cent (\$27.2 million) to \$921 million in 2006-07. However, profit before tax declined by 14.0 per cent (\$26.3 million) to \$162 million, reflecting a 9.2 per cent (\$60.9 million) increase in total expenses. The increase in total expenses was largely attributable to a \$52.1 million increase in generating costs and a \$12.5 million increase in depreciation.

The value of Delta's assets increased by 50.0 per cent (\$1.1 billion) to \$3.2 billion in 2006-07. This increase was largely attributable to increases in trade and other receivables (\$385 million) and deferred tax assets arising from revaluation of derivative instruments for fair value movements (\$315 million), revaluations of power station plant and equipment (\$275 million) and capital investment (\$148 million). Delta's liabilities also increased significantly, more than doubling from \$1.4 billion in 2005-06 to \$3.0 billion in 2006-07. The major sources of increase were electricity contracts (\$1.0 billion), and trade and other payables (\$400 million). The decline in profit before tax resulted in a fall in return on assets to 8.3 per cent in 2006-07.

Delta's level of debt increased by 13.3 per cent to \$660 million in 2006-07. However, with an increase in the value of its assets, debt to total assets fell slightly from 29.5 per cent in 2005-06 to 26.8 per cent in 2006-07.

Delta is required to make dividend and income tax-equivalent payments. Delta provided for a \$114 million dividend payment, and recorded an income tax-equivalent expense of \$49.8 million in 2006-07. \

Delta does not receive community service obligation funding.

DELTA ELECTRICITY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 892	1 900	2 148	3 222
Total income	\$m	816	795	894	921
<i>Profitability</i>					
Profit before tax	\$'000	180 481	170 215	188 445	162 112
Operating profit margin	%	28.2	27.2	27.6	23.2
Cost recovery	%	139.3	137.3	138.1	130.3
Return on assets	%	12.6	12.1	12.0	8.3
Return on total equity	%	21.3	28.6	26.2	32.7
Return on operating equity ^c	%	16.9	18.2	16.3	11.5
<i>Financial management</i>					
Debt to equity	%	57.3	61.0	48.5	44.1
Debt to assets	%	31.0	31.2	29.5	26.8
Total liabilities to equity	%	136.3	214.5	194.3	1 394.0
Operating liabilities to equity ^d	%	84.9	95.6	74.2	89.7
Interest cover	times	4.2	4.1	4.9	4.7
Current ratio	%	74.9	66.8	57.8	85.6
Leverage ratio	%	184.9	195.6	174.2	189.7
<i>Payments to and from government</i>					
Dividends	\$'000	123 488	123 488	131 638	113 619
Dividend to equity ratio	%	12.2	13.0	12.2	8.4
Dividend payout ratio	%	72.4	71.4	75.2	73.4
Income tax expense ^e	\$'000	56 993	46 046	58 023	49 835
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Delta Electricity (Delta) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Delta. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^e Income tax-equivalent expense excluded tax on fair value movements where these data were separately disclosed in Delta's financial accounts. Tax on fair value movements amounted to \$12.2 million in 2005-06 and \$11.3 million in 2006-07. – Zero or rounded to zero.

Macquarie Generation (Macquarie) operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. It is the largest electricity generator in the National Electricity Market, contributing around 13 per cent of total supply in 2007. Although it does not face direct price regulation, Macquarie is subject to the National Electricity Law and National Electricity Rules, which set a maximum spot price of \$10 000 per MWh (AEMC Reliability Panel 2007).

Macquarie's total income increased by 4.6 per cent (\$43.9 million) in 2006-07, despite a decline of \$146 million in income from fair value movements. Omitting fair value movements, profit before tax increased by 82.9 per cent (\$163 million), reflecting a \$186 million increase in electricity sales revenue.

The value of Macquarie's assets increased by 30.4 per cent (\$904 million) to \$3.9 billion in 2006-07. This increase was largely attributable to increases in trade and other receivables (\$417 million) and deferred tax assets arising from revaluation of derivative instruments for fair value movements (\$497 million). Macquarie's total liabilities also increased significantly, nearly doubling from \$2.0 billion in 2005-06 to \$3.9 billion in 2006-07. The major source of increase was electricity derivative contracts which increased from \$57.7 million in 2005-06 to \$1.7 billion in 2006-07. Overall, return on assets increased substantially, to 13.9 per cent in 2006-07.

Macquarie's level of debt was stable at around \$890 million in 2006-07. However, with an increase in the value of its assets, debt to assets fell slightly from 31.0 per cent in 2005-06 to 29.1 per cent in 2006-07.

Macquarie is required to make dividend and income tax-equivalent payments. Macquarie provided for a \$180 million dividend payment and recorded an income tax-equivalent expense of \$108 million in 2006-07.

Macquarie does not receive community service obligation funding.

MACQUARIE GENERATION (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}			AIFRS ^a
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	2 882	2 889	2 972	3 876
Total income	\$m	848	835	961	1 005
<i>Profitability</i>					
Profit before tax	\$'000	166 844	159 634	196 617	359 561
Operating profit margin	%	29.3	28.2	29.5	39.1
Cost recovery	%	141.5	139.4	141.9	164.2
Return on assets	%	8.7	8.5	9.4	13.9
Return on total equity	%	14.7	19.9	20.1	65.9
Return on operating equity ^c	%	11.6	12.4	12.3	17.9
<i>Financial management</i>					
Debt to equity	%	59.5	61.1	53.4	48.5
Debt to assets	%	33.5	33.6	31.0	29.1
Total liabilities to equity	%	127.1	193.6	196.2	.. ^d
Operating liabilities to equity ^e	%	77.5	81.8	72.8	77.3
Interest cover	times	3.0	2.9	3.7	6.4
Current ratio	%	58.7	56.0	70.5	85.6
Leverage ratio	%	177.5	181.8	172.8	177.3
<i>Payments to and from government</i>					
Dividends	\$'000	105 000	105 000	130 000	180 000
Dividend to equity ratio	%	6.5	6.7	8.0	10.3
Dividend payout ratio	%	56.3	53.7	65.2	57.7
Income tax expense ^f	\$'000	61 423	42 892	61 495	108 032
Grants revenue ratio	%	–	0.3	–	–
CSO funding	\$'000	–	–	–	–

^a Macquarie Generation (Macquarie) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Macquarie. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Macquarie had negative total equity in 2006-07, primarily due to a \$1.7 billion increase in derivative financial instruments, which caused total liabilities to double. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^f Income tax-equivalent expense excluded tax on fair value movements where these data were separately disclosed in Macquarie's financial accounts. Tax on fair value movements amounted to \$19.8 million in 2005-06 and Macquarie recorded an income tax-equivalent benefit on fair value movements of \$23.2 million in 2006-07. .. Not applicable. – Zero or rounded to zero.

Eraring Energy (Eraring) operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. Eraring generates and trades electricity in the National Electricity Market. Its generation assets have a capacity of approximately 3042 MW — the largest being the Eraring coal-fired power station with a capacity of 2640 MW. Eraring contributes around 9 per cent of total supply to the National Electricity Market. Although not facing direct price regulation, Eraring is subject to the National Electricity Law and National Electricity Rules, which set a maximum spot price of \$10 000 per MWh (AEMC Reliability Panel 2007).

Eraring's total income increased by 20.1 per cent (\$146 million) in 2006-07, despite a decline of \$75.7 million in income from fair value movements. Profit before tax nearly doubled to \$188 million, mostly due to a \$219 million increase in revenue from electricity sales.

The value of Eraring's total assets increased by 85.9 per cent (\$1.4 billion) to \$2.9 billion in 2006-07. This increase was largely attributable to increases in receivables (\$390 million) and deferred tax assets on fair value assessment of electricity derivatives (\$365 million), and power station plant and equipment revaluations (\$1.8 billion). Despite this increase, the increased profitability was such that return on assets and on equity increased to 10.2 per cent and 20.9 per cent respectively.

Total debt rose by \$82.3 million (38.7 per cent) to \$295 million in 2006-07. Consequently, Eraring's debt to assets and debt to equity increased to 14.9 per cent and 18.6 per cent respectively.

Eraring is required to make dividend and income tax-equivalent payments. It provided for a \$132 million dividend payment and recorded an income tax-equivalent expense of \$56.2 million in 2006-07. The NSW Government also made an equity withdrawal of \$184 million from Eraring.

Eraring received \$70 000 in community service obligation funding in 2006-07.

ERARING ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05 ^c	2004-05 ^c	2005-06 ^d	2006-07 ^e
<i>Size</i>					
Total assets	\$m	1 592	1 561	1 571	2 922
Total income	\$m	594	587	728	875
<i>Profitability</i>					
Profit before tax	\$'000	115 700	109 531	96 967	187 735
Operating profit margin	%	21.4	20.3	17.8	23.4
Cost recovery	%	127.2	125.4	121.6	130.6
Return on assets	%	8.1	7.9	7.4	10.2
Return on total equity	%	7.9	8.6	8.2	20.9
Return on operating equity ^f	%	7.8	8.0	7.4	10.5
<i>Financial management</i>					
Debt to equity	%	14.0	14.9	18.4	18.6
Debt to assets	%	10.5	10.8	14.0	14.9
Total liabilities to equity	%	37.5	50.7	58.4	668.8
Operating liabilities to equity ^g	%	33.0	37.3	30.1	55.4
Interest cover	times	11.3	10.7	7.2	13.8
Current ratio	%	51.2	40.6	84.2	80.0
Leverage ratio	%	133.0	137.3	130.1	155.4
<i>Payments to and from government</i>					
Dividends	\$'000	82 327	82 327	41 320	132 131
Dividend to equity ratio	%	7.0	7.4	3.7	9.6
Dividend payout ratio	%	89.7	92.2	49.5	92.2
Income tax expense ^h	\$'000	35 571	31 317	29 129	56 156
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	89	89	60	70

^a Eraring Energy (Eraring) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Eraring. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Eraring repaid capital of \$16.0 million in August 2004 via a non-cash equity to debt swap. ^d Eraring returned \$49.0 million of equity to the NSW Government in 2005-06. ^e Eraring returned \$184 million of equity to the NSW Government in 2006-07. ^f Refers to 'return on equity based on operating assets and liabilities'. ^g Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^h Income tax-equivalent expense excluded tax on fair value movements where these data were separately disclosed in Eraring's financial accounts. Tax on fair value movements amounted to \$28.8 million in 2005-06 and \$6.0 million in 2006-07. – Zero or rounded to zero.

