



New South Wales
TREASURY

**PERFORMANCE OF
NSW GOVERNMENT BUSINESSES 2002-03**

Office of Financial Management

Research &
Information Paper

PREFACE

This is the fourteenth edition of the *Performance of NSW Government Businesses*.

The NSW Government remains the only Australian Government to provide a comprehensive annual report of this type.



John Pierce
Secretary
NSW Treasury
June 2004

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1. AGGREGATE PERFORMANCE OF MAJOR NSW GOVERNMENT BUSINESSES

NSW Government businesses in the electricity, transport and water sectors account for around 86% of all NSW Government business employment. In 2002-03, the electricity and water sectors contributed approximately 82% of Financial Distributions (dividends and tax equivalent payments) from all NSW Government businesses. Accordingly, labour productivity improvements in these areas have had a significant impact on the overall performance of NSW Government businesses.

The sectors comprise the following Government businesses:

Electricity:

Generation:	Delta Electricity, Eraring Energy and Macquarie Generation;
Distribution/Retail:	Australian Inland, Country Energy, EnergyAustralia and Integral Energy; and
Transmission:	Transgrid ¹ .
Transport	State Rail Authority, State Transit Authority and Rail Infrastructure Corporation ¹ .
Water	Hunter Water Corporation, Sydney Water Corporation, Sydney Catchment Authority ¹ and State Water ¹ .

1.1 Productivity and Tax Equivalent/Dividend Payments

Reforms in the electricity, water and transport sectors have resulted in considerable labour productivity improvements. **Table 1** overleaf shows that the major Government businesses have achieved a weighted labour productivity improvement of 46% between 1994-95 and 2002-03.

In recent years, the returns on reform have diminished as the scope for further reform has reduced.

The most notable areas of productivity improvement since 1994-95 are:

- Electricity Generators by 245 %;
- Electricity Distributors by 80 %;
- Sydney Water by 90 %; and
- Hunter Water by 56 %.

These gains are particularly impressive given that each of the above sectors continues to service an increasing number of customers.

¹ Denoted businesses do not contribute to employment, output and productivity calculations in the following table.

Table 1: Employment, Efficiency and Output Performance of Government Businesses in the Electricity, Transport and Water Sectors

	Note	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Employment										
	1									
Electricity Generators		5,595	3,503	3,328	3,019	2,531	2,376	1,761	1,735	1,723
Electricity Distributors		11,396	8,746	7,972	7,552	7,417	7,450	7,705	8,161	8,762
Sydney Water Corporation		5,965	5,099	4,763	4,629	4,470	3,766	3,676	3,428	3,518
Hunter Water Corporation		740	715	620	554	545	541	533	526	536
State Rail Authority		8,334	8,278	9,370	9,317	8,508	8,660	9,017	9,121	9,733
State Transit Authority		3,818	4,101	4,303	4,305	4,369	4,690	4,754	4,851	4,901
		<u>35,848</u>	<u>30,442</u>	<u>30,356</u>	<u>29,376</u>	<u>27,840</u>	<u>27,483</u>	<u>27,446</u>	<u>27,822</u>	<u>29,173</u>
Index of Output										
	2									
Electricity Generators (Gwh)		100	105	101	103	105	108	112	110	106
Electricity Distributors (Gwh)		100	103	103	103	115	123	133	134	138
Sydney Water Corporation (properties served)		100	101	103	106	107	109	108	110	112
Hunter Water Corporation (properties served)		100	101	102	104	106	108	109	111	113
State Rail Authority (passengers carried)		100	103	106	107	108	112	121	111	109
State Transit Authority (passengers carried)		100	105	107	109	109	113	115	110	110
Productivity (Output relative to Employees)										
Electricity Generators		9.6	16.1	16.2	18.2	22.2	24.2	34.0	33.8	33.0
Electricity Distributors		3.6	4.8	5.3	5.6	6.4	6.8	7.1	6.8	6.5
Sydney Water Corporation		244.8	290.3	314.9	334.8	349.0	422.2	429.8	469.7	466.2
Hunter Water Corporation		245.9	256.5	300.5	341.9	353.6	361.8	372.7	383.2	382.5
State Rail Authority		30.2	31.3	28.5	28.9	32.1	32.5	33.8	30.5	28.3
State Transit Authority		50.7	49.5	48.2	48.8	48.5	46.4	46.8	43.9	43.3
Percentage Changes (1994-95 Base Year)										
Weighted Total Output Change (%)	3		23%							
Weighted Productivity Change (%)	4.5		46%							

Notes:

1. Employment measured as full time equivalent persons employed at 30 June.
2. Alternative output measures may be equally valid.
3. Output has been reweighted according to the 1996-97 dollar value of output for each sector or agency.
4. Average productivity of each agency weighted by final year employment.
5. Alternative output and employment indicators will affect the productivity result.

Figure 1 shows labour productivity for major NSW Government businesses for the nine years to 30 June 2003 based on the output measures in **Table 1**.

Figure 1: Labour Productivity for Major NSW Government Businesses from 1994-95 to 2002-03

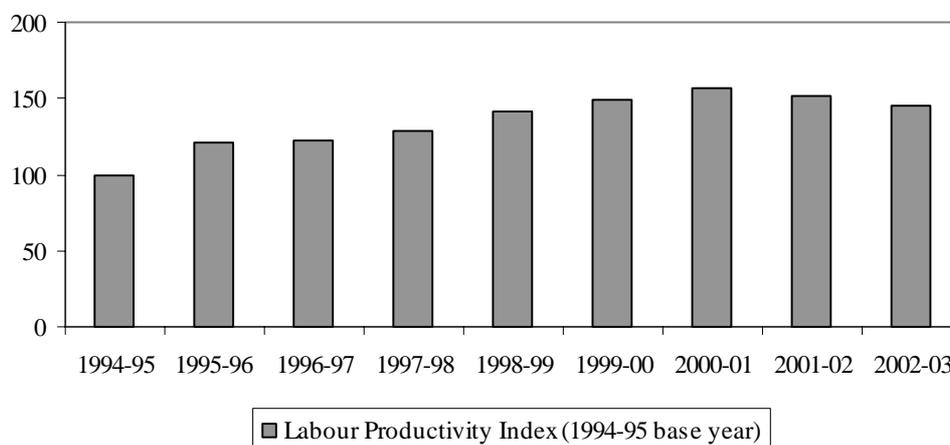
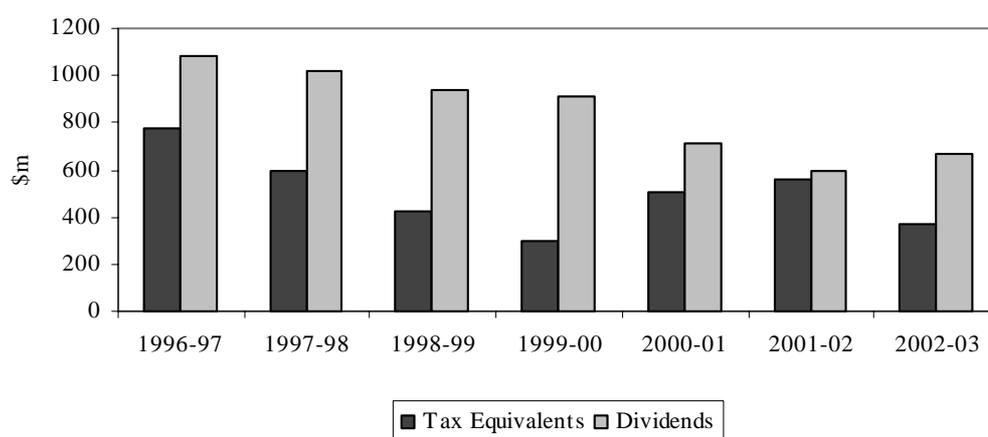


Figure 2 demonstrates that the benefits from improved performance continue to be largely passed onto consumers as lower prices rather than paid as dividends to the Government.

Figure 2: Dividends & Tax Equivalent Payments from PTEs and PFEs from 1996-97 to 2002-03²



² Tax Equivalent and Dividends are expressed in accrual terms. No comparable data is available prior to 1996-97.

1.2 The Government Charges Index

Effective competition in markets for goods and services encourages the efficient use of scarce resources. It also helps ensure that the economy remains dynamic and robust, and can adapt to changing economic conditions and long-term structural pressures.

Economic reform policies such as those associated with National Competition Policy (NCP) have promoted a more productive and competitive market environment. The NSW Government has also undertaken a range of micro-economic reforms to improve the efficiency and competitiveness of its business including:

- maintaining a 'Commercial Policy Framework' for NSW Government businesses;
- corporatising significant NSW Government businesses;
- implementing 'Full Retail Contestability' into the NSW electricity and gas markets for residential and small business customers; and
- providing regulatory oversight for NSW Government monopoly business activities through the Independent Pricing and Regulatory Tribunal (IPART).

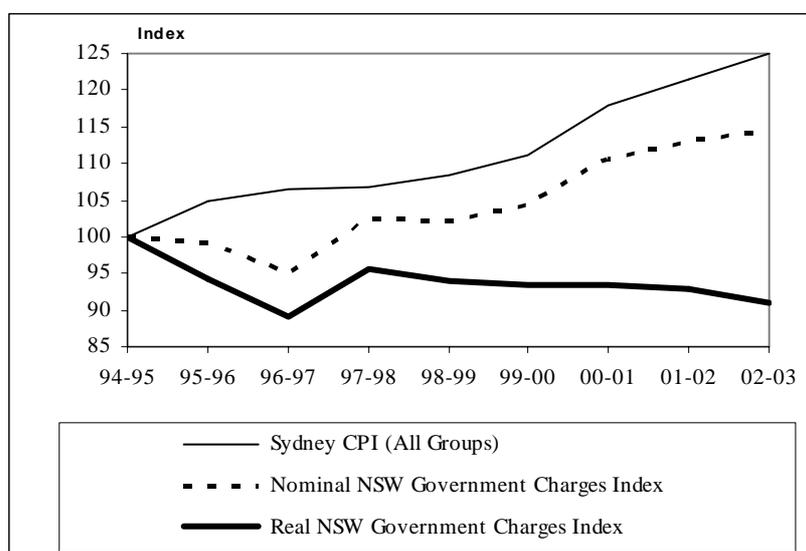
Households and private businesses in NSW have been the main beneficiaries of these reforms. Implementation of more efficient pricing policies has achieved significant reductions in charges by NSW Government businesses. This has resulted in greater competitiveness for NSW businesses, increased real incomes and enhanced economic growth.

Favourable changes in the Government Charges Index (GCI), an aggregate measure of charges and prices levied by significant NSW Government businesses, indicate the price benefits of competition reforms enjoyed by consumers.

In constructing the GCI, a revenue weight is applied to the annual average price level recorded for the output of each NSW Government business included in the GCI. The revenue weight captures each business' contribution to total revenue. The revenue weighted prices added together establish an annual aggregate price level index for each financial year. Annual movements in the GCI compare the aggregate price level with that of the previous financial year.

Figure 3, shows the downward trend in the GCI in real terms.

Figure 3: The Government Charges Index



The GCI fell again in 2002-03 by around 1.8% in real terms. In the eight years to June 2003, the GCI has fallen by 8.9% in real terms. Over the same period, NSW Government business charges have fallen in real terms by around:

- 5% for electricity;
- 32% for ports;
- 29% for water; and
- 44% for freight rail.

The introduction of full retail contestability in the gas and electricity markets allows residential and small business customers to enter into negotiated contracts with the electricity and gas retailer of their choice. As of the end of March 2004, over 615,000³ small customers had taken advantage of this option and left the franchise market. The GCI only captures price changes associated with franchise customers that have remained on standard supply contracts (with regulated terms and conditions). As such, the GCI will understate the price savings achieved overall including all customers.

³ Information sourced from the NSW Government's Department of Energy, Utilities and Sustainability website.

2. PERFORMANCE OF NSW GOVERNMENT BUSINESSES 2002-03

The information in the following tables and graphs is consistent with annual reports and has been audited.

The preceding commentary on 2002-03 performance was prepared and authenticated by the businesses.

The Treasury is not in a position to fully validate the statements made in the commentary.

ELECTRICITY GENERATION

Delta Electricity

Eraring Energy

Macquarie Generation



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DELTA ELECTRICITY

Delta Electricity operates a diversified portfolio of generation assets. The majority of Delta Electricity's generation capability is derived from coal fired power stations located near Lithgow and on the Central Coast with a total generating capacity of 4,240MW. Delta Electricity also operates three mini-hydro generators and biomass co-firing activities.

For the second consecutive year, outstanding plant performance enabled Delta Electricity to deliver a sound financial result. The Delta Electricity consolidated entity achieved a Net Profit Before Tax result of \$102 million in 2002-03. Although total revenue declined over 2002-03 in nominal terms, electricity sales revenue increased slightly despite the continued decline in average spot prices. The organisation returned \$120 million in contributed equity and \$135.5 million in dividends to the shareholder during the year. The dividend payment included a special dividend of \$50 million sourced from retained profits. Property, plant and equipment was revalued to fair value on 1 July 2002, contributing to a \$362.6 million real terms increase in asset carrying value.

Despite the National Electricity Market continuing to experience increases in demand for energy, average yearly spot prices in NSW declined for the second year running – primarily due to increases in the transfer capacity of interconnectors coupled with extra generation capacity in Queensland. Greater volumes of electricity were imported into NSW as a result.

The major consideration in Delta Electricity's strategic direction is the depressed spot market prices caused by the emergence of excess capacity in the electricity market, particularly in Queensland. To successfully compete, Delta Electricity's existing portfolio of plant must remain low cost, reliable and efficient. Plant performance will need to remain at the exceptional levels achieved in recent years. People will also be a major factor in achieving Delta Electricity's future goals, as it will be the effort and creative contribution of its employees that ensures that Delta Electricity remains one of Australia's leading generators.

Delta Electricity's strategy to improve greenhouse gas emission rates by diversifying its generation portfolio gathered momentum as renewable energy production increased to 14 GWh this year – mainly through successful co-firing of accredited biomass materials at three power stations. Additionally, a third mini-hydro generator was commissioned at Dungog, an environmental assessment for a wind-farm was started, and development consent was received for a 30 MWh renewable energy plant at the NSW Sugar Milling Co-operative's Broadwater site.

Delta Electricity's fully owned subsidiary, Delta Electricity Australia Pty. Ltd., commenced operations during 2002-03 as a participant in a joint venture. The purpose of the joint venture is to construct and operate renewable energy generation plants on the north coast of NSW.

Delta Electricity maintained its accreditation to the international environment standard ISO14001 by successfully completing surveillance audits at each power station. Delta Electricity recorded no significant environmental incidents or licence breaches for the third consecutive year.

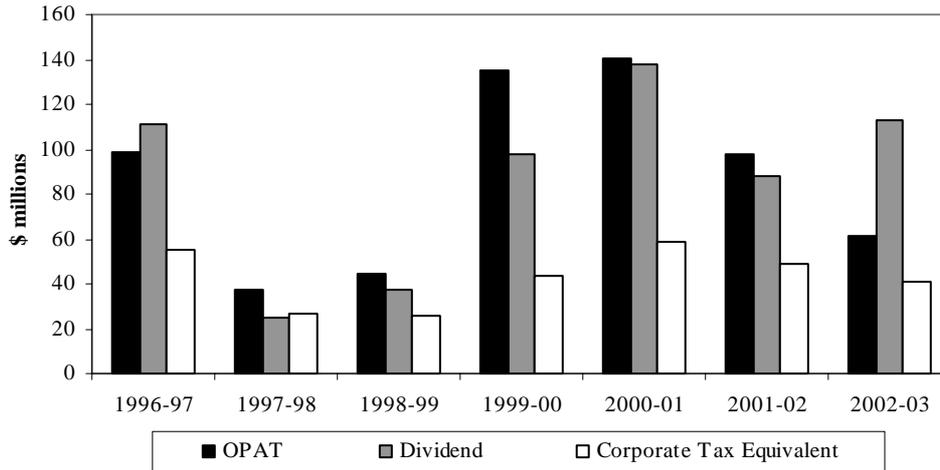
DELTA ELECTRICITY

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1							
Employment		1,091	1,032	822	797	782	754	751
Output per Employee (GWh)		17.2	18.6	24.3	25.7	27.1	27.6	27.1
Lost Time Injury Frequency Rate		15.9	14.6	5.7	11.8	7.0	5.3	8.7
Service								
Output (GWh)		18,738	19,222	20,006	20,481	21,163	20,843	20,354
Finances (\$M)	1,2							
EBIT	3	218.6	113.5	111.0	188.0	238.5	206.3	173.2
Operating Profit After Tax	3	98.5	37.4	44.3	134.7	140.9	97.7	61.4
Net Profit Before Tax	3	153.9	63.9	69.9	178.6	199.3	146.4	102.0
Significant Items		204.6	n/a	n/a	28.9	-10.1	-14.6	-15.7
Revenue		822.0	673.3	660.7	731.0	801.6	756.2	738.5
Return on Assets (%)	3	12.5	7.1	7.0	11.2	14.5	12.6	8.6
Return on Equity (%)	3	11.8	4.4	5.3	13.4	34.6	24.1	7.7
Asset Base		1,754.0	1,590.4	1,585.0	1,678.7	1,646.8	1,643.1	2,005.7
Asset Sales		0.8	1.6	1.8	1.0	1.4	1.5	1.3
Dividend	3, 4	111.1	25.1	37.7	97.6	137.4	87.9	113.1
Corporate Tax Equivalent	3, 5	55.4	26.6	25.6	43.9	58.3	48.7	40.7
Gross External Debt		612.1	497.2	484.8	395.4	774.2	749.3	784.3
Debt to Equity (Leverage) (%)		73.4	58.8	57.8	46.2	190.3	185.1	98.0
Gearing Ratio (Debt/Assets) (%)		34.9	31.3	30.6	23.6	47.0	45.6	39.1
Times Interest Earned		3.9	2.3	2.7	4.9	6.1	3.4	2.4

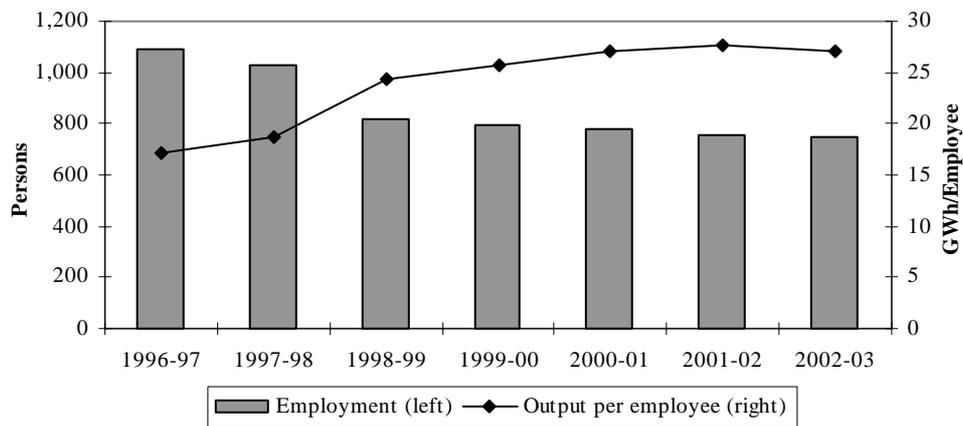
Notes:

- 1) All dollar amounts reported in 2002-03 dollars.
- 2) All relevant items include the impact of superannuation adjustments categorised as Significant Items for 1999-00 to 2002-03.
- 3) Excludes Significant Item related to the Mt.Piper Cross Border Lease in 1996-97.
- 4) Dividend accrued in the respective financial year.
- 5) Tax Expense incurred in the respective financial year.

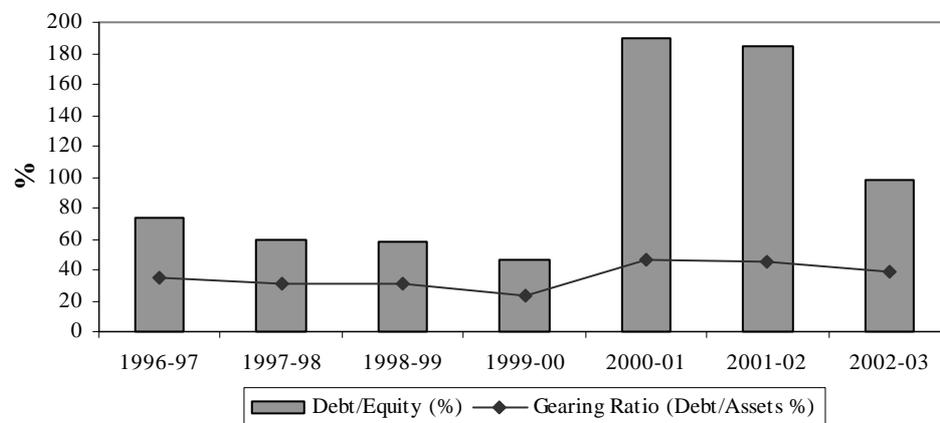
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Debt and Leverage





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ERARING ENERGY

Eraring Energy operates as a generator and wholesale electricity trader in the National Electricity Market. Eraring Energy aims to extract the maximum value from its existing assets and to attain commercial success in the National Electricity Market.

The Eraring Energy Group comprised the following businesses during 2002-03:

- Eraring Parent Entity – produces and competitively trades electricity in the National Electricity Market (NEM) from a portfolio of coal fired, hydro and wind generation; and
- Pacific Western Pty Ltd – a wholly owned subsidiary company providing operating and maintenance services on Collie Power Station for Western Power.

Financial Outcomes

The Eraring Energy Group performed strongly over 2002-03 exceeding budget with a Consolidated Net Profit After Tax of \$40.1 million being achieved. Dividends of \$35.8 million exceeded expectations.

Asset Maintenance

Eraring adopts a robust asset maintenance methodology to ensure its assets can meet production targets and contract commitments in the NEM. Eraring commenced design work on the replacement of the Integrated Controls and Monitoring Systems.

Plant Reliability and Safety

Eraring Energy's generation assets delivered high levels of availability, reliability and efficiency. In addition, the Eraring Power Station site maintained its five-star safety rating over the year under the National Safety Council of Australia 5-Star Program.

Fuel Supplies

Eraring has continued discussions with existing and potential suppliers. The main aim of these discussions is coal cost minimisation within existing and/or new contracts. Negotiations over the extension of the Westside contract were completed during the year.

Environment

Eraring Power Station utilises world class technology to minimise emissions, recycle wastes (e.g. ash and effluent) to reduce costs and provide environmental benefits. The environmental protection systems at hydro and gas turbine stations are such that those sites are some of the best protected facilities of their type in Australia.

In addition, Eraring Energy has the ability to supply renewable energy, as defined by the *Renewable Energy (Electricity) Act (Cth) 2000*. Eraring Energy is also considering the expansion of its renewable generation plant.

The Future

Eraring Energy aims to continue efficient production and competitive trading of electricity in the NEM from its portfolio of generation assets. As part of the ongoing capital restructure, Eraring made a capital repayment of \$137 million to NSW Treasury in October 2003.

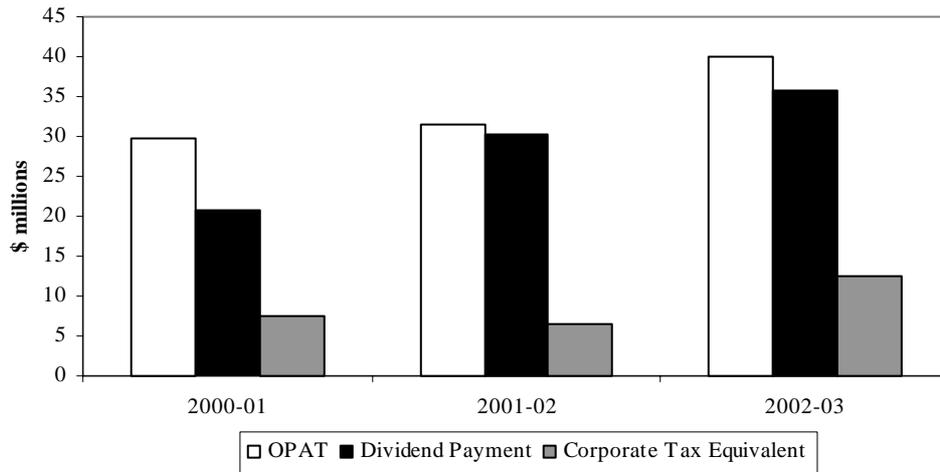
ERARING ENERGY

	Notes	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1			
Employment		367	369	364
Output per Employee (GWh)		35.6	35.9	37.6
Lost Time Injury Frequency Rate		6.9	5.5	5.5
Service				
Output (GWh exported at RRN)		13,059	13,262	13,678
Finances (\$M)	1			
EBIT		88.1	60.8	65.3
Operating Profit After Tax		29.9	31.5	40.1
Significant Items		6.4	4.8	4.3
Revenue		500.4	550.9	553.7
Return on Assets (%)		6.3	4.5	4.7
Return on Equity (%)		3.2	2.9	3.7
Asset Base		1,394.4	1,444.1	1,384.4
Financial Distribution				
Dividend		20.7	30.1	35.8
Corporate Tax Equivalent		7.5	6.6	12.5
Gross External Debt		263.7	134.3	90.7
Debt to Equity Ratio (%)		28.0	12.6	8.3
Gearing Ratio (%) (Debt/Assets)		18.9	9.3	6.6
Times Interest Earned		1.9	5.6	9.1

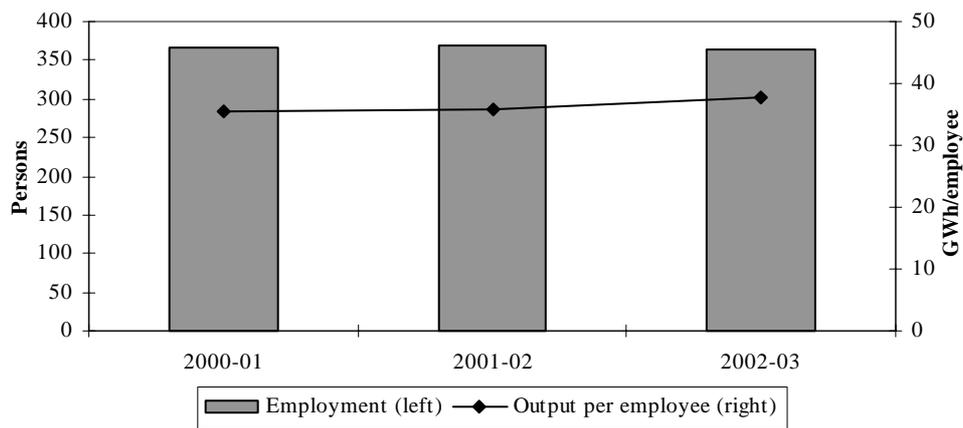
Notes:

- 1) All dollar amounts reported in 2002-03 dollars.

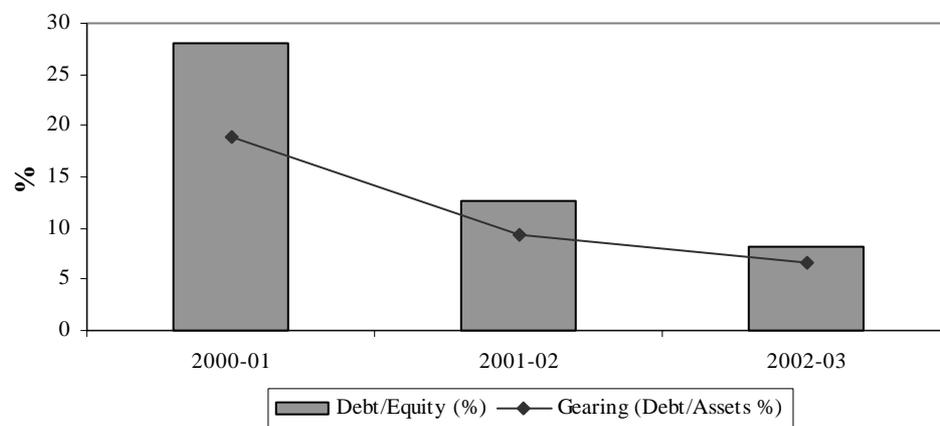
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Debt and Leverage



Macquarie *Generation*

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Macquarie Generation owns and operates the Bayswater and Liddell power stations, near Muswellbrook in the Upper Hunter Valley. Coal is the primary fuel, obtained from plentiful high grade coal reserves of regional mines. Macquarie Generation also operates biomass co-firing activities. The stations have a combined capacity of 4,640 MW, making Macquarie Generation the largest capacity electricity generator in the National Electricity Market.

Capital Restructure by NSW Treasury

In July 2002, NSW Treasury completed a review of Macquarie Generation's Capital Restructure Policy. This resulted in an increase in the Corporation's Asset Base, from \$2.2 billion to \$2.8 billion (in real terms). Also, a repayment of contributed equity of \$400 million was made to the shareholders, funded by additional borrowings of \$400 million.

Financial Outcomes

Total revenue decreased by 9% in real terms to \$761.5 million as a result of steady average electricity sales prices and a 6% reduction in electricity sales volume. The reduction in revenue was fully budgeted for and was directly attributable to the increased generating capacity in Queensland and resulting increased imports of electricity over the Queensland NSW Interconnector.

Macquarie continued to control costs resulting in a 3% decrease in other expenses from ordinary activities. This included a 10% reduction in fuel expenses and a 13% increase in depreciation expense.

As a result Macquarie's EBIT decreased by 18% in real terms to \$215 million.

Macquarie increased equity by 68% or \$471 million, consisting of the \$871 million asset revaluation increment, less the \$400 million repayment to the shareholders required as part of the capital restructure.

Macquarie increased debt by \$248 million in real terms in 2002-03. This included the \$400 million additional debt required as part of the capital restructure, less net repayments of \$152 million in real terms as part of the Corporation's on-going debt repayment strategy.

Macquarie's real terms OPAT decreased by 55% in real terms to \$56.6 million due mainly to the increase in depreciation and borrowing costs as a result of the capital restructure. After-tax ROE decreased to 5% (18% in 2001-02) due to the decrease in OPAT and a 68% increase in equity.

Dividends provided in 2002-03 decreased by 56% to \$56 million. Dividends exceeded expectations and will be paid during the 2003-04 year.

Operational Outcomes

Bayswater and Liddell power stations maintained high levels of efficiency, availability, reliability and safety in 2002-03.

Future Strategies

Macquarie Generation has formulated strategic objectives, which recognise the evolving regulatory, environmental, social and technological factors impacting upon the industry. The Corporation's 2003-04 Business Plan reflects its pursuit of value-adding operating and growth strategies. Planned upgrades to the power stations will improve capacity and efficiency while reducing greenhouse gas emissions. The first of four units were completed on the Liddell Low Pressure Turbine upgrade which is expected to save 100,000 tonnes of carbon dioxide in the next year.

