



POWERLINK QUEENSLAND  
FINANCIAL STATEMENTS 2011/12



Powerlink Queensland

**DIRECTORS' REPORT**

30 June 2012

**Directors' report**

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries, and the Consolidated Entity's interest in associates for the financial year ended 30 June 2012 and the auditor's report thereon.

**Directors**

The Directors of the Company at any time during or since the end of the financial year were:

Stephen Rochester (from 31 May 2012)  
David Harrison (from 1 October 2011- resigned 25 May 2012)  
Else Shepherd (term finished 31 December 2011)  
Julie Beeby  
Kenneth Howard  
Julienne Martin (from 1 October 2011)  
Christina Sutherland  
Walter Threlfall

**Principal activities**

During the year the principal continuing activities of the Consolidated Entity consisted of:

- (a) Delivery of a transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points;
- (b) Provision of system operator services to assist AEMO (Australian Energy Market Operator) to manage power system security in the Queensland region of the National Electricity Market;
- (c) Performance of the functions of Jurisdictional Co-ordinator of Sensitive Loads in Queensland, and Transmission Network Planning in Queensland, as appointed by the Queensland Government; and
- (d) Provision of metering services to measure electricity at generation and usage at connection points to the transmission network.

There were no significant changes in the nature of the activities of the Consolidated Entity during the financial year.

**Dividends**

The Directors have provided for a final dividend of \$146.678 million (2011: \$121.365 million) being 80 percent (2011: 80%) of the profit after income tax equivalent expense excluding the contributions from equity accounted associates.

The final dividend will not be franked.

**Review of operations**

A review of the Consolidated Entity's operations during the financial year, and the results of those operations, are contained in this annual report.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

**Significant events subsequent to the end of the financial year**

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature, likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations, other than comment in respect of the Queensland Government review of the electricity sector in Queensland, have not been included in this financial statement because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Powerlink Queensland

DIRECTORS' REPORT *continued...*

30 June 2012

**Likely developments and expected results of operations (continued)****Industry review**

In May 2012, the Queensland Government established an Interdepartmental Committee (IDC) on Electricity Sector Reform to review all aspects of the sector that impact on electricity costs, specifically, energy supply, network costs and retail competition. The IDC will deliver a final report to the Queensland Government in January 2013. The IDC is likely to recommend changes to the structure of the electricity sector in Queensland to facilitate delivery of services more efficiently. The results of this review and any consequential impact on the results or operations of the Consolidated Entity are not yet known at the date of this financial report.

**Environmental regulation**

The Consolidated Entity is subject to environmental regulations under State and Federal Government legislation with regard to its acquisition and development of transmission line easements, maintenance and construction activities, and the operation of facilities at its Virginia site and other sites.

The Consolidated Entity has an Environmental Steering Committee and Board Audit, Risk and Compliance Committee that monitors compliance with environmental regulations.

During the period covered by this report there were no breaches that led to prosecution, and the Directors are not aware of any material breaches.

**Greenhouse gas and energy data reporting requirements**

The *Energy Efficiency Opportunities Act 2006* requires entities to assess their energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action they intend to take as a result. The threshold energy use for the *Energy Efficiency Opportunities Act 2006* is 0.5 petajoules. During the reporting period, Powerlink Queensland remained exempt from the requirements of this Act.

The *National Greenhouse and Energy Reporting Act 2007 (NGER)* requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submitted its report for 2010/11 to the Greenhouse and Energy Data Officer by 31 October 2011. Powerlink's NGER reporting methods and submissions were reviewed in 2010/11 by external auditors, EcoFund Queensland Pty Ltd. Powerlink's scope 1 emissions in 2010/11 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 8,834 tonnes of carbon dioxide equivalent.

**Carbon Price Mechanism**

In November 2011, the Federal Parliament passed legislation for a carbon price mechanism. The Clean Energy Future package commenced on 1 July 2012. Under the package, organisations that have facilities that emit more than 25,000 tonnes of carbon dioxide (CO<sub>2</sub>) will be required to purchase a permit for every tonne of carbon emitted. The Consolidated Entity is not directly liable under the scheme, as it has no individual facility that emits more than the minimum threshold. Based on expected increases in the price of some inputs, such as sulfur hexafluoride (SF<sub>6</sub>), fuel and electricity, there will be some financial impacts on the Consolidated Entity, but these are unlikely to be material.

**Information on directors**

Details of Directors, their experience, and any special responsibilities are included in this annual report.

**Interests in shares and options**

No Director has an interest in the shares of the Company.

**Company secretary**

Mr Maurice D Brennan was appointed to the position of company secretary in July 1995. Full details of Mr Brennan's qualifications, experience and special responsibilities are provided in this annual report.

Powerlink Queensland

**DIRECTORS' REPORT** *continued...*

30 June 2012

**Meetings of directors**

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

Directors	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Stephen Rochester (from 31/5/2012)	1	1	1	1	**	**
David Harrison (from 1/10/2011 - resigned 25 May 2012)	6	7	2	2	2	2
Else Shepherd (term finished 31/12/2011)	6	6	**	**	1	1
Julie Beeby	11	11	**	**	3	3
Kenneth Howard	11	11	4	4	**	**
Julienne Martin (from 1/10/2011)	6	8	2	3	**	**
Christina Sutherland	10	11	4	4	2	2
Walter Threlfall	8	11	**	**	2	3

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

\*\* = Not a member of the relevant committee

**Retirement, election and continuation in office of directors**

Ms Else Shepherd's term as Chairman finished on 31 December 2011. Mr David Harrison was appointed a Director effective from 1 October 2011 and Chairman effective from 1 January 2012. Mr Harrison resigned effective from 25 May 2012. Mr Stephen Rochester was appointed Chairman effective from 31 May 2012. Ms Julienne Martin was appointed a Director effective from 1 October 2011. There were no other changes in directors during the financial year.