TransGrid was established under the *Electricity Transmission Authority Act 1994* and corporatised on 14 December 1998 under the *Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998*. TransGrid operates under the *State Owned Corporations Act 1989*, and its revenues are subject to regulation by the Australian Energy Regulator.

TransGrid is responsible for the planning, management and development of the NSW high-voltage electricity transmission network — the largest high-voltage network in Australia. It transmits power between generators and bulk distributors, some large direct customers and to interconnectors linking Victoria, Queensland and SA.

Total income increased by 2.0 per cent (\$10.6 million) in 2006-07, despite an \$18.2 million decline in income from fair value movements. Profit before tax increased by 11.4 per cent (\$14.6 million) to \$142 million, which was largely attributable to a \$27.1 million increase in revenue from transmission. However, expenses from transmission also increased by \$15.8 million.

The value of TransGrid's total assets increased by 4.8 per cent (\$179 million) to \$3.9 billion in 2006-07, mainly because of \$189 million of additions to network and other assets. Despite this increase, the increase in profitability was such that return on assets increased to 7.3 per cent in 2006-07.

Debt remained steady at approximately \$1.5 billion in 2006-07. Consequently, the increase in total assets caused a fall in debt to assets and debt to equity, to 43.7 per cent and 87.6 per cent respectively.

TransGrid is required to make dividend and income tax-equivalent payments to the NSW Government. TransGrid provided for a dividend payment of \$71.5 million and recorded an income tax-equivalent expense of \$42.6 million in 2006-07.

TransGrid does not receive community service obligation funding.

TRANSGRID (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	3 733	3 697	3 750	3 929
Total income	\$m	451	429	523	534
<i>Profitability</i>					
Profit before tax	\$'000	116 449	99 143	127 194	141 750
Operating profit margin	%	48.8	44.9	48.0	48.1
Cost recovery	%	195.2	181.6	192.2	192.5
Return on assets	%	5.9	6.4	7.0	7.3
Return on total equity	%	9.6	11.6	12.4	12.0
Return on operating equity ^c	%	9.0	12.6	13.3	12.5
<i>Financial management</i>					
Debt to equity	%	76.3	108.5	94.9	87.6
Debt to assets	%	40.9	47.6	45.2	43.7
Total liabilities to equity	%	99.8	142.9	131.4	129.9
Operating liabilities to equity ^d	%	86.3	128.1	111.7	105.0
Interest cover	times	2.1	2.0	2.3	2.4
Current ratio	%	42.2	24.4	39.9	47.9
Leverage ratio	%	186.3	228.1	211.7	205.0
<i>Payments to and from government</i>					
Dividends	\$'000	38 000	38 000	69 500	71 482
Dividend to equity ratio	%	1.9	2.7	4.7	4.5
Dividend payout ratio	%	21.1	21.5	35.6	35.9
Income tax expense ^e	\$'000	39 320	25 020	33 427	42 588
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a TransGrid commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the TransGrid. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^e Income tax-equivalent expense excluded tax on fair value movements where these data were available from Transgrid's financial accounts. Tax on fair value movements amounted to \$17.1 million in 2005-06 and \$11.9 million in 2006-07. – Zero or rounded to zero.

EnergyAustralia operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. The majority of EnergyAustralia's revenues are derived from electricity distribution and retailing, operating within the framework of the *Electricity Supply Act 1995*. EnergyAustralia operates gas and electricity retail businesses in NSW, Queensland, SA, Victoria and the ACT. In July 2005, EnergyAustralia formed the EA-IPR Retail Partnership with International Power (Retail) Pty Ltd, a 50:50 joint venture to sell gas and electricity to retail customers in Victoria and SA. EnergyAustralia also owns and operates part of the NSW electricity transmission network.

EnergyAustralia's total income increased by 3.1 per cent (\$89.4 million) in 2006-07, despite a decline of 25.6 million in income from fair value movements. Profit before tax increased by 17.7 per cent (\$53.6 million) to \$357 million in 2006-07,¹ primarily driven by growth in revenues from the sale and delivery of energy (\$85.8 million).

The value of EnergyAustralia's assets increased by 35.8 per cent (\$2.4 billion) to \$8.9 billion in 2006-07, mainly because of increases in receivables (\$664 million) and derivatives (\$988 million), and capital expenditure (\$796 million). As a result of the increased profit before tax, return on assets increased to 8.5 per cent in 2006-07.

Debt increased by 26.5 per cent (\$744 million) to \$3.6 billion in 2006-07. This was reflected in higher debt to assets and debt to equity of 52.3 per cent and 169 per cent respectively. Total operating liabilities increased by 31.6 per cent (\$1.3 billion) mainly because of increased debt, and trade and other payables. The higher operating liabilities were reflected in an increase in the operating liabilities to equity from 197 per cent in 2005-06 to 254 per cent in 2006-07.

EnergyAustralia is required to make dividend and income tax-equivalent payments. It provided for a \$162 million dividend and recorded an income tax-equivalent expense of \$115 million in 2006-07.

The NSW Government funds EnergyAustralia for the provision of agreed community service obligations (CSOs). These include the provision of rebates to pensioners and low income households, medical rebates for people on life-support systems, and the Electricity Payment Assistance Scheme. EnergyAustralia received \$27.3 million in CSO funding in 2006-07.

¹ The increase in profit understates the growth in revenue attributable to operations because the 2005-06 data included \$52.6 million from the sale of Victorian and SA operations.

ENERGYAUSTRALIA (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}			AIFRS ^a
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	6 017	6 012	6 589	8 948
Total income	\$m	2 824	2 858	2 897	2 986
<i>Profitability</i>					
Profit before tax	\$'000	264 500	169 000	303 300	356 900
Operating profit margin	%	15.7	12.4	15.3	17.0
Cost recovery	%	118.6	114.1	118.0	120.5
Return on assets	%	7.5	6.1	8.2	8.5
Return on total equity	%	15.9	17.1	19.4	17.9
Return on operating equity ^c	%	15.0	14.2	16.1	18.0
<i>Financial management</i>					
Debt to equity	%	110.4	132.1	135.9	168.7
Debt to assets	%	45.2	47.1	47.6	52.3
Total liabilities to equity	%	165.1	259.9	282.0	264.1
Operating liabilities to equity ^d	%	143.9	180.3	197.0	254.2
Interest cover	times	2.5	2.0	2.7	2.6
Current ratio	%	53.2	39.9	41.2	59.1
Leverage ratio	%	243.9	280.3	297.0	354.2
<i>Payments to and from government</i>					
Dividends	\$'000	81 100	81 100	205 200	162 300
Dividend to equity ratio	%	3.4	4.0	10.1	7.8
Dividend payout ratio	%	22.4	28.3	62.4	43.3
Income tax expense	\$'000	83 100	63 100	98 800	115 400
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	33 200	33 200	29 800	27 300

^a EnergyAustralia commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the EnergyAustralia.

^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Integral Energy (Integral) operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. Integral distributes and retails electricity to residential and commercial customers in NSW within the framework of the *Electricity Supply Act 1995* and the National Electricity Rules. It also provides metering and data services to industrial and commercial customers.

Integral's total income increased by 7.1 per cent (\$101 million) in 2006-07, despite a decline of 29.7 million in income from fair value movements. Profit before tax increased by 37.5 per cent (\$65.1 million) to \$239 million in 2006-07. This was achieved through a 6.2 per cent (\$62.4 million) increase in revenue from electricity sales, combined with an 18.6 per cent (\$45.9 million) increase in revenue from third-party retailers. The increase in revenue exceeded a 5.4 per cent (\$65.9 million) rise in total expenditure.

Total assets increased by 30.4 per cent (\$968 million) to \$4.1 billion in 2006-07, reflecting increases in derivatives (\$463 million) and receivables (\$136 million), and capital expenditure (\$409 million). Current operating assets grew by 53.4 per cent (\$156 million), due mainly to the increase in receivables. This outweighed a 10.7 per cent (\$89.9 million) increase in current operating liabilities. Consequently the current ratio increased to 48.2 per cent in 2006-07. With profit before tax increasing more than assets, return on assets and on equity increased to 10.6 per cent and 23.6 per cent respectively in 2006-07.

Debt rose by 10.8 per cent (\$150 million) in 2006-07. However, the increase in debt was outweighed by the increase in assets, causing debt to equity to fall from 125 per cent to 117 per cent. Higher debt resulted in an 11.2 per cent (\$10.8 million) increase in finance costs. However, as the increase in profit was greater than that in finance costs, interest cover improved from 2.8 to 3.2 times in 2006-07.

Integral is required to make dividend and income tax-equivalent payments to the NSW Government. Integral provided for a dividend of \$107 million in 2006-07, and recorded an income tax-equivalent expense of \$86.0 million.

Integral received \$19.7 million in funding for the provision of community service obligations relating primarily to rebates for pensioners and the Electricity Payment Assistance Scheme in 2006-07.

INTEGRAL ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}			AIFRS ^a
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	3 007	2 979	3 179	4 147
Total income	\$m	1 352	1 343	1 431	1 532
<i>Profitability</i>					
Profit before tax	\$'000	191 403	175 673	173 699	238 760
Operating profit margin	%	20.5	19.3	19.4	22.6
Cost recovery	%	125.8	124.0	124.1	129.2
Return on assets	%	9.4	9.2	9.2	10.6
Return on total equity	%	18.9	25.5	23.4	23.6
Return on operating equity ^c	%	17.1	19.7	18.4	21.6
<i>Financial management</i>					
Debt to equity	%	96.0	104.0	124.5	116.8
Debt to assets	%	40.7	42.0	47.0	46.8
Total liabilities to equity	%	167.8	234.5	259.9	213.2
Operating liabilities to equity ^d	%	135.9	147.5	173.7	168.1
Interest cover	times	3.2	3.1	2.8	3.2
Current ratio	%	33.9	32.8	34.8	48.2
Leverage ratio	%	235.9	247.5	273.7	268.1
<i>Payments to and from government</i>					
Dividends	\$'000	114 132	114 132	103 866 ^e	107 033
Dividend to equity ratio	%	9.2	9.9	9.2	8.8
Dividend payout ratio	%	53.7	50.2	50.0	41.0
Income tax expense	\$'000	64 590	34 160	65 213	85 986
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	20 720	20 720	20 624	19 737

^a Integral Energy (Integral) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the Integral. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^e According to Integral's annual report, the reduction in dividend from 2004-05 to 2005-06 resulted from a change in the distribution policy (90 per cent of after-tax profit to 80 per cent), as well as adjustments related to year-end actuarial assessments. – Zero or rounded to zero.