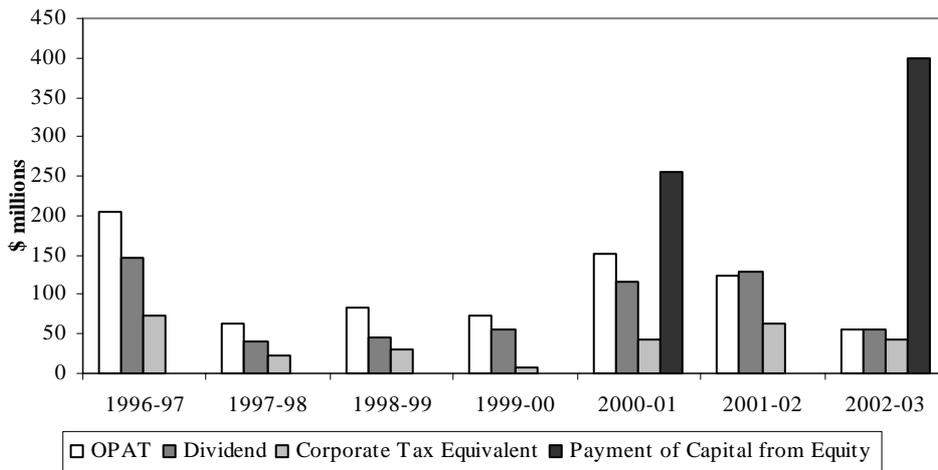
MACQUARIE GENERATION

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency								
	1							
Employment		799	688	630	624	612	612	608
Output per Employee (GWh)		27.2	30.4	34	37.4	39.5	40.1	37.6
Lost Time Injury Frequency Rate		12.4	10.1	4.6	14.2	4.6	0.8	7.3
Service								
Output (GWh)		23,280	22,738	22,764	23,447	24,405	24,527	22,863
Finances (\$M)								
	1							
EBIT		312.9	169.7	190.1	157.9	225.2	261.8	214.9
Operating Profit After Tax		203.9	63.0	84.2	73.3	151.7	124.8	56.6
Significant Items (included in EBIT)		0.0	0.0	0.0	-38.7	13.0	0.0	0.0
Revenue		1016.2	818.0	831.0	845.7	862.4	840.8	761.5
Return (EBIT) on Assets (%)		11.8	6.6	7.7	6.5	10.3	12.0	7.6
Pre Tax Return on Net Assets (%)		18.8	5.8	7.9	6.9	20.6	26.3	8.7
Return on Equity (%)		12.0	3.8	5.0	6.3	14.9	17.6	4.9
Asset Base		2650.6	2584.1	2472.9	2428.1	2187.2	2186.3	2827.9
Financial Distribution								
Dividend		146.6	41.0	46.1	56.3	115.5	128.6	56.0
Corporate Tax Equivalent	2	73.4	22.0	30.5	6.6	41.9	62.0	44.1
Payment of Capital from Equity		0.0	0.0	0.0	0.0	254.2	0.0	400.0
Gross External Debt including Accrued Interest								
Interest		1209.4	1203.4	1077.5	934.6	1007.1	937.6	1185.4
Debt to Equity Ratio (%)		52.7	52.6	50.1	46.9	57.8	56.9	50.5
Gearing Ratio (Debt/Assets) %		46	47	44	38	46	43	42
Times Interest Earned	3	2.8	1.6	2.0	2.3	3.1	3.5	1.9
EBIT (before abnormal items)					196.6	225.2	261.8	214.9
EBIT (after abnormal items)					157.9	225.2	261.8	214.9
Profit before tax					73.3	151.7	186.7	100.7
Profit after tax					66.6	109.7	124.8	56.6
Income Tax Expense					6.6	41.9	62.0	44.1
Total Assets					2428.2	2187.3	2186.3	2827.9
Net Assets					1058.1	735.9	710.7	1162.2
Shareholders Funds					1058.1	735.9	710.7	1162.2
Total Debt including Acc Interest					934.6	1007.1	937.6	1185.4
Total Debt plus Equity					1992.8	1743.1	1648.3	2347.6
Net Financing Expense					84.6	73.5	75.1	114.2

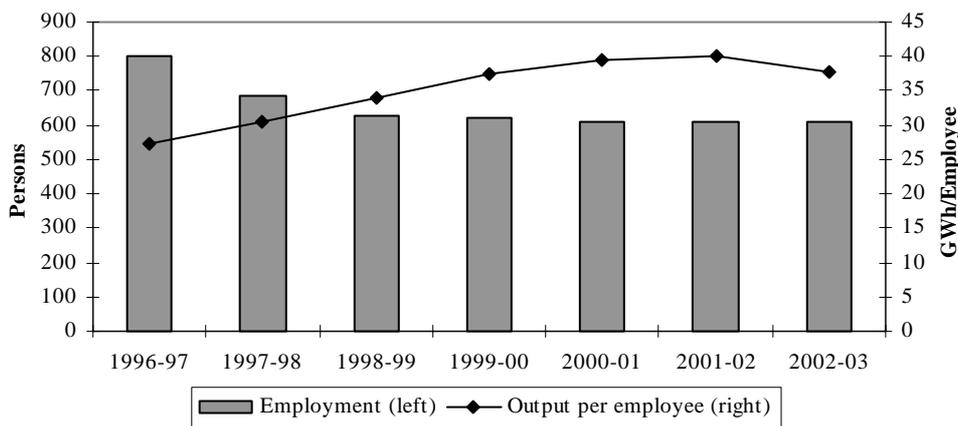
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Represents no tax payable as the Corporation is in a tax loss position.
- 3) EBIT/Net Financing.

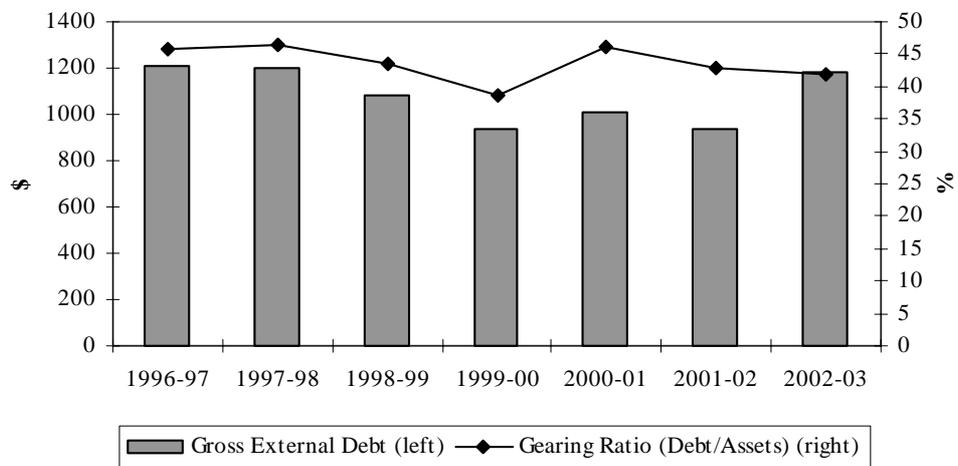
OPAT and Financial Distributions (2002-03 dollars)



Employment and Efficiency



Debt and Leverage



ELECTRICITY DISTRIBUTION/RETAIL

Australian Inland

Country Energy

Energy Australia

Integral Energy



Mr Guy Chick
General Manager, Commercial Services
AUSTRALIAN INLAND
PO Box 800
BROKEN HILL NSW 2880
(08) 8082 5800

Australian Inland is a multi-utility company, providing electricity, water, gas and internet services to customers in the Far West region of NSW.

Electricity services are provided to a supply area of around 155,000 square kilometres from Tibooburra near the Queensland border to the north, Wentworth near the Victorian border to the south and Silverton near the South Australian border to the west. Headquartered in Broken Hill, the customer base of close to 19,000 is comprised predominantly of urban domestic, small rural and small commercial users.

Water operations are centred around Broken Hill and include Silverton, Menindee and Sunset Strip, Umberumberka and Stephens Creek reservoirs, and the Menindee to Stephens Creek pipeline. Around 10,000 properties and a population of around 24,000 are served by Australian Inland's water reticulation system. In Broken Hill, sewerage services are available to 9,830 premises, representing 99% of properties connected to the water supply system.

Australian Inland plays a vital role in the Far West region of NSW, delivering utility services, providing employment and developing regional infrastructures. As well as delivering essential services, Australian Inland aspires to be a company that is an integral and active member of the community. Australian Inland also supports actions and activities that make a positive contribution to protecting the environment, for example by offering renewable energy to customers and water conservation, recycling and waste reduction initiatives.

Australian Inland introduced a water restrictions program in response to the drought. This resulted in a 25% reduction in water use, or 1 billion litres saved from the Darling River. Australian Inland invested \$1 million in the construction of a channel from the Darling River to Copi Hollow resulting in improved water management.

Australian Inland's investment of \$2 million in its microwave radio network concluded during the period. The network provides extensive coverage within the distribution area - from Tibooburra in the north, east to Wilcannia and Moulamein in the south.

The implementation of new finance and billing systems to streamline the delivery of customer services commenced in late 2002 and continued during 2003. The new billing system allows Australian Inland to provide compliant and 'user friendly' bills to customers using leading edge technology. The new finance system provides a range of improvements in financial reporting, purchasing and payroll. Towards the end of the period, Australian Inland commenced the implementation of a new asset management system. Collectively, these new systems will lay solid foundations for future business strategies.

Other highlights include strong community support activities and program sponsorship, continued high representation at industry meetings and compliance with industry regulators. Australian Inland achieved effective public participation through Customer Consultative Committees for both electricity and water and introduced an Employee Volunteer Program which enabled employees to share skills within the community. Australian Inland has also successfully developed an independent safety audit and appointed a Risk Manager to continue to develop a risk-awareness culture within the business.

Australian Inland also implemented a revised strategic and business plan, which included updated business objectives and key performance indicators. The new business plan provides a roadmap for the company for the next 12 months and is approved annually by Australian Inland's shareholders.

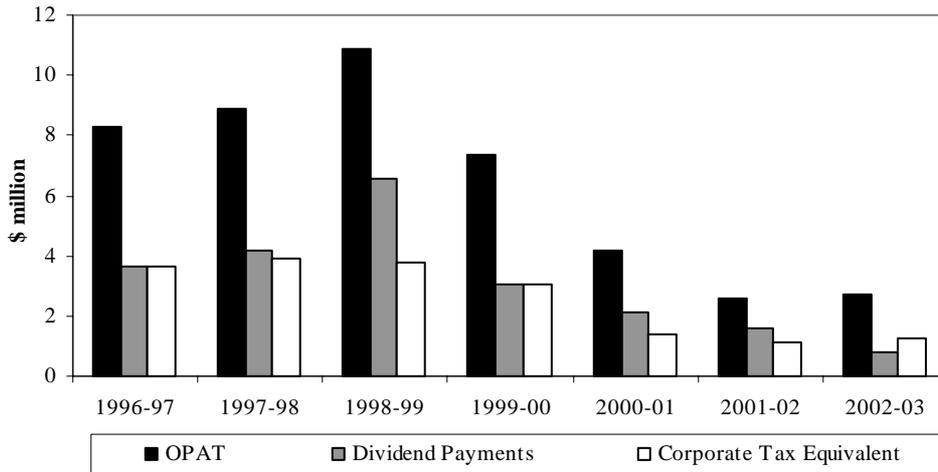
AUSTRALIAN INLAND

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency								
	1,2							
Employment		98	105	107	108	118	131	130
Output per Employee (GWh)		4.0	3.7	3.5	3.1	3.7	4.4	4.3
Customers per Employee		198.2	181.5	177.2	175.2	160.2	144.4	141.2
Operating Cost per Unit Sold (\$/MWh)		31.9	33.6	35.8	41.9	34.4	23.6	25.4
Operating Cost per Customer (\$)		647.1	677.3	715.8	753.8	791.2	711.9	765.8
System Loss Index (%)		5.3	3.8	11.7	17.5	15.4	7.8	7.8
Average Lost Time (days)		17.5	10.4	12.3	10.0	14.9	5.8	13.1
Lost Time Injury Frequency Rate		37.0	32.4	31.5	38.1	20.0	30.3	10.1
Service								
No. of Customers		19,128	18,981	18,944	18,896	18,902	18,929	18,902
Output (GWh)		386.3	383.9	378.8	340.0	435.0	570.0	570.0
Supply Reliability (Min)	3	382	319	221	212	364	394	320
Real Price Index		98.5	93.0	87.1	93.1	94.5	83.4	79.3
Finances (\$M)								
	1							
EBIT		12.0	12.8	14.6	10.4	5.6	3.7	4.0
Operating Profit After Tax		8.3	8.9	10.8	7.4	4.2	2.6	2.7
Revenue		37.2	34.9	32.2	30.9	40.1	46.5	44.3
Return on Assets (%)		19.1	18.7	20.1	13.8	7.6	4.9	5.8
Return on Equity (%)		17.4	17.0	19.5	12.6	7.3	4.6	4.8
Financial Distribution								
Dividend		3.6	4.2	6.6	3.0	2.1	1.6	0.8
Corporate Tax Equivalent		3.7	3.9	3.8	3.0	1.4	1.1	1.2

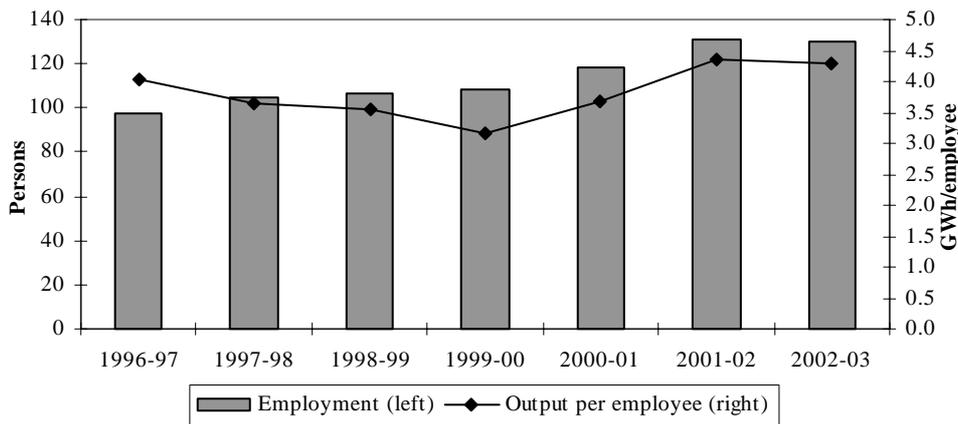
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Figures from 2000-01 onwards refer to electricity operations only.
- 3) Minutes with no supply per customer.

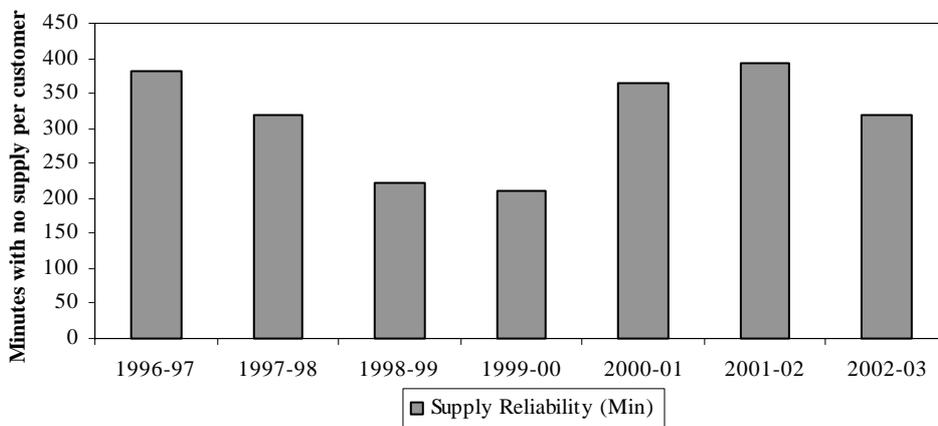
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Supply reliability





Mr Justin De Lorenzo
Group General Manager, Finance and Business Development
COUNTRY ENERGY
PO Box 172
BATHURST NSW 2795
132 356

COUNTRY ENERGY

Country Energy was created in July 2001, and now operates the world's second largest power supply network, with 185,000 kilometres of powerlines serving almost three quarters of NSW. Country Energy is one of the largest electricity retailers in Australia and among the nation's top six utilities, providing a range of services to more than 750,000 customers in five states and territories.

Country Energy employs 2,937 people and serves around 718,000 network customers. Country Energy also competes in the contestable national electricity market, providing energy and other services to customers in NSW, Australian Capital Territory, South Australia, Victoria and Queensland.

Country Energy generates annual revenue in excess of \$1.5 billion, making it one of Australia's largest regionally-based companies. The business operates a decentralised management structure across eight regions, ensuring local decision making within a vast network area. Country Energy has corporate offices in Bathurst, Port Macquarie and Queanbeyan, eight regional offices and more than 100 service centres throughout country and coastal NSW.

In its second year of operation, Country Energy built on the platform of its first year successes. The business produced an earnings before interest and tax (EBIT) result of \$159.7 million for 2002-03, exceeding the agreed shareholder target and improving on the 2001-02 result by \$10.3 million in real terms.

An improvement in operating profit after tax (OPAT) of \$36.8 million, up from \$19.2 million in real terms, and an increase in dividends payable to \$29.6 million were also recorded. Careful expenditure management and growth in operating revenue of more than 5% combined to make these results possible.

Country Energy continues to improve services and infrastructure for country and coastal communities.

The creation of 200 new apprenticeships since July 2001 provides long-term employment for people in local communities, ensuring that businesses maintain a skilled workforce well into the future.

Country Energy has also opened 16 new customer and field service centres since July 2001, restoring local service levels across our region, and established the acclaimed *Country Support* hardship assistance initiative. Country Energy's unique Regional Advisory Boards, and its Rural Advisory Group, all help to keep Country Energy in touch with customer concerns. Country Energy's sponsorship program provides support for 1,300 environmental, social, sporting, educational, research, arts and cultural events and organisations across the NSW.

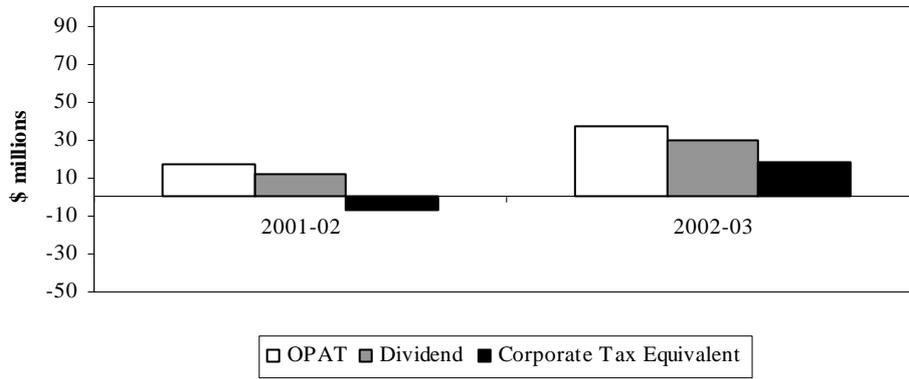
COUNTRY ENERGY

	Notes	<u>2001-02</u>	<u>2002-03</u>
Efficiency			
	1,2		
Employment		2,559	2,937
Output per Employee (GWh)		5.5	4.9
Customers per Employee		279.2	244.5
Operating Cost Per Unit Sold (\$/MWh)		24.3	25.0
Operating Cost Per Customer (\$)		482.2	503.8
System Loss Index (%)		4.8	4.9
Average Lost Time (days)		10.8	10.3
Lost Time Injury Frequency Rate		8.9	7.3
Service			
No. of Customers		714,411	717,897
Output (GWh)		14,177	14,471
Supply Reliability (Min) - SAIDI		136.0	230.0
Customer Satisfaction Index			
Domestic		80.2	82.4
Finances (\$M)			
	1		
EBIT		149.4	159.7
Operating Profit After Tax		17.6	36.9
Significant Items		0.0	0.0
Revenue		1,334.2	1,503.9
Return on Assets (%)		5.9	6.1
Pre Tax Return on Net Assets (%)		3.7	8.2
Return on Equity (%)		21.8	23.4
Asset Base		2,516.6	2,638.6
Financial Distribution			
Dividend		12.3	29.6
Corporate Tax Equivalent		-7.5	18.6
Payment of Capital from Equity		0.0	0.0
Gross External Debt		1,378.0	1,457.0
Debt to Equity Ratio (%)		200.8	216.0
Times Interest Earned		1.6	1.5
Gearing Ratio (Debt/Assets) %		54.8	55.2
Community Service Obligations		21.6	22.0

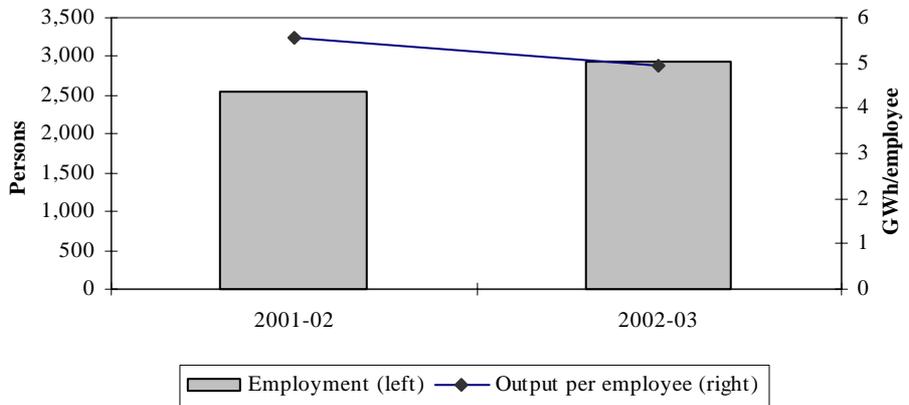
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Figures for the years prior to 2001-02 are not available in a reliable form. Country Energy was created in July 2001 through the merger of Great Southern Energy, Advance Energy and NorthPower. In 2001-2002 Country Energy attempted to report combined data for these predecessor entities, however inconsistent reporting policies and incomplete or incomparable data sets, particularly around non-financial data, have been found to result in unreliable figures. Hence comparisons between the combined figures for predecessor entities and Country Energy's figures would be misleading.

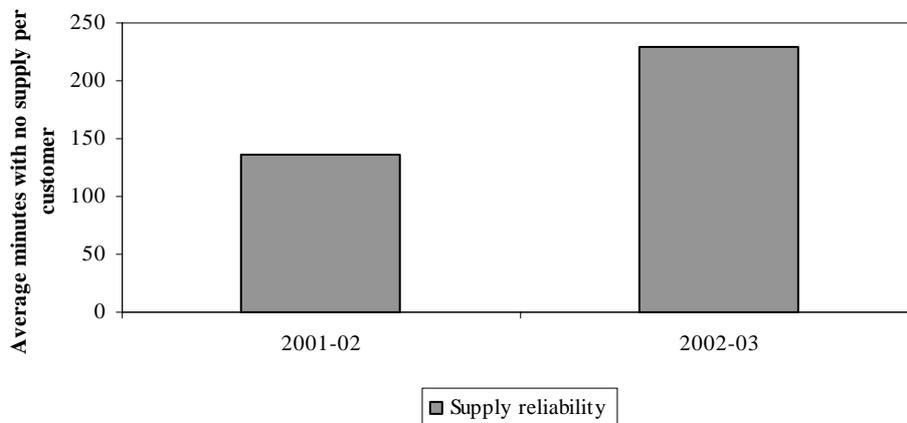
OPAT and Financial Distribution (2002-03 dollars)

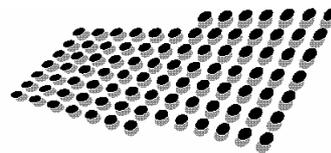


Employment and Efficiency



Supply reliability





EnergyAustraliaTM

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EnergyAustralia is one of Australia's largest energy services companies. Its vision is to maximise the value of the business by providing the best energy solutions for its customers and for the community. EnergyAustralia delivers safe, reliable electricity and gas services to over 1.4 million customers and operates an electricity distribution franchise network that covers a diverse area covering 22,275 square kilometres.

Energy Australia is a strong competitor in the national retail energy market. EnergyAustralia ranks as one of Australia's largest 100 companies with revalued assets of over \$5 billion and annual revenue in excess of \$2 billion. The company had a successful year, achieving an increase in profitability while at the same time positioning itself to meet future market and environmental challenges.

EnergyAustralia achieved sound financial results in 2002-03 including a group EBIT of \$377 million (including capital contributions) – a real increase of 2% (or nominal increase of 4.9%) on last year's result. The Dividend of \$106 million exceeded expectations. A Real total revenue increase of 1.4% (nominal increase of 4.2%) was offset by an operating cost increase of 0.1% (nominal increase of 3%), chiefly driven by higher volumes of network maintenance, a change in accounting treatment for capital contributions and year end adjustments for superannuation and actuarially assessed employee on-costs. Return on equity reflects the effect of the network regulation, with higher regulated returns in earlier years and lower returns at the end of the 1999-2004 Network determination.

The company's network assets delivered high levels of availability, reliability and efficiency to the community. The company invested \$304 million in the past financial year on expanding and upgrading the network and supporting assets. It will invest a record \$2 billion in new infrastructure from 2004 to 2009, focusing heavily on the areas of highest growth within the franchise area. Additionally, the company's Tree Safety Management Program has achieved a reduction of 60% in the number of power interruptions on the network caused by trees.

Safety continued to be the top priority for the company and a range of programs were introduced or continued. These included:

- Children's Electricity Safety Program – aimed at school children;
- Electrical Hazards Awareness Program – aimed at emergency services personnel;
- Safety Awareness Promotions featuring brochures, radio campaigns and tips on home safety;
- Substation Safety Program – new locks, perimeter doors and fences at zone substations;
- Asbestos Awareness Audit – recording and assessing assets that may contain asbestos; and
- a FitWell Program – providing health and fitness assessments for staff.

Customer satisfaction levels were steady with 98% of residential customers and 95% of business customers satisfied with the services provided by EnergyAustralia. Major technology advances in the contact centre have produced faster turn around times and a streamlined response process.

EnergyAustralia achieved full compliance with licence conditions during the year. The company met its greenhouse obligations under Federal and NSW State legislation by supporting renewable generators such as wind, solar and hydro and embarking on a series of projects that improve energy efficiency and deliver cost saving benefits to customers. The company entered the Victorian energy retail mass market in May, bringing improved choice, competitive prices and high quality customer service to Victorian consumers.

EnergyAustralia continued with many of its long term sponsorships and developed a number of new ones – all aimed at supporting the "grass roots" community, helping youth, improving opportunities for disadvantaged and encouraging an active and positive lifestyle.

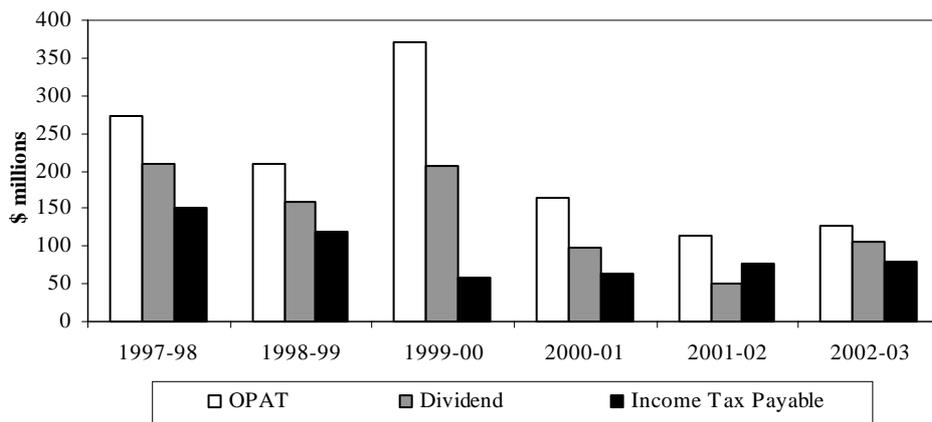
ENERGYAUSTRALIA

	Notes	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency							
Employment	2	3,017	3,089	3,282	3,384	3,527	3,645
Output / Employee (GWh)		7.3	7.4	7.4	7.5	7.2	7.0
Customer per Employee	3	453.0	448.0	428.0	422.0	415.0	407.5
Operating Cost per MWh	4	34.3	33.5	31.4	28.0	27.2	29.5
Operating Costs / Customer	5	497.3	504.4	490.0	496.5	514.1	509.5
System Loss Index (%)	6	5.0	5.0	4.5	4.5	4.5	4.7
Days Sick Leave/Employee		6.7	5.8	6.0	6.8	6.2	6.3
Lost Time Injury Frequency Rate	7	10.2	8.0	6.4	8.2	8.3	6.9
Effectiveness							
Output (GWh)		22,067	22,978	24,364	25,275	25,402	25,639
Reliability Index (Minutes)	8	101	97	87	101	102	96
Real Price Index (89-90=100)		70.8	63.6	65.2	63.1	67.0	65.5
Customer Satisfaction Index	9						
Domestic		97	97	97	97	96	98
Business		89	92	87	87	96	95
Financial Indicators (\$M)							
EBIT	10	501.5	464.2	510.5	394.7	369.5	377.0
Operating Profit After Tax	11	271.7	208.5	370.2	163.1	113.1	126.0
Significant Items		63.6	-15.3	13.6	-19.8	-10.9	46.1
Revenue	12	2,203.9	2,153.9	2,403.4	2,333.9	2,399.6	2,432.0
Sales Revenue	13	1,837.3	1,721.4	1,869.9	1,882.2	2,002.8	1,978.2
Return on Assets	14	11.4	10.6	10.4	7.2	6.2	7.1
Return on Equity		14.7	11.2	18.6	8.4	5.4	5.8
Asset Base	14	4,386.5	4,363.5	4,199.4	5,502.5	5,417.5	5,341.0
Asset Sales		37.1	6.9	19.1	12.7	18.8	26.1
Distribution to Government							
Income Tax Payable	15	149.9	118.6	58.5	62.5	77.1	79.0
Dividend		208.3	159.9	207.4	98.3	49.4	106.0
Special Dividend		0.0	0.0	0.0	1,233.0	0.0	0.0
Gross External Debt	16	1,549.2	1,493.2	1,182.6	2,354.3	2,355.9	2,276.0
Debt / Equity (%)		83.7	79.9	59.5	110.8	110.7	105.7
Gearing Ratio (%) (Debt/Assets)		35.3	34.2	28.2	42.8	43.5	42.6
Times Interest Earned		4.8	5.2	6.7	3.3	3.1	3.5
Social Programs (\$M)	17	34.4	36.7	32.5	28.5	30.1	35.5

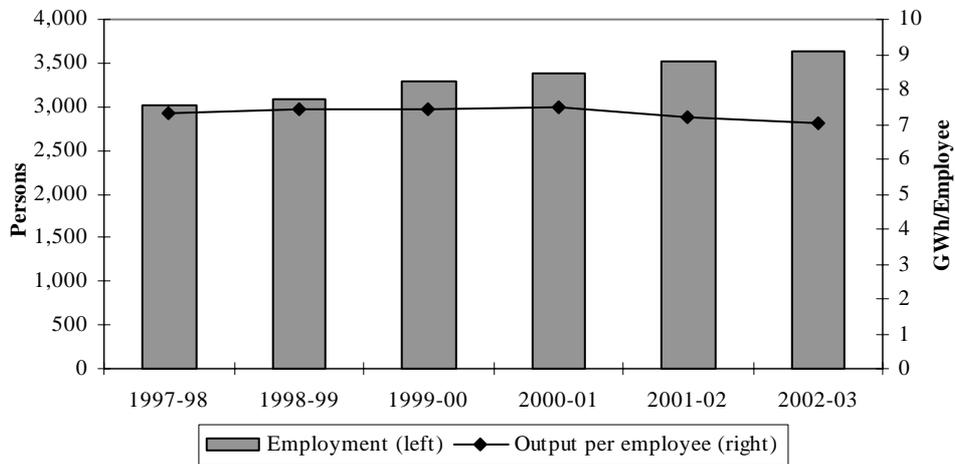
Notes:

- (1) All dollar amounts reported in terms of 2002-03 dollars.
- (2) Full Time Equivalent (FTE) staff at end of Financial Year (FY).
- (3) Number of network customers divided by FTEs at FY end.
- (4) Total Operating Costs (including depreciation) divided by megawatt hours (MWh) delivered.
- (5) Total Operating Costs (including depreciation) divided by network customers at FY end.
- (6) Estimate.
- (7) Number of Lost Time Injury Frequency in FY2002-3.
- (8) Standard SAIDI figure (average minutes without supply per year per network customer). Excludes major natural events, ie. storms, momentary and interruptions caused by TranGrid, directed load shedding and momentary events from system operations.
- (9) Results reflect customers who are satisfied or above.
- (10) Includes capital contributions.
- (11) The operating profit after tax (\$126m) was calculated before dividends (\$106m) but after significant items (\$46m), income tax expense (\$79m), capital contributions (\$51m) and social programs (\$36m).
- (12) Non-sales revenue includes external network charges, capital contributions, external business sales, fixed asset sales and investment income.
- (13) Sales revenue is sensitive to the regulated/contestable mix, in/out of area mix as well as the tariff mix.
- (14) Asset revaluations have occurred during 2002/03.
- (15) Tax charges are higher than prima facie tax equivalent charge due to some permanent differences, being mainly prepaid superannuation not deductible and depreciation not deductible.
- (16) Includes loans and bank overdraft.
- (17) The social program figure does not include any Traffic Route Lighting Subsidies.