**Remuneration report****Principles used to determine the nature and amount of remuneration****Directors**

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2012 were the Honourable Timothy Nicholls, Treasurer and Minister for Trade on behalf of the State of Queensland, and the Honourable Mark McArdle, Minister for Energy and Water Supply on behalf of the State of Queensland.

Each Director receives an annual fee for being a Director of the Company. An additional fee is also paid for each Board Committee on which the Director sits.

Directors are not entitled to receive any performance related remuneration.

Directors do not receive share options. All shares in the Company are held by the shareholding Ministers on behalf of the State of Queensland.

**Directors' fees**

The current base remuneration was last reviewed with effect from 1 July 2011. The Chairman's remuneration is not inclusive of committee fees and other Directors who chair, or are a member of a committee, also receive additional yearly fees.

**Key management personnel pay**

The Remuneration Committee of the Board of Directors is responsible for establishing remuneration policy, and for determining and reviewing the remuneration arrangements for key management personnel.

**Details of remuneration****Amounts of remuneration**

Details of the remuneration of the key management personnel of the Consolidated Entity (as defined in AASB 124 *Related Party Disclosures*) are set out in Note 27.

The key management personnel of the Company includes the Directors shown above, and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- Chief Executive
- Chief Operating Officer
- Chief Financial Officer
- Human Resources and Development Manager

Powerlink Queensland

**DIRECTORS' REPORT** *continued...*

30 June 2012

**Loans to directors and executives**

There are no loans to any Director or Key Management Personnel of the Consolidated Entity.

**Indemnification and Insurance of officers**

During the financial year, the Company insured the Directors and employees of the Company and its Australian based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Directors have not included details of premiums paid in respect of the Directors' and Officers' liability and legal insurance contracts as such disclosure is prohibited under the terms of the contract.

The Company indemnifies the Directors and Officers of the Company and its Australian based subsidiaries.

The indemnity relates to any liability:

- (a) to a third party (other than the Company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and
- (b) for legal costs incurred in successfully defending civil or criminal proceedings or in connection with proceedings in which relief is granted under the *Corporations Act 2001*.

No liability has arisen under these indemnities as at the date of this report.

**Non Audit Services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Consolidated Entity are important. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set in Note 28, Remuneration of Auditors, of the financial statements and supporting notes.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included with this annual report.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise indicated.

**Parent Entity Disclosures**

The Consolidated Entity has elected to adopt Class order 10/654 allowing the disclosure of parent entity financial statements and notes thereto. The class order provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific parent entity financial information under regulation 2M.3.01 of the Corporation Regulations.

This report is made in accordance with a resolution of Directors.



Stephen Rochester  
Chairman

Brisbane  
Dated 30 August 2012

Powerlink Queensland

DIRECTORS' REPORT *continued...*

30 June 2012

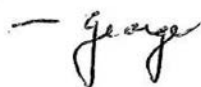
**Auditor's Independence Declaration**

To the Directors of Queensland Electricity Transmission Corporation Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.*Independence Declaration*

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been –

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



N GEORGE CPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

Queensland Electricity Transmission Corporation Limited  
trading as Powerlink Queensland ABN 82 078 849 233

## ANNUAL FINANCIAL REPORT

30 June 2012

These financial statements cover both the separate financial statements of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland as an individual entity and the consolidated financial statements for the Consolidated Entity consisting of Powerlink Queensland, its subsidiaries and its associates. These financial statements are presented in the Australian currency.

Powerlink Queensland is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Queensland Electricity Transmission Corporation Limited  
33 Harold Street  
Virginia Qld 4014

A description of the nature of the Consolidated Entity's operations and its activities is included in the review of operations and principal activities in the Directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the Directors on 21 August 2012. The company has the power to amend and reissue the financial report.

Powerlink Queensland

**INCOME STATEMENTS**

For the year ended 30 June 2012

		<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	Notes	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	4	<b>921,959</b>	824,133	<b>917,973</b>	818,721
Less					
Expenses from continuing operations excluding finance costs expense	5	<b>(416,155)</b>	(388,555)	<b>(416,134)</b>	(388,534)
Finance costs	5	<b>(234,134)</b>	(219,470)	<b>(234,134)</b>	(219,470)
Share of net profits/(losses) of associates accounted for using the equity method	33(c)	<b>29,210</b>	7,818	-	-
<b>Profit/(loss) from continuing operations before income tax equivalent expense</b>		<b>300,880</b>	223,926	<b>267,705</b>	210,717
Income tax equivalent benefit/(expense)	6	<b>(97,115)</b>	(66,748)	<b>(83,678)</b>	(59,605)
Profit/(loss) from continuing operations		<b>203,765</b>	157,178	<b>184,027</b>	151,112
<b>Profit/(loss) for the year</b>		<b>203,765</b>	157,178	<b>184,027</b>	151,112
Profit attributed to Owners of Powerlink Queensland		<b>203,765</b>	157,178	<b>184,027</b>	151,112

*The above income statements should be read in conjunction with the accompanying notes.*