Country Energy operates under the *State Owned Corporations Act 1989* and the *Energy Services Corporations Act 1995*. Country Energy is the largest regional energy business in Australia. It holds electricity and gas distribution and retail licenses in NSW and Victoria and holds retail licenses in Queensland, SA and the ACT.¹ The operations of Australian Inland Energy Water Infrastructure (Australian Inland) were merged with Country Energy on 1 July 2005. Since the merger, Country Energy has been listed as a water supply authority under the *Water Management Act 2000*.

Country Energy increased total income by 8.8 per cent (\$177 million) in 2006-07, which included a \$25.5 million increase from movements in fair value. Profit before tax decreased by 24.8 per cent (\$57.6 million) to \$175 million in 2006-07, due to a 12.0 per cent (\$209 million) increase in total expenses. The growth in total expenses was largely attributable to a \$172 million increase in electricity sale and delivery costs.

Total assets increased by 23.8 per cent (\$889 million) to \$4.6 billion in 2006-07, largely because of \$501 million of capital expenditure and a \$551 million increase in the value of derivative financial instruments. As a result of the lower profit before tax, return on assets and on equity declined to 8.7 per cent and 21.9 per cent respectively in 2006-07.

Debt increased by 12.0 per cent (\$238 million) to \$2.2 billion in 2006-07. Despite the increase in the value of assets, debt to assets and debt to equity increased to 61.1 per cent and 227 per cent respectively.

Country Energy is required to make dividend and income tax-equivalent payments. It provided for a dividend payment of \$51.3 million and recorded an income tax-equivalent expense of \$58.2 million in 2006-07.

Country Energy received community service obligation (CSO) funding from governments for concessions given to pensioners, customers in caravan parks and those who rely on life support machines. CSO funding is not reported separately in Country Energy's accounts.

¹ Country Energy also has special approval for the distribution and retailing of electricity in parts of South West Queensland.

COUNTRY ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	3 188	3 179	3 727 ^c	4 616
Total income	\$m	1 704	1 695	2 019	2 197
<i>Profitability</i>					
Profit before tax	\$'000	150 977	130 677	232 526	174 914
Operating profit margin	%	15.2	14.1	17.9	13.4
Cost recovery	%	118.0	116.4	121.9	115.4
Return on assets	%	8.4	7.9	11.1	8.7
Return on total equity	%	25.3	31.7	40.7	21.9
Return on operating equity ^d	%	22.6	24.0	33.2	23.6
<i>Financial management</i>					
Debt to equity	%	190.0	218.0	217.7	227.4
Debt to assets	%	55.9	57.2	60.8	61.1
Total liabilities to equity	%	289.2	425.8	371.3	272.1
Operating liabilities to equity ^e	%	240.1	281.3	282.3	287.5
Interest cover	times	2.4	2.2	2.8	2.2
Current ratio	%	48.8	42.0	43.8	46.9
Leverage ratio	%	340.1	381.3	382.3	387.5
<i>Payments to and from government</i>					
Dividends	\$'000	18 100	18 100	76 756	51 302
Dividend to equity ratio	%	2.0	2.3	9.0	5.4
Dividend payout ratio	%	8.7	9.5	27.1	23.1
Income tax expense ^f	\$'000	52 258	47 858	71 153	58 227
Grants revenue ratio ^g	%	–	–	–	na
CSO funding ^h	\$'000	na	na	na	na

^a Country Energy commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Country Energy. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Included \$85.5 million in assets related to the merger with Australian Inland on 1 July 2005. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^f Excludes income tax on fair value movements, which amounted to \$10.6 million in 2005-06 and \$18.2 million in 2006-07. ^g In its 2006-07 annual report, Country Energy stated that it received \$700 000 from the NSW Government's Climate Change Fund. However, this was not disclosed separately in its financial statements. ^h Although Country Energy receives funding from governments for concessions given to pensioners, customers in caravan parks and those who rely on life support machines, it was not reported separately in Country Energy's accounts. – Zero or rounded to zero. na Not available.

CS Energy operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. CS Energy operates power stations with a combined generating capacity of 3210 MW at four locations in Queensland and is subject to the National Electricity Rules. Generated electricity is sold into the National Electricity Market.

Total income fell by \$2.5 million to \$534 million in 2006-07, however this included a \$102 million decline in income from fair value movements. Omitting fair value movements, profit before tax more than doubled to \$157 million in 2006-07. This increase in profit before tax reflects growth of \$111 million in revenue from sale of electricity, which outweighed a 3.6 per cent (\$16.6 million) increase in total expenses.

The value of CS Energy's assets increased by 53.8 per cent (\$1.1 billion) to \$3.3 billion in 2006-07. The growth in assets reflected increases in derivatives (\$204 million), receivables (\$267 million), deferred tax assets relating to movements in derivatives (\$255 million) and capital investment of \$373 million (primarily in the new Kogan Creek power station). The current ratio increased to 195 per cent in 2006-07, because of changes in both current operating assets and current operating liabilities. With the increase in profit exceeding the increase in assets, return on assets and on equity increased to 6.9 per cent and 19.2 per cent respectively in 2006-07.

Debt increased by 71.2 per cent (\$459 million) to \$1.1 billion in 2006-07, which resulted in debt to assets and debt to equity increasing to 46.9 per cent and 81.3 per cent respectively.

CS Energy is required to make dividend and income tax-equivalent payments. CS Energy provided for a \$34.6 million dividend payment and recorded an income tax-equivalent expense of \$18.6 million in 2006-07.

CS Energy does not receive community service obligation funding.

CS ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06 ^c	2006-07
<i>Size</i>					
Total assets	\$m	1 840	1 734	2 121	3 262
Total income	\$m	474	474	537	534
<i>Profitability</i>					
Profit before tax	\$'000	49 829	52 580	74 701	157 225
Operating profit margin	%	14.6	15.8	18.0	25.6
Cost recovery	%	117.1	118.7	122.0	134.4
Return on assets	%	4.1	4.5	5.2	6.9
Return on total equity	%	6.4	8.3	8.1	19.2
Return on operating equity ^d	%	5.5	6.8	6.6	11.0
<i>Financial management</i>					
Debt to equity	%	51.6	56.0	53.0	81.3
Debt to assets	%	30.2	31.1	34.8	46.9
Total liabilities to equity	%	109.6	130.5	112.8	568.0
Operating liabilities to equity ^e	%	70.9	80.3	67.0	97.1
Interest cover	times	3.4	3.3	4.4	32.7
Current ratio	%	54.5	75.5	79.3	195.1
Leverage ratio	%	170.9	180.3	167.0	197.1
<i>Payments to and from government</i>					
Dividends	\$'000	29 151	29 151	40 170	34 640
Dividend to equity ratio	%	2.9	3.1	3.7	2.7
Dividend payout ratio	%	52.2	46.4	56.7	24.3
Income tax expense	\$'000	13 390	11 900	24 485	18 601
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a CS Energy commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the CS Energy. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c CS Energy received a \$250 million equity injection from the Queensland Government in 2005-06. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Stanwell Corporation (Stanwell) operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. Stanwell generates electricity for sale into the National Electricity Market. It operates the Stanwell coal-fired power station and several gas, bio-mass, hydro and wind generation plants with a combined generating capacity in excess of 1740 MW. Stanwell sold its subsidiary, ZeroGen Pty Ltd, to the Queensland Government on 16 March 2007.

Profit before tax grew by 115 per cent (\$119 million) to \$223 million in 2006-07. The higher profit reflected increases in electricity sales (\$37.6 million) and coal revenue sharing arrangements (\$42.5 million), as well a net gain of \$14.2 million from the sale of ZeroGen Pty Ltd. Expenses declined by 4.0 per cent (\$12.7 million), mainly in cost of sales, development costs written off and other expenses.

The value of Stanwell's assets rose by 55.2 per cent (\$934 million) to \$2.6 billion in 2006-07. This was mainly attributable to increases in cash (\$117 million), receivables (\$167 million), derivative financial instruments (\$393 million) and deferred tax assets on derivative financial instruments (\$310 million). The increases in cash and receivables, as well as a \$135 million reclassification of non-current assets as assets held for sale, were reflected in a 467 per cent (\$419 million) increase in current operating assets. This outweighed a 236 per cent (\$252 million) increase in current operating liabilities, which was largely attributable to a \$118 million increase in payables, and a \$78.0 million reclassification of liabilities as held for sale. Consequently, the current ratio increased to 142 per cent in 2006-07. As the increase in profit exceeded the increase in assets, return on assets and on equity increased to 13.6 per cent and 21.8 per cent respectively in 2006-07.

Total debt fell by 32.2 per cent (\$55.4 million) to \$117 million in 2006-07, which was reflected in declines in debt to assets and debt to equity to 6.8 per cent and 8.3 per cent respectively.

Stanwell is required to make dividend and income tax-equivalent payments to the Queensland Government. Stanwell provided for a \$122 million dividend payment and recorded an income tax-equivalent expense of \$67.2 million in 2006-07.

Stanwell does not receive community service obligation funding.

STANWELL CORPORATION (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 653	1 636	1 693	2 626
Total income	\$m	372	373	423	529
<i>Profitability</i>					
Profit before tax	\$'000	39 126	38 733	103 842	222 926
Operating profit margin	%	14.1	13.8	27.5	42.3
Cost recovery	%	116.4	116.0	138.0	173.4
Return on assets	%	3.5	3.6	7.6	13.6
Return on total equity	%	4.2	4.1	8.4	21.8
Return on operating equity ^c	%	3.4	3.4	6.8	11.1
<i>Financial management</i>					
Debt to equity	%	16.3	16.6	13.4	8.3
Debt to assets	%	13.5	13.7	11.2	6.8
Total liabilities to equity	%	62.7	63.6	65.0	683.2
Operating liabilities to equity ^d	%	21.0	21.7	22.0	34.6
Interest cover	times	3.7	3.6	9.4	19.2
Current ratio	%	135.2	141.0	84.0	141.6
Leverage ratio	%	121.0	121.7	122.0	134.6
<i>Payments to and from government</i>					
Dividends	\$'000	23 564	23 564	60 617	122 301
Dividend to equity ratio	%	1.9	1.9	4.8	9.1
Dividend payout ratio	%	55.2	56.8	70.8	82.3
Income tax expense	\$'000	9 671	9 553	30 953	67 164
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Stanwell Corporation (Stanwell) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the Stanwell. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Tarong Energy (Tarong) operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. Tarong generates electricity for sale into the National Electricity Market. It operates power stations (one coal-fired, one gas turbine, one hydro and two wind) with a combined generating capacity of over 1934 MW. Tarong also owns a 50 per cent interest in the Tarong North Power Station under a joint-venture agreement with Tokyo Electric Power Company and Mitsui.