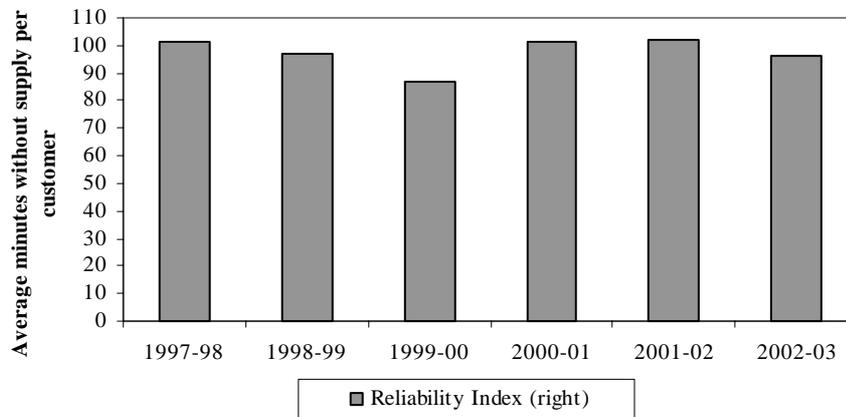
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Supply Reliability





Mr Craig James
General Manager Finance
INTEGRAL ENERGY
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Integral Energy is one of NSW' largest state-owned energy corporations, incorporated under the *Energy Services Act 1995*. The corporation conducts its business with a sharp commercial and customer focus, operating in the National Electricity Market, retailing energy services, electrical contracting, and providing metering and data services to industrial and commercial customers.

The corporation distributes and retails electricity and value added services to more than 800,000 customers in households and businesses across a network franchise covering 24,500 square kilometres in Greater Western Sydney, the Illawarra, and the Southern Highlands and to retail customers beyond its franchise.

Integral Energy is a forward looking, financially disciplined business, intent on achieving its vision: to be Australia's leading energy business.

In the 2002-03 financial year, Integral Energy:

- achieved an EBIT result of \$162.2 million against a budget of \$141.1 million;
- delivered a \$43.0 million dividend to the NSW Government, which represents an increase of \$32.4 million on the 2001-02 dividend distribution (excluding the special dividend of \$80 million, 2001-02 dollars);
- prepared a detailed submission to IPART on network pricing for the period 2004-2009;
- established a task force to compensate customers who suffered property loss or damage in the Christmas bushfire at Appin in 2001;
- continued an ambitious program of capital investment in the supply network to further improve safety and reliability;
- opened new regional depots at Narellan and Windsor to further improve services to customers;
- completed electricity supply upgrade work in the Southern Highlands;
- maintained a campaign of public electrical safety awareness, with a focus on home handymen and primary age schoolchildren; and
- published its third annual planning statement – *Network 2013*.

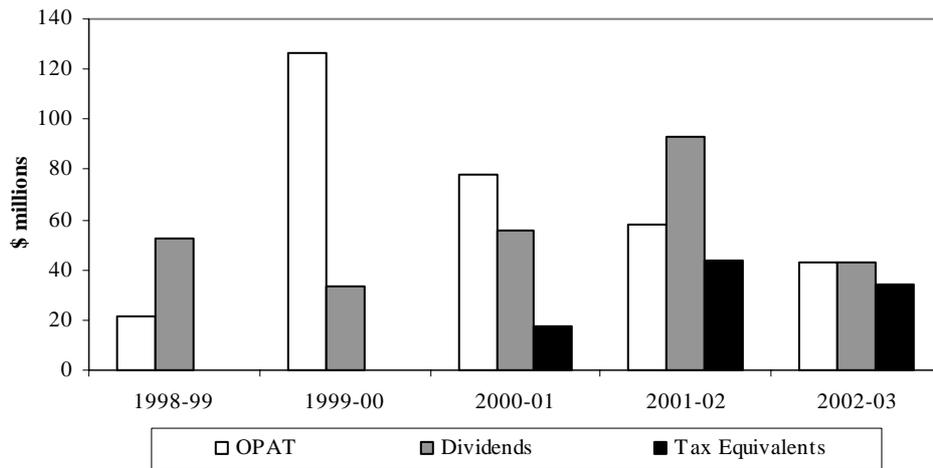
INTEGRAL ENERGY

	Notes	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency						
	1					
Employment		1,845	1,668	1,765	1,944	2,050
Output per Employee (GWh)		6.9	7.9	8.8	8.1	8.2
Customer per Employee Ratio	2	385.3	422	443.4	411.8	400.3
Operating Cost per Unit (\$/MWh)	3	25.2	26.8	27.1	27.9	27.1
Operating Cost per Customer	4	458.7	491.0	537.6	546.0	554.0
System Loss Index (%)	5	5.6	5.5	5.0	5.6	5.1
Days Sick Leave per Employee	6	4.4	5.0	6.1	5.8	6.4
Lost Time Injury Frequency Rate		13.1	14.2	12.8	13.3	7.8
Effectiveness						
Number of customers		755,337	760,195	773,383	789,923	808,767
Output (GWh)	7	13,346	13,896	15,100	14,975	16,318
Supply Reliability (Minutes)	8	137.7	123.7	136.3	133.7	155.1
Nominal Average Price		80.9	72.8	67.1	67.6	66.1
Real Price Index (89-90=1.00)		81.9	71.7	61.7	60.3	57.2
Customer Service Indicator	9					
Target		n/a	n/a	n/a	45%	56%
Result		n/a	n/a	n/a	50%	55%
Financial Indicators (\$M)						
	1					
EBIT	10	120.0	164.5	193.4	186.7	162.2
Operating Profit After Tax	11	21.9	126.6	77.9	57.9	43.0
Significant Items	12	0.0	0.0	0.0	0.0	0.0
Revenue	13	1,358.9	1,307.9	1,213.3	1,173.2	1,219.4
Return on Net Operating Assets (%)	14	5.5	7.8	8.2	7.0	6.1
Return on Equity (%)	15	2.7	15.5	7.6	5.2	4.2
Asset Base		2,123.8	2,141.7	2,710.5	2,734.5	2,674.4
Asset Sales (\$M)		23.7	27.1	12.1	10.9	6.4
Financial Distribution		52.9	33.5	285.3	291.6	77.0
Tax Equivalent	16	0.0	0.0	17.5	44.1	34.0
Dividend	17	52.9	33.5	55.9	93.2	43.0
Payment of Capital from Equity	18	0.0	0.0	211.9	154.3	0.0
Gross External Debt		798.2	788.9	962.2	1,099.9	1,078.6
Gearing Ratio (Debt/Assets)%	19	37.6	36.8	35.5	40.2	40.3
Times Interest Earned	20	1.6	2.3	2.5	2.4	2.0
Social Programs (\$M)	21	15.1	15.1	15.0	17.5	19.4

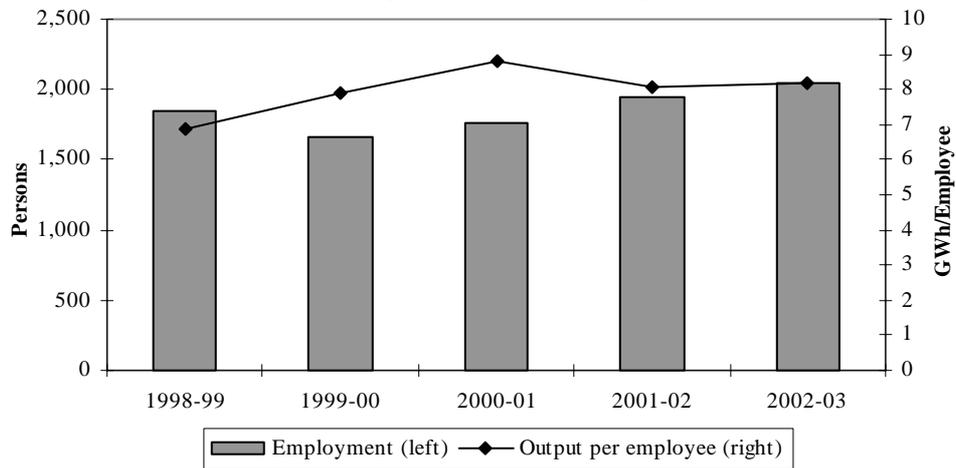
Notes:

- 1) All dollar amounts are reported in 2002-03 dollars.
- 2) Average customers per average number of employees.
- 3) Operating expenditure including depreciation and amortisation but excluding borrowing expenses, divided by number of units sold.
- 4) Operating expenditure including depreciation and amortisation but excluding borrowing expenses, divided by the average number of customers.
- 5) Energy purchased less energy sold, divided by energy purchased.
- 6) Total sick leave days per average number of electricity employees.
- 7) Electricity sales (GWh), excluding accruals and off peak bulk transfers.
- 8) Average minutes per customer per year without supply, including planned and unplanned outages.
- 9) Factors contributing to the calculation include the number of issues with EWON, the %age of complaints closed within 30 days and the %age of customer service guarantee breaches.
- 10) EBIT is defined as profit from ordinary activities before income tax expense (including items previously treated as abnormal and capital contributions), less borrowing expenses.
- 11) Operating profit after tax is defined as profit from ordinary activities after income tax expense (including items previously treated as abnormal and capital contributions).
- 12) For the purposes of consistency, significant items previously subject to separate disclosure have been included within the measures of EBIT, operating profit after tax and revenue.
- 13) Revenue includes revenue from operating activities and revenues from non-operating activities, including capital contributions and any revenue items previously treated as abnormal.
- 14) EBIT (including capital contributions), divided by the average asset base.
- 15) Operating profit after tax (including capital contributions), divided by average equity.
- 16) From 1995-96 onwards, the tax equivalent has been defined as income tax payable (after taking into account deferred income tax and future income tax benefits). From 2002-03 onwards, the tax equivalent has been defined as income tax expense, in line with NSW Treasury's change in the definition of "total distribution".
- 17) Includes special dividends.
- 18) Involves a special payment to the Government.
- 19) Debt divided by the asset base.
- 20) Times interest earned calculated by adding the net interest expense to the profit from ordinary activities before income tax (including abnormal and capital contributions), and dividing by the net interest expense.
- 21) Based on reimbursement of CSOs.

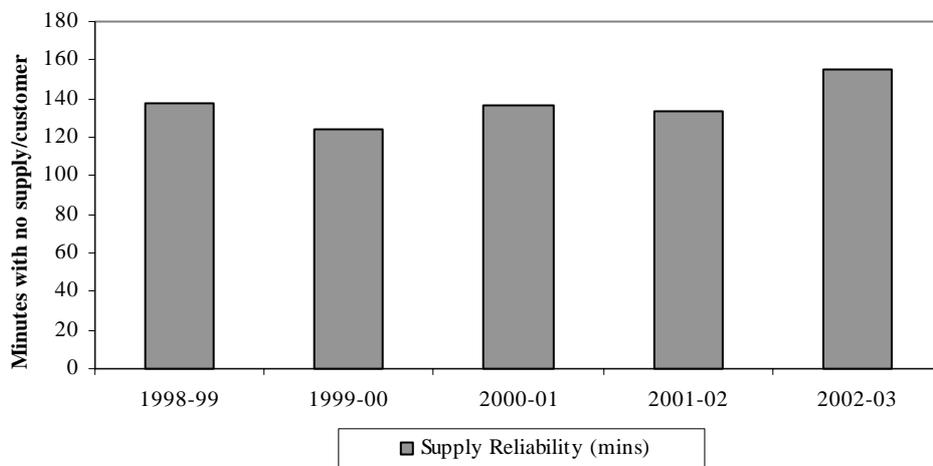
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Supply Reliability



ELECTRICITY TRANSMISSION

TransGrid



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TransGrid manages NSW's high voltage electricity transmission network. Its prime objective is to provide a safe, reliable, environmentally effective and economic bulk electricity network service to its customers and the community.

TransGrid was established on 1 February 1995 under the *Electricity Transmission Authority Act 1994*. It was established as part of the restructure of the State's electricity supply industry, to promote greater competition. On 14 December 1998, TransGrid was corporatised under the *Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998*.

TransGrid is responsible for:

- operating, and maintaining the State's high voltage transmission network;
- planning new transmission network investments; and
- co-ordinating the transmission of electricity between transmission networks.

TransGrid achieved a post-tax profit including significant items of \$47.4 million and EBIT of \$169.7 million for 2002-03, resulting in a 6.2% return on assets. TransGrid manages assets worth \$2.8 billion. As of 30 June 2003, it had debts of \$1.4 billion, 964 staff and an annual turnover of \$412 million. Debt levels and returns fluctuate around these levels depending on the organisation's position in its capital investment cycles.

TransGrid has a significant network enhancement program in progress. To meet the increasing power demands in the Sydney CBD and southern metropolitan area, TransGrid is upgrading the current transmission system by building a 330kV cable from Sydney South substation to a new 330/132kV Indoor Substation within the Sydney CBD at Haymarket.

Other supply reinforcements to major areas of the State over the next five years include a 330kV transmission line augmentation between Yass and Wagga, development of a new 330/132kV substation to replace the existing substation at Yass, and reinforcements of supply to the north coast and western areas of the State.

TransGrid's capital program also includes the proposed construction of a 275kV transmission line to connect the high voltage networks of NSW and South Australia known as the South Australia/NSW Interconnection project. This project was approved by the National Electricity Market Management Company (NEMMCO) in December 2001 as a "regulated interconnector" under the Electricity Code. An appeal by TransEnergie (the proponent of the competing Murraylink) against NEMMCO's approval was overturned by the National Electricity Tribunal in October 2002 but subsequently upheld by the Supreme Court of Victoria. Transgrid is currently proceeding with an appeal on the Supreme Court's decision.

TransGrid has continued to maintain its high safety performance standards. A record low lost time accident rate was achieved as a result of a concerted effort throughout the organisation, to focus on improving its safety record.

TransGrid seeks to manage its existing business efficiently by adopting best practice operations and maintenance procedures, identified through participation in international benchmarking studies.

TransGrid's future direction will be defined by:

- a focus on maintaining its high service standards;
- a strong commercial focus;
- seeking opportunities to develop partnerships with customers and suppliers; and
- the active development of its business in a number of arenas, such as telecommunications, contestable network extensions, provision of consultative and training services, and participation in interstate and international engineering projects.

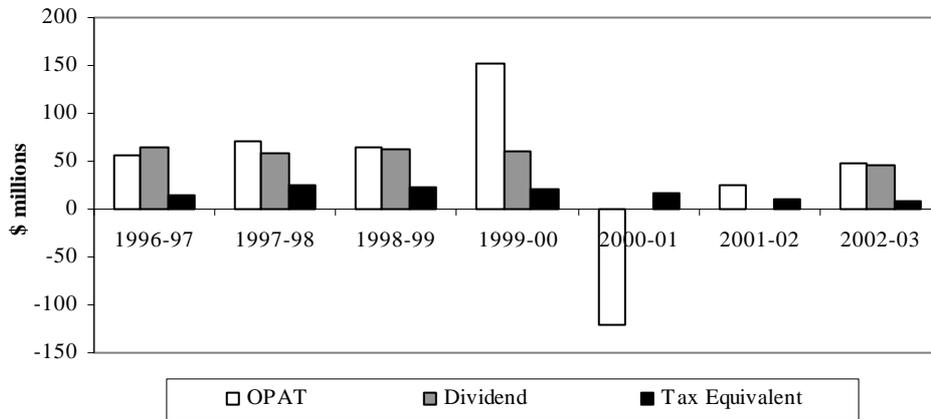
TRANSGRID

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency								
Employment		1,083	1,043	1,023	976	946	954	964
Trans. System Reliability (System minutes)	1	1.59	1.2	0.96	4.23	0.67	0.44	4.40
Trans. Equip Utilistion Factor	2	0.27	0.28	0.30	0.31	0.31	0.32	0.32
Transmission Losses		3	3	3	3	3	3	3
Transmission Circuit (km)	3	11,465	11,465	11,465	11,650	12,031	12,424	12,420
Average Lost Time		8.9	14.2	7.0	6.9	10.9	9.7	7.3
Lost Time Injury Frequency Rate		6.9	6.7	5.4	8.3	6.3	4.7	2.1
Finances (\$M)								
EBIT	4							
Operating Profit After Tax	5	214.5	220.4	204.7	256.0	-10.9	139.6	169.7
Significant Items		14.4	14.3	0.0	73.9	-186.8	-40.4	-13.6
Revenue		438.7	442.7	430.4	406.8	386.6	396.9	412.0
Return on Total Assets (%)		8.5	8.9	8.2	9.8	-0.4	5.2	6.2
Return on Equity (%)		4.4	5.5	4.7	10.4	-9.6	2.3	4.3
Asset Base		2,480.7	2,453.3	2,577.8	2,691.3	2,701.0	2,749.3	2,807.4
Financial Distribution								
Dividend		64.4	58.1	62.3	61.4	0.0	0.0	46.2
Corporate Tax Equivalent		13.6	25.3	23.2	21.2	16.1	10.3	8.5
Payment of Capital from Equity		0.0	0.0	0.0	0.0	275.4	0.0	60.0
Dividend to Equity Ratio		5.1	4.5	4.3	4.1	0	0	4.1
Dividend Payout Ratio		85	85	85	85	0	0	97.5
Debt to Equity (%)		79.8	71.4	60.8	62.4	121.1	119.6	123.6
Gearing Ratio (Debt/Assets) %		40.3	37.6	34.1	34.9	50.4	49.6	49.4
Gross External Debt		999.8	923.2	879.3	938.0	1,360.2	1,362.4	1,388.7
Times Interest Cover		1.7	2.0	2.0	3.0	-0.1	1.6	1.9

Notes:

- 1) System Minutes provides an overall indicator of Network Reliability encapsulating combined effectiveness of network planning, design, operation and maintenance. Two incidents occurred during 2002-03 that affected system reliability. At Orange Substation on 11th October 2002, an equipment flashover whilst system switching was being performed led to the loss of supply to Country Energy and Integral Energy. At Lismore Substation on 27th December 2002, a fault on the 132kV Koolkhan - Lismore transmission line led to the loss of supply to Country Energy.
- 2) Trans. Equip Utilisation Factor is expressed as the ratio of the total energy delivered (MWh) to the total energy delivering capacity of transmission transformers.
- 3) The minor difference in Trans. Circuit KM between current year and prior year is due to a correctional database adjustment.
- 4) All dollar amounts reported in terms of 2002-03 dollars.
- 5) Includes significant item.

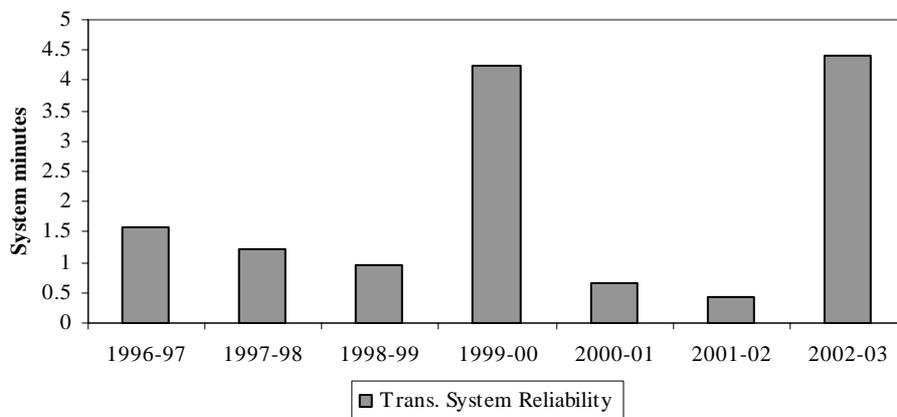
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency



Supply Reliability



WATER

Hunter Water Corporation

State Water

Sydney Catchment Authority

Sydney Water Corporation



Mr Kevin Young
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HUNTER WATER CORPORATION

Hunter Water Corporation is the water and wastewater service provider to the Lower Hunter region. Its service area covers around 5,400 square kilometres and the Local Government areas of Maitland, Cessnock, Port Stephens, Lake Macquarie and Newcastle. The Corporation serves almost half a million people, occupying around 200,000 properties.

Hunter Water Corporation's activities include the harvest, storage, treatment and delivery of drinking water, and the collection, transport, treatment and disposal of wastewater.

Two key instruments set the framework for Hunter Water Corporation's operations:

1. the Statement of Corporate Intent, which sets out Hunter Water Corporation's business objectives; and
2. the regulatory framework, by which the Government regulates Hunter Water Corporation to protect consumers and the environment. It includes:
 - an Operating Licence issued by the NSW Government, incorporating recommended conditions from IPART, which specifies required customer service standards and other environmental commitments;
 - independent auditing of performance against the Operating Licence;
 - a water management licence issued by the Department of Infrastructure, Planning and Natural Resources, specifying the terms and conditions under which Hunter Water Corporation has access to surface and underground water;
 - wastewater system licences (transport and treatment) issued by the Department of Environment and Conservation under the *Protection of the Environment (Operations) Act 1997*;
 - independent pricing determination by IPART; and
 - a Memorandum of Understanding with the Department of Health.

In 2002-03, Hunter Water Corporation's Earnings Before Interest and Tax increased from \$32.6 million to \$40.4 million (2002-03 dollars). This was primarily the result of an increase in tariff income due to the hot, dry summer. In addition to this, the unfavourable superannuation adjustment for 2002-03 was \$8.4 million, slightly lower than the \$12.2 million (2002-03 dollars) adjustment in 2001-02. The superannuation expense represented the change in Hunter Water Corporation's estimated liability with respect to defined benefit superannuation funds as a result of the funds poor performance during the year.

Improved price performance resulted from Hunter Water Corporation's continued pursuit of operational and capital cost savings. The emphasis on usage-based charging is continuing, with two effects:

1. the maintenance of a strong price signal. This has enabled Hunter Water Corporation to achieve a sustained reduction in water consumption over the past 20 years; and
2. the reduction in fixed charges and emphasis on usage charges has meant that businesses have greater scope for controlling the costs they incur.

Since the 'user pays' pricing method was introduced, cross-subsidies have been progressively eliminated. Hunter Water Corporation's pricing structure has two components: a fixed charge that reflects service availability; and a usage charge calculated on the amount of water used. In 2002-03, a "typical householder's bill" fell by around \$5 in real terms. Over the last decade, water and sewer charges per customer have fallen in real terms by around 25% while performance against key customer system standards (eg water quality, service interruption, effluent discharge standards and sewer overflows) has been maintained or improved.

In May 2003, IPART published a two-year price determination effective from 1 July 2003 and in force until 30 June 2005. The determination provided for an overall price outcome marginally (about 0.4 %) above the rate of inflation. IPART estimates that the bill increase for a typical residential customer in the Hunter will be less than 50 cents per week. This is the first time in over a decade the Tribunal has allowed increases greater than the rate of inflation.

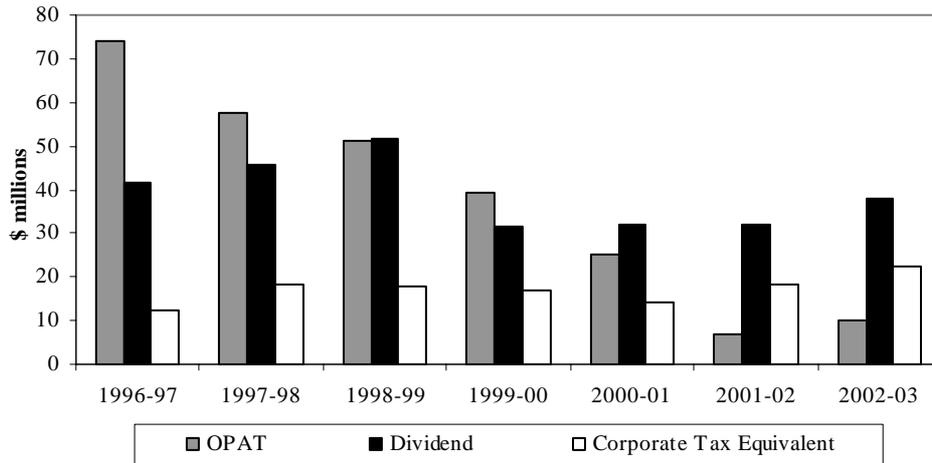
HUNTER WATER CORPORATION

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency								
Employment	1							
Employees per '000 Properties	2	620	555	543	541	532	526	536
Nominal Labour Cost per Property Served (\$)		191.0	182.7	166.1	161.0	146.2	149.4	148.7
Operating Cost / Property (\$)	2	386.9	332.3	312.7	309.5	292.7	287.5	304.4
Total Cost / Property(\$)	3	627.7	561.8	528.3	521.6	489.0	482.0	512.1
Average Revenue per Property (\$)	4	724.2	738.9	686.7	648.3	615.4	598.6	619.4
Outstanding Accounts (\$M)		2.6	2.4	3.2	2.4	2.3	2.4	1.8
Hours Lost Industrial Disputes/Employee		0.0	0.0	0.0	0.0	0.0	8.0	0.0
Lost Time Frequency Rate		23.7	16.8	11.6	12.9	16.0	17.6	14.0
Effectiveness								
Number of Properties Connected ('000)	5	186.3	189.4	192.7	195.7	198.6	201.6	205.0
New Housing Lots Connected		2900	3115	3332	3005	2904	2950	3428
Megalitres Supplied ('000)		74.2	80.6	76.0	76.6	78.1	73.1	77.4
Unsewered Lots ('000)		14.3	14.0	14.1	13.7	13.4	13.0	12.8
System Reliability:								
Water Main Breaks per 100kms		39.2	52.1	34.7	49.2	44.1	42.8	46.6
Sewermain Chokes per 100kms	6	73.9	76.5	53.7	48.2	57.0	30.7	38.9
Average Response Time (hours)	7							
Watermain Breaks		1.3	1.1	1.1	0.9	1.2	1.1	1.3
Sewermain Chokes		1.4	1.0	0.9	1.0	1.0	1.1	1.1
Compliance to Operating License								
Microbiological - Faecal (%)		99.6	99.6	99.4	99.7	99.7	99.4	99.9
Microbiological - Total (%)		98.7	98.7	98.4	99.2	98.6	98.5	99.3
Physical / Chemical (%)		99.8	99.0	99.3	99.6	99.5	99.7	99.9
Waste Water (%)	8	100.0	100.0	100.0	100.0	99.8	99.9	98.4
Real Price Index		68.3	66.9	65.6	64.3	63.3	62.4	61.4
Financial Indicators (\$M)								
EBIT	9	88.90	67.42	54.33	59.21	43.11	32.62	40.35
Operating Profit After Tax		74.23	57.39	51.07	39.31	25.15	7.07	9.84
Significant Items (incl in EBIT & OPAT)		46.33	20.04	10.07	20.39	5.52	-5.48	-0.61
Superannuation Adjustment		8.97	5.88	2.14	13.05	-1.72	-12.18	-8.36
Profit/(Loss) Sale of Assets		0.34	-0.67	-0.07	-0.05	-0.12	0.09	0.24
Insurance Claims - HIH		0.00	0.00	0.00	0.00	-0.95	-0.30	-0.08
Profit/(Loss) Sale of Bond		0.00	0.00	0.00	0.00	1.74	0.00	0.00
Income from Accrual of Unread Meters		12.61	0.00	0.00	0.00	0.00	0.00	0.00
Net Contributions to Capital Works		24.41	14.83	8.00	7.40	6.58	6.92	7.59
Revenue (Total Tariff Income)		147.5	139.9	132.3	126.9	122.2	120.7	127.0
Return on Assets (%)	10							
Total		3.74	2.81	2.27	2.67	2.02	1.51	1.85
Core		4.15	3.13	2.53	2.99	2.19	1.69	2.00
Return on Equity (%)		3.45	2.63	2.36	1.94	1.28	0.37	0.51
Asset Base (Total)		2378.0	2397.8	2393.1	2214.8	2139.5	2153.9	2179.5
Asset Sales		4.6	4.3	1.4	3.9	1.2	2.1	1.8
Financial Distributions								
Tax Equivalents		12.3	18.4	17.7	17.0	14.2	18.1	22.2
Dividend		41.6	45.7	51.8	31.5	31.8	32.0	38.0
Gross External Debt		100.3	98.4	96.8	94.1	88.6	134.8	130.0
Debt / Equity (%)		4.7	4.5	4.5	4.7	4.5	7.1	6.8
Gearing Ratio (Debt/Asset base)		4.2	4.1	4.0	4.3	4.1	6.3	6.0
Times Interest Earned	11	9.8	8.0	7.3	6.3	4.6	1.8	2.1
Community Service Obligations		9.5	9.7	9.5	9.3	9.0	8.9	8.7

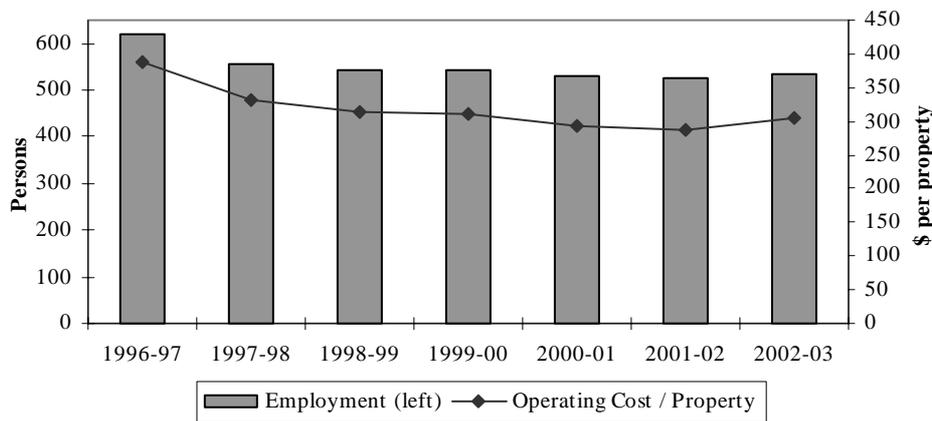
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) The sale of Hunter Watertech P/L in June 1997, reduced the Cost of External Sales, a fact reflected in this indicator. The cost of external sales relating to a new subsidiary Regional Land Management Corporation (RLMC) have increased this ratio in 2002/03. The impact of RLMC is evident in employee numbers also.
- 3) In 2002-03, Total Costs have been impacted by the level of employee benefits required to have been provided as a result of the poor defined benefit superannuation funds performance, as well as the incorporation of the new subsidiary RLMC.
- 4) Changes in revenue are significantly influenced by the weather. Reductions since 1999 also reflect the staged closure of BHP. 1996-97 revenue excludes 'abnormal' unread meter income of \$10.748M.
- 5) Properties Connected figures exclude unconnected vacant lands.
- 6) Blockages in mains only (ie excludes shafts and branches). For 2001-02 and onwards only 'confirmed' blockages are included. This is consistent with the Corporation's new Operating Licence.
- 7) Represents priority 1 and 2 jobs only.
- 8) Proportion of waste receiving secondary or tertiary treatment.
- 9) EBIT represents total earnings before dividend and tax and includes items previously referred to as 'abnormals' and contributions for capital works but excludes net interest. (Refer 'significant items' which impacted profit).
- 10) Rates of return are calculated using EBIT divided by Total Assets or Fixed assets (excl WIP). Consequently ROR will be impacted by, for example, 'significant' items.
- 11) Times Interest Earned represents Total Operating Profit After Tax (including 'significant' items) but before net interest expense divided by net interest expense.