Powerlink Queensland

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

		Consolidated		Powerlink Queensland	
	Notes	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Profit for the year</b>		<b>203,765</b>	157,178	<b>184,027</b>	151,112
<b>Other comprehensive income</b>					
Gain on revaluation of property, plant and equipment, net of tax	25(a)	<b>79,766</b>	139,374	<b>74,686</b>	130,596
Changes in the fair value of cash flow hedges	25(a)	<b>(6,598)</b>	14,220	<b>487</b>	(792)
Actuarial (losses)/gains on Defined Benefit Superannuation Fund, net of tax		<b>(13,851)</b>	2,326	<b>(9,962)</b>	2,144
Adjustments to prior years results by Associates	33(b)	-	(1,181)	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>59,317</b>	154,739	<b>65,211</b>	131,948
<b>Total comprehensive income for the year</b>		<b>263,082</b>	311,917	<b>249,238</b>	283,060
Total comprehensive income for the year is attributable to:					
Owners of Powerlink Queensland		<b>263,082</b>	311,917	<b>249,238</b>	283,060
Total comprehensive income for the year attributable to the Owners of Powerlink Queensland arising from continuing operations		<b>263,082</b>	311,917	<b>249,238</b>	283,060

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Powerlink Queensland

## BALANCE SHEETS

As at 30 June 2012

		Consolidated		Powerlink Queensland	
		2012	2011	2012	2011
Notes		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	59,688	199,248	45,709	186,203
Trade and other receivables	8	112,549	93,379	114,301	93,169
Inventories	9	22,132	27,456	22,132	27,456
Other current assets	10	3,462	4,620	3,462	4,620
<b>Total current assets</b>		<b>197,831</b>	<b>324,703</b>	<b>185,604</b>	<b>311,448</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	11	117,612	96,867	-	-
Defined benefit superannuation fund asset	15	-	8,673	-	8,673
Other financial assets	12	84,090	84,090	84,055	84,055
Property, plant and equipment	13	6,682,846	6,074,115	6,682,846	6,074,115
<b>Total non-current assets</b>		<b>6,884,548</b>	<b>6,263,745</b>	<b>6,766,901</b>	<b>6,166,843</b>
<b>Total assets</b>		<b>7,082,379</b>	<b>6,588,448</b>	<b>6,952,505</b>	<b>6,478,291</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	135,880	128,419	135,871	128,425
Current tax equivalent liabilities	18	43,945	20,232	43,945	20,232
Provisions	17	159,813	133,796	159,813	133,796
Other liabilities	19	16,937	16,950	16,937	16,950
<b>Total current liabilities</b>		<b>356,575</b>	<b>299,397</b>	<b>356,566</b>	<b>299,403</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	20	3,854,221	3,571,521	3,854,221	3,571,521
Deferred tax equivalent liabilities	22	504,435	477,466	467,973	446,862
Provisions	23	24,269	20,067	24,269	20,067
Defined Benefit Fund	15	8,128	-	8,128	-
Other liabilities	21	12,154	13,804	12,154	13,804
<b>Total non-current liabilities</b>		<b>4,403,207</b>	<b>4,082,858</b>	<b>4,366,745</b>	<b>4,052,254</b>
<b>Total liabilities</b>		<b>4,759,782</b>	<b>4,382,255</b>	<b>4,723,311</b>	<b>4,351,657</b>
<b>Net assets</b>		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>
<b>EQUITY</b>					
Contributed equity	24	401,000	401,000	401,000	401,000
Reserves	25(a)	783,281	710,113	720,750	645,577
Retained earnings	25(b)	1,138,316	1,095,080	1,107,444	1,080,057
Capital and reserves attributable to Owners of Powerlink Queensland		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>
<b>Total equity</b>		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>

The above balance sheets should be read in conjunction with the accompanying notes.

Powerlink Queensland

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2012

Consolidated	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2010</b>		<b>401,000</b>	<b>556,519</b>	<b>1,058,122</b>	<b>2,015,641</b>
Profit for the year		-	-	157,178	157,178
Other comprehensive income		-	153,594	1,145	154,739
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>153,594</b>	<b>158,323</b>	<b>311,917</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(121,365)	(121,365)
<b>Balance at 30 June 2011</b>		<b>401,000</b>	<b>710,113</b>	<b>1,095,080</b>	<b>2,206,193</b>
Consolidated	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2011</b>		<b>401,000</b>	<b>710,113</b>	<b>1,095,080</b>	<b>2,206,193</b>
Profit for the year		-	-	203,765	203,765
Other comprehensive income		-	73,168	(13,851)	59,317
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>73,168</b>	<b>189,914</b>	<b>263,082</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(146,678)	(146,678)
<b>Balance at 30 June 2012</b>		<b>401,000</b>	<b>783,281</b>	<b>1,138,316</b>	<b>2,322,597</b>

Powerlink Queensland

STATEMENTS OF CHANGES IN EQUITY *continued...*

For the year ended 30 June 2012

Powerlink Queensland	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2010</b>		<b>401,000</b>	<b>515,773</b>	<b>1,048,166</b>	<b>1,964,939</b>
Profit for the year		-	-	151,112	151,112
Other comprehensive income		-	129,804	2,144	131,948
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>129,804</b>	<b>153,256</b>	<b>283,060</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(121,365)	(121,365)
<b>Balance at 30 June 2011</b>		<b>401,000</b>	<b>645,577</b>	<b>1,080,057</b>	<b>2,126,634</b>
Powerlink Queensland	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2011</b>		<b>401,000</b>	<b>645,577</b>	<b>1,080,057</b>	<b>2,126,634</b>
Profit for the year		-	-	184,027	184,027
Other comprehensive income		-	75,173	(9,962)	65,211
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(146,678)	(146,678)
<b>Balance at 30 June 2012</b>		<b>401,000</b>	<b>720,750</b>	<b>1,107,444</b>	<b>2,229,194</b>