Total income fell by 28.1 per cent (\$124 million) to \$317 million in 2006-07, which included a decline of \$79.6 million in income from movements in fair value. Tarong made a loss before tax of \$18.5 million in 2006-07, as compared with a profit before tax of \$99.7 million in 2005-06. According to Tarong, the loss resulted from generation capacity being cut by more than half due to drought conditions in 2006-07. Revenue from sale of electricity declined by \$51.8 million. Total expenses increased by 21.6 per cent (\$73.9 million), reflecting an increase in services expense of \$28.9 million and asset write-downs of \$32.5 million. Fuel costs declined by \$11.0 million.

The value of Tarong's assets increased by 34.9 per cent (\$548 million) to \$2.1 billion in 2006-07, largely because of a \$146 million increase in receivables and a \$353 million increase in derivative financial instruments. The increase in receivables, combined with the reclassification of \$184 million of non-current assets as assets held for sale, was reflected in a 434 per cent (\$394 million) rise in current operating assets. This increase outweighed the 50.8 per cent (\$78.3 million) growth in current liabilities. Consequently, the current ratio increased to 208 per cent in 2006-07. As a result of the loss before tax, return on assets declined to -0.1 per cent in 2006-07.

Debt increased by 33.7 per cent (\$93.3 million) to \$370 million in 2006-07. This led to increases in debt to equity and debt to assets to 32.8 per cent and 22.3 per cent respectively.

Tarong is required to make dividend and income tax-equivalent payments. After its operating loss, Tarong made no provision for a dividend in 2006-07, but recorded an income tax-equivalent benefit of \$29.7 million.

Tarong does not receive community service obligation funding.

TARONG ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05 ^c	2004-05 ^c	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 614	1 563	1 568	2 116
Total income	\$m	505	505	441	317
<i>Profitability</i>					
Profit before tax	\$'000	113 700	117 617	99 730	-18 512
Operating profit margin	%	25.7	26.6	25.0	-3.4
Cost recovery	%	134.5	136.3	133.3	96.7
Return on assets	%	8.3	9.0	7.3	-0.1
Return on total equity	%	10.8	12.1	9.7	2.4
Return on operating equity ^d	%	8.0	8.9	7.1	1.4
<i>Financial management</i>					
Debt to equity	%	22.2	23.7	24.2	32.8
Debt to assets	%	16.2	17.0	17.9	22.3
Total liabilities to equity	%	85.0	92.9	90.9	271.8 ^e
Operating liabilities to equity ^f	%	36.5	38.9	36.7	54.9
Interest cover	times	7.0	6.9	8.9	..
Current ratio	%	41.8	42.7	58.8	208.4
Leverage ratio	%	136.5	138.9	136.7	154.9
<i>Payments to and from government</i>					
Dividends	\$'000	63 680	63 680	55 465	–
Dividend to equity ratio	%	5.4	5.8	4.9	–
Dividend payout ratio	%	67.4	64.8	70.0	–
Income tax expense	\$'000	34 100	35 107	30 233	-29 723
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Tarong Energy (Tarong) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the Tarong. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Tarong's revenue and expenses declined following the sale of its interest in the SA gas supplier Terra Gas Trader, on 12 February 2005. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e The increase in total liabilities to equity was mostly due to a \$775 million increase in the value of derivatives. ^f Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

The Queensland Power Trading Corporation (Enertrade) operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. Enertrade acts as a wholesale trader of power-purchase agreements (PPAs). It also owns and operates the North Queensland Gas Pipeline and the associated gas processing facility near Moranbah, as well as the Barcaldine gas-fired power station and the associated pipeline.

Since 1 July 2002, Enertrade has made provision for estimated future losses related to its PPAs. The carrying amount of the provision is revised annually to the best estimate as at the reporting date.¹ The provision declined by \$149 million in 2006-07, due to the cancellation of the Mount Stuart Power Station PPA on 26 December 2006.

Total income increased by 30.4 per cent (\$161 million) to \$693 million in 2006-07, despite a decline of \$66.1 million in income from movements in fair value. Enertrade recorded a \$92.6 million profit before tax in 2006-07, compared with a loss before tax of \$50.6 million in 2005-06. The profit reflected a \$223 million increase in energy sales revenue, mainly due to increased generation and higher wholesale prices. This increase in revenue outweighed an \$84.3 million increase in total expenses.

The value of Enertrade's assets grew by 35.0 per cent (\$153 million) to \$591 million in 2006-07, primarily because of a \$214 million increase in trade and other receivables. By contrast, cash assets declined by \$65.9 million. Total liabilities increased by 82.7 per cent (\$324 million) to \$715 million, reflecting a \$226 million increase in trade and other payables, as well as a \$239 million increase in derivative financial instruments. The positive outcome resulted in a return on assets of 18.2 per cent in 2006-07. Return on operating equity declined to 102 per cent, driven by the increase in operating assets, which exceeded the increase in operating liabilities.

Enertrade had no outstanding debt in 2006-07.

Enertrade provided for a \$30.0 million dividend payment. However, due to accumulated tax losses it recorded an income tax-equivalent benefit of \$195 000 in 2006-07. Enertrade does not receive community service obligation funding.

¹ The estimate depends on future changes in the market prices for electricity and the prevailing interest rates. The provision is recorded as a liability in the balance sheet and the annual revision is recognised in expenses in the income statement.

ENERTRADE (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05 ^c	2004-05 ^c	2005-06	2006-07 ^d
<i>Size</i>					
Total assets	\$m	262	245	438	591
Total income	\$m	414	411	531	693
<i>Profitability</i>					
Profit before tax	\$'000	-55 237	-97 939	-50 556	92 596
Operating profit margin	%	-17.8	-28.7	-10.8	11.3
Cost recovery	%	84.9	77.7	90.3	112.8
Return on assets	%	-20.0	-38.0	-14.6	18.2
Return on total equity	%	..	..	121.1	..
Return on operating equity ^e	%	..	..	121.0	102.4
<i>Financial management</i>					
Debt to equity	%	..	..	–	–
Debt to assets	%	–	–	–	–
Total liabilities to equity	%	..	..	835.9	..
Operating liabilities to equity ^f	%	..	..	824.5	410.1
Interest cover	times	..	..	..	331.7
Current ratio	%	90.5	81.6	185.1	128.0
Leverage ratio	%	..	..	924.5	510.1
<i>Payments to and from government</i>					
Dividends	\$'000	–	–	–	30 000
Dividend to equity ratio	%	..	..	–	37.0
Dividend payout ratio	%	..	..	..	36.1
Income tax expense	\$'000	–	-292	-1 379	-195
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Enertrade commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Enertrade. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Total equity was negative in 2004-05. This was largely attributable to provisions for onerous contracts related to power purchasing agreements. ^d Total equity was negative in 2006-07. This was largely attributable to derivative financial instruments recorded at fair value. ^e Refers to 'return on equity based on operating assets and liabilities'. ^f Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

POWERLINK

Queensland

Powerlink operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. Powerlink owns and manages the Queensland high voltage transmission network and operates in the National Electricity Market as a Transmission Network Service Provider. Powerlink also has a 41 per cent share in ElectraNet SA, an SA transmission company.

Profit before tax increased slightly to \$172 million in 2006-07, with a 9.7 per cent (\$51.5 million) increase in revenue being largely offset by a 14.0 per cent (\$50.2 million) increase in total expenses. Growth in revenue was largely attributable to a \$43.4 million increase in grid sales revenue, while the rise in expenses was mainly because of increases in depreciation (\$20.7 million), finance costs (\$19.3 million) and network maintenance (\$9.9 million).

The value of Powerlink's total assets increased by 14.7 per cent (\$541 million) to \$4.2 billion in 2006-07. This mainly reflected capital works projects of \$583 million carried out as part of investment in its transmission network in response to current and anticipated growth in Queensland's electricity demand. The increase in total assets and the small change to profitability caused return on assets to fall to 7.3 per cent in 2006-07.

Debt increased by 22.0 per cent (\$362 million) to \$2.0 billion in 2006-07. This increased debt to equity and debt to assets to 106 per cent and 50.9 per cent respectively.

Powerlink is required to make dividend and income tax-equivalent payments. A dividend of \$92.6 million and an income tax-equivalent expense of \$56.0 million were recorded in 2006-07.

Powerlink does not receive community service obligation funding.

POWERLINK (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	3 370	3 352	3 674	4 215
Total income	\$m	463	461	529	581
<i>Profitability</i>					
Profit before tax	\$'000	147 149	139 781	170 462	171 767
Operating profit margin	%	48.6	48.5	49.3	48.3
Cost recovery	%	194.4	194.2	197.3	193.5
Return on assets	%	7.0	6.9	7.6	7.3
Return on total equity	%	11.0	12.5	14.0	14.0
Return on operating equity ^c	%	10.7	11.0	12.2	12.0
<i>Financial management</i>					
Debt to equity	%	91.5	92.5	94.3	105.8
Debt to assets	%	43.7	44.0	46.9	50.9
Total liabilities to equity	%	115.0	139.4	143.5	160.7
Operating liabilities to equity ^d	%	109.1	110.4	110.5	122.1
Interest cover	times	2.7	2.6	2.8	2.5
Current ratio	%	74.4	74.4	75.4	64.7
Leverage ratio	%	209.1	210.4	210.5	222.1
<i>Payments to and from government</i>					
Dividends	\$'000	82 649	82 649	95 167	92 606
Dividend to equity ratio	%	5.1	5.2	5.7	5.1
Dividend payout ratio	%	48.0	47.3	46.8	42.5
Income tax expense	\$'000	43 837	42 756	51 503	56 009
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Powerlink commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the Powerlink. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

The Ergon Energy Group (Ergon) operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. Ergon acted as an electricity generator, distributor and retailer until 1 March 2007, when it sold its retail subsidiaries Powerdirect Australia Pty Ltd and Powerdirect Utility Services Pty Ltd.

Ergon's total income increased by 87.3 per cent (\$2.0 billion) to \$4.2 billion in 2006-07, largely because of the \$1.0 billion gain from the sale of its retail subsidiaries. This sale was also the key driver of the 625 per cent (\$1.1 billion) increase in profit before tax, to \$1.3 billion in 2006-07.