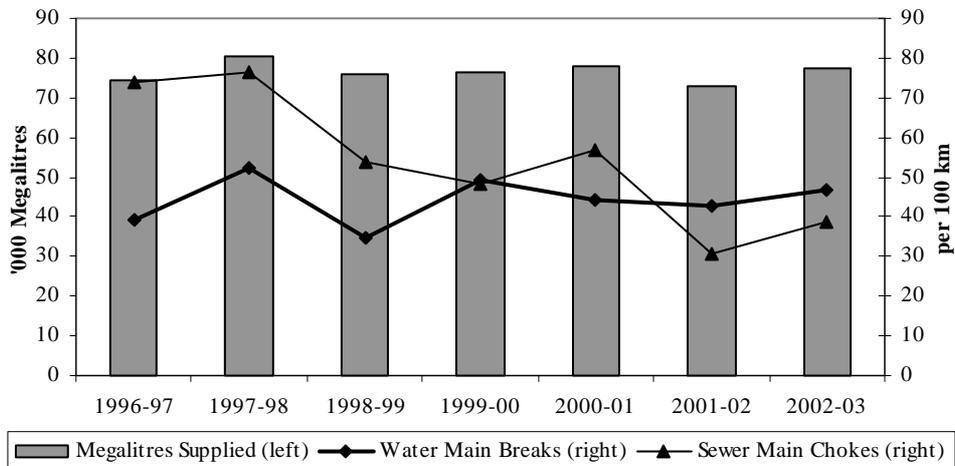
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service





Abel Immaraj
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State Water is a business unit of the Ministry of Energy and Utilities. State Water manages 18 major dams and more than 400 weirs and regulators throughout the state to deliver bulk water to irrigation, industries, towns and the environment.

2002-03 was a significant year for State Water. Following the State election on 22 March 2003, the State Water business unit was transferred from the former Department of Land and Water Conservation (DLWC) to the Ministry of Energy and Utilities.

2002-03 included a drought in NSW that was one of the worst on record. Despite the lack of rain, State Water was able to deliver more than 4000GL of water to its customers. More than 6000GL was delivered in the previous year. Water delivery revenue of \$41.8 million, against a budget of \$46 million, reflected the effects of the drought. The drought is also expected to continue to have an impact in 2003-04.

The lower water allocations meant that State Water processed a record number of temporary transfers.

Recurrent expenditure was \$24.5 million against an allocated budget \$20.5 million allocated by DLWC. State Water was forecasting expenditure of \$27 million in line with the IPART determination. The lower than forecast expenditure was due to staff vacancies not being filled.

State Water spent \$15.7 million on capital expenditure against a budget of \$24.7 million. This was due to longer than expected consultation and planning. \$2.7 million was spent at Keepit Dam with the completion of interim works to reduce the immediate risk of flood damage to the dam. These interim works enable planning and evaluation of the long term options to bring Keepit Dam to safety compliance. Other dams which do not meet the requirements of flood and seismic security prescribed by the regulator are being assessed by State Water.

State Water completed two safety audits on each of the 18 dams and reviewed ten dam safety emergency plans.

Other major items of capital expenditure were:

- major periodic maintenance of dams \$3.3 million;
- river structures (\$4.6 million); and
- State Water spent \$2 million on Total Asset Management Planning and Implementation (TAMP). This TAMP identifies State Water assets, condition assessments, portfolio risk assessment and develops lifecycle management programs.

Cost recovery on regulated rivers is dependent on pricing determined by IPART. Council of Australian Governments and the National Competition Council require water delivery agencies such as State Water to move toward full recovery of costs attributable to users. Based on long term average water revenue, IPART determined that regulated water prices will fully recover costs in most valleys by June 2004. Unregulated and groundwater prices are not at full cost recovery levels.

STATE WATER

	Notes	<u>2002-03</u>
Efficiency	1	
Employment		264
Operating Cost / Licence (\$)	2	3,545
Lost Time Frequency Rate (%)		56
Regulated Metering Costs /Licensed Works		638
Billing Costs/Invoices Raised (%)		38
Billing Cost/Revenue (%)		2
Compliance to Rules (%)		99
Time, Shortfalls in Operational Targets (%)	3	15
Water Operation Costs/ ML Delivered		2.07
Number of Temporary Transfers Processed		3,585
Volume of Temporary Transfers (GL)		555
Effectiveness		
Number of Licences:		
Regulated		6,274
Unregulated		13,142
Groundwater		61,586
Customer Satisfaction Index (%)		70
Major Structures Audited		22
Dam Safety Audits Completed		36
Dam Safety Emergency Plans Completed		10
Five Yearly Dam Reviews Completed		3
Number of Lifecycle Programs		1,000
Megalitres Supplied (000)		4,080
Financial Indicators (\$M)	1	
Asset Base (Total)		2,025.7
Capital Works Expenditure		15.7
Cost Recovery Regulated Rivers (%)	3	88
Cost Recovery Unregulated Rivers (%)	3	46

Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Regulated water only.
- 3) Estimate.
- 4) Prior to 2002-03 State Water was a business unit within the former Department of Land and Water Conservation. State Water has only recently moved towards an annual performance reporting framework.



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SYDNEY CATCHMENT AUTHORITY
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SYDNEY CATCHMENT AUTHORITY

The Sydney Catchment Authority's (SCA) role is to manage and protect the catchments and infrastructure and to supply bulk raw water to the Sydney Water Corporation and other customers.

The SCA's operations cover 16,000 square kilometres. Its dams and reservoirs supply the bulk raw water requirements of around 60% of NSW' population, mainly in Sydney, Illawarra and Blue Mountains. The SCA storages have a capacity of approximately 2.4 million megalitres of water, in 21 dams.

The regulatory framework applicable to the Sydney Catchment Authority includes:

- the *Sydney Water Catchment Management Act 1998*;
- its operating licence;
- its statement of financial framework;
- various memoranda of understanding; and
- its bulk water supply agreement with Sydney Water.

In September 2002, IPART released its findings relating to the mid-term review of SCA's Operating Licence. IPART recommended that no changes be made to the operating licence. However, it recommended that the SCA develop a demand and supply management strategy in conjunction with Sydney Water and the Department of Infrastructure, Planning and Natural Resources.

In September 2000, IPART issued a determination of the Sydney Catchment Authority's maximum prices for the period 1 October 2000 to 30 June 2005. In May 2003, IPART released a mid-term review of this determination. IPART agreed to a continuation of the existing price path, which provides for:

- CPI increases for prices for water sold to Sydney Water and Wingecarribee and Shoalhaven councils,
- CPI-2% for unfiltered water customers, and
- no increases for raw water customers.

Sydney is currently feeling the impact of the drought. At the end of June 2003, the volume of water in storage stood at 62% of capacity, with Warragamba Dam at 59%. Approximately 30,000 megalitres were pumped from Tallowa Dam (Shoalhaven River) during the last financial year to augment Sydney's supply. This resulted in a sharp increase in energy usage to 96.6kWh/ML in 2002-03 (compared with 8.6 kWh/ML in the previous year).

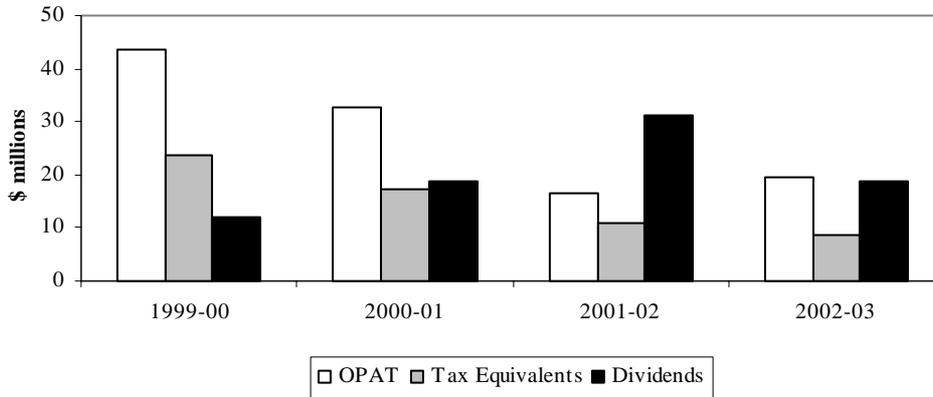
SYDNEY CATCHMENT AUTHORITY

	Notes	1999-00	2000-01	2001-02	2002-03
Efficiency					
	1				
Employment (incl. Contractors)		160	227	252	264
Hours Lost to Industrial Disputes per Employee		0.9	0.0	0.0	0.0
Lost Time Frequency Rate	2	6.8	17.2	17.1	9.0
\$ Catchment Management/ ML Supplied		25.1	29.6	39.8	34.7
\$ Dam Safety/ ML Supplied		4.8	2.4	2.4	3.6
Amount Energy[KWH] / ML of Bulk Water Supplied	3	6.8	9.2	8.6	96.6
Effectiveness					
Megalitres Supplied (000)		606.5	630.6	629.2	636.0
Number of Planned Maintenance Shutdowns		1	3	3	2
Number of Unplanned Maintenance Shutdowns		0.0	0.0	0.0	0.0
Environmental Flow Targets Met (%)		NA	99.7	99.8	99.8
Health-related compliance to Australian Drinking Water Guidelines (%)		NA	99.7	100	100
Presence of Key Contaminants (Number of Times)	4	5.0	6.0	25.0	4.0
Compliance to Bulk Water Supply Agreement (%)		NA	96.1	97.9	98.5
Continuity of Water Supply (%)		100	100	100	100
Maintenance of Adequate Reserves of Water:					
Reliability (%)	5	100	100	100	100
Robustness (%)	6	100	100	100	100
Security (%)	7	100	100	100	100
Compliance to Dam Safety and ANCOLD Guidelines (%)	8	100	100	100	100
Real Price Index	9	100.0	100.0	102.9	105.9
Financial Indicators (\$M)					
	1				
EBIT		77.1	60.5	39.0	40.3
Significant Items:	10	0.0	0.0	10.9	4.0
Operating Profit before Income Tax		67.4	50.2	27.5	28.3
Operating Profit after Income Tax		43.7	32.8	16.6	19.5
Revenue (Total Tariff Income)		131.9	127.5	126.7	126.9
Return on Assets (%)		9.8	7.7	5.2	5.6
Return on Equity (%)		7.7	5.9	3.1	3.9
Asset Base (Total)		827.8	790.6	730.8	735.9
Asset Sales		0.0	0.0	0.0	0.0
Financial Distributions:					
Tax Equivalents		23.7	17.5	10.9	8.8
Dividend		11.9	18.6	31.4	18.9
Gross External Debt		180.7	169.8	164.4	174.6
Debt/ Equity (%)		23.6	23.1	24.2	25.9
Gearing Ratio (Debt/Asset Base) (%)		21.8	21.5	22.5	23.7
Community Service Obligations		0.0	0.0	0.0	0.0
Funds Flow Interest Coverage		9.6	7.6	4.6	5.0
Pre-Tax Interest Coverage		7.9	5.9	3.4	3.4
Funds Flow Net Debt Payback Ratio		2.2	2.8	5.1	3.7
Funds From Operations/ Total Debt Ratio (%)		33	30	19	22

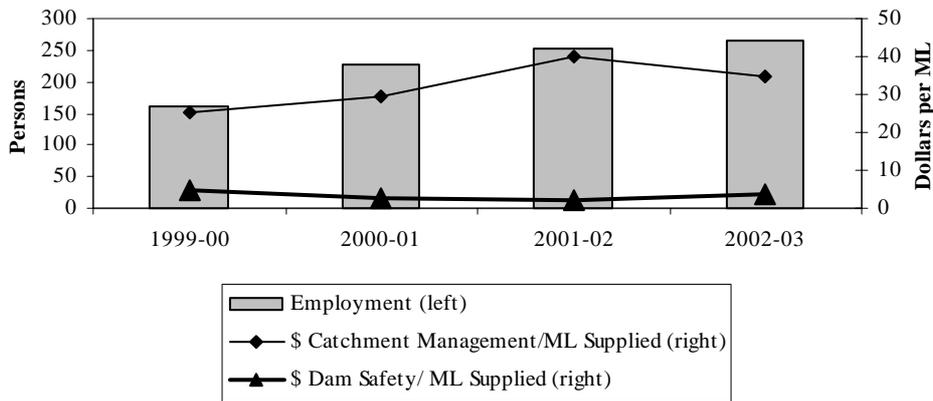
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Incidents per million hours worked.
- 3) 2002-03 includes Shoalhaven pumping.
- 4) Number of positive confirmation of viable *Cryptosporidium* and *Giardia* in the bulk delivery system.
- 5) % of months Sydney Water Corporation (SWC) demand met (i.e. no restrictions).
- 6) % of years SWC demand met (i.e. no restrictions).
- 7) % time avge water level > 5%.
- 8) Dam Safety Committee Requirements. Australian National Committee on Large Dams (ANCOLD) Guidelines.
- 9) 99-00 SWC price = 100.
- 10) incl in EBIT & Operating Profit after Tax. is Accelerated Sewerage Scheme (\$4 in 2001-02 and 2002-03) and Loss on Transfer of Land \$6.9m in 2001-02).

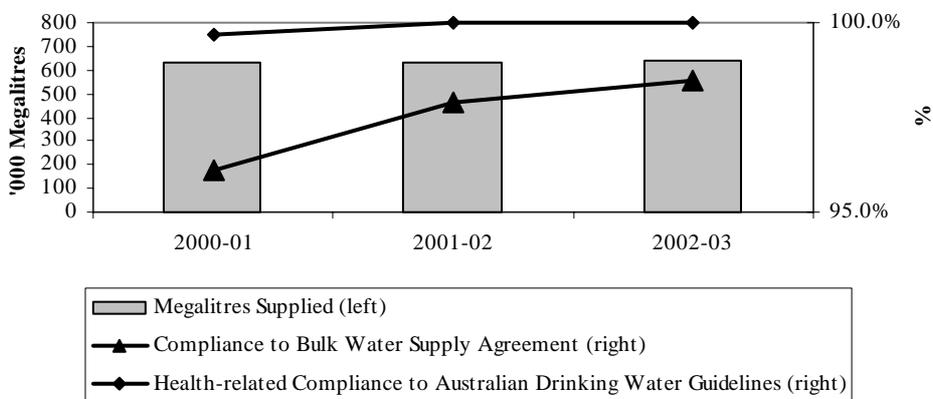
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Effectiveness



Sydney
WATER

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The 2002-03 year was a significant year for Sydney Water. Some major events included the drought, the Mid-Term Operating Licence review, a decline in profit, continued delivery of an ambitious capital program, a focus on better delivery of customer services and the appointment of a new Managing Director.

Operating Profit After Tax fell by over 30% to \$126 million. Profit was reduced by various factors including:

- increased operational expenses due to drought conditions, drought management and redundancy costs;
- a \$51.9 million write-off for the Customer Information Billing System capital project;
- reclassification of desilting expenditure on Sydney Water's South Western Suburbs Ocean Outfall Sewer from capital to operating;
- higher long service leave, superannuation expense and insurance provisions; and
- increased depreciation expenses.

This was partially offset by higher than forecast usage revenue due to the prolonged dry weather and higher than forecast developer contributions.

In 2002-03, Sydney Water invested \$514 million in capital works to ensure that both asset performance and service delivery are not only maintained but also continue to improve. Sydney Water is committed to ongoing renewal of its infrastructure base, with particular focus on watermain renewals, sewermain renewals and sewer pumping station upgrades.

A Mid-Term Review of Sydney Water's Operating Licence was conducted in 2002-03. While there were no significant changes arising from this review, there were some minor changes in reporting requirements. Sydney Water's End of Term Review of its Operating Licence commences in January 2004. The new Operating Licence will come into effect in January 2005.

In May 2003, IPART completed its review of prices for Sydney Water's services and determined prices that apply for 2003-04 and 2004-05. During the coming year and in the lead up to the next determination, Sydney Water will address the issues raised by IPART in its determination, which include capital and operating efficiency, discretionary expenditure, the level of renewals and the sustainability of potable water supplies. Sydney Water has commenced a reform process to address these issues.

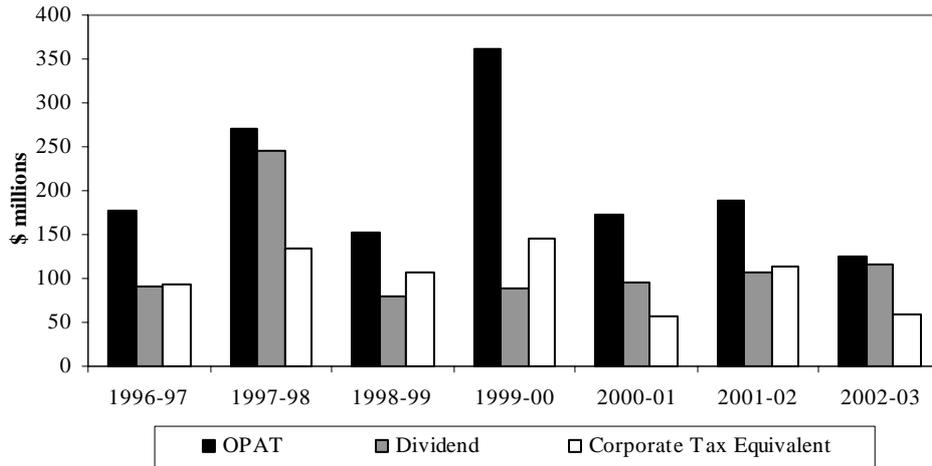
SYDNEY WATER CORPORATION

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency								
	1							
Employment		4,763	4,629	4,470	3,766	3,676	3,556	3,518
Operating Cost per Property (\$)		501.2	502.0	527.0	560.0	504.9	466.9	450.8
Employees per '000 Properties		3.2	3.0	2.9	2.4	2.3	2.2	2.1
Revenue Collection as Percentage of Billed		98.0	98.5	98.3	98.2	98.2	97.9	98.2
Capital Works:								
Expenditure/Earned Value (%)	2	68.7	89.0	101.5	100.7	101.6	108.9	96.2
Percentage Time Lost to Unplanned Absences		3.2	2.8	2.8	3.0	2.4	2.6	2.6
Injury Incidence Rate	3	4.4	3.7	3.8	3.3	2.2	2.1	1.8
Injury Frequency Rate	4	25.5	21.4	21.8	18.2	11.9	12.3	10.3
Service								
Million Properties Served		1.5	1.5	1.6	1.6	1.6	1.6	1.6
New Properties Served ('000)		22.9	23.1	28.1	30.5	28.5	24.7	27.5
Megalitres Supplied ('000)		588	620	600	602	625	624	635
Capital Works Contracted Out (%)		100	100	100	100	100	100	100
System Reliability								
Mainbreaks per 100 Km	5	46.5	48.5	43.2	40.7	37.9	37.3	50.5
Sewerchokes per 100 Km	5	80.4	112.0	80.9	62.5	70.1	67.6	83.0
Water Resource Management								
Quality Guidance Compliance (1980)								
Health (%)		99.1	99.8	97.0	99.7	99.8	99.8	100.0
Aesthetics (%)		98.7	99.5	99.5	98.9	98.3	97.6	98.5
Waste Water Management:								
Solids Removed (%)		60	60	60	60	60	55	60
Dry Tonnes of Sludge per Day:								
Disposed to Ocean		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycled		113.0	102.0	108.0	99.0	111.5	115.7	139.9
Pollutants Discharged to Nepean/Hawkesbury System (Kg/Day)								
Nitrogen		1,708	1,684	1,689	1,482	1,412	1,409	1,200
Phosphorous		59.0	65.0	47.0	38.1	33.0	20.4	21.0
Ammonia		50.0	57.0	76.0	56.7	48.0	46.0	44.0
Real Price Index		75.3	76.4	73.1	73.2	71.3	69.8	69.0
Financial Indicators (\$M)								
EBIT		514.0	623.5	451.2	593.2	458.2	488.8	362.5
Operating Profit After Tax		178.0	270.4	151.6	361.2	172.9	188.3	125.7
Significant Items		37.4	48.7	-63.8	59.1	98.0	103.9	132.8
Revenue		1,604.6	1,590.9	1,580.9	1,675.5	1,540.0	1,580.9	1,518.3
Return on Assets (%):								
Total Revalued		2.5	2.6	1.8	2.1	2.4	2.2	1.9
Core Revalued		2.5	2.6	1.8	2.1	2.4	2.2	1.9
Return on Shareholders' Funds								
Revalued (%)		1.1	1.4	1.4	1.3	1.4	1.3	1.2
Asset Base		16,240	16,465	15,294	14,688	14,270	14,625	13,838
Asset Sales		34.0	8.2	24.2	29.7	12.7	47.2	8.9
Financial Distribution								
Dividend		91.0	244.7	80.6	88.3	94.4	106.5	115.0
Corporate Tax Equivalent		93.1	135.0	106.0	145.4	56.6	113.1	58.5
Gross External Debt		2,045.5	2,039.8	2,003.0	1,947.7	1,978.3	2,120.6	2,254.8
Debt/Equity (%)		16.0	16.0	16.0	18.0	18.0	19.3	21.1
Gearing Ratio (Debt/Assets)		0.14	0.14	0.14	0.15	0.15	0.16	0.18
Times Interest Earned		1.9	2.1	1.4	1.9	2.0	2.0	1.9
Community Service Obligations		110.3	105.0	121.2	83.8	77.6	77.5	77.3

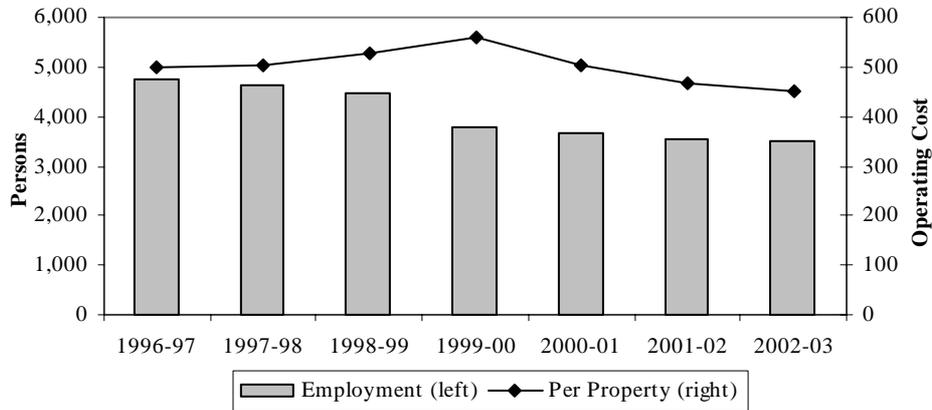
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Capital Works - Actual expenditure divided by original estimate for year.
- 3) Injury Incidence Rate - the number of occurrences of injury or disease for each hundred workers employed.
- 4) Injury Frequency Rate - the number of occurrences of injury or disease for each million hours worked.
- 5) The measure has been drought affected in 2002/03.

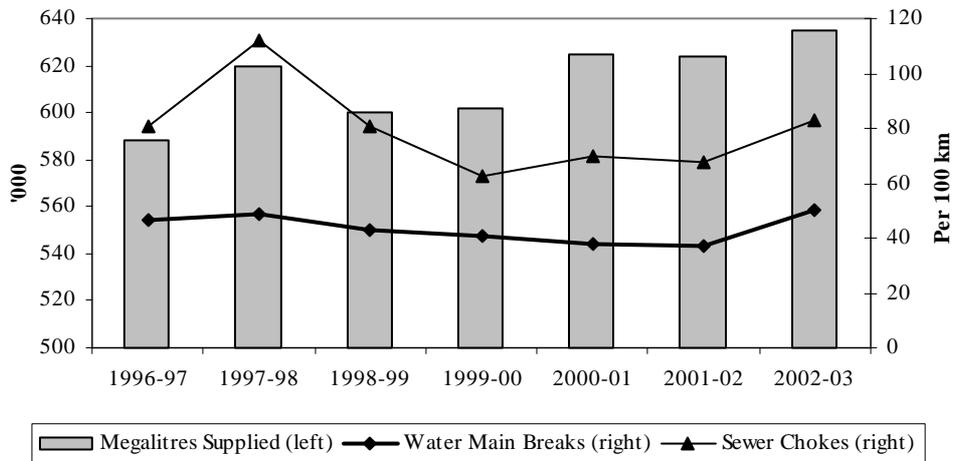
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service



TRANSPORT

Rail Infrastructure Corporation

State Rail Authority

State Transit Authority



Sharyn Gregory
RAIL INFRASTRUCTURE CORPORATION
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RAIL INFRASTRUCTURE CORPORATION

Rail Infrastructure Corporation is a statutory SOC formed on 1 January 2001 from a merger of Rail Access Corporation, previously the owner of the network infrastructure, and Rail Services Australia, the former maintainer of the network.

The principal objective of Rail Infrastructure Corporation (RIC) is to ensure that the NSW rail network delivers safe and reliable passenger and freight services in an efficient and financially responsible manner. RIC owns and maintains the NSW rail network and provides access to passenger and freight operators.

During 2002-03, RIC completed the first year of a major reform program to deliver significant improvement in the rail network management and performance. Additionally, RIC's operating environment underwent significant change as a result of the announcement of the major rail restructure and a number of exceptional events which triggered increased levels of public concern. The greater metropolitan region functions of RIC will be integrated with StateRail commencing 1 January 2004. An integrated entity will be well positioned to deliver the Government's priorities of a safe, secure, reliable, and clean rail service. This produced increased workloads as a result of RIC's participation in a number of formal reviews and inquiries.

RIC posted a Loss Before Interest and Tax for 2002-03 of \$211.2 million. This was primarily due to increased depreciation charges arising from the implementation of a new asset valuation regime for 'not for profit' entities, which resulted in an increase in Total Assets to more than \$11 billion.

In the first year of its five-year efficiency program, RIC delivered an efficiency gain of \$64 million. The improvement was mainly due to better use of labour resources, with other savings achieved through better management of external services contracts, reduced contractor costs and improved tendering processes.

Notwithstanding these obligations, RIC maintained focus on its core deliverables of network safety and reliability. The number of infrastructure related incidents has been decreasing over the years as a result of the implementation of specific programs and initiatives:

- the average number of RIC incidents per month affecting CityRail On Time Running improved by 18 %;
- the average number of CityRail services delayed by RIC each month improved by 24 %;
- monthly average response and repair times exceeded 2002-03 targets improving on 2001-02 by 18 %¹;
- country mainline speed restrictions remained at historic lows (36 in 2002-03); and
- Stage One of the work on Track Rules was completed and Stages Two and Three commenced.

RIC's safety risk index monitors the occurrence of major safety incidents for which RIC is responsible². In 2002-03, RIC achieved an average monthly result of 5,941 risk units against a maximum allowable target of 6,000. Safety initiatives implemented to improve RIC's safety culture and performance included:

- \$282 million to ensure that regional infrastructure is provided at a safe and reliable level;
- \$16.2 million was spent during the year on major plant and equipment while an additional \$22 million commitment was made for plant and equipment which is to be delivered in 2003-04;
- stages three and four (of five) of the CBD overhead wiring program were completed, with 2.5 km completed as well as the construction of ten portal structures;
- replacement of 33 timber bridges in the south west of the State, with the refurbishment of a further 41;
- a more intensive 'Super possession' maintenance regime was developed for the Metropolitan network³;
- the expansion of RIC College to include a CBD campus and future Bathurst and Orange campuses.
- on average RIC employees received 10.44 on-and-off-the job training days during the year; and
- RIC also undertook enabling works for the Parramatta Rail Link during the course of the year and participated in its corporate governance given its (one third) shareholding in Parramatta Rail Link.

Lost Time Injury Frequency Rate improved dramatically over the year, achieving a rolling average of 18.1 for 2002-03, improving on the 2001-02 average of 32.9. RIC successfully completed 124 safety upgrades at Level Crossings across the State. The program for testing and rectifying vertical split heads is proceeding well, with improved detection and rectification procedures providing corresponding efficiency gains. 52.5 kilometres were re-railed during the year as part of this program.

RAIL INFRASTRUCTURE CORPORATION

	Notes	2001-02	2002-03
Efficiency	1, 2		
Number of Employees		5701	5688
Sick Days Per Employee		8.9	8
Lost Time Injury Frequency Rate		32.9	18.1
Worksite Protection Incidents		62	71
Track Geometry Incidents		102	321
Level Crossing Incidents		59	74
SPADS (Signals Passed at Danger)		151	112
RIC Safety Risk (000's units)		6.1	5.9
Service			
Number of Major Environmental Incidents		0	1
Country Mainline Speed Restrictions		43	36
RIC Incidents Impacting Cityrail Peak On Time Running		398	326
Cityrail Peak Ontime Running(%)		91.9	90.9
Freight on Time Running (%)		67.5	61
Finances (\$M)	1		
EBIT		12.3	-211.2
Operating Profit After Tax		12.4	-208.9
Significant Items - Superannuation		-33.4	-46.8
- Depreciation		48.1	-478.8
Revenue		1,188.4	1,154.8
Return on Assets (%)		1.1	-1.9
Pre Tax Return on Net Assets (%)		1.9	-2.0
Return on Equity (%)		1.9	-2.0
Total Assets		1,126.9	11,082.6
Financial Distribution			
Dividend		0.0	0.0
Corporate Tax Equivalent		3.4	0.0
Payment of Capital From Equity		0.0	0.0
Gross External Debt		82.3	175.8
Debt to Equity Ratio (%)		11.9	1.7
Gearing Ratio (Debt/Assets) (%)		7.3	1.6
Times Interest Earned		3.34	-34.8

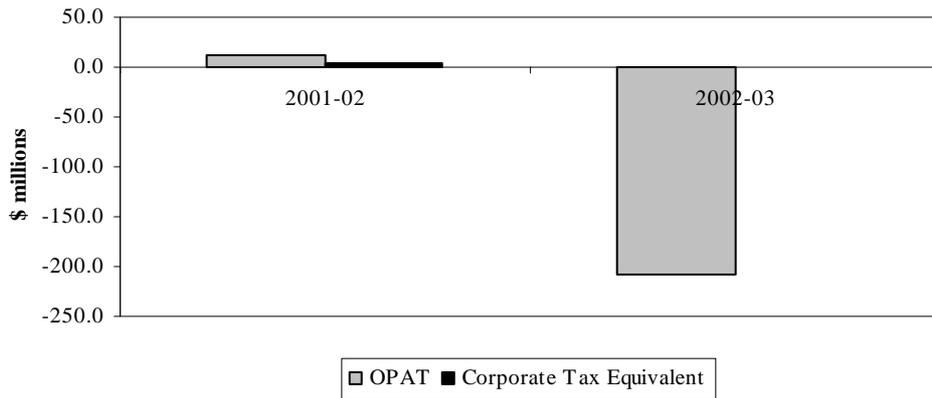
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Reported figure represents the monthly average over the year.