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*

Powerlink Queensland

## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2012

		Consolidated		Powerlink Queensland	
	Notes	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		847,027	752,678	847,027	752,678
Payments to suppliers and employees		(156,688)	(144,288)	(156,666)	(144,269)
Interest received		21,501	23,289	4,952	7,469
Dividends received		42	273	11,656	10,873
Finance costs paid		(228,722)	(217,572)	(228,722)	(217,572)
Income tax equivalent paid		(77,792)	(51,838)	(71,827)	(47,293)
Goods and services tax paid		(14,598)	9,014	(14,598)	9,014
Other operating receipts		34,039	27,933	33,766	27,933
Other operating payments		(2,642)	(1,572)	(2,642)	(1,572)
<b>Net cash inflow (outflow) from operating activities</b>	35	<b>422,167</b>	<b>397,917</b>	<b>422,946</b>	<b>397,261</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(724,891)	(451,060)	(724,891)	(451,060)
Proceeds from sale of property, plant and equipment		10,075	2,190	10,075	2,190
Proceeds/(payments) for Investments		(8,246)	(417)	(9,959)	2,146
<b>Net cash (outflow) inflow from investing activities</b>		<b>(723,062)</b>	<b>(449,287)</b>	<b>(724,775)</b>	<b>(446,724)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	20	282,700	230,500	282,700	230,500
Dividends paid to Company's shareholders	26	(121,365)	(100,226)	(121,365)	(100,226)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>161,335</b>	<b>130,274</b>	<b>161,335</b>	<b>130,274</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(139,560)</b>	<b>78,904</b>	<b>(140,494)</b>	<b>80,811</b>
Cash and cash equivalents at the beginning of the financial year		199,248	120,344	186,203	105,392
<b>Cash and cash equivalents at end of year</b>	7	<b>59,688</b>	<b>199,248</b>	<b>45,709</b>	<b>186,203</b>

The above statements of cash flows should be read in conjunction with the accompanying notes.

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

**1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The accounting policies have been applied consistently by all entities in the Consolidated Entity. The financial statements include separate financial statements for Powerlink Queensland (the Company) as an individual entity and the Consolidated Entity consisting of Powerlink Queensland, its subsidiaries and its associates.

**(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.

Powerlink Queensland is a for-profit entity for the purpose of preparing the financial statements.

*Going Concern*

The financial statements have been prepared on a going concern basis. As at 30 June 2012, the current liabilities exceed current assets for the Consolidated Entity by \$158.7million (Parent Entity \$170.9 million). Powerlink has received approval from the State of Queensland for additional borrowings to support operational and capital expenditure requirements. The Directors believe that the strong operational cash flows and the funding available support the preparation of the financial statements under the going concern assumption.

*Early adoption of standards*

The Consolidated Entity has elected not to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

*Historical cost convention*

This financial report has been prepared on the basis of historical costs, except for the:

- revaluation at fair value, through the Income Statement and the Statement of Comprehensive Income, of financial assets and liabilities (including derivative instruments); and
- revaluation of certain classes of property, plant and equipment.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

**(b) Principles of consolidation***(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

Subsidiaries are all entities (including special purpose entities) over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Powerlink Queensland.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***(ii) Associates*

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the holding entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated Entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 33).

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

**(c) Foreign currency translation***(i) Functional and presentation currency*

Items included in the financial statements of each of the Consolidated Entity's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Powerlink Queensland's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

**(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidated Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

*(i) Grid sales revenue*

Grid sales revenue comprises revenue earned from the provision of regulated and unregulated transmission grid services. Sales revenue is recognised when the services are provided.

Regulated grid sales revenue is subject to the application of an annual revenue cap determined for the Company. Transmission Use of System (TUOS) prices are initially set to achieve the annual revenue cap.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

While the regulated revenue collected in a period may vary from the annual revenue cap, the annual revenue cap is brought to account as revenue on the basis that the Company is able to recover, or is required to return, amounts that have been under or over collected in the current period. Amounts over collected are recognised as unearned revenue and any shortfalls are recognised as revenue in the year.

**(ii) Other revenue**

Other revenue is earned from the provision of property searches, customer works, wholesale telecommunications services and various miscellaneous works and services. Revenue is recognised when the services are provided.

**(iii) Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**(iv) Dividends**

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However the investment may need to be tested for impairment as a consequence.

**(e) Income tax equivalents**

The Consolidated Entity is required to make income tax equivalent payments to the Queensland State Government based on the benefits derived because it is not liable to pay Commonwealth tax that would be payable if it were not a Government Owned Corporation.

These payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 1993* and are based on rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* - Note (6).

**Income tax equivalent**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred income tax equivalent liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax equivalent liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and that, at the time of a transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax equivalent assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax equivalent asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax equivalent asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and the taxable profit will be available against which the temporary difference can be utilised.



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

Unrecognised deferred income tax equivalent assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax equivalent asset to be recovered.

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

Deferred income tax equivalent assets and deferred income tax equivalent liabilities are offset only if a legally enforceable right exists to set off current income tax equivalent assets against current income tax equivalent liabilities and the deferred income tax equivalent assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax equivalent is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(i) Tax consolidation legislation**

Powerlink Queensland and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Powerlink Queensland is the head entity of the tax consolidated group.