Excluding the gain from the sale of its retail subsidiaries, Ergon's profit before tax increased by 45.1 per cent (\$78.7 million). This was mainly because of growth in sales revenue (\$798 million) and interest (\$125 million), which were partially offset by increases in network charges and electricity purchases (\$703 million), and finance costs (\$122 million).

The value of Ergon's assets increased by 16.0 per cent (\$1.1 billion) to \$7.7 billion in 2006-07. The increase reflected growth in cash assets (\$295 million), receivables (\$126 million), financial assets (\$218 million) and deferred tax assets (\$107 million), as well as \$1.2 billion of capital works. According to Ergon, most of the capital investment was part of a \$3.9 billion capital investment plan for the five-year period to June 2010 aimed at improving network reliability. As the increase in profit outweighed the increase in assets, return on assets and on equity rose to 24.3 per cent and 11.1 per cent respectively in 2006-07.

Debt increased by 17.1 per cent (\$368 million) to \$2.5 billion in 2006-07. Consequently, debt to assets and debt to equity increased to 40.4 per cent and 81.5 per cent respectively.

Ergon is required to make dividend and income tax-equivalent payments. Ergon provided for a dividend of \$955 million and recorded an income tax-equivalent expense of \$85.6 million in 2006-07.¹

Ergon receives community service obligation (CSO) funding to cover any shortfall incurred in supplying electricity to non-contestable customers at gazetted tariffs. CSO funding amounted to \$340 million in 2006-07.

¹ The dividend provided for included a \$92.4 million dividend from operating activities, and an \$863 million dividend for the repatriation of sales proceeds relating to Powerdirect Australia and Powerdirect Utility Services.

ERGON ENERGY GROUP (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06 ^c	2006-07 ^d
<i>Size</i>					
Total assets	\$m	5 642	5 625	6 652	7 716
Total income	\$m	2 084	2 084	2 246	4 207
<i>Profitability</i>					
Profit before tax	\$'000	147 335	141 890	174 349	1 264 368
Operating profit margin	%	11.5	11.2	13.3	12.0
Cost recovery	%	113.0	112.7	115.4	113.7
Return on assets	%	4.7	4.6	5.5	24.3
Return on total equity	%	8.1	8.0	9.0	11.1
Return on operating equity ^e	%	6.6	6.7	7.5	9.0
<i>Financial management</i>					
Debt to equity	%	60.9	62.1	68.8	81.5
Debt to assets	%	33.5	33.8	38.9	40.4
Total liabilities to equity	%	136.5	136.8	157.1	216.5
Operating liabilities to equity ^f	%	81.6	83.4	86.5	115.2
Interest cover	times	2.5	2.4	2.3	6.0
Current ratio	%	143.3	137.8	143.4	116.0
Leverage ratio	%	181.6	183.4	186.5	215.2
<i>Payments to and from government</i>					
Dividends	\$'000	82 111	82 111	87 482	955 449 ^g
Dividend to equity ratio	%	2.8	2.9	2.9	30.7
Dividend payout ratio	%	42.5	43.2	39.1	341.4
Income tax expense	\$'000	44 696	43 049	68 847	85 638
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	176 872	176 872	326 717	339 596

^a Ergon Energy Group (Ergon) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Ergon. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c The retail arm of Ergon, Ergon Energy Pty Ltd, acquired the Victorian-based energy retailer Australian Energy Pty Ltd, trading as Powerdirect, on 24 April 2006 by purchasing 100 per cent of its shares. ^d Income includes \$1.0 billion gain from the sale of Ergon's retail subsidiaries. ^e Refers to 'return on equity based on operating assets and liabilities'. ^f Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^g The 2006-07 dividend included a \$92.4 million dividend from operating activities, and a \$863 million dividend for the repatriation of sales proceeds relating to Powerdirect Australia and Powerdirect Utility Services. – Zero or rounded to zero.

ENERGEX operates under the *Corporations Act 2001* and the *Government Owned Corporations Act 1993*. It distributes electricity in South East Queensland and was also an electricity and gas retailer until 1 February 2007, when it sold its retail subsidiaries — Sun Gas and Sun Retail. ENERGEX's gas distribution subsidiary Allgas was sold on 1 November 2006.

ENERGEX's total income increased by 32.4 per cent (\$853 million) to \$3.5 billion in 2006-07, largely because of the \$1.4 billion gain on the sale of its retail and gas distribution subsidiaries. These sales were also the key drivers of the 603 per cent (\$1.4 billion) growth in profit before tax, which was \$1.7 billion in 2006-07.

Excluding the gain from the sale of its subsidiaries, ENERGEX's profit before tax increased by 21.4 per cent (\$50.6 million), mainly because of growth in revenue from services (\$67.9 million), capital contributions (\$18.2 million) and interest revenue (\$62.0 million).

Total assets grew by 16.0 per cent (\$1.1 billion) to \$7.7 billion in 2006-07. This was mainly because of capital expenditure (\$724 million) and increases in cash assets (\$1.2 billion), which outweighed the reduction in assets held for sale (\$321 million). The growth in cash assets was the main contributor to the 44.5 per cent growth in current operating assets, which was reflected in a rise in the current ratio to 674 per cent in 2006-07. The increase in total assets outweighed a 2.3 per cent (\$104 million) increase in total liabilities, and resulted in a 46.4 per cent increase in total equity. The increase in equity was higher than the increase in profit, and caused return on total equity to fall to 12.3 per cent in 2006-07.

Debt increased by 18.3 per cent (\$506 million) in 2006-07, resulting in a slight increase in debt to assets to 47.1 per cent. However, the increase in equity outweighed the increase in debt, causing debt to equity to fall to 83.0 per cent.

ENERGEX paid a \$500 million dividend and recorded an income tax-equivalent expense of \$79.2 million in 2006-07.¹

ENERGEX received \$39.4 million for community service obligations related to supplying electricity at gazetted tariffs to non-contestable customers and pensioners in 2006-07. This was reduced from \$141 million in 2005-06, reflecting the sale of Sun Retail.

¹ Although not explicitly stated in its annual report, correspondence from Queensland Treasury indicated that the 2006-07 dividend included a component representing the partial repatriation of proceeds from the sale of ENERGEX's retail and gas subsidiaries.

ENERGEX (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07 ^c
<i>Size</i>					
Total assets	\$m	5 617	5 626	6 624	7 684
Total income	\$m	2 352	2 386	2 629	3 482
<i>Profitability</i>					
Profit before tax	\$'000	226 100	233 900	236 300	1 661 100
Operating profit margin	%	14.4	14.5	13.7	19.1
Cost recovery	%	116.8	117.0	115.9	123.6
Return on assets	%	6.3	6.5	6.3	26.4
Return on total equity	%	10.9	14.5	14.5	12.3
Return on operating equity ^d	%	9.5	10.5	10.5	9.2
<i>Financial management</i>					
Debt to equity	%	83.2	83.5	97.4	83.0
Debt to assets	%	40.8	40.2	47.0	47.1
Total liabilities to equity	%	139.2	198.4	221.5	154.8
Operating liabilities to equity ^e	%	103.9	107.8	122.7	92.0
Interest cover	times	2.9	3.0	2.8	10.8
Current ratio	%	148.2	141.2	213.6	673.8
Leverage ratio	%	203.9	207.8	222.7	192.0
<i>Payments to and from government</i>					
Dividends	\$'000	115 600	115 600	122 600	500 000
Dividend to equity ratio	%	4.3	4.4	4.5	14.8
Dividend payout ratio	%	45.3	42.2	42.8	160.7
Income tax expense	\$'000	81 600	70 600	72 900	79 200
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	161 800	161 800	140 800	39 400

^a ENERGEX commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the ENERGEX. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Total income includes a \$1.4 billion gain on the sale of ENERGEX's retail and gas distribution subsidiaries. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Verve Energy was established on 1 April 2006 following the vertical disaggregation of the former Western Power Corporation into four independent corporations — Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). This restructuring formed part of the WA Government's reform of the electricity industry. Verve Energy is subject to the *Electricity Corporation Act 1994*.

Verve Energy owns and operates power stations in the South West Interconnected System Network. The WA Government has imposed a 3000 MW cap on Verve Energy's non-renewable generation capacity to encourage competition in electricity generation. Its current capacity of 3207 MW exceeds the cap, and it plans to achieve the 3000 MW limit by August 2008 by retiring old generation assets. Verve Energy has traded electricity on the Wholesale Electricity Market since 21 September 2006.

Financial data on Verve Energy's 2005-06 performance are for the period 1 April 2006 to 30 June 2006, and therefore 2005-06 revenue and expenses data are not directly comparable with 2006-07 data.

Verve Energy recorded a loss before tax of \$75.8 million in 2006-07. Verve Energy attributed this to limited gas availability, forcing the use of higher-priced liquid fuels. Fuel and electricity purchases comprised 58.7 per cent of Verve Energy's total expenditure in 2006-07. Verve Energy also cited the vesting contract with Synergy as limiting its ability to charge market rates, which was reflected in its loss before tax.

Total assets decreased by 1.3 per cent (\$26.9 million) to below \$2.1 billion in 2006-07, largely because of depreciation charges, as well as asset decommissioning costs and disposals. Return on assets was 0.7 per cent in 2006-07.¹

Debt increased by 10.5 per cent to just over \$1.0 billion in 2006-07. With an increase in debt and decrease in assets, debt to assets and debt to equity increased to 49.1 per cent and 175 per cent respectively.

Verve Energy made no dividend provision in 2006-07. As it reported an operating loss for this period, it received an income tax-equivalent benefit of \$22.4 million.

Verve Energy does not receive community service obligation funding.

¹ Although Verve Energy recorded a pre-tax operating loss in 2006-07, it achieved positive earnings before interest and tax, and consequently a positive return on assets.