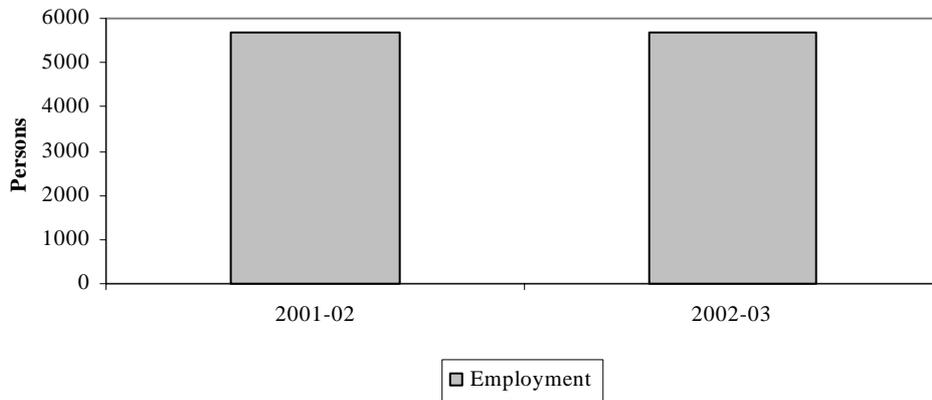
Notes to the text:

- ¹ Monthly Average response and repair time relates to signal equipment only. The 2002-03 target was 120 minutes, while 2002-03 average was an improvement over that for 2001-02 with average response times down from 125 minutes to 102 minutes.
- ² RIC Safety Index does not include incidents caused by outside agents (such as vandals or trespassers) as RIC has limited control.
- ³ The Super Possession regime replaces the previous practice of three to five track possessions per weekend on different lines. Under the new system only one line per weekend will have a track possession but the scope will be larger and cover a greater length of track.

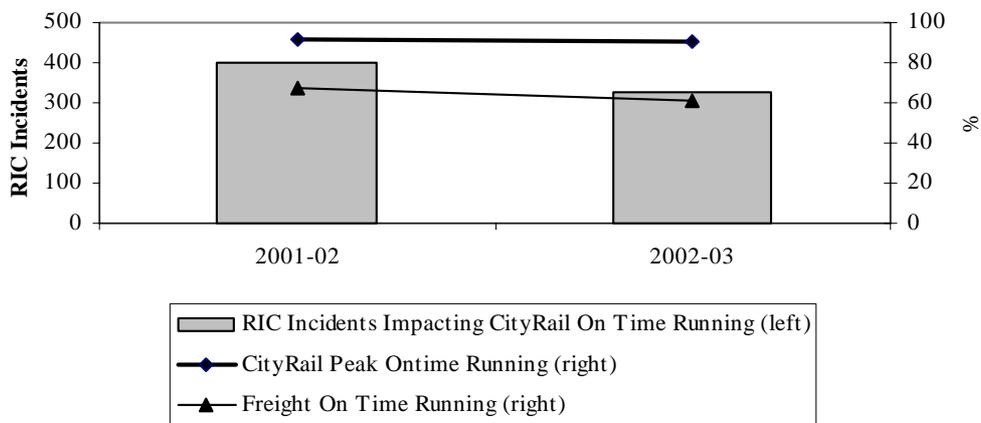
OPAT and Financial Distribution (2002-03 dollars)



Employment



Service levels





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STATERAIL AUTHORITY

StateRail is a service provider to NSW public transport users, providing passenger rail transport through its CityRail and CountryLink services.

CityRail is the metropolitan passenger provider and carried 273.4 million passengers across a network of 306 stations (2080 km of track) in 2002-03. Its network connects Sydney to regional areas as far as Scone and Dungog to the north, Bathurst to the west, Goulburn in the Southern Highlands and Bomaderry on the South Coast. Almost 50% of all persons travelling to Sydney's Central Business District in peak hours travel by CityRail. It is one of the most complex passenger rail operations in the world.

Countrylink operates long distance passenger rail services across NSW and beyond, carrying 2.1 million passengers across a network of 69 stations (4338 km of track) in 2002-03. The long distance passenger rail services are supported by an extensive coach network throughout regional NSW servicing 335 destinations both intra and interstate. Countrylink services are a direct transport link to the capital cities of the Australian Capital Territory, Queensland and Victoria. Significantly, some Countrylink coach services are the only mode of public transport from town to town in NSW' rural areas.

Countrylink also operates 34 Travel Centres and nine Booking Offices across the network which sell and promote point to point travel as well as Countrylink Holiday packages, city and regional day tours and attractions. These services are also available from over 420 accredited travel agents and sales outlets throughout NSW, Australian Capital Territory, Brisbane and Melbourne.

Major achievements and strategic developments during 2002-03 were:

- the completion of the second stage of the Richmond Line Duplication between Marayong and Quakers Hill which provides operational flexibility, improves reliability and service delivery;
- the completion of the Central turnback facility which allows the continued operation of train services on the airport line when track work is being under taken in the city underground;
- the establishment of the Rail Management Centre in December 2002. The Centre enhances the daily operational management capability of the StateRail network through the co-location of functions such as train control, network management and passenger information;
- the introduction of the Long Line PA Network enabling the Rail Management Centre to communicate with the passengers on platforms at over 200 stations. This allows announcements to be made to customers at all stations (including those unattended) during emergencies or severe disruption to services;
- the commencement of the introduction of Millennium train cars improved the quality of journeys for CityRail customers. The new cars provide flexible access options for the elderly, disabled and customers travelling with prams and luggage. Other improvements include audio visual onboard customer information, and emergency help points;
- continued implementation of key recommendations from the Glenbrook Commission of Inquiry which cover train driving, safe working, drug and alcohol testing, network control and communications;
- further upgrading of stations to Easy Access standard which improves the access and safe boarding for customers by installation of lifts, provision of boarding ramps, warning tiles on platform edges, high intensity lighting, emergency access points and platform – train gap reduction; and
- the engagement of around 300 'Transit Officers' by year end June 2003, providing security and customer service functions as well as performing random ticket inspections. Indications to date show transit officers to have had a favourable impact on fare evasion while improving customer safety and security.

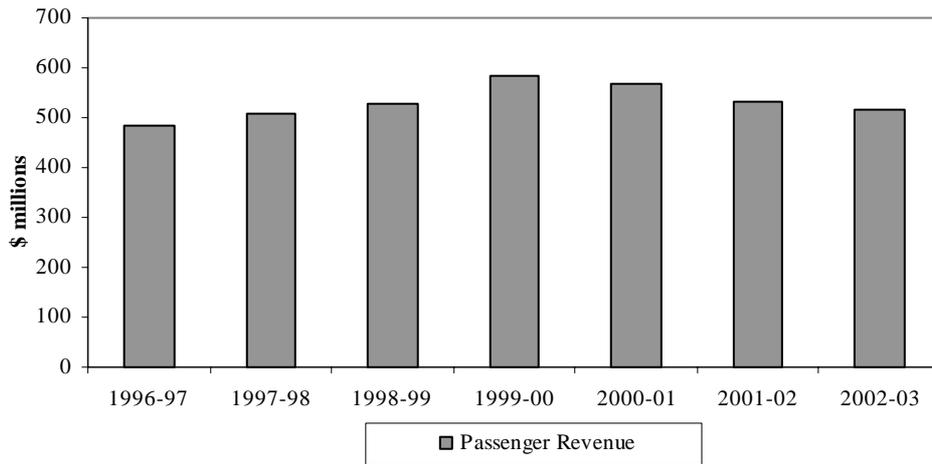
STATERAIL AUTHORITY

	Note	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency								
Average Employment	1	9,215	9,331	8,737	8,660	9,245	9,012	9,422
Employment	2	9,344	9,317	8,544	8,966	9,017	9,121	9,733
Passenger Revenue per Employee (\$'000)	3	52.4	54.4	60.3	67.3	61.2	59.2	54.9
Passenger Journeys per Employee ('000)	3	29.0	28.8	31.2	32.5	33.0	30.9	29.2
Operating Cost per Passenger Journey (\$)		7.1	7.0	6.8	6.2	6.2	6.4	7.1
Industrial Disputes								
Total Hours Lost ('000)		0.0	0.1	3.0	15.0	0.0	0.0	0.0
Hours Lost per Employee		0.0	0.0	0.3	1.7	0.0	0.0	0.0
CountryLink Load Factor (%)	4	64.0	65.0	67.0	67.0	52.3	56.4	56.2
Service								
Passenger Journeys (Millions)								
CityRail		264.7	266.5	270.5	278.7	302.6	276.4	273.4
CountryLink		2.5	2.5	2.4	2.4	2.1	2.2	2.1
Total		267.2	269.0	272.9	281.1	304.7	278.6	275.5
On Time Running (%)								
Suburban	5	86.4	91.4	92.5	85.4	89.7	91.9	90.9
Intercity		90.1	94.0	93.0	90.3	91.0	91.7	91.1
Country		87.0	85.0	77.3	59.2	69.3	80.4	79.3
Real Price Index (Fares Based)		115.8	118.6	120.4	133.4	135.7	135.7	134.3
Finances (\$M)								
Passenger Revenue	6	482.4	508.3	526.7	582.7	566.1	533.7	516.9
Expenses								
Operating Cost		1891.7	1872.8	1844.8	1736.1	1880.4	1773.3	1945.3
Capital Grants to RIC and TNSW	7	0.0	8.5	44.6	47.7	105.1	155.7	73.3
Social Program Payments	8	595.2	580.2	557.1	538.9	628.3	652.1	769.5
Borrowings		222.2	221.8	218.1	223.4	208.1	200.6	191.5

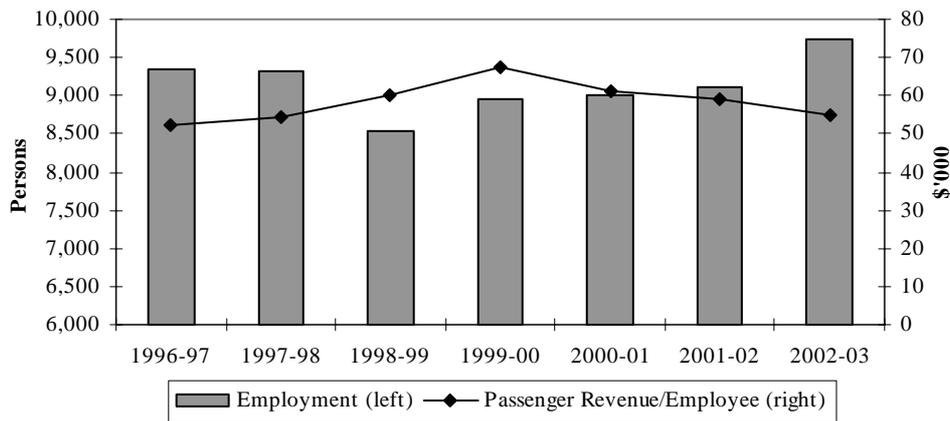
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Employees as at 30 June of each financial year.
- 3) Based on average number of employees for the financial year.
- 4) Passenger Kms divided by Seat Kms including rail, intercity and feeder coaches.
- 5) On Time Running (%) is defined as:
CityRail – the %age of services that arrive within 3 minutes and 59 seconds of their scheduled arrival time (5 minutes and 59 seconds for Intercity services).
CountryLink - the %age of services that arrive within 10 minutes of the scheduled arrival time.
- 6) Includes catering revenue.
- 7) New infrastructure assets, constructed by StateRail, that are transferred to the former Transport NSW (now Ministry of Transport) and RIC.
- 8) Relates to Passenger Services only.

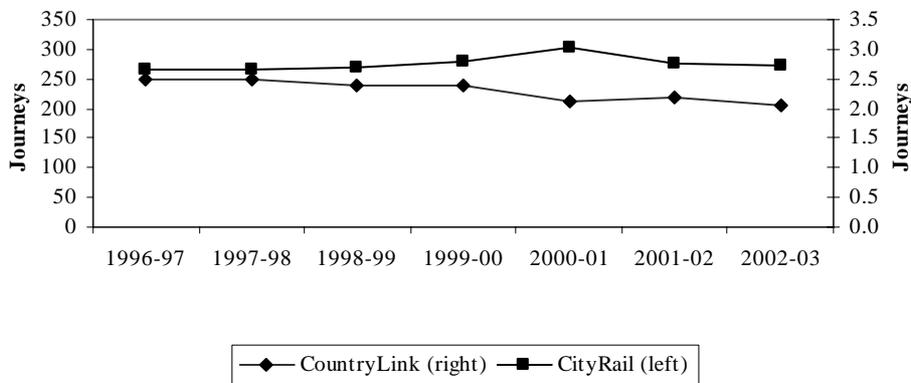
Passenger Revenue (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Passenger Journeys (millions)





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STATE TRANSIT AUTHORITY

During the reporting year State Transit Authority was Australia's largest operator of buses and ferries with services covering much of metropolitan Sydney and Newcastle. Its vision is a quality urban environment underpinned by an efficient, reliable, safe and secure public transport network.*

State Transit was established under the *Transport Administration Act 1988*. Like privately-owned bus and ferry operators in NSW, it works within the regulatory framework of the *Passenger Transport Act 1990*.

State Transit has six equally important objectives, defined in its enabling legislation. They are to:

- provide safe, efficient, reliable bus and ferry services;
- operate as efficiently as any comparable business;
- maximise the net worth of the State's investment in the business;
- exhibit a sense of social responsibility towards the community in which it operates;
- conform to the principles of ecologically sustainable development; and
- exhibit a sense of responsibility towards regional development and decentralisation.

State Transit's Sydney bus operations extend from Palm Beach in the north, Miranda and Hurstville in the south, Parramatta in the west. Over 187 million passenger journeys were completed in 2002-03. Sydney Ferries services cover the Inner Harbour, Parramatta River and Manly. In 2002-03, 13.3 million passengers were carried.

The Newcastle services encompass Caves Beach in the south, the Hunter River in the north, Newcastle CBD in the east and Sandgate in the west. The ferry service links Newcastle CBD and Stockton. In Newcastle, State Transit carried 11.5 million passengers in 2002-03.

In February 2003, Western Sydney Buses, a subsidiary of State Transit, commenced operations on the newly built Liverpool to Parramatta Transitway. The Liverpool to Parramatta Transitway, Sydney's first rapid transitway, is a 31 kilometre route with 21 kilometre being dedicated roadway and the remainder a priority bus system. In the period to 30 June 2003, there were over 300,000 passenger journeys completed on the transitway.

State Transit's consolidated financial result for the year ended 30 June 2003 was a deficit of \$14.0 million on revenue of \$516.9 million. Within this result Sydney Ferries sustained a deficit of \$29.3 million on revenue of \$70.6 million, Newcastle Services a deficit of \$9.8 million on revenue of \$31.6 million and Sydney Buses a surplus of \$21.7 million on revenue of \$409.5 million.

Total Patronage for 2002-03 of 212.3 million was 0.2% lower than last year. Patronage for Sydney Buses was in line with last year, while patronage for Sydney Ferries was 2.4% lower and patronage for Newcastle services was 2.1% lower.

The 2002-03 capital works program was \$44.4 million. During the year a total of \$17.3 million was spent on the bus replacement program. This included the purchase of the final 34 of 300 low floor, air-conditioned buses powered by natural gas for Sydney, and the first four of 30 low floor, air-conditioned buses for Newcastle. A total of \$20.4 million was spent on refitting the Manly and Lady Class vessels and the re-engining of the JetCats. A further \$2.6 million was spent on the purchase and installation of a new Cash Deposit System. The internally funded capital program was supported by a capital grant of \$3.1 million received under the NSW Government's Action for Transport 2010 program (and applied to Sydney Ferries' capital works).

*In late 2003, the NSW Government determined that State Transit's Ferries Division should be established as an independent State Owned Corporation. State Transit's business is now the operation of buses in Sydney and Newcastle plus a river-crossing ferry service in Newcastle.

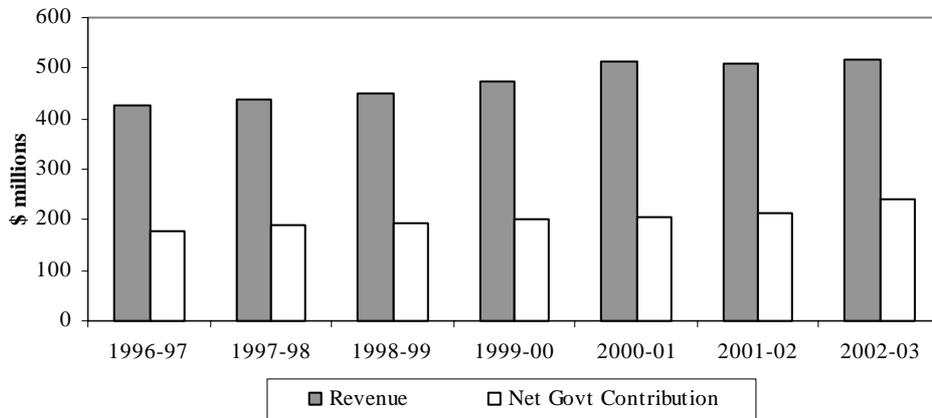
STATE TRANSIT AUTHORITY

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1							
Employment		4303	4305	4369	4690	4754	4851	4901
Passenger Trips per Employee ('000)		48.2	48.8	48.5	46.4	46.8	43.8	43.3
Passenger Revenue per Employee (\$'000)		90.1	95.1	95.6	94.2	95.8	87.5	86.4
Working Hours Lost to Industrial Disputes		62	6,702	3,300	2,665	418	39,754	450
Effectiveness								
Kilometres Travelled (millions)		79.0	80.4	82.0	85.4	88.7	89.4	90.0
Passengers Carried (millions)		207.3	210.1	211.8	217.8	222.6	212.6	212.3
Bus Service Average Age (yrs)		11.5	11.1	11.7	11.5	11.8	12.0	12.4
Buses in Service		1,627	1,705	1,719	1,906	1,926	1,935	1,904
Bus Patronage (millions)		193.9	196.6	198.3	204.2	207.2	198.6	198.6
Bus on time running - Sydney (%)		97.5	97.2	97.1	97.4	96.1	96.2	95.9
Bus on time running - Newcastle (%)		98.8	99.2	97.9	95.1	95.5	96.6	96.1
Ferry Service Average Age (yrs)		10.3	11.3	11.7	12.6	12.1	13.1	14.1
Ferry Patronage (millions)		13.4	13.5	13.5	13.7	15.4	14.0	13.7
Ferry on time running (%)		99.5	98.6	98.4	99.5	99.4	99.4	99.1
Real Fare Index		106.5	108.7	109.4	114.4	117.1	119.2	118.1
Financial Indicators (\$M)	1							
EBIT		0.3	-1.6	-4.5	7.2	5.7	-10.1	-3.6
Operating Profit After Tax		-1.7	-4.2	-10.1	0.8	-4.6	-20.1	-14.0
Significant Items		-5.9	0.0	6.8	3.6	0.0	0.0	0.0
Revenue	2	427.2	437.1	451.2	475.0	511.7	509.5	516.9
Return on Assets (%)		0.1	-0.4	-1.0	1.5	1.2	-2.1	-0.6
Return on Equity (%)		-0.9	-2.3	-6.1	0.5	-3.1	-16.3	-5.8
Total Assets	3	443.5	450.8	427.8	488.5	464.8	478.1	598.5
Asset Sales		5.9	1.0	19.9	25.0	3.5	2.3	10.0
Dividend		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross External Debt		39.3	58.9	63.4	138.5	134.0	141.2	143.7
Gearing Ratio (Debt/Assets) (%)		8.9	13.1	14.8	28.4	28.8	29.5	24.0
Government Contributions								
Travel Concessions		130.7	139.9	141.5	145.6	145.8	147.3	144.3
Social Programs		45.8	49.4	51.9	56.5	59.3	67.5	95.2
Total		176.5	189.3	193.3	202.1	205.2	214.8	239.5
Net Government Contribution		176.5	189.3	193.3	202.1	205.2	214.8	239.5

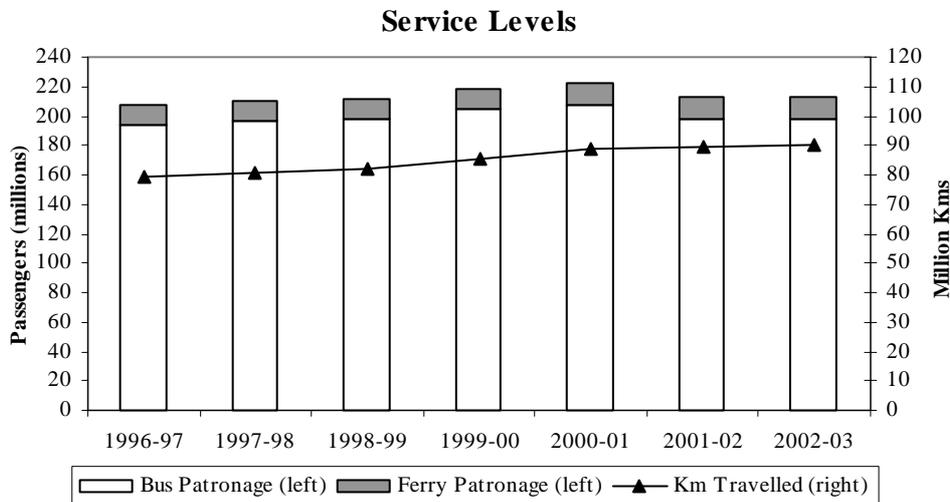
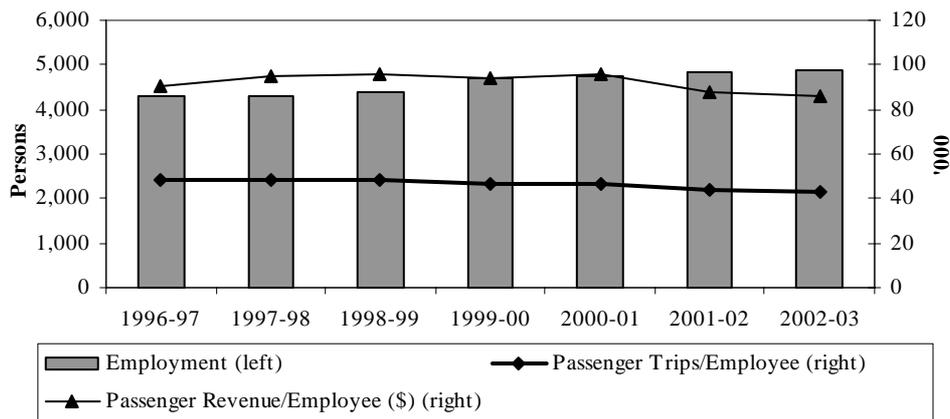
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Revenue excludes proceeds from property sales.
- 3) The non-current assets were revalued at written down replacement cost in 2002-03.

Financial Results (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



PORTS

Newcastle Port Corporation

Port Kembla Port Corporation

Sydney Ports Corporation



Mr David Callaghan
General Manager Finance and Corporate Services
NEWCASTLE PORT CORPORATION
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(02) 4985 8207

NEWCASTLE PORT CORPORATION

The Newcastle Port Corporation's purpose is to enhance the economic development of the Hunter Region and NSW by providing an efficient, effective and environmentally sustainable maritime gateway.

The Newcastle Port Corporation was established as a NSW Statutory State Owned Corporation in July 1995 under the *Ports Corporatisation and Waterways Management Act*. The Corporation is wholly owned by the people of NSW. The Corporation's primary objectives are to:

- provide safe and efficient port operations;
- fulfil its corporate and social responsibilities;
- win more business; and
- look after its people.

The Corporation's operations in 2002-03 have resulted in:

- increased tonnage throughput to 76.8 million tonnes with coal exports (71.4 million tonnes), alumina imports (1.2 million tonnes) and grain exports (868,000 tonnes) the major trade items;
- record coal export of 71.4 million tonnes;
- records in ore concentrate and sulphuric acid exports; and
- new trades established in coke and tallow export.

After tax profit (real) was slightly down on last year.

A reduction in vessel numbers, with the cessation of coal transshipment trade, and an increase in vessel sizes, resulted in an increase in average port management charge per vessel from \$24,991 to \$26,525.

The Corporation focused on promoting the development and operation of a Multi Purpose Terminal on the former BHP steelmaking site. This included calling for expressions of interest. The Premier has subsequently announced that this is the preferred site for container terminal development when Botany Bay reaches capacity.

Priority was given to developing a Port Security Plan in accordance with international codes of practice. This plan identifies port land for purpose of security and exclusion zones. A Port Facility Risk Assessment and Port Facility Security Plan will then be developed.

The Corporation has also been implementing strategies to:

- diversify and increase trade through the Port;
- facilitate various proposals for the development of steel making and steel rolling facilities.
- facilitate growth of general cargo trade through the Basin area;
- improve customer satisfaction levels through improved communication and introduction of web-based interface with customers and general public; and
- enhance safe and efficient vessel movements, by measures including modelling of vessel paths.

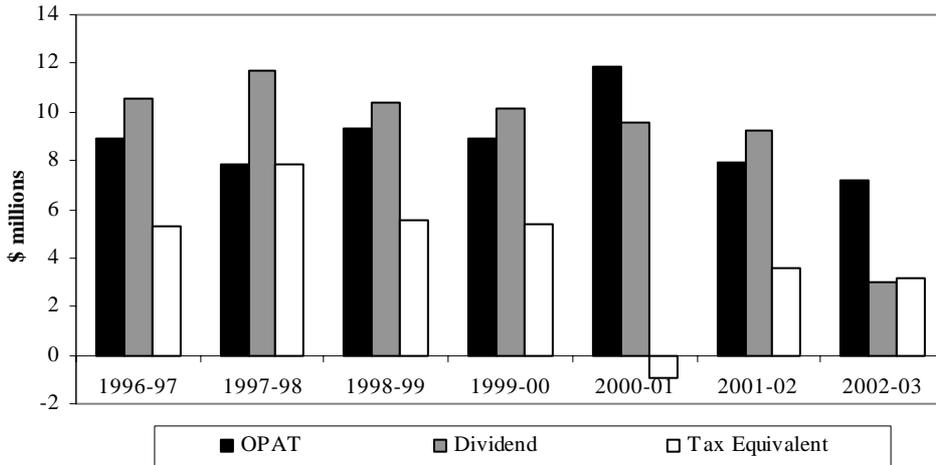
NEWCASTLE PORT CORPORATION

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1							
Employment		123	122	121	119	95	94	95
Revenue per Employee (\$000)		362.4	408.7	384.7	358.9	418.4	425.8	420.0
Industrial Disputation								
Total Hours Lost		335.0	70.0	0.0	65.0	0.0	0.0	0.0
Hours Lost per Employee		2.7	0.6	0.0	0.5	0.0	0.0	0.0
Service								
Total Trade (million tonnes)		67.5	77.1	78.0	72.7	73.9	75.5	76.8
Vessel Arrivals		1560	1710	1649	1593	1514	1473	1403
Vessel Turnaround Time (hrs)		51.0	51.0	43.3	44.5	44.1	43.6	47.6
Berth Occupancy (%)		51.0	52.0	44.1	46.0	52.1	48.2	52.3
Average Time at Berth (hrs)		40.0	39.0	37.0	40.2	37.7	40.6	41.0
Average Port Management Charge								
per Tonne of Cargo (\$)		0.60	0.57	0.55	0.54	0.50	0.48	0.48
per Vessel (\$)		25,601	25,706	25,845	24,613	24,306	24,991	26,525
Finances (\$M)	1							
EBIT		18.3	23.5	16.9	20.7	8.7	11.3	10.1
Operating Profit After Tax		8.9	7.8	9.3	8.9	11.9	7.9	7.2
Significant Items		2.2	5.5	0.0	4.6	-3.8	-2.0	-1.7
Revenue		47.3	55.3	46.1	47.3	39.8	39.8	40.3
Return on Total Assets (%)		14.5	16.8	10.8	13.3	6.4	8.4	8.1
Return on Equity (%)		21.4	27	15.5	19.5	7.6	11	9.9
Asset Sales		0.2	0.4	1.0	0.9	0.3	0.3	0.3
Financial Distribution								
Tax Equivalent		5.3	7.8	5.5	5.4	-1.0	3.6	3.2
Dividend		10.6	11.7	10.4	10.1	9.5	9.3	3.0
Gross External Debt		35.3	35.5	34.8	34.2	32.3	31.6	30.7
Debt to Equity (%)		53.6	47.9	43.2	42.1	42	48.6	47.3
Times Interest Earned		5.9	7.7	6.4	8.2	3.8	5.0	4.9
Gearing Ratio (Debt/Assets) (%)		30.0	20.0	20.0	20.0	20.0	20.0	22.0

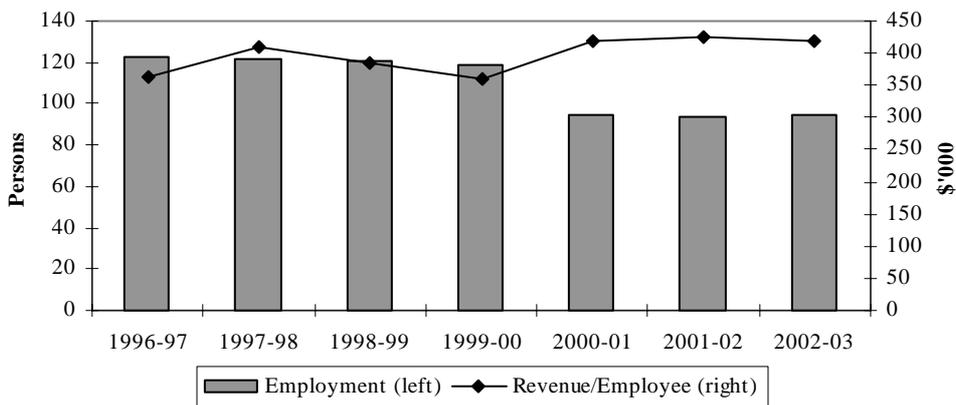
Notes:

- 1) All dollar terms imported in 2002-03 dollars.

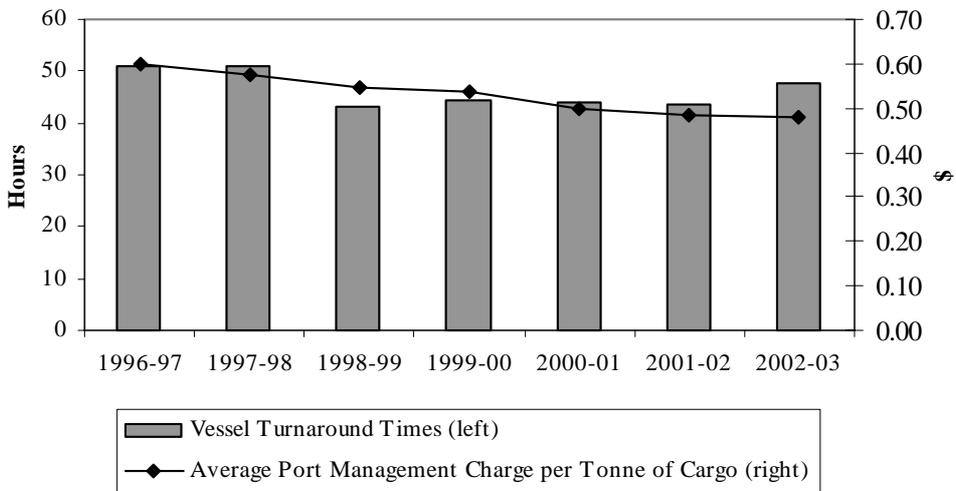
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service





PORT KEMBLA
PORT CORPORATION

Mr Brian Ward
Chief Financial Officer
PORT KEMBLA PORT CORPORATION
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(02) 4275 0105

PORT KEMBLA PORT CORPORATION

The Port Kembla Port Corporation was formed on 1 July 1995 to operate as a successful business, promoting and facilitating trade and ensuring port safety functions are carried out properly. The Corporation is well positioned to capture new market, and future trade, opportunities.