The head entity, Powerlink Queensland and the controlled entities in the tax consolidated group account for their own current and deferred income tax equivalent amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred income tax equivalent amounts, Powerlink Queensland also recognises the current income tax equivalent liabilities or assets and the deferred income tax equivalent assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Powerlink Queensland for any current tax payable assumed and are compensated by Powerlink Queensland for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Powerlink Queensland under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity (Refer to Note 6).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to or distribution from wholly-owned tax consolidated entities.

**(f) Leases**

Leases of property, plant and equipment where the Consolidated Entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating leases are classified as leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee (Note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

Lease income from operating leases where the Consolidated Entity is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheets based on their nature.

***Cross Border Lease***

Powerlink Queensland had previously entered into a structured financing arrangement involving the sale and subsequent lease back of supply system assets. This arrangement was entered into in conjunction with Queensland Treasury Corporation (QTC), and was a United States of America cross border lease transaction over Powerlink Queensland's regulated supply system assets.

The cross border lease involved a series of hire purchase and lease transactions. The transaction comprised four (4) tranches and was completed in January 2001. The original date of expiry of the lease agreement was 2 January 2027, however the lease was partially terminated on 20 September 2011. The partial termination released Powerlink Queensland from any further participation in the lease arrangements. Powerlink Queensland do not incur any financial impost as a result of the early termination of the lease.

**(g) Impairment of assets**

At each reporting date, the Consolidated Entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flows have not been adjusted. If the recoverable amount of an asset or cash generating unit is estimated to be materially less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income Statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(h) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**(i) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within 'other expenses'. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

**(j) Inventories**

Inventories shown as current assets are not for resale but are used in maintenance and construction, and are valued at the lower of average cost and net realisable value.

**(k) Derivatives and hedging activities**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 2. Movements in the hedging reserve in Equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**(i) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

**(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

*(iii) Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

*(iv) Forward Starting Loans*

The Consolidated Entity enters into Forward Starting Loans whereby it agrees to borrow specified amounts in the future at a predetermined interest rate. The Forward Starting Loans are entered into with the objective of managing against rising interest rates.

It is the Consolidated Entity's policy to recognise Forward Starting Loans at historical cost. Net receipts and payments are recognised as an adjustment to interest expense.

**(l) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheets' date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheets' date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

**(m) Property, plant and equipment***Supply System Assets*

Supply system assets (including work in progress) are measured at fair value using the income based approach based on expected future cash flows. Accumulated depreciation at the date of revaluation together with the gross carrying amount of the assets are restated to the revalued amount of the asset. Revaluations are made with sufficient regularity to ensure that the carrying amount of the supply system assets does not differ materially from fair value at the reporting date. The application of this policy to existing assets is reviewed by the Directors at each reporting date.

*Freehold Land and Buildings and Easements*

Freehold land and buildings and easements are measured at fair value using the income based approach based on expected future cash flows. Accumulated depreciation at the date of revaluation together with the gross carrying amount of the assets are restated to the revalued amount of the asset. Revaluations are made with sufficient regularity to ensure that the carrying amount of the freehold land and buildings and easements does not differ materially from fair value at the reporting date. The application of this policy to existing assets is reviewed by the Directors at each reporting date.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***Other Property, Plant and Equipment*

All other property, plant and equipment is valued at historical cost less depreciation.

*Acquisition of Assets*

The cost method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of consideration given plus costs incidental to the acquisition.

The carrying amount of property, plant and equipment constructed by the Consolidated Entity includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

*Subsequent Costs*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

*Revaluation*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is materially greater than its estimated recoverable amount.

Within the other land and buildings category, the fair value of easements is based on historic purchase cost increased by the Australian Bureau of Statistics Weighted Average of Eight Capital Cities Index at the end of each financial year.

On 1 July 2004, the date of transition to Australian International Financial Reporting Standards, certain items of property, plant and equipment that had been revalued to fair value, on or prior to that date, were measured at deemed cost, being the revalued amount at that date of that revaluation.

Additions to property, plant and equipment during the year, except for newly commissioned supply system assets, are not subject to revaluation using price indices in the year of acquisition.

The valuation of the asset category other property, plant and equipment (refer Note 13) does not take into account price index movements.

Revaluation increments, net of tax, are recognised in other comprehensive income and accumulated in reserves in equity, except for amounts reversing a decrement previously recognised as an expense. Revaluation decrements are only offset against revaluation increments applying to the particular asset, and any excess is recognised as an expense.

*Depreciation*

Land and easements are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Supply system assets	12-50 years
- Buildings	7-40 years
- Other property, plant and equipment	2-10 years

Depreciation commences from the time units of property, plant and equipment are brought into commercial operation, and is calculated on all assets with the exception of land and easements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

*Derecognition and Disposal of Assets*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the asset is derecognised.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)****(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity purposes and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Principal repayments have been deferred in line with the Company's borrowing program. Interest expense is accrued over the period it becomes due and is recorded as part of trade and other payables.

**(p) Borrowing costs**

Borrowing costs include interest and costs incurred in connection with the arrangement of borrowings. As the Consolidated Entity's policy is to value all work in progress at fair value, there is no requirement therefore to capitalise borrowing costs associated with the qualifying capital projects. All borrowing costs are expensed as incurred.

**(q) Provisions**

Provisions are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**(r) Other liabilities**

Other liabilities include amounts for unearned revenues, which represent moneys received by the Consolidated Entity for which the Consolidated Entity has not provided the corresponding goods and services (refer Notes 19 and 21).