VERVE ENERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^a		AIFRS ^a	
		2004-05	2004-05	2005-06 ^b	2006-07
<i>Size</i>					
Total assets	\$m	..	..	2 115	2 088
Total income	\$m	..	..	256	1 071
<i>Profitability</i>					
Profit before tax	\$'000	..	..	-14 290	-75 811
Operating profit margin	%	..	..	0.7	0.9
Cost recovery	%	..	..	100.7	100.9
Return on assets ^c	%	..	..	0.3	0.7
Return on total equity	%	..	..	1.0	5.4
Return on operating equity ^d	%	..	..	0.9	5.1
<i>Financial management</i>					
Debt to equity	%	..	..	140.4	174.6
Debt to assets	%	..	..	44.2	49.1
Total liabilities to equity	%	..	..	239.4	266.0
Operating liabilities to equity ^e	%	..	..	217.7	252.9
Interest cover	times	..	..	0.3	0.2
Current ratio	%	..	..	79.5	94.1
Leverage ratio	%	..	..	317.7	352.9
<i>Payments to and from government</i>					
Dividends	\$'000	..	..	–	–
Dividend to equity ratio	%	..	..	–	–
Dividend payout ratio	%	..	..	–	–
Income tax expense	\$'000	..	..	-4 512	-22 424
Grants revenue ratio	%	..	..	1.2	0.2
CSO funding	\$'000	..	..	–	–

^a Verve Energy was established on 1 April 2006 following the vertical disaggregation of the former Western Power into four independent corporations: Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). Pre-AIFRS data for Western Power up to 2004-05 are available in previous *Financial Performance of Government Trading Enterprise* reports. ^b Data for 2005-06 are for the period 1 April 2006 to 30 June 2006. ^c Although Verve Energy recorded losses before tax in the three months to 30 June 2006 and in 2006-07, it achieved positive earnings before interest and tax in both periods, and consequently a positive return on assets. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

Western Power was established on 1 April 2006 following the vertical disaggregation of the former Western Power Corporation into four independent corporations — Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). This restructuring formed part of the WA Government's reform of the electricity industry. Western Power is subject to the *Electricity Corporation Act 1994*.

Western Power transports and distributes electricity in WA, via the South West Interconnected System Network. It is responsible for maintaining the network and providing access services to generators, retailers and other users.

Financial data on Western Power's 2005-06 performance are for the period 1 April 2006 to 30 June 2006, and therefore 2005-06 revenue and expenses data are not directly comparable with 2006-07 data.

Western Power recorded a profit before tax of \$99.3 million in 2006-07. Total income was \$802 million, which included \$148 million in developer and customer contributions. Expenses included contributions to the Tariff Equalisation Fund.¹

Total assets increased by 14.9 per cent to \$3.8 billion in 2006-07, reflecting \$728 million of capital expenditure. Current operating assets fell by 27.1 per cent (\$58.4 million), reflecting decreases in cash assets and receivables. Current operating liabilities rose by 10.2 per cent (\$28.3 million), primarily due to increased deferred income. Consequently, the current ratio fell to 51.3 per cent in 2006-07. Return on assets was 6.9 per cent in 2006-07.

Western Power has been highly geared in comparison with other government trading enterprises, with a debt to equity ratio of 287 per cent in 2005-06. Debt increased by 18.7 per cent to \$2.6 billion in 2006-07, causing a further increase in debt to equity to 312 per cent. Western Power's debt level resulted in borrowing costs of \$141 million in 2006-07 — representing 20.1 per cent of total expenditure in this period.

Western Power is required to make dividend and income tax-equivalent payments to the WA Government. It made a dividend payment of \$25.7 million and recorded an income tax-equivalent expense of \$29.9 million in 2006-07.

Western Power does not receive community service obligation funding.

¹ The Tariff Equalisation Fund is used to distribute payments from Western Power to Horizon Power to ensure it remains solvent. Both payments into and receipts from the Tariff Equalisation Fund are determined by the WA Government. The Tariff Equalisation Fund expense for 2006-07 was not recorded separately in Western Power's financial statements.

WESTERN POWER (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^a		AIFRS ^a	
		2004-05	2004-05	2005-06 ^b	2006-07
<i>Size</i>					
Total assets	\$m	..	..	3 321	3 816
Total income	\$m	..	..	185	802
<i>Profitability</i>					
Profit before tax	\$'000	..	..	24 339	99 336
Operating profit margin	%	..	..	29.6	29.9
Cost recovery	%	..	..	142.0	142.6
Return on assets	%	..	..	1.7	6.9
Return on total equity	%	..	..	5.8	24.9
Return on operating equity ^c	%	..	..	6.3	26.7
<i>Financial management</i>					
Debt to equity	%	..	..	286.5	312.2
Debt to assets	%	..	..	66.1	72.7
Total liabilities to equity	%	..	..	305.3	341.3
Operating liabilities to equity ^d	%	..	..	333.1	360.6
Interest cover	times	..	..	1.8	1.7
Current ratio	%	..	..	77.6	51.3
Leverage ratio	%	..	..	433.1	460.6
<i>Payments to and from government</i>					
Dividends	\$'000	..	..	–	25 664
Dividend to equity ratio	%	..	..	–	3.3
Dividend payout ratio	%	..	..	–	12.2
Income tax expense	\$'000	..	..	7 272	29 929
Grants revenue ratio	%	..	..	–	–
CSO funding	\$'000	..	..	–	–

^a Western Power was established on 1 April 2006 following the vertical disaggregation of the former Western Power into four independent corporations: Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). Pre-AIFRS data for the former Western Power up to 2004-05 are available in previous *Financial Performance of Government Trading Enterprise* reports. ^b Data for 2005-06 are for the period 1 April 2006 to 30 June 2006. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

Synergy was established on 1 April 2006 following the vertical disaggregation of the former Western Power Corporation into four independent corporations — Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). This restructuring formed part of the WA Government's reform of the electricity industry. Synergy is subject to the *Electricity Corporation Act 1994*.

Synergy is an energy retailer operating in the South West Interconnected System Network in WA. Since 21 September 2006, Synergy has traded electricity on the Wholesale Electricity Market.

Financial data on Synergy's 2005-06 performance are for the period 1 April 2006 to 30 June 2006, and therefore 2005-06 revenue and expenses data are not directly comparable with 2006-07 data.

Synergy recorded a profit before tax of \$64.2 million in 2006-07. Total income was \$1.5 billion for this period. Total expenditure included \$908 million of energy purchases. Further, 32.5 per cent (\$481 million) of Synergy's expenses were comprised of access costs.

Total assets increased by 22.1 per cent to \$422 million in 2006-07, reflecting increases in cash assets and receivables. Synergy had no outstanding debt at 30 June 2007, and incurred finance costs of only \$13 000 during the year. Current operating liabilities comprised 91.5 per cent of Synergy's total liabilities. Synergy's current operating assets, valued at \$374 million, exceeded its current liabilities of \$214 million, as reflected in a current ratio of 175 per cent. Return on assets was 17.7 per cent in 2006-07.

Synergy is required to make dividend and income tax-equivalent payments to the WA Government. Synergy made dividend payments of \$6.9 million and recorded an income tax-equivalent expense of \$19.7 million in 2006-07.

Synergy received \$30.9 million in community service obligation funding in 2006-07.¹ This was for a number of government directed services including rebates for seniors, veterans, pensioners and those with dependent children listed on health care cards. Caravan park rebates and concessional tariffs for charitable and voluntary organisations were also included.

¹ Community service obligation payments were not separately recorded in Synergy's income statement but were acknowledged in its annual report commentary.

SYNERGY (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^a		AIFRS ^a	
		2004-05	2004-05	2005-06 ^b	2006-07
<i>Size</i>					
Total assets	\$m	..	..	346	422
Total income	\$m	..	..	371	1 547
<i>Profitability</i>					
Profit before tax	\$'000	..	..	19 592	64 230
Operating profit margin	%	..	..	5.2	3.9
Cost recovery	%	..	..	105.4	104.0
Return on assets	%	..	..	6.0	17.7
Return on total equity	%	..	..	8.8	23.5
Return on operating equity ^c	%	..	..	9.4	24.8
<i>Financial management</i>					
Debt to equity	%	..	..	–	–
Debt to assets	%	..	..	–	–
Total liabilities to equity	%	..	..	130.0	123.8
Operating liabilities to equity ^d	%	..	..	134.2	120.0
Interest cover	times	..	..	103.6	4 941.8
Current ratio	%	..	..	178.4	174.9
Leverage ratio	%	..	..	234.2	220.0
<i>Payments to and from government</i>					
Dividends	\$'000	..	..	–	6 856
Dividend to equity ratio	%	..	..	–	4.3
Dividend payout ratio	%	..	..	–	17.2
Income tax expense	\$'000	..	..	5 881	19 656
Grants revenue ratio	%	..	..	–	–
CSO funding ^e	\$'000	..	..	9 200	30 900

^a Synergy was established on 1 April 2006 following the vertical disaggregation of the former Western Power into four independent corporations: Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). Pre-AIFRS data for Western Power up to 2004-05 are available in previous *Financial Performance of Government Trading Enterprise* reports. ^b Data for 2005-06 are for the period 1 April 2006 to 30 June 2006. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. ^e Synergy did not report community service obligation payments separately in its income statement. However, they were acknowledged in its annual report commentary. – Zero or rounded to zero.

Horizon Power was established on 1 April 2006 following the vertical disaggregation of the former Western Power Corporation into four independent corporations — Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). Horizon Power operates subject to the *Electricity Corporation Act 1994*.

Horizon Power is an integrated electricity corporation involved in the generation, distribution and retailing of electricity to regional and remote areas of WA. The retail arm can also purchase electricity for sale to these areas. Horizon Power serves the Pilbara North West Interconnected System Network as well as non-interconnected systems in 33 townships in WA.

Financial data on Horizon Power's 2005-06 performance are for the period 1 April 2006 to 30 June 2006, and therefore 2005-06 revenue and expenses data are not directly comparable with 2006-07 data.

Horizon Power recorded total income of \$215 million in 2006-07, despite a \$4.7 million downward movement in fair value derivatives. Profit before tax was \$11.5 million in 2006-07. Revenue of \$219 million included \$69.7 million of Tariff Equalisation Fund revenue¹. Total expenditure was \$208 million, including \$14.9 million in finance costs.

Total assets increased by 23.3 per cent (\$79.9 million) to \$423 million in 2006-07. This included the recognition of two new power stations valued at \$91.5 million. Return on assets was 7.3 per cent in 2006-07, while return on equity was negative because operating profit after tax was negative.

Debt rose by 24.5 per cent to \$251 million in 2006-07 — increasing Horizon Power's debt to total assets to 69.0 per cent.

Horizon Power is required to make dividend and income tax-equivalent payments to the WA Government. Horizon Power made no provision for a dividend, but recorded an income tax-equivalent expense of \$1.9 million in 2006-07.

Horizon Power received \$12.7 million in community service obligation funding for a number of services in 2006-07. These include an air conditioning subsidy for seniors, caravan park rebates, supply charge rebates, tariff migration reimbursement, and Aboriginal and regional community services.

¹ The Tariff Equalisation Fund is used to distribute payments from Western Power to Horizon Power to ensure it remains solvent. Both payments into and receipts from the Tariff Equalisation Fund are determined by the WA Government.