The Port Kembla Port Corporation's increased commitment to sustainability principles and its Triple Bottom Line performance were the hallmark of the 2002-03 financial year. An integrated approach to developing its corporate culture with a sustainability focus has created a platform for the long term viability of Port Kembla.

In financial terms the Corporation's results for 2002-03 have been above expectations. Dividend distribution of \$3.9m and Operating Profit After Tax and before Significant Items of \$7 million was a satisfactory result given the impact of drought on grain volumes traded.

Trade for the year reached 22.7 million tonnes which was ahead of expectation but down on last year. Solid performance in steel and coal was the backbone of the trade volume. Strong trade in non-traditional cargoes and the ongoing commitment of shipping liner services calling at Port Kembla over the past few years confirmed that diversification activities are changing the profile of cargoes. However, the drought affecting the State meant grain exports were significantly lower than previous years, which also accounted for the lower number of ship visits.

Port Kembla's economic sustainability is linked to a strategy of diversification of the trade base and during 2002-03 some encouraging progress was made on potential new cargoes. The release of the NSW Government's Task Force report into the feasibility of a container terminal in Port Kembla supported the role that Port Kembla can play in contributing to Sydney's future freight task.

A wealth of sustainability projects have been developed by staff and implemented during the year. These have included initiatives ranging from environmental monitoring through to inclusion of environmental clauses in new port leases. The impact of these initiatives can be substantial and as a measure of this success the Corporation has been able to reduce Greenhouse gas emissions by 18% in just one year.

Considerable achievements have been gained through the employment of a Sustainability Co-ordinator, a commitment to sustainability right across the Corporation's staff and the establishment of a range of benchmarks for social performance. A program of community partnerships and initiatives has been formalised via a Community Investment Policy and has supported cultural, sporting and environmental community groups. The community survey results have underpinned the introduction of an enhanced community communication strategy that has included visits to schools, community briefings and a community newsletter.

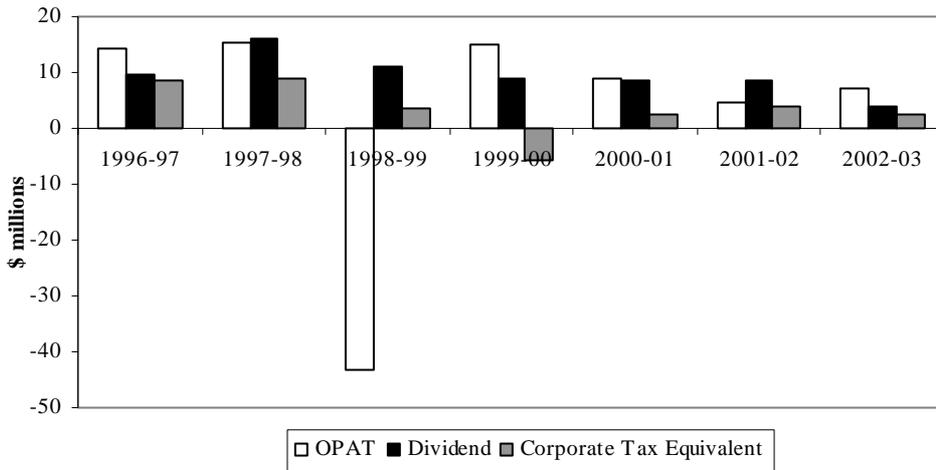
PORT KEMBLA PORT CORPORATION

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1							
Employment		54	45	44	43	43	42	46
Revenue per Employee (\$000)		354.2	413.3	422.7	419.7	456.6	439.1	305.0
Industrial Disputation								
Total Hours Lost		117.0	0.0	0.0	0.0	0.0	0.0	0.0
Hours Lost per Employee		2.1	0.0	0.0	0.0	0.0	0.0	0.0
Contract Labour (\$M)		1.1	1.1	1.1	1.9	1.3	2.1	2.0
Service								
Total Trade (million tonnes)		26.5	26.2	23.2	23.0	25.0	23.5	22.7
Vessel Arrivals		643	642	655	620	659	650	593
Vessel Turnaround Time (hrs)		65	66	59	57	60	59	60
Berth Occupancy (%)		28.0	36.0	32.0	29.0	24.0	32.0	30.0
Berth Queuing Time (hrs)		2,089	1,613	1,478	1,221	1,251	1,239	909
Average Time at Berth		76.0	76.0	68.0	68.0	70.0	68.0	71.1
Average Port Management Charge								
Per Tonne of Cargo (\$)		0.72	0.75	0.78	0.79	0.78	0.78	0.62
Per Vessel (\$)		28,131	30,510	27,491	29,112	29,776	28,378	23,629
Finances (\$M)	1							
EBIT		29.0	30.0	14.1	14.8	16.4	15.4	12.1
Operating Profit After Tax		14.5	15.4	-43.3	15.0	8.8	4.5	7.0
Significant Items		0.5	0.8	-48.5	-2.1	-1.5	3.3	10.7
Revenue		44.9	45.8	31.9	32.9	35.0	33.8	30.1
Return on Assets (%)		13.4	13.8	8.9	9.7	11.1	11.8	10.6
Return on Equity (%)		12.3	13.2	-70.0	22.6	14.1	7.4	12.5
Asset Base		216.8	217.1	157.9	151.5	147.0	130.9	113.7
Asset Sales		0.1	0.2	0.0	-0.1	0.5	0.0	0.0
Financial Distributions								
Tax Equivalent		8.5	8.9	3.4	-5.6	2.4	3.9	2.6
Dividend		9.6	15.9	10.9	9.0	8.7	8.4	3.9
Contribution to Government		9.6	7.5	13.7	7.4	8.7	12.3	6.6
Gross External Debt		69.3	69.2	68.2	66.6	62.8	55.6	48.8
Debt to Equity (%)		62.3	70.5	128.1	106.6	100.7	91.1	87.8
Gearing Ratio (Debt/Assets) (%)		32.0	31.9	43.2	44.0	42.7	42.5	42.9
Times Interest Earned		4.8	5.3	2.6	3.1	2.7	2.0	2.7

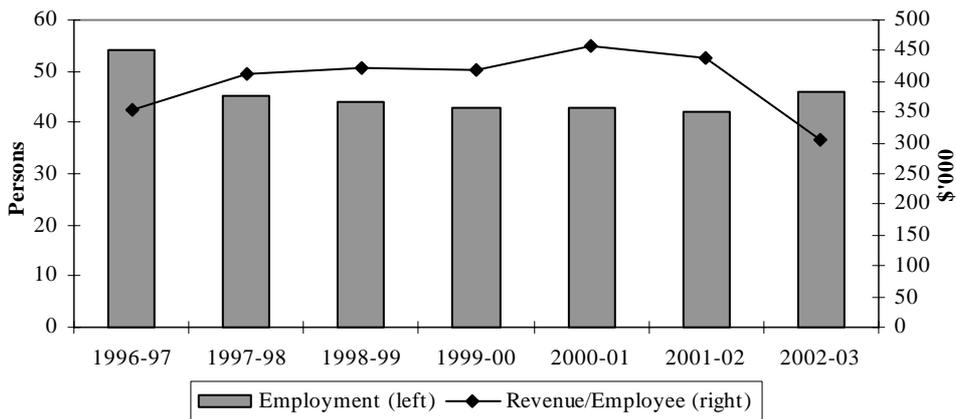
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.

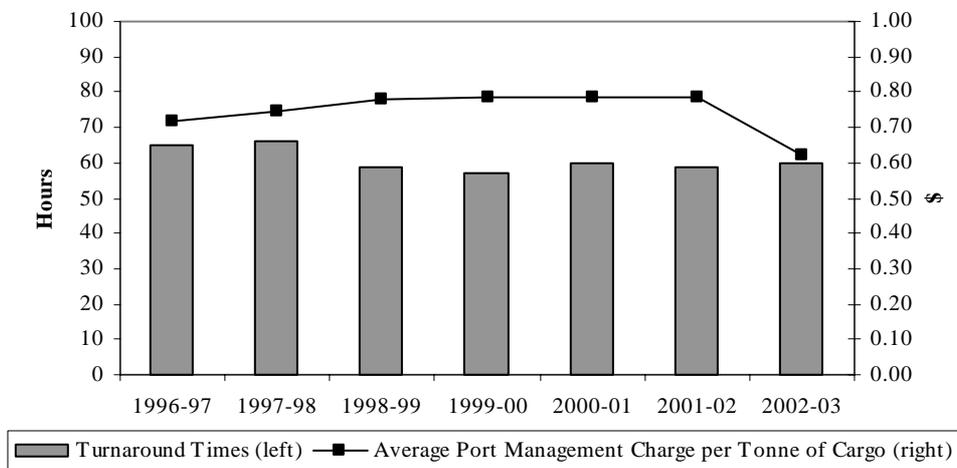
OPAT and Financial Distribution



Employment and Efficiency (2002-03 dollars)



Service





Ms Polly Bennett
General Manager, Corporate Communications and Planning
SYDNEY PORTS CORPORATION
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MILLERS POINT NSW 2000
(02) 9296 4999

Sydney Ports' vision is to be an internationally respected commercial port manager in all operational and environmental aspects, and to provide facilities to promote and support trade growth for the benefit of the NSW economy.

Sydney Ports Corporation (Sydney Ports) owns and manages the commercial ports of Sydney Harbour and Botany Bay on behalf of the NSW Government. Sydney Ports is responsible for facilitating efficient trade through those ports for the benefit of the NSW economy and community. Sydney Ports is continually seeking opportunities to maintain and increase trade growth to meet these objectives. This applies particularly in the case of containerised cargo, which represents the most rapidly growing form of trade handled internationally.

Sydney Ports was established in 1995 and has assets totalling approximately \$792 million, including port lands at Sydney Harbour (comprising Glebe Island/White Bay, Darling Harbour, and the Overseas Passenger Terminal at Sydney Cove) and the container terminals and bulk liquids facilities at Port Botany. Sydney Ports owns a 59.3 hectare site at Enfield in Sydney's western suburbs for the proposed development of an intermodal facility to assist with efficient transfer of cargo to and from the wharves.

The key strategic issues for Sydney Ports Corporation are provision of capacity for growth, port leadership and efficient port performance. Sydney Ports is addressing these key issues by:

- planning for the future to ensure that Sydney's ports possess sufficient capacity to accommodate demand without congestion rising beyond acceptable limits;
- facilitating trade through the port by working closely with the stevedoring companies and transport operators to provide an efficient transportation chain;
- working with Government and industry bodies to improve the road and rail links to the ports to provide a more efficient land transport system;
- providing positive leadership in port management and development issues;
- actively working at retaining trade throughput following increasing competition for specific items of containerised cargo from Brisbane, Melbourne, Newcastle and Port Kembla; and
- working with all involved, including Commonwealth and State organisations, to ensure that port security issues are properly managed.

Sydney Ports has proposed development of additional berths and terminal capacity at Port Botany. The Corporation has also resumed ownership of the Sydney Pilotage Service, with new operation commencing on 26 October 2002 as a wholly owned subsidiary, increasing staff numbers by 38 and having minimal impact on profit.

Sydney Ports enjoyed a successful 2002-03 financial year, with EBIT of \$55 million. Sydney Ports' 2002-03 Operating Profit After Tax of \$26.3 million was derived from total revenues of \$124.7 million. Real revenue growth of \$15.3 million, a 14% increase from 2001-02, was predominately driven by the strong growth in import volumes throughout the year combined with the inclusion of the Sydney Pilotage Service, that became a wholly-owned subsidiary of Sydney Ports in October 2002.

Capital expenditure for 2002-03 was \$23.2 million, including the continued redevelopment of the Glebe Island/White Bay and Port Botany precincts.

The year of trade growth both in containerised and non-containerised products, is indicative of the import demand generated by Sydney's consumers and manufacturers.

More than 1.16 million Twenty-Foot Equivalent Units (TEUs) were traded through Sydney ports – a new record and a significant 15% increase on the previous financial year, well above the average yearly growth of seven % sustained over the past 30 years.

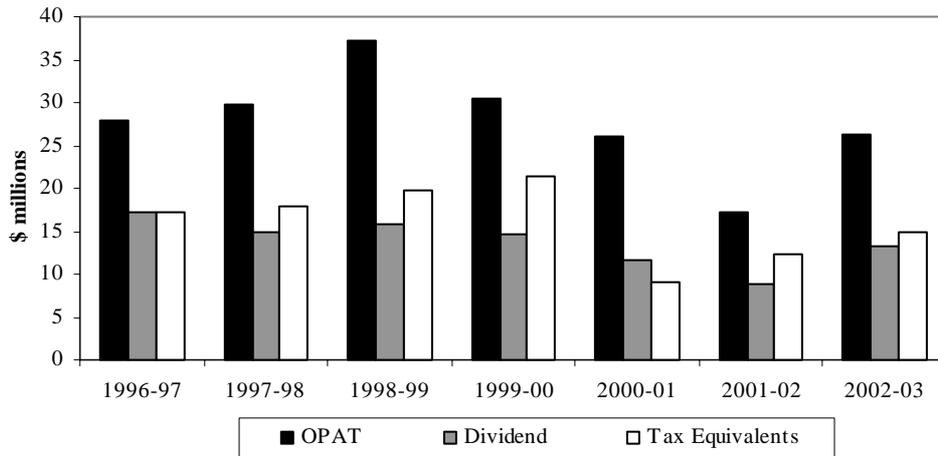
SYDNEY PORTS CORPORATION

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency								
	1,2							
Employment	3	204	199	189	188	196	199	237
Revenue per Employee (\$000)	4	507.9	586.6	663.4	644.7	586.9	549.6	526.0
Contract Labour (\$M)		1.1	1.0	0.5	0.9	1.0	0.7	0.7
Service								
Total Trade (million tonnes)	5	32.8	36.3	39.3	45.0	43.9	44.7	51.2
Vessel Arrivals		2,267	2,330	2,334	2,443	2,295	2,259	2,331
Vessel Turnaround Time (hrs)		40.2	39.6	39.4	42.3	34.4	34.3	36.0
Average Time at Berth		36.5	37.8	37.3	40.3	32.7	32.8	34.4
Average Port Management Charge								
per Tonne of Cargo (\$)		2.21	2.15	2.02	1.84	1.75	1.68	1.66
per Vessel (\$)		32,028	33,520	33,967	33,842	33,529	33,249	36,472
Container Volumes (TEU's) ('000)	6	730	801	878	1,016	991	1,009	1,161
Finances (\$M)								
	1							
EBIT		60.9	64.0	71.2	65.0	48.4	42.4	54.9
Operating Profit After Tax		27.9	29.9	37.2	30.4	26.0	17.3	26.3
Significant Items		0.0	0.0	0.0	-1.0	0.0	0.0	0.0
Revenue		114.0	116.7	125.4	121.2	115.0	109.4	124.7
Return on Assets (%)	7	15.4	10.2	11.1	9.9	7.9	6.8	6.9
Return on Equity (%)	7	16.2	7.5	9.0	7.3	6.4	4.3	4.6
Asset Base		395.4	626.1	641.7	653.7	611.4	622.5	791.8
Asset Sales		0.6	0.6	0.4	0.4	0.6	0.5	0.8
Financial Distribution								
Tax Equivalent		17.1	18.0	19.8	21.4	9.0	12.4	14.9
Dividend		17.1	14.9	15.7	14.7	11.6	8.8	13.2
Contribution to Government	8	31.6	31.5	33.3	34.8	26.3	22.3	28.3
Gross External Debt		176.6	176.2	173.6	170.6	161.6	173.4	169.4
Debt to Equity (%)		102.9	44.3	42.1	40.9	39.7	42.9	29.8
Times Interest Earned		3.8	4.0	5.0	4.6	3.6	3.3	4.0
Gearing Ratio (Debt/Assets) (%)		44.7	28.1	27.1	26.1	26.4	27.9	21.4

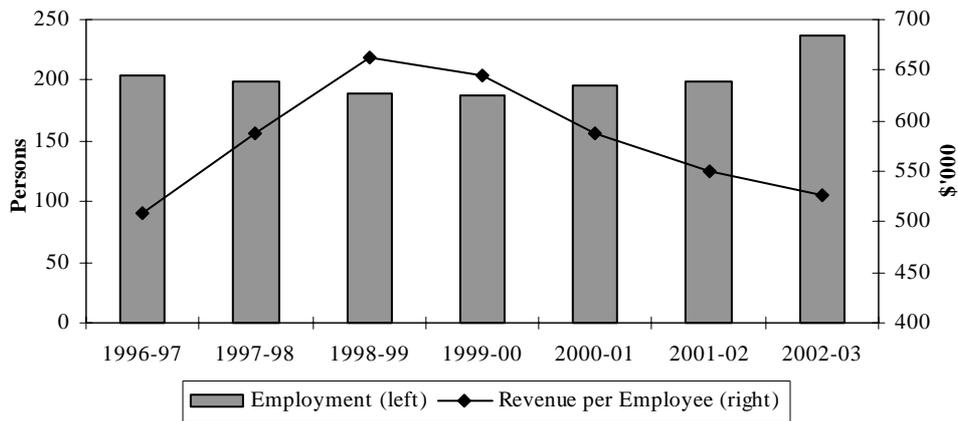
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) On the 26 October 2002, Sydney Pilot Service (SPS) became a 100% wholly owned subsidiary of Sydney Ports Corporation and the results of the consolidated entity are included in the results for 2002-03. Income for the Pilot Service is not for a full year and impacts the revenue per employee indicator in the Employment and Efficiency graph.
- 3) Excludes labour employed by consultancy.
- 4) 1998-99 Revenue includes \$7m Capital Grant from Government for construction of Wharf 8 Passenger Terminal.
- 5) Total trade for SPC berths only (excludes cargo at privately owned berths).
- 6) Twenty foot equivalent units.
- 7) Revaluation of assets undertaken in 1997-98 and 2002-03.
- 8) Based on tax and dividend payable.

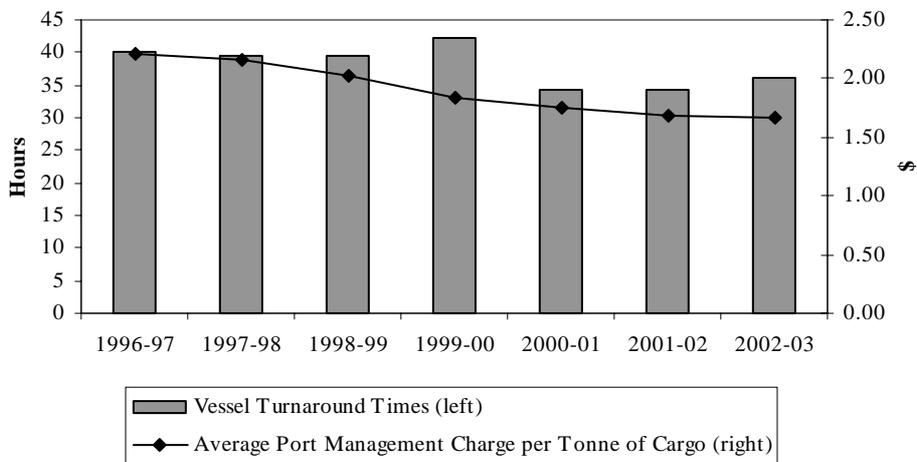
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service



MISCELLANEOUS

Department of Commerce

Department of Housing

Land and Property Information NSW

NSW Lotteries

State Forests NSW

Waste Service NSW



OFFICE OF GOVERNMENT PROCUREMENT

&

OFFICE OF GOVERNMENT BUSINESS

Mr John Voss
Chief Financial Officer
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(02) 9372 7150

OFFICE OF GOVERNMENT PROCUREMENT AND OFFICE OF GOVERNMENT BUSINESS

The Department of Commerce has been created to support a climate that makes doing business in NSW simple, accessible and fair for employees, consumers and industry.

The Office of Government Procurement and the Office of Government Business within the Department of Commerce operate on a commercial basis without direct budget funding. These Offices provide strategic and professional advice and expertise in business services, procurement, asset management and infrastructure to NSW Government agencies.

The Office of Government Procurement and the Office of Government Business recorded an Operating Loss Before Tax of \$52.9 million in 2002-03 after significant items. The financial performance was adversely affected by a \$61.3 million reduction in prepaid superannuation balances. Excluding the movements in superannuation balances, the Office of Government Procurement and the Office of Government Business achieved a profit of \$8.4 million.

During 2002-03, the Office of Government Procurement and the Office of Government Business delivered significant cost savings to Government through asset management and procurement activities.

Managing State Assets

Asset management activities during 2002-03 delivered savings in the order of \$100 million to Government through:

- cooperative contracting approaches and reduced contract variation costs;
- improved procurement risk management and reduced construction costs on \$600 million worth of Government projects;
- dispute resolution expertise;
- innovative procurement in the development of Walsh Bay, Government Office accommodation in Parramatta, Eastern Creek Dragway and Business Park, and the Perisher Valley Village redevelopment;
- innovative and coordinated disposal methods used in its assets disposal program; and
- innovative land acquisition processes for major infrastructure projects, including the Parramatta Rail Link.

Better Procurement

Commerce, on behalf of the State Contracts Control Board, the state's central procurement and contracting authority delivered overall savings in excess of \$500 million to government in 2002/03. This was done through procurement arrangements for goods and services achieving price reductions of up to 50% compared to market price, in addition to savings in staffing resulting from reduced duplication in tendering and contract administration across government.

Supporting Government Reform

The Department of Commerce delivers annual cost savings in excess of \$100 million to Government in areas such as total asset management, construction industry development and the Government Office Accommodation Reform Program.

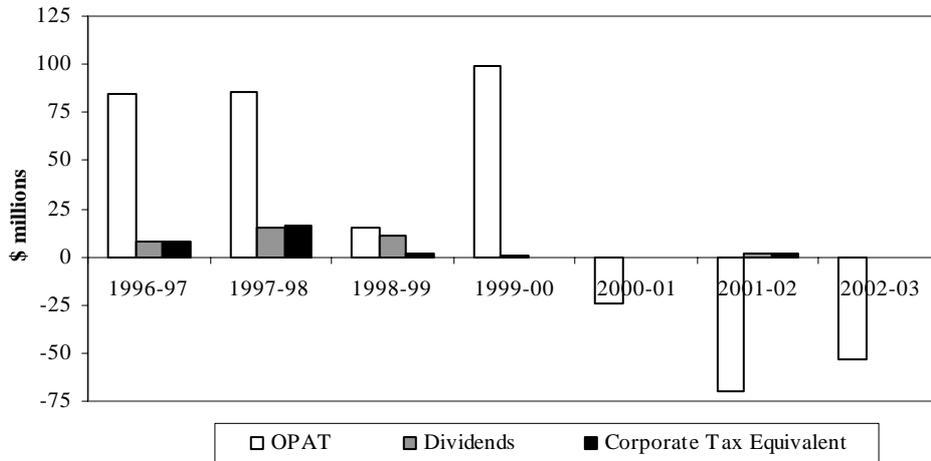
OFFICE OF GOVERNMENT PROCUREMENT AND OFFICE OF GOVERNMENT BUSINESS

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency	1							
Employment		2,511	2,366	2,573	2,516	2,416	2,469	2,540
Total Expenditure (\$'000)		367.4	368.1	379.3	417.6	410.1	481.8	497.1
Revenue per Employee (\$000)		154.9	164.3	148.9	166.0	160.0	167.3	174.8
Hours Lost to Industrial Disputes								
Per Employee		0.0	0.0	0.0	0.0	0.1	0.0	0.0
Total (\$'000)		0.0	0.0	0.0	0.0	2.5	0.0	0.0
Average Days Sick Leave per Employee		6.0	6.7	6.8	6.1	7.0	7.3	6.8
Service								
No. of Construction Contracts Let > \$0.25M		335	311	285	297	275	291	302
Total No. of Construction Contracts Let		1,231	909	784	810	783	973	985
Goods and Services Period Contracts (\$M)		1,458	1,496	2,419	2,532	2,426	2,584	2,894
No. of Goods and Services Period Contracts		437	386	433	400	388	393	337
No. of Vehicles Leased by Statefleet		13,047	14,952	23,166	23,425	23,879	24,681	24,727
Financial Performance (\$M)	1							
EBIT		82.3	93.9	11.1	95.4	-24.4	-69.2	-54.5
Operating Profit After Tax		84.4	86.1	15.3	99.5	-23.7	-69.9	-52.9
Significant Items		66.3	57.8	12.7	99.2	-30.4	-83.2	-61.3
Revenue		389.2	388.8	383.3	415.5	386.3	413.2	444.2
Return on Assets (%)		14.2	12.9	2.3	11.7	-3.2	-9.8	-8.8
Return on Equity (%)		28.6	24.7	4.4	22.2	-6.0	-22.3	-20.4
Asset Base	2	594.3	668.6	661.5	846.8	740.9	713.3	604.0
Asset Sales		10.2	10.4	3.8	0.6	2.0	2.1	2.2
Financial Distribution to Government		15.2	30.8	12.2	0.6	0.0	3.1	0.0
Dividends		7.4	15.0	10.7	0.6	0.0	1.7	0.0
Corporate Tax Equivalent		7.9	15.8	1.5	0.0	0.0	1.3	0.0
Gross External Debt		298.4	320.3	313.9	399.9	343.9	399.6	345.4
Gearing Ratio (Debt/Assets) (%)		50.2	47.9	47.4	47.2	46.4	56.0	57.2
Government Funded Services		45.9	72.6	61.5	36.6	36.3	41.8	30.2

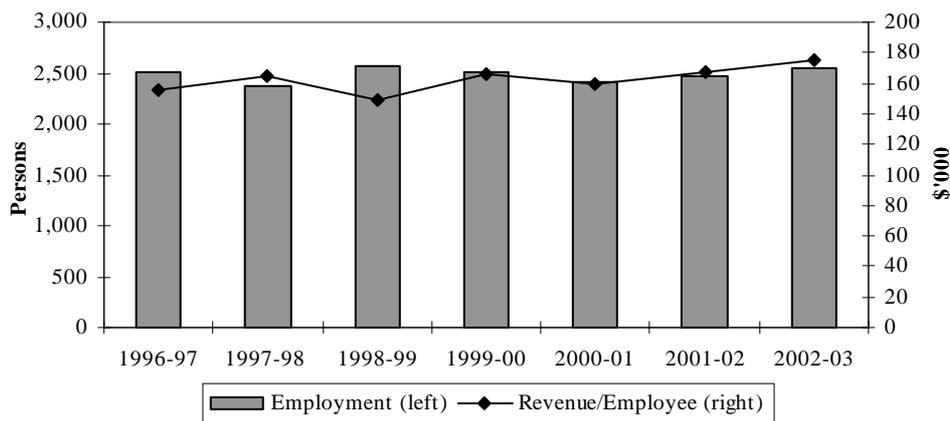
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Asset base for 2002-03 has decreased compared to the previous year mainly due to a reduction of \$61.3 million in prepaid superannuation balance. The reduction in the balance is attributed to a combination of increase in the superannuation liability and a decrease in reserve balance.

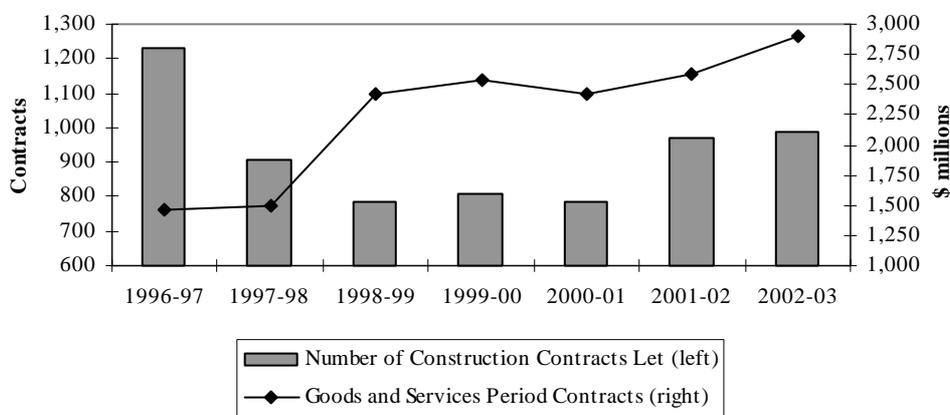
OPAT and Financial Distribution (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service (2002-03 dollars)





Mr Doug Falconer
Acting Chief Financial Officer
DEPARTMENT OF HOUSING
Level 3, 223-239 Liverpool Rd
ASHFIELD NSW 2131
(02) 8753 8818

DEPARTMENT OF HOUSING

The Department of Housing provides housing assistance to people who have difficulty affording a place to live – particularly people with special needs.

The Department provides housing assistance to both public and community housing clients through the provision of short and long term accommodation. The Department manages nearly 141,900 rental properties. This includes more than 129,000 public housing properties and 12,000 community housing properties. These properties are rented at subsidised rates, with an average annual rebate of \$4,282 per property. The Department also manages more than 4,000 properties on behalf of the Aboriginal Housing Office, on a fee for service basis.

During 2002-03 the Department housed 10,462 new applicants in public housing, with 37% being priority applicants. The Department also rehoused 4,469 existing clients into accommodation more appropriate to their needs.

The Department maintains a waiting list for applicants for public housing, although applicants can also choose to nominate for community housing. In 2002-03, the number of households on the list decreased by 11.8%.

In addition to the provision of short and long term accommodation, the Department provides rent assistance to eligible low-income clients in the private rental market.

In 2002-03, the Department provided 48,953 grants to assist 36,544 households through the RentStart program, at a cost of \$24 million. This program assists people into Temporary Accommodation as well as assisting them with private rental start-up costs, such as bonds.

The Department also supplied 1,779 private rental subsidies to people with either HIV/AIDS or a physical disability, at a cost of \$10.5 million.

The Department funds its operations through rental income and a capital contribution through the Commonwealth-State Housing Agreement.

In 2002-03, rental income (after rental subsidies) increased by 3.05% to \$489.1 million. The Department did not receive any additional budget support through enhancement funding. This compares to 2001-02 when it received \$105 million for deferred maintenance along with a \$25 million working capital injection.

Total expenditure by the Department in 2002-03 increased by 8.2% to \$1,064 million. This includes:

- increased expenditure of \$34.0 million on maintenance, in line with the Department's maintenance strategy to bring properties up to a maintained standard; and
- increased provisions of \$13.0 million (\$7.0 million in leave provisions and \$6.0 million in other provisions), to meet the requirements of new accounting standards.

The net impact in 2002-03 of reduced funding and increased expenditure was a \$17 million loss.

During 2002-03 the Department commenced the operation of *NSW businesslink*. This business unit of the Department provides corporate services to three Government agencies, including the Department of Housing. The establishment of *NSW businesslink* saw the Department's establishment grow by 598.

Also during 2002-03 the Department negotiated a new Commonwealth-State Housing Agreement, to cover the period 2003-04 to 2007-08. Funding under the Agreement will be indexed to CPI for the first time.