**(s) Employee benefits****(i) Wages and salaries, annual leave and "Time-off- in-Lieu" leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and "time-off-in-lieu" leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled including related on-costs.

Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Liability for annual leave expected to be settled beyond 12 months of the reporting date is calculated based on the present value of expected future payments when the liability is settled, including related on-costs.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***(ii) Other long-term employee benefit obligations*

The liability for long service leave is recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*(iii) Superannuation benefit obligations*

Employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's approved superannuation plan on retirement, disability or death. The Consolidated Entity has a defined benefit section and a defined contribution section within this plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Consolidated Entity companies and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of the defined benefit superannuation plan is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside of profit or loss directly, in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iv) At-risk performance remuneration*

Employees of the Consolidated Entity are eligible for performance payments based on individual and/or small team performance during the year. In addition, award employees are eligible for a gainsharing payment based on corporate results (refer Note 15).

*(v) Termination benefits on redundancy*

Employees are entitled to a severance payment on redundancy. This severance payment is based on years of service and is capped at seventy-five (75) weeks of salary.

**(t) Contributed equity**

Ordinary shares are classified as equity (refer Note 24).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(u) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Recommendation on the dividend to be paid is determined after consultation with the shareholding Ministers in accordance with the *GOC Act 1993*. No dividends are franked.

**(v) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority, is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(w) Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(x) Electricity market operations***National Electricity Market*

Under the National Electricity Rules (the Rules), the Australian Energy Market Operator (AEMO) processes all electricity market settlement transactions for Queensland and transfers the residual (Inter and Intra Regional Settlements Residue - IRSR) to Powerlink Queensland as the appropriate Transmission Network Service Provider (TNSP).

Pursuant to the Rules, the IRSR balance is received by Powerlink Queensland and is applied to offset transmission network charges (refer Note 37).

**(y) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Consolidated Entity's and the Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for any available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Consolidated Entity did not have any such investments and did not recognise any such gains/losses in other comprehensive income.

There will be no impact on the Consolidated Entity's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Consolidated Entity does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Consolidated Entity has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Consolidated Entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Consolidated Entity's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Consolidated Entity already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Consolidated Entity and parent entity will not affect any of the amounts recognised in the financial statements but may impact the type of information disclosed in relation to the parent entity's investments in the separate parent entity financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Consolidated Entity is still assessing the impact of these amendments.

The Consolidated Entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Consolidated Entity does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The Consolidated Entity has never utilised the 'corridor' method and the changes will not impact the results disclosed in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management**

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Consolidated Entity uses derivative financial instruments, such as foreign exchange contracts, to manage these risks. Derivatives are exclusively used for hedging purposes, ie. not as trading or other speculative instruments. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange risk and aging analysis for credit risk.

Risk management is carried out by the Company's Executive Leadership Team (ELT) and the Company's Hedge Committee under policies approved by the Board of Directors. The ELT and the Hedge Committee identify, evaluate and hedge financial risks in close co-operation with the Consolidated Entity's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Consolidated Entity and the Company hold the following financial instruments:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents (Note 7)	59,688	199,248	45,709	186,203
Trade and other receivables (Note 8)	112,549	93,379	114,301	93,169
Derivative financial instruments	154	18	154	18
Other financial assets	84,090	84,090	84,055	84,055
	<u>256,481</u>	<u>376,735</u>	<u>244,219</u>	<u>363,445</u>
<b>Financial liabilities</b>				
Trade and other payables (Note 16)	135,880	128,419	135,871	128,425
Borrowings (Note 20)	3,854,221	3,571,521	3,854,221	3,571,521
Derivative financial instruments	285	845	285	845
	<u>3,990,386</u>	<u>3,700,785</u>	<u>3,990,377</u>	<u>3,700,791</u>

**(a) Market risk***(i) Foreign exchange risk*

The Consolidated Entity is exposed to currency risk on purchases of materials that are denominated in a currency other than the Consolidated Entity's functional currency. The materials are for the construction and maintenance of supply system assets.

Exchange rate exposures are managed within approved policy parameters using forward foreign exchange contracts.

The Consolidated Entity's market risk management policy is to hedge between 50% and up to 100% of anticipated transactions (material purchases) in the foreign currency where a firm commitment has been entered into and the amount exceeds a Board approved threshold. All projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

The carrying amounts of the Consolidated Entity's and Company's financial assets and liabilities are all denominated in Australian dollars.

The Consolidated Entity's and the Company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	<b>30 June 2012</b>				<b>30 June 2011</b>			
	<b>USD</b>	<b>CAN</b>	<b>SEK</b>	<b>OTH</b>	<b>USD</b>	<b>CAN</b>	<b>SEK</b>	<b>OTH</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Forward exchange contracts								
- buy foreign currency (cash flow hedges)	21,454	1,620	379	1,230	9,924	1,632	1,392	1,233
Net exposure	<u>21,454</u>	<u>1,620</u>	<u>379</u>	<u>1,230</u>	<u>9,924</u>	<u>1,632</u>	<u>1,392</u>	<u>1,233</u>

All the forward foreign exchange contracts are hedging forecast purchases.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)***Consolidated Entity and Company sensitivity*

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the hedged currencies, with all other variables held constant, the Consolidated Entity's post-tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of the Consolidated Entity's supply system assets. Equity would have been \$2.7M higher/\$2.2M lower (2011 - \$1.5M higher/\$1.2M lower) had the Australian dollar weakened/strengthened by 10% against the hedged currencies.