HORIZON POWER (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^a		AIFRS ^a	
		2004-05	2004-05	2005-06 ^b	2006-07
<i>Size</i>					
Total assets	\$m	..	..	343	423
Total income	\$m	..	..	32	215
<i>Profitability</i>					
Profit before tax	\$'000	..	..	-17 857	11 464
Operating profit margin	%	..	..	-55.8	-33.1
Cost recovery	%	..	..	64.2	75.1
Return on assets	%	..	..	-4.4	7.3
Return on total equity	%	..	..	-11.0	-45.7
Return on operating equity ^c	%	..	..	-14.1	-55.5
<i>Financial management</i>					
Debt to equity	%	..	..	255.4	248.0
Debt to assets	%	..	..	62.8	69.0
Total liabilities to equity	%	..	..	238.0	260.6
Operating liabilities to equity ^d	%	..	..	306.4	301.8
Interest cover	times	..	..	..	1.8
Current ratio	%	..	..	31.7	40.2
Leverage ratio	%	..	..	406.4	401.8
<i>Payments to and from government</i>					
Dividends	\$'000	..	..	–	–
Dividend to equity ratio	%	..	..	–	–
Dividend payout ratio	%	..	..	..	..
Income tax expense	\$'000	..	..	-5 260	1 916
Grants revenue ratio	%	..	..	–	–
CSO funding	\$'000	..	..	3 205	12 716

^a Horizon Power was established on 1 April 2006 following the vertical disaggregation of the former Western Power into four independent corporations: Verve Energy (generation), Western Power (distribution and transmission), Synergy (retail) and Horizon Power (integrated regional provider). Data for Western Power up to 2004-05 are available in previous *Financial Performance of Government Trading Enterprise* reports. ^b Data for 2005-06 are for the period 1 April 2006 to 30 June 2006. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

Hydro-Electric Corporation (HEC) operates under the *Hydro-Electric Corporation Act 1995* and the *Government Business Enterprises Act 1995*. HEC generates electricity for Tasmania and provides distribution and retailing services to the Bass Strait Islands. Consulting services are also provided to clients in Australia, Asia, and the Pacific Islands. HEC entered the National Electricity Market (NEM) on 29 May 2005, and commenced trading into the NEM after the Basslink power interconnector between Tasmania and mainland Australia began operating on 29 April 2006.

Hydro-Electric Corporation's total income declined by 14.3 per cent (\$71.3 million) in 2006-07, largely because of a \$132 million loss from fair value movements in electricity derivatives. Profit before tax increased by 391 per cent (\$144 million) to \$181 million in 2006-07, partly reflecting a \$36.6 million increase in electricity revenue. Total expenses also declined by \$145 million, primarily because of a \$155 million reversal of impairment losses.

Total assets increased by 10.4 per cent (\$399 million) to \$4.2 billion in 2006-07. This was mainly attributable to a \$205 million increase in financial assets associated with Basslink. In addition, capital works totalled \$54.2 million, and the value of generation equipment increased by \$155 million due to impairment reversals. As a result of the increase in profit before tax exceeding the increase in assets, return on assets and on equity increased to 6.8 per cent and 24.7 per cent respectively in 2006-07.

Debt fell by 10.7 per cent (\$115 million) to \$1.2 billion in 2006-07. Despite this, debt to assets fell to 29.5 per cent as a result of a greater increase in assets.

Hydro-Electric Corporation is required to make dividend and income tax-equivalent payments to the Tasmanian Government. It paid a \$21.2 million dividend, and recorded an income tax-equivalent expense of \$34.1 million in 2006-07.

Hydro-Electric Corporation received \$6.4 million in community service obligation funding in 2006-07, for providing concessions to eligible customers living on the Bass Strait Islands.

HYDRO-ELECTRIC CORPORATION (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	3 248	3 105	3 851	4 249
Total income	\$m	456	417	497	426
<i>Profitability</i>					
Profit before tax	\$'000	80 396	-463 760 ^c	36 902	181 013
Operating profit margin	%	33.6	-80.7	20.4	54.7
Cost recovery	%	150.5	55.3	125.6	220.8
Return on assets	%	4.8	-12.2	3.5	6.8
Return on total equity	%	7.7	-23.3	8.6	24.7
Return on operating equity ^d	%	7.3	-15.2	5.7	15.8
<i>Financial management</i>					
Debt to equity	%	74.6	83.9	77.3	77.6
Debt to assets	%	38.3	39.3	31.1	29.5
Total liabilities to equity	%	111.3	229.8	319.6	343.5
Operating liabilities to equity ^e	%	94.7	113.7	175.9	175.4
Interest cover	times	2.1	..	1.4	3.0
Current ratio	%	140.8	140.8	53.0	86.8
Leverage ratio	%	194.7	213.7	275.9	275.4
<i>Payments to and from government</i>					
Dividends ^f	\$'000	40 000	40 000	40 000	21 200
Dividend to equity ratio	%	2.5	2.8	2.8	1.4
Dividend payout ratio	%	34.0	..	49.8	9.2
Income tax expense	\$'000	35 986	-149 908	14 644	34 126
Grants revenue ratio	%	–	–	0.1	0.1
CSO funding	\$'000	6 030	6 030	6 200	6 400

^a Hydro-Electric Corporation (HEC) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for HEC.

^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c The 2004-05 loss before tax included a \$540 million impairment expense related to the Bell Bay Power Station. HEC judged that this asset was no longer required as a backup for the hydro-generating system following the commissioning of Basslink. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. ^f The 2004-05 dividend of \$40.0 million included a special dividend of \$17.4 million. The 2005-06 dividend of \$40.0 million included a special dividend of \$8.0 million. .. Not applicable. – Zero or rounded to zero.

Aurora Energy (Aurora) was established on 1 July 1998, following the disaggregation of the former Hydro-Electric Corporation. Aurora operates under the *Corporations Act 2001* and the *Electricity Companies Act 1997*. In addition to its retail and distribution activities in Tasmania, Aurora holds electricity retail licenses in NSW, Victoria, Queensland, SA and the ACT. Having entered the National Electricity Market (NEM) on 29 May 2005, Aurora commenced trading electricity in the NEM after the Basslink power interconnector between Tasmania and mainland Australia commenced operation on 29 April 2006.

Total income increased by 8.9 per cent (\$66.1 million) in 2006-07, despite a fall of \$3.7 million in income from movements in fair value. Profit before tax increased by 59.7 per cent (\$16.8 million) to \$45.0 million in 2006-07. The higher profit before tax reflected an 8.7 per cent (\$62.4 million) increase in sales revenue, which exceeded a 7.5 per cent (\$53.0 million) increase in total expenses.

Total assets increased by 17.6 per cent to \$1.3 billion in 2006-07, largely because of capital expenditure (\$104 million), and increases in market-traded receivables and hedge derivatives. Return on assets and on equity were 6.8 per cent and 16.0 per cent respectively in 2006-07.

Current operating assets increased by 25.7 per cent (\$34.7 million) in 2006-07, largely due to increases in cash investments and receivables. Current operating liabilities increased by 76.7 per cent (\$162 million), reflecting an increase in short-term debt. Consequently, Aurora's current ratio declined from 63.7 per cent in 2005-06 to 45.4 per cent in 2006-07.

Debt increased by 9.5 per cent (\$44.0 million), causing debt to assets and debt to equity increase to 45.5 per cent and 121 per cent respectively in 2006-07.

Aurora is required to make dividend and income tax-equivalent payments to the Tasmanian Government. It paid dividends of \$9.6 million and recorded an income tax-equivalent expense of \$12.8 million in 2006-07.

Aurora received \$11.8 million in community service obligation funding in 2006-07, for providing pensioners with discounted electricity.

AURORA ENERGY (CONTINUED)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}			AIFRS ^a
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 072	1 078	1 107	1 301
Total income	\$m	715	708	742	808
<i>Profitability</i>					
Profit before tax	\$'000	49 406	48 867	28 160	44 962
Operating profit margin	%	10.3	10.2	7.3	8.9
Cost recovery	%	111.4	111.3	107.9	109.8
Return on assets	%	7.6	7.6	5.5	6.8
Return on total equity	%	13.3	19.1	13.7	16.0
Return on operating equity ^c	%	15.6	16.7	11.6	14.3
<i>Financial management</i>					
Debt to equity	%	127.2	122.7	114.0	121.4
Debt to assets	%	43.2	43.5	44.8	45.5
Total liabilities to equity	%	165.2	246.0	232.1	222.7
Operating liabilities to equity ^d	%	194.6	181.7	161.2	179.8
Interest cover	times	2.8	2.8	2.0	2.5
Current ratio	%	101.3	96.6	63.7	45.4
Leverage ratio	%	294.6	281.7	261.2	279.8
<i>Payments to and from government</i>					
Dividends	\$'000	13 942	13 942	11 977	9 585
Dividend to equity ratio	%	4.1	3.9	3.1	2.3
Dividend payout ratio	%	26.0	23.4	27.1	16.3
Income tax expense	\$'000	19 225	12 857	9 734	12 816
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	11 513	11 513	11 198	11 780

^a Aurora Energy commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Aurora Energy. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Transend Networks (Transend) was established on 1 July 1998, following the disaggregation of the Hydro-Electric Corporation. Transend operates under the *Corporations Act 2001* and the *Electricity Companies Act 1997*. Transend owns and operates the high voltage electricity transmission system in Tasmania, which includes almost 3500 km of transmission lines, 47 substations and nine switching stations.

Total income decreased by 4.6 per cent (\$6.1 million) in 2006-07, including a \$3.6 million fall in income from movements in fair value. Profit before tax declined by 38.1 per cent (\$20.0 million) to 32.5 million in 2006-07. This reflected a \$10.0 million fall in revenue from gifted assets combined with a 22.5 per cent (\$17.5 million) increase in total expenses. The increase in total expenses was mainly due to higher depreciation and amortisation expenses, as well as higher operating and maintenance costs.

Transend's total assets increased by 44.4 per cent (\$348 million) to \$1.1 billion in 2006-07, largely because of a \$329 million revaluation of property, plant and equipment. In addition, capital investment amounted to \$64.5 million in 2006-07. Return on assets and on equity fell to 4.1 per cent and 4.6 per cent respectively in 2006-07.

Debt grew by 27.3 per cent (\$25.3 million) to \$118 million in 2006-07, which Transend attributed to increased borrowings to fund its capital investment program. Despite the higher total debt, Transend's debt to assets and debt to equity fell to 12.4 per cent and 12.3 per cent respectively, because of higher total assets.