Work continued in 2002-03 on looking at the viability of the Department and on its range of products and services. This work will carry forward into 2003-04, to help ensure the Department can continue to supply appropriate housing assistance to people in NSW on low incomes.

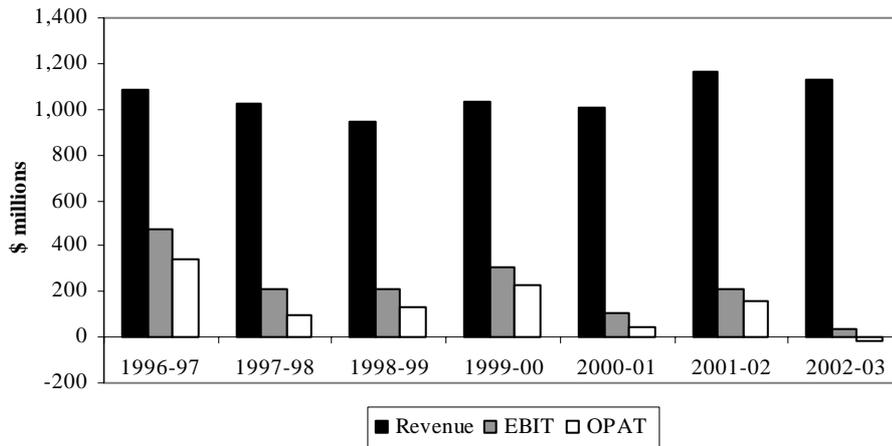
DEPARTMENT OF HOUSING

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency	1							
Employment	2	2,289	2,129	2,260	2,266	2,255	2,302	2,195
Work Contracted (\$M)	3	462.5	485.8	581.3	544.6	532.8	559.9	448.7
Dwellings per Housing Employee	4	58.4	63.1	59.3	61.5	62.0	60.0	64.6
Admin Expenditure (\$M)	5	177.8	187.1	177.4	189.0	214.5	224.1	219.6
Admin Exp per Employee (\$'000)		77.6	87.8	78.4	83.6	95.1	97.3	100.0
Service	1							
Dwellings Completed	6	2,045	1,534	1,979	1,763	1,323	1,083	794
Dwellings Under Management	7	133,714	134,300	133,950	139,345	139,720	141,105	141,876
Rental Rebates (\$M)		754.4	767.9	758.6	711.6	608.9	643.8	607.5
Rental Rebates Granted/Rent Raised (%)	8	56.5	57.4	58.6	58.8	55.8	56.9	55.4
Public Tenant Appeal Lodged/Tenancies (%)	9	1.1	1.4	1.2	1.5	2.5	2.6	2.3
Households on Waiting List		94,797	96,707	97,037	98,337	96,075	90,926	80,188
New Public Housing Tenancies		11,588	10,094	9,284	10,562	12,098	11,312	10,462
Real Price Index	10	89.4	87.9	85.0	87.2	89.2	89.2	81.4
Finances (\$M)	1							
EBIT	11	470.5	209.8	207.0	303.4	108.5	213.2	35.1
Operating Profit Before Tax	11	345.5	95.4	128.0	230.6	41.5	156.2	-17.0
Significant Items	12	55.9	7.1	14.9	76.5	0.0	-37.7	-39.1
Revenue	13	1,084.0	1,020.5	943.0	1,032.7	1,003.0	1,168.0	1,126.1
Return on Total Assets (%)	14	0.8	4.5	3.4	1.5	0.6	1.1	0.1
Return on Shareholders' Funds (%)		2.6	0.7	0.9	1.3	0.2	0.9	0.1
Asset Base	15	16,352	16,213	16,354	20,198	19,039	18,767	26,174
Asset Sales	16	59.6	101.1	80.7	131.8	98.8	166.8	133.1
Gross External Debt	17	2,492.1	2,164.7	1,918.8	1,788.5	1,443.1	1,402.2	1,303.9
Debt/Equity (%)	18	16.5	13.2	12.7	9.6	7.9	7.8	5.1
Gearing Ratio (Debt/Assets) (%)	19	14.1	12.1	11.8	8.9	7.6	7.5	5.0

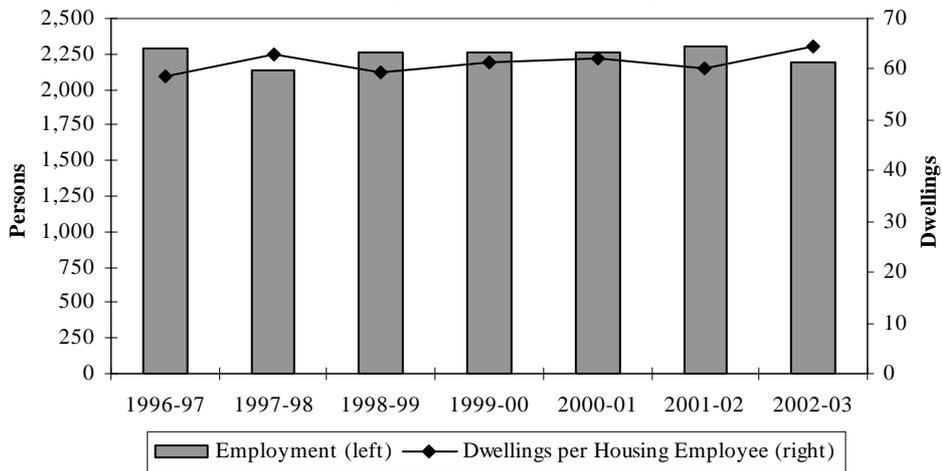
Notes:

- 1) All dollar amounts reported in 2002-03 dollars.
- 2) Represents equivalent full time (EFT) staff - permanent and temporary. The 2002-03 figure excludes 598 *NSW businesslink* staff.
- 3) Represents contractor costs associated with capital works, capital improvements and repairs and maintenance to residential properties.
- 4) Represents dwellings managed at 30 June per EFT.
- 5) Represents employee related and administrative expenses. It excludes significant items (See Note 11 below). The 2002-03 figure excludes the relevant expenses attributable to *NSW businesslink*.
- 6) The reduction in the number of dwellings completed is expected to be a continuing trend while the Department invests its capital funding to improve current stock.
- 7) Includes dwellings across all program areas (both owned and head leased in the private sector), some of which are managed by community organisations on behalf of the Department.
- 8) Represents rebates granted to tenants based on their income as a %age of rent charged before the rebates.
- 9) Represents number of first tier appeals received and Public Housing Committee appeals received as a %age of total tenancies.
- 10) Derived by Treasury from information supplied for the Government Charges Index.
- 11) Operating profit before tax represents results from ordinary activities. In 2001-02, the Department received \$105 million funding for expenditure to be incurred in 2002-03 to 2004-05. The Department also received \$25 million advanced funding in 2001-02. In 2002-03, the Department recognised one-off accounting adjustments to the value of \$13.1 million due to the implementation of new/revised accounting standards. In addition, a superannuation funding position write down of \$26 million was also recognised. EBIT represents operating profit before tax, net of \$52 million interest expense.
- 12) Relates to the movement in the Department's superannuation funding position and changes in accounting policy due to the implementation of new/revised accounting standards on employee benefits for annual leave and long service leave and future liability to refurbish head leased properties.
- 13) Represents rent before rental subsidies and management fees from tenancy and project management activities.
- 14) Represents %age of EBIT to total assets. Total assets have increased significantly in 2002-03 due to the revaluation of the Department's property portfolio. This increased the asset base by approximately \$8 billion.
- 15) The revaluation of the Department's property portfolio as mentioned in Note 14, increased land values by \$7.6 billion and building values by \$0.4 billion.
- 16) Represents net proceeds from sale of residential and commercial properties and vacant land.
- 17) Represents mainly loans payable by the State to the Commonwealth which has been apportioned to the Department, loans payable to the Treasury Corporation under the Commonwealth matching grant arrangements and loans payable to the State.
- 18) Represents non-current interest bearing debt as a %age of total equity.
- 19) Represents total loans payable as a %age of total assets.

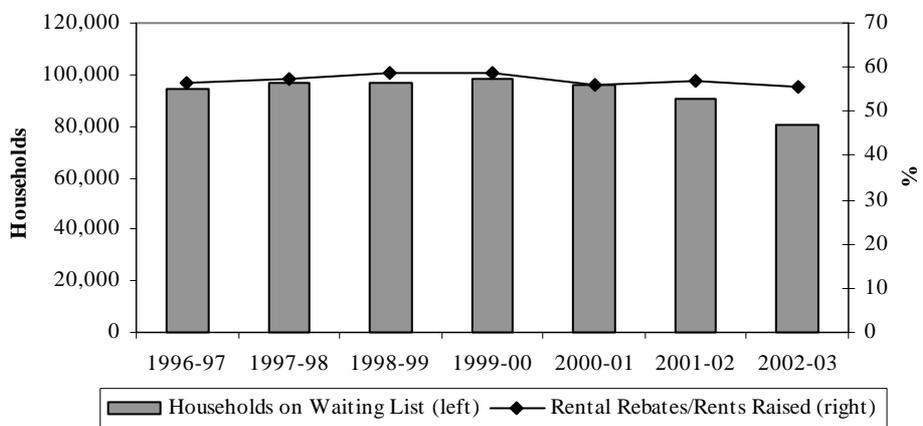
Revenue and Earnings (2002-03 dollars)



Employment and Efficiency



Service Delivery



Department of Lands



LAND AND PROPERTY INFORMATION NSW

Mr Neville Hind
Principal Business Analyst
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(02) 9236 7615

Land and Property Information NSW's (LPI) mission is to maintain and provide access to authoritative information on land and property that meets the basic needs and expectations of its customers and provides value to its stakeholders.

As a Government Business Enterprise, LPI:

- sources information from organisations and individuals to compile maps, databases and registers of land and property information including information on locations, parcel descriptions, values, ownership, restrictions and financial interests;
- provides services to the Registrar General, the Surveyor General and the Valuer General who have responsibilities for administering various Acts of Parliament related to land administration including the *Conveyancing Act 1919*, the *Real Property Act 1900*, the *Survey Coordination Act 1949*, the *Surveyors Act 1929* and the *Valuation of Land Act 1916*;
- administers the systems which support the State guarantee of Torrens title;
- makes information available to the public and organisations for conveyancing, historical research, land development, and land management purposes, for state economic and social development and for planning and providing government services to the community; and
- licenses, sells, exchanges or gives the data it collects to organisations or individuals, to facilitate the above purposes.

LPI's information datasets are of significant value to a wide range of private sector and Government customers who require information to manage their businesses and plan and deliver services to the NSW community. Information infrastructure also provides a vital tool to assist in emergency and event management.

During the year LPI issued 2.3 million valuations to the Office of State Revenue and 785,755 valuations to local councils, responded to 70,281 survey enquiries and searches, prepared 96 new topographic maps, updated 82,110 land parcels in the cadastral database and took 9,357 aerial photographs.

Due to high levels of activity in the property market, LPI handled a record number of land related transactions in 2002-03. LPI registered 1 million documents and provided 4.3 million copies of title documents in 2002-03, an increase of 2.5% and 14% respectively on the previous year. After adjusting for inflation, these high volumes resulted in revenue increasing from \$128 million in 2001-02 to \$140 million in 2002-03.

Despite the high levels of activity, LPI's staff levels decreased over the past year with average staff levels falling by 1.1% from 923 in 2001-02 to 913 in 2002-03.

After adjusting for inflation the 2002-03 operating loss was \$14 million compared with the \$0.5 million loss the year before. The loss in both years is due to significant items. In both 2001-02 and 2002-03, superannuation was at abnormally high levels, being \$33.8 million and \$30.1 million respectively. In addition, in 2002-03 changes in accounting standards resulted in LPI's heritage building being devalued by \$20.9 million and provisions for long service leave and annual leave being increased by \$6 million.

After adjusting for inflation, total expenses rose from \$128.5 million in 2001-02 to \$154.4 million in 2002-03. Excluding significant items, total expenses rose from \$94.7 million in 2001-02 to \$97.5 million in 2002-03.

In 2002-03, LPI received enhanced funding (\$9.9 million) to perform the following activities on behalf of the Government:

- coordinate and maintain the survey mark system (\$4.75 million);
- maintain the State's topographic and cadastral spatial information (\$3.8 million);
- improved valuations, which mainly relate to the provision of premium property valuations (\$0.9 million); and
- maintain a register of place names (\$0.5 million).

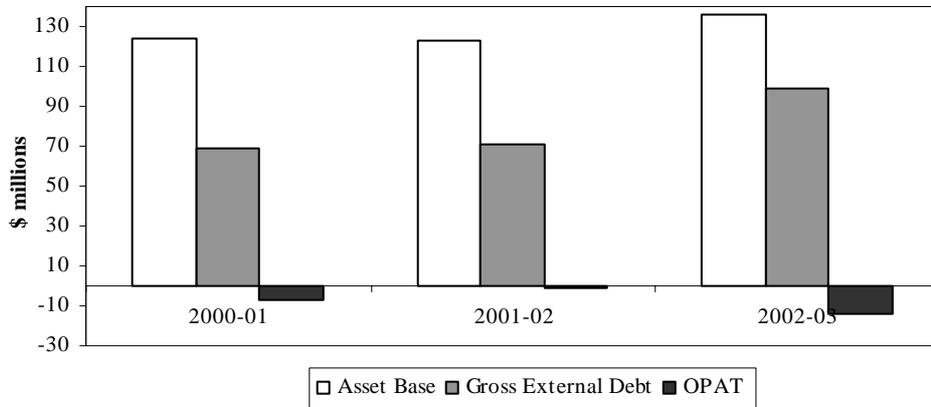
LAND AND PROPERTY INFORMATION NSW

	Notes	2000-01	2001-02	2002-03
Efficiency	1			
Employment	2	955	923	913
Output per Employee				
Document Registrations		6,016.5	7,821.9	7,589.5
Plan registrations		122.7	100.4	106.7
Title Copies		31,474.2	55,481.8	61,947.3
Valuations		23,133.6	23,347.5	22,965.3
Surveys (enquiries or searches)		942.2	963.3	1,049.0
Topographic Maps-Presentation		1.8	2.4	2.2
Cadastral Map-Parcels Updates		3,010.0	3,078.1	2,952.5
Aerial Photographs		661.7	395.2	445.6
Service				
Searches by remote access (%)		66.8	71.2	81.6
Dealing Registrations (Ave No Days)				
Manual Titles		1.5	5.0	5.0
Auto Titles		1.0	3.0	3.0
Plan Registrations (% within <=12 Days)				
Deposited Plans		79.1	87.8	55.0
Strata Plans		97.8	99.3	97.0
Land Title information (Ave Response Time)				
Plans (min)		35	40	35
Dealings (min)		25	30	35
Surveys (new marks stored in SCIMS)		4,373	6,656	6,981
No. of Councils using DCDB		134	137	149
No. of Councils using DTDB		101	111	116
Finances (\$M)	1			
EBIT		-6.8	-0.5	-14.0
Operating Profit After Tax		-7.2	-0.9	-14.3
Significant Items	3	20.4	33.8	56.9
Revenue		113.8	127.7	140.1
Return on Assets (%)		-5.5	-0.5	-10.3
Return on Equity (%)		-13.2	-1.8	-38.8
Asset Base		123.5	122.8	135.8
Asset Sales		0.0	0.0	0.0
Financial Distributions				
Corporate Tax Equivalent		0.0	0.0	0.0
Dividend		0.0	0.0	0.0
Gross External Debt		69.3	71.1	98.9
Debt to Equity Ratio (%)		128.0	140.0	268.0
Gearing Ratio (Debt/Assets) (%)		60.0	60.0	72.8
Times Interest Earned		-20.2	-1.8	-46.7
Social Program		1.0	0.9	9.9

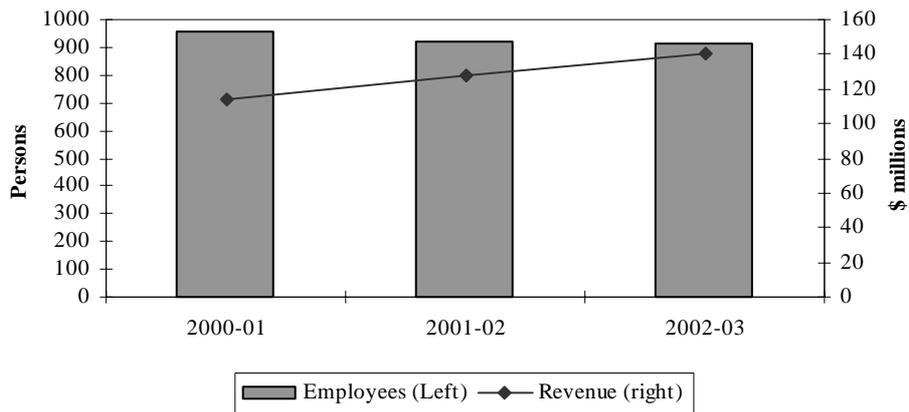
Notes:

- 1) All dollar amounts reported in 2002-03 dollars.
- 2) Average Equivalent Full Time (EFT) Staff.
- 3) Significant Items includes Superannuation, Asset Revaluation and Long Service Leave provisions.

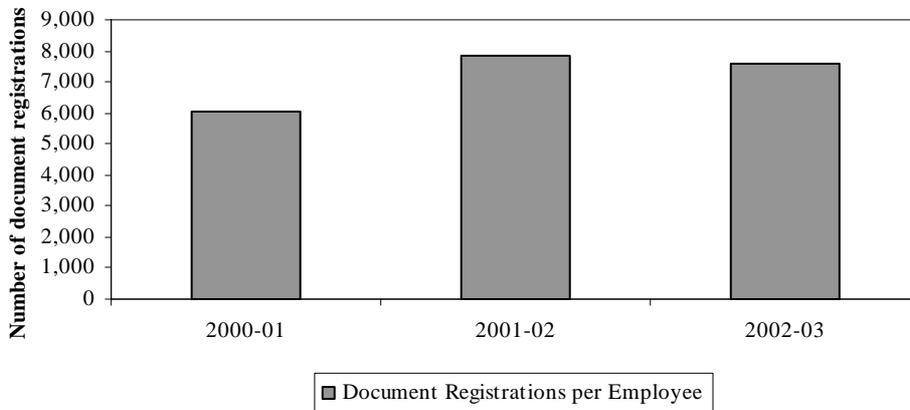
Assets, Debt and OPAT (2002-03 dollars)



Employment and Revenue (2002-03 dollars)



Output per Employee





We all get a lot out of lotteries

Mr Brian McIntyre
Director Finance
NSW LOTTERIES
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(02) 9752 5500

NSW Lotteries is the largest operator of lottery games in Australia. Its product portfolio comprises the Lotto-style games of *Lotto*, *Lotto Strike*, *OZ Lotto* and *Powerball* together with *Instant Scratchies*, *Lucky Lotteries* and *6 From 38 Pools*. The products are sold generally throughout NSW and the Australian Capital Territory through a retail distribution network consisting of almost 1600 small businesses.

In its 72nd year of trading, the Corporation delivered another year of record sales – the twelfth out of the last thirteen financial years. Sales totalled \$1,047.7 million (excluding GST and retailer commission), which was \$68.8 million above the previous year's result (or 4% in real terms). The strength of this result improves the Corporation's shareholder value and ensures that NSW Lotteries continues to be the largest lottery operator in Australia. In the most recent Business Review Weekly's Top 1000 Australian companies list, the Corporation ranked 177 among the country's largest public and private sector enterprises.

Total duties of \$276.2 million were paid to the NSW Government. Tax equivalent payments and dividends of \$53 million were well above expectations. Included in this amount was a Special Dividend of \$10 million. As a result, the Corporation's overall contribution to Government totalled \$329.2 million. For their efforts in promoting the Corporation's games and providing excellent service to customers, the various small businesses comprising the Corporation's selling network earned a record \$71.1 million in retailer commission from the sale of NSW Lotteries' products. This represented an 11% increase in real terms on the record commissions of last year.

During 2002-03, the Corporation continued to face challenging market conditions due to a range of factors. The most prominent factors continue to be the general maturity of the Corporation's portfolio of games and the associated retention of the already high participation rates of players. These allow a limited potential for expanding the customer base and growing sales. In addition, the business is challenged by ever-increasing competition from the extensive and growing range of gaming and gambling choices on offer in NSW.

The Corporation's achievements were attained in the most competitive market in Australia and would not have been possible without a strong marketing and promotional program, aided by a number of extremely favourable jackpot runs in the *Powerball* game, a record jackpot run for the *\$2 Jackpot Lottery*, and major growth in Saturday *Lotto*. In addition, enhancements to the NSW Lotteries' online gaming system began to realise their full potential during the year. These enhancements included new entry options for players which proved to be very popular, particularly for major prize draws. The Corporation's retail network also became increasingly more confident in the use of the online system, obtaining benefits for their individual businesses whilst contributing to the Corporation's achievements. This was clearly reflected in the outstanding results achieved in an agent satisfaction survey which indicated that 91% of retailers were satisfied to extremely satisfied with the sales and support services provided by NSW Lotteries.

In the face of growing competition, the major challenge for the Corporation is to maintain its financial achievements so that acceptable rates of return continue to be produced. This will be accomplished by the Corporation maximising its sales potential and continuously improving its business efficiency. Experience has shown that while the enhancement of existing games is an important element of the business, the identification, development and launching of attractive new games and services, in a socially responsible manner, is a major priority to ensure the Corporation's continuing success.

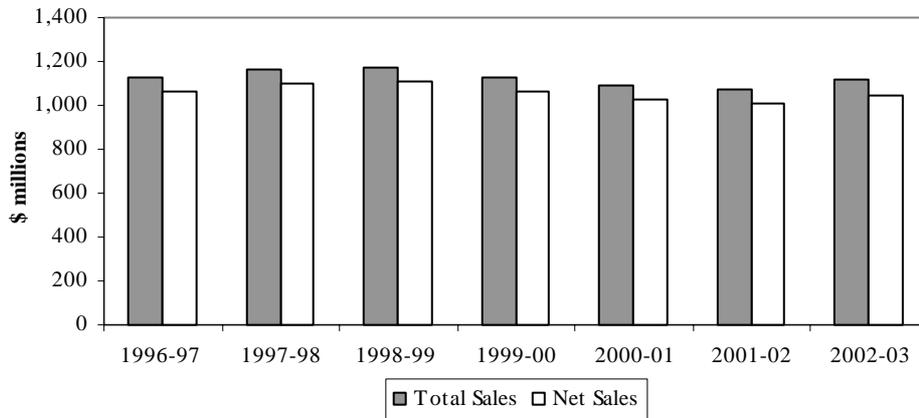
NSW LOTTERIES

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency								
	1							
Employment		235	222	209	203	205	201	195
Total Sales per Employee (\$M)		4.8	5.3	5.6	5.5	5.3	5.3	5.7
Days Lost for Sick Leave per Employee		6.5	5.3	6.4	6.1	7.2	6.1	5.5
Days Lost for Workers Compensation for Employee		0.5	0.3	0.6	0.3	0.3	0.3	0.6
Service								
Total Sales per Capita		240.6	245.0	243.8	234.9	224.8	218.5	228.2
No. of On-Line Agents		1,422	1,417	1,414	1,413	1,408	1,412	1,426
No. of Instant Only Agents		290	249	229	219	201	191	168
On-Line System Uptime (%)		99.97	99.99	99.99	100.00	99.96	99.99	99.99
Financial Indicators (\$M)								
	1							
Total Sales	2	1,130.9	1,165.8	1,175.8	1,127.4	1,090.3	1,071.0	1,118.2
Agent Commissions		64.3	65.9	66.3	63.0	63.3	64.3	71.1
Net Sales	2	1,066.6	1,099.9	1,109.4	1,064.4	1,027.0	1,006.7	1,047.7
Prize Payments		654.6	674.7	681.0	652.3	653.9	640.9	666.8
Return on Shareholders' Funds (%)	3	60.8	79.9	75.1	61.3	69.6	77.4	90.3
Return on Corporate Assets (%)	4	39.5	41.6	39.9	36.6	35.7	38.0	43.7
Financial Distributions								
Dividends		23.5	16.6	19.6	16.4	26.8	30.4	34.5
Tax Equivalents		6.6	17.1	16.1	14.6	13.8	15.7	18.5
Government Duties	2	311.6	318.3	319.1	313.8	268.5	264.8	276.2

Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Excludes GST.
- 3) Return based on profit before items previously referred to as "abnormal" items and income tax equivalent. Return on shareholder funds is increasing due to: increasing profitability with higher sales and reduced expenses; and static or lower Shareholder funds due to payment of special dividends.
- 4) Relates to assets of the Corporation excluding prize funds.

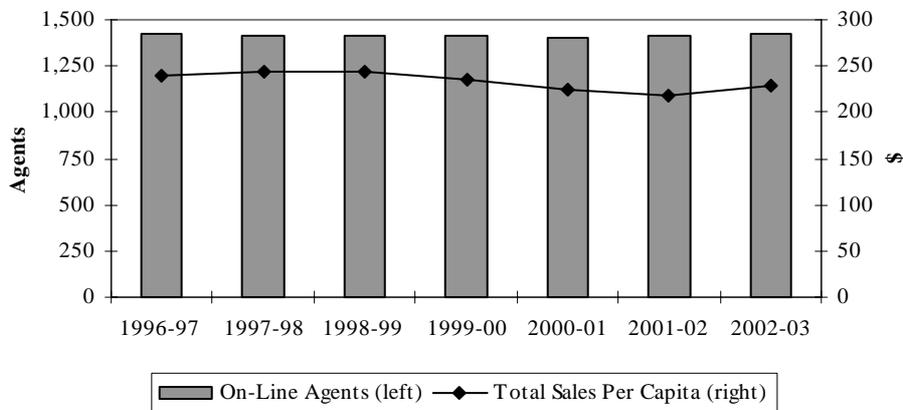
Revenue (2002-03 dollars)



Employment and Efficiency (2002-03 dollars)



Service (2002-03 dollars)





Mr Brad McCartney
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STATE FORESTS
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State Forests is responsible for sustainably managing more than two million hectares of public native forests and an expanding estate of hardwood and softwood planted forests. State Forests' goal is to manage the forests under its care to provide the widest range of benefits to present and future generations of people in NSW.

State Forests' operating performance declined slightly over the previous year due primarily to the severe fire season experienced throughout the State. Expenditure on fire fighting and fire prevention was exceptionally high for a season considered to be the worst in 100 years. Pleasingly, the actual damage to State Forests managed plantations and native forests was minimal. Strong demand for structural timber continued in 2002-03, driven by low interest rates and a stronger than anticipated housing construction sector.

Financial Performance

The decline in Operating Profit (pre-significant items) to \$21.7 million in 2002-03 saw the high cost of fire management incurred during the year offset increased sales of timber, particularly softwood timber. Significant increases in total revenue reflected the increasing use of State Forests managed harvesting operations. Significant items of -\$9.5 million related primarily to the revaluation of Self-generating and Regenerating Assets (+\$57 million), losses incurred by superannuation funds (-\$15.1 million) and the write down of forest road assets (-\$56.4 million).

Environmental Services

State Forests has continued to develop its ability to provide environmental services. These services are linked to the community's desire to address environmental issues, including global warming, salinity and declining biodiversity.

Interest in carbon sink investments in NSW continues despite the risk that carbon credits generated will not be valid against Kyoto commitments while Australia does not ratify the Protocol. Negotiations are well advanced with two international organisations that are keen to invest in one of the few activities available worldwide that produces triple bottom line outcomes, including a real rate of return.

State Forests is also examining opportunities for new planted forests for carbon sinks as a risk management strategy for electricity generators and retailers. This includes opportunities for links with mine site management and rehabilitation.

Future Outlook

Commentators forecast a decrease in dwelling commencements for 2003-04. This correction is expected to have negative consequences for structural sawlog timber volumes in particular. Moderating this correction are strong levels of demand in the alterations and additions sector. Despite the forecast decrease in demand for structural timber, an improved financial performance is forecast for the coming year due to lower levels of operating expenditure.

Despite uncertainty over the Kyoto Protocol, leading corporations are maintaining the commitment to measuring business performance in terms of environmental and social outcomes in addition to financial results. In addition to the traditional returns from timber products, this will generate opportunities for State Forests in carbon sequestration and salinity control.