*(ii) Other Price risk*

The Consolidated Entity and the Company do not have any material exposure to equity securities price risk. Neither the Consolidated Entity nor the Company are exposed to material commodity price risk.

*(iii) Interest rate risk**Consolidated Entity and Company sensitivity*

The Consolidated Entity's and the Company's main interest rate risk would normally arise from long-term borrowings. However, under lending arrangements offered by Queensland Treasury Corporation (QTC), the Company's borrowings within its client specific pool approximate a fixed rate loan and consequently are insensitive to movements in interest rates. Other long term borrowings are fixed rate loans for a specific period and are also insensitive to movements in interest rates.

The Consolidated Entity and the Company borrow exclusively from QTC, a Queensland Government owned corporation. QTC manages the borrowings on behalf of the Consolidated Entity and the Company within agreed pre-determined benchmarks. The composition of the QTC debt instruments are managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take effect from 1 July 2012. During 2012 and 2011, all the Consolidated Entity's borrowings were denominated in Australian dollars.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Consolidated Entity.

Powerlink Queensland is primarily exposed to credit related losses through its provision of electricity transmission services to a small number of large customers (electricity generators, distributors and direct connect loads). The Company transacts with large reputable entities. Where appropriate, suitable financial security, either through the regulatory regime arrangements in which the Company operates, or other forms such as parent guarantees and unconditional bank guarantees, is obtained. It is not expected that any of these customers will fail to meet their obligations.

Outside of the small number of major electricity network customers, trade receivables consists of a limited number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are either banks or Queensland Treasury Corporation, all of whom have high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking into account the value of any collateral obtained.

Details of any impairment of financial assets are contained in Note 8.

**(c) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have implemented an appropriate liquidity risk management framework for the management of the Consolidated Entity's short, medium and long-term funding and liquidity requirements. The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities, reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Surplus funds are invested with the Queensland Treasury Corporation and have on-call access.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)***Financing arrangements*

Under the funding arrangements entered into between the Company and the Company's shareholding Ministers, any undrawn approved funding lapses at the end of each financial year. The Company seeks approval from the shareholding Ministers for funding requirements for the forthcoming year on an annual basis, and these approved borrowings form part of the State of Queensland borrowing program. For the 2012/13 year, the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be required to maintain liquidity and/or meet operational requirements, approval for the additional funds must be sought from the Queensland Treasurer.

*Maturities of financial liabilities*

The tables below analyse the Consolidated Entity's and the Company's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which represent interest payments for both the client specific pool debt and other long term debt held with QTC. The "Over 5 years" category contains interest payments, an estimate of the payout value of the client specific pool debt (no fixed terms of repayment) and principal repayments for other long term fixed debt. The Consolidated Entity does not have any interest rate swaps for which the cash flows would have been estimated using forward interest rates applicable at the reporting date.

<b>Contractual maturities of financial liabilities</b>	<b>0 - 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying Amount (assets)/ liabilities</b>
<b>Consolidated Entity - at 30 June 2012</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivatives</b>					
Trade and other payables	135,880	-	-	135,880	135,880
Interest bearing loans and borrowings	232,627	931,096	4,107,126	5,270,849	3,854,221
<b>Total non-derivatives</b>	<b>368,507</b>	<b>931,096</b>	<b>4,107,126</b>	<b>5,406,729</b>	<b>3,990,101</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(154)	-	-	(154)	(154)
- outflow	285	-	-	285	285
<b>Total Derivatives</b>	<b>131</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>131</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)**

<b>Consolidated Entity - at 30 June 2011</b>					
	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>					
Trade and other payables	128,419	-	-	128,419	128,419
Interest bearing loans and borrowings	232,051	926,361	3,621,932	4,780,344	3,571,521
<b>Total non-derivatives</b>	<b>360,470</b>	<b>926,361</b>	<b>3,621,932</b>	<b>4,908,763</b>	<b>3,699,940</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(18)	-	-	(18)	(18)
- outflow	845	-	-	845	845
<b>Total Derivatives</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>827</b>	<b>827</b>
<b>Contractual maturities of financial liabilities</b>					
	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Powerlink Queensland - at 30 June 2012</b>					
<b>Non-derivatives</b>					
Trade and other payables	135,871	-	-	135,871	135,871
Interest bearing loans and borrowings	232,627	931,096	4,107,126	5,270,849	3,854,221
<b>Total non-derivatives</b>	<b>368,498</b>	<b>931,096</b>	<b>4,107,126</b>	<b>5,406,720</b>	<b>3,990,092</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(154)	-	-	(154)	(154)
- outflow	285	-	-	285	285
<b>Total Derivatives</b>	<b>131</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>131</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)**

Powerlink Queensland - at 30 June 2011	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
<b>Non-derivatives</b>					
Trade and other payables	128,425	-	-	128,425	128,425
Interest bearing loans and borrowings	232,051	926,361	3,621,932	4,780,344	3,571,521
<b>Total non-derivatives</b>	<b>360,476</b>	<b>926,361</b>	<b>3,621,932</b>	<b>4,908,769</b>	<b>3,699,946</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(18)	-	-	(18)	(18)
- outflow	845	-	-	845	845
<b>Total Derivatives</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>827</b>	<b>827</b>

**(d) Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The carrying value of trade receivables and payables, are assumed to approximate their fair values due to their short term nature.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The Consolidated Entity and the parent entity did not have any level 1 or level 3 instruments for the year ended 30 June 2012.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**3 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

*Defined Benefit Plans*

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relative carrying amounts are discussed in Note 15.