Transend is required to make dividend and income tax-equivalent payments to the Tasmanian Government. Transend paid dividends of \$18.8 million and recorded an income tax-equivalent expense of \$8.9 million in 2006-07.

Transend does not receive community service obligation funding.

TRANSEND NETWORKS (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	698	692	782	1 130
Total income	\$m	119	112	131	125
<i>Profitability</i>					
Profit before tax	\$'000	43 366	40 168	52 443	32 456
Operating profit margin	%	38.7	38.9	43.4	30.4
Cost recovery	%	163.2	163.7	176.7	143.7
Return on assets	%	6.6	6.2	7.7	4.1
Return on total equity	%	5.3	7.1	7.9	4.6
Return on operating equity ^c	%	5.0	5.9	6.6	3.8
<i>Financial management</i>					
Debt to equity	%	8.8	8.9	14.7	12.3
Debt to assets	%	7.6	7.7	12.6	12.4
Total liabilities to equity	%	22.0	40.1	48.0	47.8
Operating liabilities to equity ^d	%	14.7	16.0	23.5	18.0
Interest cover	times	18.7	17.4	13.6	6.0
Current ratio	%	31.6	29.8	30.0	25.9
Leverage ratio	%	114.7	116.0	123.5	118.0
<i>Payments to and from government</i>					
Dividends	\$'000	9 924	9 924	13 766	18 774
Dividend to equity ratio	%	1.6	1.7	2.2	2.4
Dividend payout ratio	%	32.7	28.2	34.1	62.9
Income tax expense	\$'000	15 833	11 164	16 099	8 949
Grants revenue ratio	%	–	–	–	–
CSO funding	\$'000	–	–	–	–

^a Transend Networks (Transend) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Transend. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c Refers to 'return on equity based on operating assets and liabilities'. ^d Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.

Power and Water Corporation (PWC) was established on 1 July 2002, following the corporatisation of the Power and Water Authority. PWC operates under the *Government Owned Corporations Act 2001*.

Power and Water Corporation generates, transmits, distributes and retails electricity throughout the NT. It owns and operates three separate grid systems and purchases gas supplies for electricity generation through its subsidiary, Gasgo Pty Ltd. Under an agreement with the NT Government, PWC also provides electricity, water and sewerage services to remote areas in the NT through its subsidiary, Indigenous Essential Services Pty Ltd.

Power and Water Corporation recorded a loss before tax of \$98.8 million in 2006-07, in comparison with a profit before tax of \$29.1 million in 2005-06. This reflected an increase in total revenue of 5.9 per cent (\$29.5 million) that was exceeded by the increase in total expenses of 33.6 per cent (\$157 million). PWC attributed the higher total expenses to a \$146 million impairment of water and sewerage assets.

The value of PWC's assets decreased by 4.8 per cent (\$59.1 million) to below \$1.2 billion in 2006-07. This was largely because of a \$139 million decrease in water and sewerage system assets, attributable to impairment losses and depreciation. Return on assets and on equity were negative, at -6.3 per cent and -16.5 per cent respectively.

Debt increased by 5.7 per cent to \$348 million in 2006-07. As a result, debt to assets and debt to equity increased to 29.6 per cent and 67.1 per cent respectively in 2006-07.

Power and Water Corporation is required to make dividend and income tax-equivalent payments to the NT Government. It made no provision for a dividend in 2006-07. As it reported an operating loss for this period, it received an income tax-equivalent benefit of \$29.6 million.

Power and Water Corporation received \$54.8 million in community service obligation funding from the NT Government for pensioner concessions, uniform tariffs and the Tranche Four electricity reforms in 2006-07.¹

¹ Tranche Four reforms relate to the introduction of retail contestability in the NT. More information about NT Government regulation in this sector is provided in section 5.2 of this chapter.

POWER AND WATER CORPORATION (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06 ^c	2006-07 ^c
<i>Size</i>					
Total assets	\$m	1 057	1 192	1 239	1 180
Total income	\$m	508	490	498	527
<i>Profitability</i>					
Profit before tax	\$'000	52 033	50 602	29 060	-98 780
Operating profit margin	%	14.5	5.3	–	-26.7
Cost recovery	%	116.9	105.6	100.0	78.9
Return on assets	%	7.3	6.4	4.5	-6.3
Return on total equity	%	9.1	1.3	-1.4	-16.5
Return on operating equity ^d	%	8.9	1.3	-1.4	-17.0
<i>Financial management</i>					
Debt to equity	%	44.2	47.2	52.7	67.1
Debt to assets	%	28.2	25.2	27.6	29.6
Total liabilities to equity	%	62.8	94.4	98.8	114.0
Operating liabilities to equity ^e	%	56.6	87.7	96.0	117.9
Interest cover	times	3.1	3.1	2.2	..
Current ratio	%	79.1	81.8	95.7	99.4
Leverage ratio	%	156.6	187.7	196.0	217.9
<i>Payments to and from government</i>					
Dividends	\$'000	18 900	18 900	10 249	–
Dividend to equity ratio	%	2.8	3.0	1.6	–
Dividend payout ratio	%	32.1	229.0	..	..
Income tax expense	\$'000	14 164	14 950	8 541	-29 576
Grants revenue ratio	%	–	10.0	10.4	9.5
CSO funding	\$'000	52 039	52 039	53 718	54 783

^a The Power and Water Corporation (PWC) commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for the PWC. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c The Auditor-General issued a qualified audit opinion in relation to PWC's 2006-07 financial report. It stated that of the \$88.6 million impairment loss recognised in 2006-07, \$43.7 million of impairment loss on water system assets should have been recognised in 2005-06. This would have reduced the value of total assets at 30 June 2006 by \$43.7 million, and also created an impairment expense in the income statement in 2005-06. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. .. Not applicable. – Zero or rounded to zero.

Snowy Hydro Limited (Snowy Hydro) commenced operations on 28 June 2002 under the *Snowy Corporatisation Act 1997* when it assumed responsibility for the assets and liabilities of the Snowy Mountains Hydro-Electric Authority. Snowy Hydro operates under the *Corporations Act 2001* and is jointly owned by the Australian, NSW and Victorian Governments.¹

Snowy Hydro owns and manages the Snowy Mountains Hydro-Electric Scheme, which comprises seven power stations and 16 dams, mainly in the Kosciuszko National Park. Snowy Hydro generates electricity for sale into the National Electricity Market. It acquired 100 per cent of Valley Power, a gas-fired generator operating in Victoria in 2005-06.

Snowy Hydro's total income declined by 2.4 per cent (\$12.1 million) in 2006-07, however this included a decrease of \$109 million in income from movements in fair value. Profit before tax declined by 11.2 per cent (\$21.1 million) to \$167 million, as the 19.2 per cent (\$96.7 million) increase in revenue was exceeded by a 37.3 per cent (\$118 million) increase in total expenses. The increase in total expenses was partly attributable to a \$115 million increase in direct costs, which according to Snowy Hydro resulted from increased use of gas-fired power stations and water recycling because of drought.

The value of Snowy Hydro's assets grew by 7.3 per cent (\$167 million) to over \$2.4 billion in 2006-07, reflecting increases in receivables, electricity price-risk hedging contracts and capital investment. Current operating assets more than doubled to \$170 million, while current operating liabilities declined by 40.0 per cent to \$185 million. As a result, the current ratio increased from 25.8 per cent in 2005-06 to 91.9 per cent in 2006-07. Return on assets fell to 11.6 per cent in 2006-07.

Debt fell by 7.5 per cent to \$799 million, resulting in a fall in debt to assets to 42.3 per cent in 2006-07.

Snowy Hydro is required to make dividend and income tax payments. Snowy Hydro distributed dividends of \$50.0 million and recorded an income tax expense of \$24.2 million in 2006-07. Snowy Hydro does not receive community service obligation funding.

¹ Shareholdings in Snowy Hydro are the Australian (13 per cent), NSW (58 per cent) and Victorian (29 per cent) Governments.

SNOWY HYDRO (continued)

Performance indicators 2004-05 to 2006-07

Indicators	Units	Pre-AIFRS ^{a,b}		AIFRS ^a	
		2004-05	2004-05	2005-06	2006-07
<i>Size</i>					
Total assets	\$m	1 891	2 124	2 277 ^c	2 444
Total income	\$m	424	427	511	499
<i>Profitability</i>					
Profit before tax	\$'000	199 022	200 425	187 918	166 827
Operating profit margin	%	55.0	54.8	45.0	35.9
Cost recovery	%	222.4	221.2	181.8	156.1
Return on assets	%	13.5	13.7	13.0	11.6
Return on total equity	%	18.1	13.9	12.4	14.7
Return on operating equity ^d	%	20.4	19.7	17.7	19.9
<i>Financial management</i>					
Debt to equity	%	69.0	70.0	95.9	79.0
Debt to assets	%	35.6	35.8	48.7	42.3
Total liabilities to equity	%	88.3	70.9	75.6	89.2
Operating liabilities to equity ^e	%	94.1	95.3	102.9	92.8
Interest cover	times	6.6	6.7	5.4	4.2
Current ratio	%	79.3	64.0	25.8	91.9
Leverage ratio	%	194.1	195.3	202.9	192.8
<i>Payments to and from government</i>					
Dividends	\$'000	70 000	70 000	70 000	50 000
Dividend to equity ratio	%	7.8	8.0	7.9	5.2
Dividend payout ratio	%	38.4	40.4	44.5	26.3
Income tax expense	\$'000	51 116	59 675	65 870	24 186
Grants revenue ratio	%	–	–	–	0.1
CSO funding	\$'000	–	–	–	–

^a Snowy Hydro commenced reporting under the Australian-equivalent International Financial Reporting Standards (AIFRS) on 30 June 2006. The implications of the transition to AIFRS were discussed in the *Financial Performance of Government Trading Enterprises 2000-01 to 2004-05* report. Data for 2004-05 are reported on an AIFRS and pre-AIFRS basis to illustrate the effect of the transition for Snowy Hydro. ^b Data for years prior to 2004-05 are available in previous *Financial Performance of Government Trading Enterprises* reports. These data were based on the Government Financial Statistics framework and are not directly comparable with the data reported in this table, which are based on GTE annual reports. ^c In 2005-06, Snowy Hydro acquired 100 per cent of Valley Power, a gas-fired generator operating in Victoria. The acquisition increased Snowy Hydro's assets by \$243 million, including \$72.0 million in goodwill. ^d Refers to 'return on equity based on operating assets and liabilities'. ^e Refers to 'operating liabilities to equity based on operating assets and liabilities'. – Zero or rounded to zero.