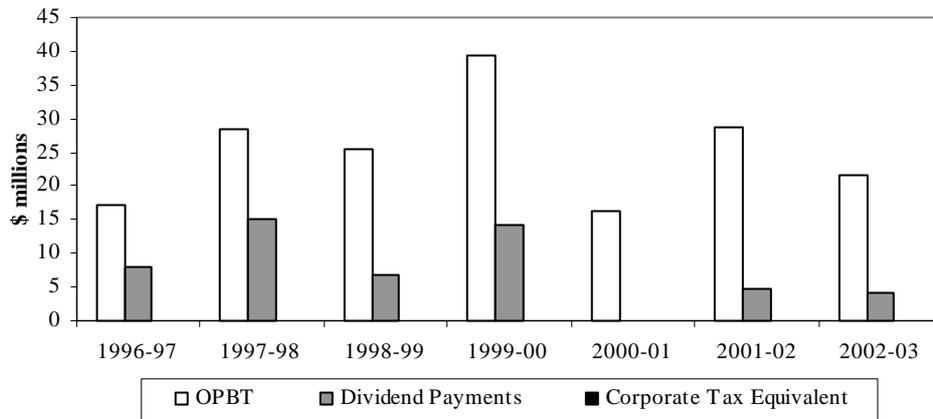
STATE FORESTS NSW

	Notes	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
Efficiency	1							
Employment		1495	1423	1392	1196	1169	1117	1146
Total Revenue Per Employee (\$'000)		97.7	111.3	125.8	159.2	146.8	167.6	191.5
Timber Sold Per Employee:								
Sawlogs Including Pine Sawlogs (000 m ³)		1.3	1.5	1.5	2.2	1.8	2.2	2.3
Pulp Including Pine Pulp (000 Tonnes)		0.7	0.8	0.8	1.0	1.1	1.3	1.3
Forests Managed Per Employee (ha):								
Pine/Hardwood Plantations		139.1	145.5	151.6	171.4	196.6	210.6	207.3
Other Forests		1867.6	1962.8	2003.6	2358.7	2244.8	2331.9	2215.3
Employee Safety:								
Lost Time Injuries	2	47.0	44.0	33.0	31.0	42.0	36.0	40.0
Frequency Rate	3	19.0	17.4	13.9	14.2	18.6	16.4	18.1
Service								
State Forest Managed (000 ha):								
Pine/Hardwood Plantations		208	207	211	205	230	235	238
Other Forests		2792	2793	2789	2821	2624	2605	2539
Timber Production:								
Sawlogs (000 m ³)		1993	2181	2149	2593	2101	2483	2611
Pulp (000 Tonnes)		1107	1156	1129	1222	1328	1460	1522
Total Pine Plantations Planted (ha)		6200	6067	5693	5505	5021	4183	6716
Total Hardwood Plantations Planted (ha)		5000	7500	4000	5300	8584	3198	1641
Finances (\$M)	1							
EBIT		17.2	28.3	25.5	39.4	16.2	28.6	21.7
Operating Profit Before Tax	4	17.2	28.3	25.5	39.4	16.2	28.6	21.7
Operating Surplus Before MVI	5	-38.1	31.8	11.9	28.4	41.9	13.2	-7.4
Significant Items	6	120.7	-51.9	-10.5	85.5	-89.1	31.0	-9.5
Total Revenue		146.1	158.4	175.1	190.4	171.6	187.2	219.5
Return on Total Assets (%)		0.9	1.5	1.4	2.1	0.7	1.2	0.9
Return on Equity (%)		1.1	1.9	1.8	2.6	0.8	1.4	1.1
Financial Distribution								
Corporate Tax Equivalent	7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend		7.9	15.1	6.9	14.2	0.0	4.8	4.2
Total Assets		1875.4	1887.0	1850.8	1895.6	2446.1	2425.6	2360.7
Total Liabilities		352.0	381.6	409.6	376.8	421.4	420.6	457.1
Total Equity		1523.2	1505.4	1441.2	1518.8	2024.7	2005.0	1903.6
Interest Bearing Debt		114.1	133.6	145.2	141.9	146.6	137.1	135.6
Current Assets		132.2	92.5	95.9	85.7	61.4	42.2	49.1
Current Liabilities	8	73.7	84.7	79.6	73.3	60.5	52.7	78.2
Gearing Ratio (Debt/Assets)		6.1	7.1	7.8	7.5	6.0	5.7	5.7
Debt to Equity (%)		7.5	8.9	10.1	9.3	7.2	6.8	7.1
Total Liabilities to Equity (%)		23.1	25.4	28.4	24.8	20.8	21.0	24.0
Current Ratio		1.8	1.1	1.2	1.2	1.0	0.8	0.6
Times Interest Earned		13.9	-2.7	1.6	3.9	1.9	3.2	2.6

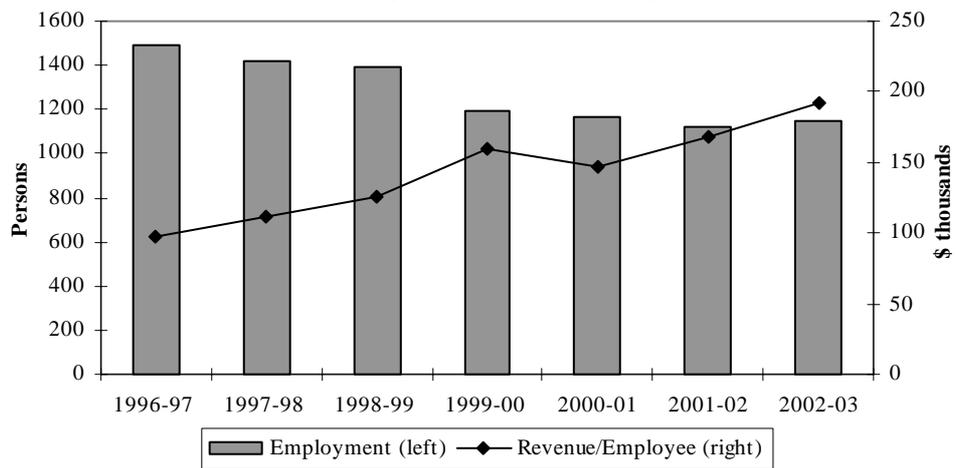
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Number of work injuries which resulted in employees being unable to work for at least one full day (or shift) after the day (or shift) on which the injury occurred.
- 3) An index to illustrate the number of Lost Time Injuries divided by the hours worked in the period times a million.
- 4) Interest expense is capitalised and utilised for the acquisition of land and establishment of plantations.
- 5) MVI: Market Value Increment.
- 6) Significant items represent: SGARA valuation increments and decrements (+\$57 million in 2002-03) (MVI), movement in employee superannuation fund accounts (-\$15.1 million in 2002-03) and items of a significant nature treated as abnormal prior to amendments in Australian Accounting Standards in the 2000-01 year, including the write down of forest road assets (-\$56.4 million in 2002-03). The introduction of AAS 35 Self-generating and Regenerating Assets requires both native forests and plantations to be valued at input market value each year. The negative significant items in years 1997-98, 1998-99, 2000-01 relates to the downward valuation of the timber resource.
- 7) State Forests' significant expenditure on the establishment of plantation assets has resulted in the creation of deferred tax liabilities. The liability will be reversed as the plantations for which the deductions have been claimed are harvested. The movement in deferred tax liability for the year was \$26 million.
- 8) Liabilities increased as prior year asset super funds of \$3.5 million sustained a further loss and are now treated as a liability and movements in deferred tax liabilities as per note 6.

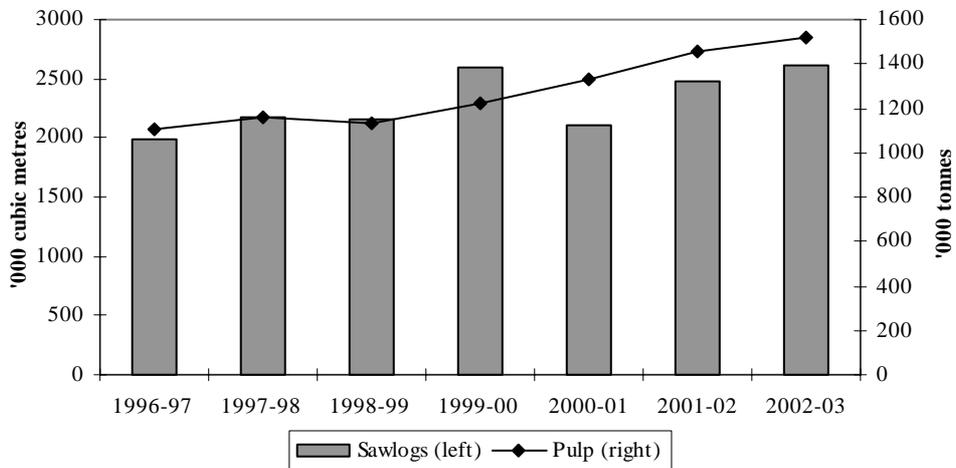
Earnings and Financial Distributions (2002-03 dollars)



Employment and Efficiency



Timber Production





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Chief Financial Officer
WASTE SERVICE NSW
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CHATSWOOD NSW 2067
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The Waste Recycling and Processing Corporation of NSW (trading as Waste Service NSW) commenced operation as a statutory State Owned Corporation on 1 September 2001 under the *Waste Recycling and Processing Corporation Act 2001*.

The principal functions of the Corporation are to:

- establish, maintain and operate waste facilities, secondary resource facilities and related facilities;
- conduct business or provide services relating to waste and secondary resource recovery;
- provide waste management services, secondary resource management services and related services;
- research, develop and implement alternative technologies for managing waste; and
- trade in waste and secondary resources.

Overview of the year

Waste Service NSW reported an operating profit before tax for the 12 months ended 30 June 2003 of \$13.4 million, an improvement of 38% in real terms on the 2001-02 result.

Waste Service has continued to consolidate on the changes introduced during the first year of corporatisation. These changes have delivered improved commercial and competitive expertise, a focus on developing marketable services, increased accountability for business line and facility profitability, more active management of operating contracts and stronger relationship management with key customers and stakeholders.

During the year, Waste Service NSW began repositioning its core business from predominantly landfill-based waste disposal to technology-based waste disposal. This step is in line with the NSW Government policy of waste minimisation and resource recovery. A public/private partnership was announced on 15 October 2002 with the world's first Urban Resource – Reduction, Recovery and Recycling facility expected to be fully operational by mid-2004. At full capacity this single plant will be capable of diverting 11% of Sydney's total putrescible waste from landfill which, in turn, will reduce greenhouse gas emissions.

Outlook

In 2003-04, the Corporation looks forward to being a world leader in the move towards new technology solutions to divert putrescible waste from landfills. Additional gas collection systems being installed at current landfill sites will generate increased electricity (green energy) and further reduce greenhouse gas emissions by utilising methane gas generated when putrescible waste decomposes.

Future strong financial results can be achieved in new and existing markets by leveraging Waste Service's expertise, infrastructure, experience and council relationships. Waste Service aims to maintain a significant share of the Sydney putrescible market in the medium term, continue reducing losses in the materials recycling facilities business and improve profitability in the green waste business. The introduction of alternate waste technology facilities aims to build on an already strong customer base.

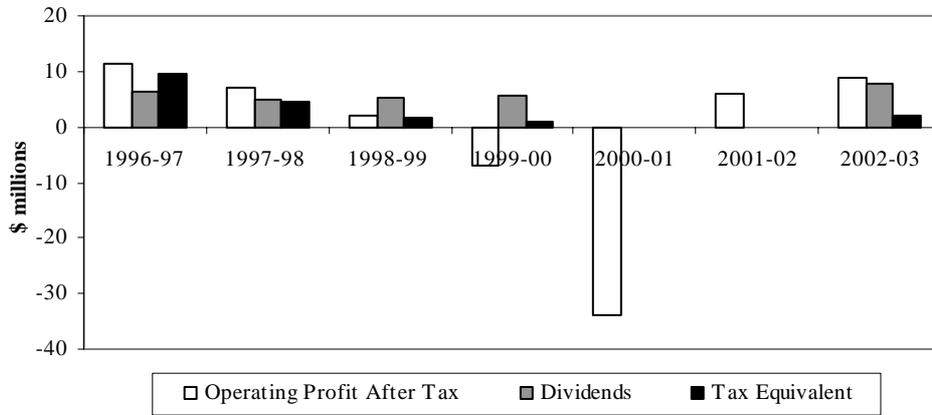
WASTE SERVICE NSW

	Notes	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Efficiency								
Employment	1	139	156	154	144	134	127	118
Output / Employee (\$000)	2	803.0	763.0	1,163.0	1,105.4	1,193.4	1,393.0	1,474.6
Landfill Utilisation (m ³ per tonne)	3	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Recycling Tonnes ('000)		116	108	172	195	224	177	222
Tonnes to Landfill (Mt)	4	1.7	1.8	1.9	2.1	2.3	1.9	1.7
Effectiveness								
Availability of Service								
Days Lost at Facilities		0	2	0	2	0	0	1
Ave Waste Charge Increase								
Solid		7.2	3.8	8.4	6.5	4.7	21.1	3.9
Liquid		4.2	3.8	4.0	4.5	5.0	7.9	2.8
Real Price Index								
Solid Waste		156.5	162.2	173.2	180.3	190.9	226.9	228.1
Liquid Waste		121.6	126.1	129.0	131.8	140.2	143.0	143.1
Financial Indicators (\$M)								
EBIT	1	21.0	19.3	15.5	7.0	1.9	12.2	16.2
Operating Profit Before Tax		17.8	13.0	4.0	16.9	-1.7	9.7	13.4
Significant Items		0.0	0.0	0.0	0.0	-46.7	0.0	0.0
Operating Profit After Tax		11.5	7.1	2.2	-7.0	-34.0	6.1	9.0
Revenue		106.9	123.4	137.2	154.4	198.3	151.6	174.0
Return on Assets (%)	5	15.2	8.7	4.6	9.7	1.4	4.7	7.8
Return on Equity (%)	6	16.8	9.1	2.9	9.1	0.0	14.2	14.2
Asset Base		158.9	178.7	194.7	203.5	202.4	210.6	208.6
Financial Distribution								
Dividend		6.5	4.9	5.4	5.6	0.0	0.0	7.9
Tax Payment		9.7	4.7	1.8	1.1	0.0	0.0	2.0
Gross External Debt	7	27.0	39.6	52.8	51.5	48.6	47.2	45.9
Debt / Equity (%)		22.4	34.0	52.5	42.5	78.8	73.6	72.3
Gearing Ratio (Debt/Assets) (%)		17.00	22.00	27.00	26.00	24.00	22.00	22.00
Credit Management - Days Outstanding		33	33	34	35	39	35	37

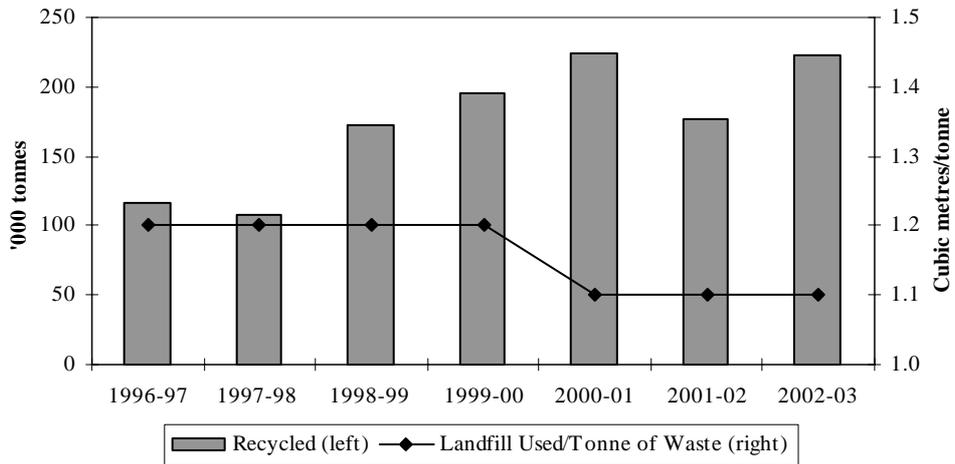
Notes:

- 1) All dollar amounts reported in terms of 2002-03 dollars.
- 2) Output per employee is based on revenue and staff employed in solid and liquid waste business lines.
- 3) Measures the volume of landfill required to accommodate a tonne of waste.
- 4) Waste Service NSW sites only.
- 5) Average operating assets.
- 6) Average equity.
- 7) The 1996-97 increase in debt reflects the higher than average capital works program, which is funded by borrowing.

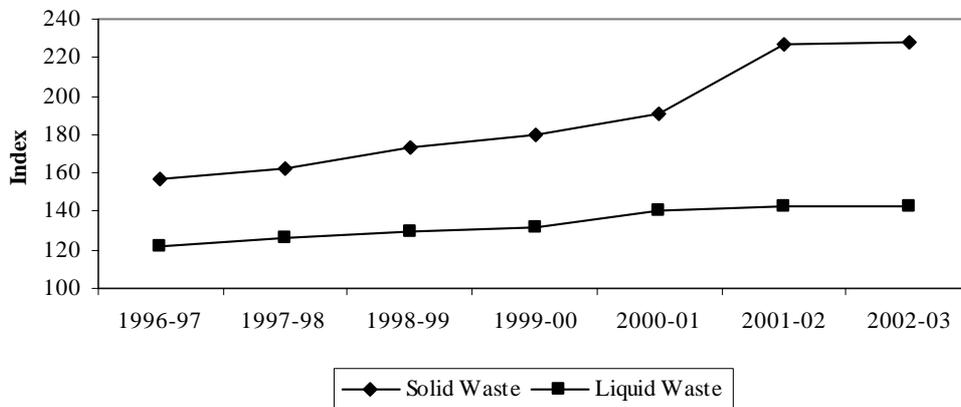
OPAT and Financial Distributions (2002-03 dollars)



Management of Landfill Capacity



Real Price Indices



10. GLOSSARY

BUSINESS TERMINOLOGY

GOVERNMENT BUSINESS

A Government business is a generic term that encompasses:

- Public Trading Enterprises;
- State Owned Corporations; and
- General Government businesses.

PUBLIC TRADING ENTERPRISE (PTE)

PTEs are public sector entities that are principally engaged in trading activities that be provided through the private sector without compromising the Government's social and economic objectives. PTEs raise the majority of their income from user charges.

PTEs have undergone "commercialisation" reforms to varying degrees. They have also addressed issues of competitive neutrality in input markets, although they may still operate in an environment that maintains legislative or regulatory barriers to competition, potentially preventing competitive neutrality in output markets.

STATE OWNED CORPORATION (SOC)

State Owned Corporations (SOCs) are corporatised Public Trading Enterprises. Corporatisation involves the establishment of a corporate governance structure which mirrors as far as possible that of a public-listed company, essentially creating an "arm's length" relationship between the SOC Board, management and shareholding Government. SOCs are incorporated under the State Owned Corporations Act 1989.

GENERAL GOVERNMENT BUSINESS

Refers to businesses that are not dependent on funding via taxes, fees or fines or dependent on other agencies that are directly or indirectly funded in this manner. Such agencies may often be self-sufficient due to external user charges forming their main source of revenue.

COMMERCIALISATION

Commercialisation refers to the processes undergone in the first stage of reforms that are aimed at increasing the efficiency of a Government business. These processes are essentially alterations to operational and management procedures in nature.

In general terms, these initial reform processes can be categorised as one (or a combination) of the following:

- Objective Clarification (including specification of regulatory or social objectives as distinct from commercial targets);
- Heightened Managerial Authority (ensuring key operational decisions are made by managers rather than imposed by external parties to avoid information asymmetry problems);
- Performance Monitoring (subjecting the business to rigorous financial performance assessment procedures); and
- Instituting Managerial Rewards & Sanctions (alleviating the likelihood of agency costs by more effectively aligning the objectives of shareholders and managers).

CORPORATISATION

Corporatisation refers to the second stage of reform aimed at improving the efficiency of Government businesses. It primarily involves the creation of a corporate structure typical of a publicly listed company, thereby further heightening the independence of management from the Government in its' shareholder capacity for day to day operational decisions. In addition to the completion of reforms in the four categories of commercialisation processes, competitive neutrality principles must be applied to remove inherent advantages and disadvantages of Government ownership prior to corporatisation.

State Owned Corporations are established under the *State Owned Corporations Act 1989*.

STATEMENT OF CORPORATE INTENT (SCI)

The Statement of Corporate Intent (SCI) can be likened to an annual contract between the shareholders and management of State Owned Corporations. The purpose is to enhance accountability for performance and provide the business with certainty as to the shareholders' expectations of financial performance.

The Statement contains, amongst other key matters, financial performance targets and the capital program for a four year period, along with the business plan and projected financial statements over a ten-year period.

SOCs are required to produce an SCI under Section 21 and 22 of the SOC Act and under the Government's Financial Monitoring Policy. Treasury provides SOC's with Guidelines for the Preparation of SCIs and SFPs.

STATEMENT OF FINANCIAL PERFORMANCE (SFP)

The Statement of Financial Performance (SFP) is equivalent to the Statement of Corporate Intent (SCI), but is for non-corporatised businesses rather than State Owned Corporations. For these businesses, the contract is between the Treasurer, Portfolio Minister, Chairperson and Chief Executive Officer.

Non-corporatised Government businesses are required to produce an SFP under the Government's Financial Monitoring Policy. Treasury provides Government businesses with Guidelines for the Preparation of SCIs and SFPs.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

Both debt holders and equity holders require a minimum rate of return that reflects the risk of the business. These minimum rates of return for debt and equity are weighted according to the amount of debt and equity capital invested, thereby establishing a Weighted Average Cost of Capital (WACC) for the business.

In establishing the WACCs for Government businesses, Treasury has formulated a consistent methodology across all Government agencies. The WACC calculation itself and other input variables have been standardised, although business specific input variables such as the equity beta and target gearing ratio are the subject of negotiation. Further detail is available in the Shareholder Value Added Manual.

INDICATORS

Each Government business reports on its' performance via a combination of unique in house indicators and generic measures of efficiency, service and financial performance. Important generic measures used in the Performance Book are defined below.

Efficiency Indicators

ADMINISTRATIVE EXPENDITURE PER EMPLOYEE

Administrative expenses are 'overheads' – they are not a direct cost of production. In contrast to attaining greater levels of efficiency on direct inputs like labour and materials, this measure reflects an improved control of incidental costs necessitated by the performance of the primary tasks of the production process. Improvements are assessed on a per employee basis because labour is typically the primary driver of administrative expenses.

AVERAGE LOST TIME

Average hours lost per employee per year. An efficiency indicator and a proxy guide for employee satisfaction.

EMPLOYMENT

Effective Full Time staff - full time staff plus the equivalent number of positions occupied by part time workers. This figure excludes contractors.

LOST TIME INJURY FREQUENCY RATE

Total time lost by employees due to injuries, for every one million hours worked. A lower rate is indicative of proper application of occupational health and safety principles.

OPERATING COST PER CUSTOMER/PASSENGER/UNIT SOLD

All three of these variations reflect costs on a per unit of output basis. Decreases reflect enhanced productive efficiencies of the relevant businesses, typically attributable to greater utilization of inputs, improved technology or a combination of both.

OUTPUT PER EMPLOYEE

Physical Output divided by Employment. Growth in this measure is indicative of increased labour productivity.

OUTSTANDING ACCOUNTS

This measure refers to the value of accounts unpaid at the end of financial year. Collection of debts on time as billed is of obvious importance to businesses extending credit to customers. Decreases in the proportion of this figure to total sales may be taken to indicate an enhanced debt collection ability of the agency.

REVENUE PER EMPLOYEE

Where measurement of Output levels is problematic or inappropriate, businesses report real Revenue divided by Employment as a proxy for output levels. Increases are similarly indicative of increased labour utilisation on a per employee basis.

STAFF HOURS LOST TO INDUSTRIAL DISPUTES

An aggregate figure for the number of hours lost to stop work meetings, strikes, etc.

Service Indicators

AVERAGE PORT MANAGEMENT CHARGE PER TONNE OF CARGO/VESSEL

Both variants effectively convey price changes on a per unit of output basis. This can be considered to be the mirror image of Operating Cost per Passenger, in that it reflects price (from the perspective

GLOSSARY

of the demand side of the market) as opposed to cost (the supply side). Real reductions in this figure are indicative of greater input utilisation and/or improvements in technology. In efficient, competitive markets there should be a strong positive correlation between changes in cost per unit and price per unit as the improvements are passed onto consumers.

BERTH OCCUPANCY

Total time, in hours, that ships are occupying berths, as a %age of total available berth hours. A higher %age indicates close to full use of berth capacity.

BERTH TIME QUEING RATE

Length of time that vessels wait to berth without loading or unloading cargo. A lower time indicates more efficient management of port space for vessels.

CUSTOMER SATISFACTION INDEX

Surveys conducted by AC Nielsen that provide a score out of 100 that is indicative of the positive perception of customers regarding the service provided by the distributors.

EMPLOYEE UTILISATION

Employment is a central driver of both direct and administrative costs. Consequently, there is considerable scope to extract efficiency gains via increased employee utilization. It may reasonably be anticipated that improved utilization will feed through to lower per unit costs and prices, all else being equal.

MARKET SHARE

Percentage of total industry sales attributable to a particular business. This figure is commonly used for assessing which firm is the market leader, as it represents the proportion of customers who have been 'claimed' by a business. Examination of year-on-year figures may reveal trends attributable to customer loyalty or shifts in market power. The impact of market deregulations may also become apparent.

REAL PRICE INDEX (RPI)

An index constructed for each business to identify how customer charges have moved in relation to the Sydney Consumer Price Index. The Indices commenced at 100 in 1989-90 (agencies that have subsequently come into existence have had their base year appropriately adjusted).

Change in the RPI reflects change in the real level of charges (ie. change in charges relative to general price level movements). An increase in the index represents an increase in the real level of charges levied by a business, and vice-versa.

In 1994-95, a new method of reporting on the Real Price Index was introduced. Data collated for the Government Charges Index (GCI) is used to construct series for agencies appearing in both the Chapters 4 & 6 of this publication, ensuring consistency between the two.

The GCI does not contain separate price movements for each of the electricity businesses. Consequently, the indices supplied by each business are used.

SEWER MAIN CHOKES

Blockages in sewer pipes resulting in sewerage being discharged to the environment.

SUPPLY RELIABILITY

Average minutes per customer per year without electricity supply, including planned and unplanned outages. Lower times indicate ability to minimise supply failures, and thus contributes to greater customer satisfaction.

GLOSSARY

SYSTEM LOSS INDEX

Energy purchased minus energy sold, as a proportion of energy purchased. This is an indicator of how the electricity distributor manages its supply.

VESSEL TURNAROUND TIME

The time during which vessels are confined to ports for loading and unloading of cargo. Lower times indicate more efficient transfer of goods to and from vessels.

WATER MAIN BREAKS

Breaks that occur along the water main pipes.

Financial Indicators

ASSET BASE

Total assets (current and non-current) net of depreciation and amortisation.

ASSET SALES

Gains (losses) from sale of assets during the financial year.

CONVERSION FACTOR

The number which, when multiplied to the dollar amount in the non-base year, will convert that dollar amount to the equivalent base year dollar amount.

DEBT TO EQUITY RATIO

The ratio of an agency's Gross External Debt to the Equity holding of the Government in the business. This ratio is representative of capital structure financing decisions. These decisions aim to minimise the Weighted Average Cost of Capital (WACC) of the business (this concept is further explained in the Financial Terminology Section). Determination of the appropriate ratio requires that the operating conditions in an industry sector, any agency specific risk factors and regulatory risk be factored into the returns required on debt and equity funds. Treasury's *Capital Structure Policy* discusses these issues more expansively.

FINANCIAL DISTRIBUTIONS

Financial Distributions are contributions by businesses to the Consolidated Fund. Distributions take one of the following three forms:

Corporate Tax Equivalent:

Section 3 (4)(b)(i) of the *Competition Policy Agreements* identifies that Government businesses need to pay full Commonwealth, State and Territory taxes to satisfy competitive neutrality principles. The rationale behind these principles is to place government controlled businesses on a similar footing with any private sector competitors.

In practice, these forms of taxation can be paid either directly to the relevant collection agency or as part of a tax equivalent payment to the shareholding or controlling Government. Under NSW' Tax Equivalent Regime for Government Businesses as modified mid 2003 (see TP03-4) some businesses fall within the National Tax Equivalents Regime administered by the Australian Tax Office. Others fall under the Tax Equivalents Regime administered by the NSW Office of State Revenue. The payment of tax or tax equivalents delivers potential efficiency gains by shaping an enterprise's behaviour toward tax minimisation, thereby maximising the amount of before tax profit retained by the business. The payment of tax equivalents is also an imperative in creating an efficient capital structure due to the fact that the cost of debt, interest, is tax deductible, whereas the cost of equity funds is not.

GLOSSARY

Dividend Payment:

Dividends are a return to shareholders for the funds invested in the business. They can only be paid out of profit, either that of the current financial year or out of profits retained in previous years. Dividends are paid on a per share basis to shareholders and are negotiated annually between the shareholders and the Board.

Typically, dividends are one of two forms of return on the equity funds of shareholders, the other being share price growth. Due to the absence of a share price regularly determined in a liquid market, the second form of return is not readily observable for Government businesses (the same problem exists for unlisted companies). Therefore the preference of shareholders must be adequately considered.

The sum of these two forms of return should be commensurate with the opportunity cost of investing in the Government business – the cost of equity. For the Government, this should not only consider the rate of return expected on an equally risky investment but also reflect the cost incurred by not employing those funds on other potential projects.

Payment of Capital from Equity:

A special form of return to the Government. Unlike Tax Equivalents or Dividends, it is extracted from forms of equity other than Profit or Retained Earnings.

Such payments may be necessary so that a business can attain an appropriate capital structure as required by Treasury's Capital Structure Policy.

GEARING RATIO (DEBT/ASSETS)

Debt with maturities beyond 12 months, as a percentage of the total assets of the entity. High gearing ratio is indicative of high reliance on debt to finance operations.

GROSS EXTERNAL DEBT

The gross amount owed to parties external to the business, including those amounts owed to the financing arm of the NSW Government, TCorp.

External debt levels are indicative of the extent of a business' exposure to potential changes in interest rates.

NET SALES LESS AGENCY COMMISSIONS

This measure is exclusively employed by NSW Lotteries. Sales are reported on a net basis because to the unique manner of distribution for the products of that business – agency costs must necessarily be incurred because it is unsustainable to maintain outlets solely for the purpose of selling NSW Lotteries' products. Although not a cost of production, commissions need to be reflected as a cost incurred by the business as part of getting their product to the market.

NOMINAL AVERAGE PRICE

The average price expressed in unindexed (not adjusted for inflation) form.

OPERATING COST

Operating expenditures, including depreciation, but excluding interest expenses (which is a financing rather than operating, cost).

OPERATING RESULT

Unless otherwise stated, this figure is quoted on a pre-tax basis. It consists of operating income derived in the ordinary course of business (net of extraordinary items) less operating expenses (ie. operating costs plus interest expense).

RETURN ON ASSETS

Earnings before interest and tax as a %age of the asset base. This measure is often employed as a headline indicator of the results of capital deployment and management decisions. As a result, Return on Assets is a primary tool in assessing performance between different industries and agencies of different sizes.

Some caution must be exercised in comparing figures as the degree of regulation, the magnitude of non-commercial objectives and issues in valuation of the asset base may vary significantly between industries and businesses. In assessing performance the degree of control and direction management can exercise over the asset base must also be considered.

RETURN ON EQUITY

Operating Result (after tax) as a %age of equity. This indicator represents the return on the capital funds invested in an agency. Interpreters of this figure should be wary of the impact of capital restructures that involve increases or decreases in equity.

SIGNIFICANT ITEMS

Significantly sized financial events that are either:

- part of normal business operations, but unusual in size; or
- not a normal part of business operations at all.

SOCIAL PROGRAMS

Value of payments to an agency made by the Government to meet social objectives. Also known as Community Service Obligations (CSOs), these objectives may often interrupt or conflict with a business' pursuit of commercial objectives. The magnitude of compensation due to a business for performing non-commercial activities is explicitly identified to heighten accountability and enable raw performance figures to be adjusted if necessary. Competitive disadvantages attributable to Government ownership can be controlled as part of performance assessment processes.

TOTAL REVENUE

Total monies owed to the business for services tended during that period. Note that this is not equivalent to cash received: revenue is an accrual concept and may differ from cash receipts due to timing differences. However, revenue is a valuable estimate of the approximate annual cash flow of a business for the purposes of projecting future earnings.

TIMES INTEREST EARNED

Earnings before interest and tax (EBIT) divided by total interest charges. This ratio reflects the ability of the business to meet the costs of their debt as they fall due. The importance of this figure lies in the fact that payments to debtholders are compulsory whereas payments to shareholders are residual payments made out of operating surpluses. Inability to meet debt payments as they fall due constitutes insolvency and risks liquidation of the business. What constitutes an appropriate ratio for a particular business is dependent on the volatility of earnings, industry risk factors, the exposure of the business to interest rate movements, sensitivities to changes in growth forecasts and other risk factors with the potential to influence company earnings.

11. ABBREVIATIONS

ANCOLD	Australian National Committee on Large Dams
CBD	Central Business District
CCTV	Closed Circuit Television
CPI	Consumer Price Index
CSHA	Commonwealth-State Housing Agreement
DLWC	Department of Land and Water Conservation
EBIT	Earnings Before Interest and Tax
EFT	Equivalent Full-Time, also (FTE)
ETEF	Electricity Tariff Equalisation Fund
FY	Financial Year
GCI	Government Charges Index
GST	Goods and Services Tax
GBE	Government Business Enterprise
GL	Gigalitre
GWh	Gigawatt Hours
HWC	Hunter Water Corporation
IPART	Independent Pricing and Regulatory Tribunal
kV	Kilovolt
LPI	Land and Property Information
LPT	Liverpool to Parramatta Transit Way
MFP	Multifactor Productivity
ML	Megalitre
MVI	Market Value Increment
MW	Megawatt
MWh	Megawatt Hours
NCP	National Competition Policy
NECA	National Electricity Code Administrator
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NTER	National Tax Equivalent Regime
OPAT	Operating Profit After Tax
PRL	Parramatta Rail Link
PTE	Public Trading Enterprise
RIC	Rail Infrastructure Corporation
RLMC	Regional Land Management Corporation
RMC	Rail Management Centre
ROE	Return on Equity
RPI	Real Price Index
RRN	Regional Reference Node
SOC	State Owned Corporation
SCA	Sydney Catchment Authority
SGARA	Self-Generating and Regenerating Assets
SCI	Statement of Corporate Intent
SFP	Statement of Financial Performance
SNI	South Australia-NSW Interconnector
TAMP	Total Asset Plan
TPA	<i>Trade Practices Act 1974 (Cth)</i>
TEU	Twenty-foot Equivalent Units
TNSW	Transport NSW
WACC	Weighted Average Cost of Capital