*Employee Entitlements*

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future oncost rates; and
- experience of employee departures and periods of service.

*Change in accounting estimates - Discount Rates*

Powerlink has changed its estimate of the discount rates used to calculate the present value of provisions for employee benefits in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 119 Employee Benefits respectively.

AASB 137 requires that where the effect of the time value of money is material, provisions should be discounted to their present value at the end of the reporting period using a pre-tax rate that reflects current market assessments of the time value of money. AASB 119 requires employee benefit provisions to be discounted to their present value using a discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields at the end of the period on government bonds shall be used.

The discount rates were re-estimated due to changes in market yields and the Consolidated Entity's assessment of the time value of money in accordance with AASB 137 and AASB 119. In addition, when discounting using Government bond yields in accordance with AASB 119, the Consolidated Entity now references Queensland Government bonds yields rather than Federal Government bond yields. Queensland Government bond yields being considered more reflective of any debt funding which may be necessary to fund the employee benefit liability and the geographic location of the Consolidated Entity.

The changes in discount rates from Federal Government bond yields to Queensland Government bond yields have resulted in a decrease of \$2 million in the employee benefit provisions.

*Recovery of Deferred Tax Equivalent Assets*

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

*Revaluation of Property, Plant and Equipment*

The revaluation of property, plant and equipment is affected by the application of the Australian Bureau of Statistics Weighted Average of Eight Capital Cities Index at the end of each financial year.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**3 Critical accounting judgements, estimates and assumptions (continued)***Fair Value of Property, Plant and Equipment*

Due to the absence of an active market, supply system assets, work in progress, freehold land and buildings and easements are carried at fair value where fair value is estimated using an income based approach. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 13.

**4 Revenue**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Revenues from Continuing Operations</b>				
Grid Sales Revenue	<u>867,094</u>	<u>771,412</u>	<u>867,094</u>	<u>771,412</u>
<b>Total Grid Sales Revenue</b>	<u>867,094</u>	<u>771,412</u>	<u>867,094</u>	<u>771,412</u>
<i>Other revenue</i>				
Interest	20,242	23,754	4,875	7,469
Dividends	-	-	11,656	10,873
Other	<u>34,623</u>	<u>28,967</u>	<u>34,348</u>	<u>28,967</u>
<b>Total Other Revenue</b>	<u>54,865</u>	<u>52,721</u>	<u>50,879</u>	<u>47,309</u>
<b>Total Revenues from Continuing Operations</b>	<u>921,959</u>	<u>824,133</u>	<u>917,973</u>	<u>818,721</u>

**5 Expenses from Continuing Operations**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Finance expenses</i>				
Interest Expense	227,922	214,034	227,922	214,034
Other	<u>6,212</u>	<u>5,436</u>	<u>6,212</u>	<u>5,436</u>
<b>Total Finance Costs Expensed</b>	<u>234,134</u>	<u>219,470</u>	<u>234,134</u>	<u>219,470</u>
Network Operations	13,989	13,351	13,989	13,351
Network Maintenance	94,356	85,740	94,356	85,740
Grid Support	-	154	-	154
Corporate/Business Support	58,039	60,944	58,018	60,923
Other	8,997	4,633	8,997	4,633
Depreciation	<u>240,774</u>	<u>223,733</u>	<u>240,774</u>	<u>223,733</u>
<b>Total Expenses from Continuing Operations Excluding Finance Costs Expensed</b>	<u>416,155</u>	<u>388,555</u>	<u>416,134</u>	<u>388,534</u>
Employee benefit expense through profit or loss	89,730	86,474	89,730	86,474
Defined Contribution Superannuation Expense through profit or loss	<u>3,590</u>	<u>2,850</u>	<u>3,590</u>	<u>2,850</u>



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**6 Income tax equivalent expense**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(a) Income tax equivalent expense</b>				
Current Tax	92,567	61,820	87,514	57,000
Deferred tax	(4,203)	2,662	(3,836)	2,605
Associates accounted for using the equity method	8,751	2,266	-	-
	<u>97,115</u>	<u>66,748</u>	<u>83,678</u>	<u>59,605</u>

*Deferred income tax (revenue) equivalent expense included in income tax equivalent expense comprises:*

Decrease/(increase) in deferred tax assets (Note 14)	1,613	(615)	1,613	(615)
(Decrease)/ increase in deferred tax liabilities (Note 22)	(5,816)	5,543	(5,449)	3,220
	<u>(4,203)</u>	<u>4,928</u>	<u>(3,836)</u>	<u>2,605</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable</b>				
Profit from continuing operations before income tax equivalent expense	300,880	223,926	267,705	210,717
Tax equivalent at the Australian tax rate of 30% (2011: 30%)	90,264	67,178	80,312	63,215
<i>Increase in income tax equivalent expense due to:</i>				
Non deductible expenses	-	-	-	-
Prior year adjustment	293	-	293	-
Temporary differences	81,874	68,140	81,874	68,140
<i>Decrease in income tax equivalent expense due to:</i>				
Tax exempt revenues	(12)	(84)	(3,497)	(3,262)
Building capital allowances	(516)	(427)	(516)	(427)
Temporary differences	(74,788)	(70,509)	(74,788)	(70,511)
Other movements in deferred tax	-	2,605	-	2,605
Prior Year Adjustments	-	(155)	-	(155)
<b>Total income tax expense</b>	<u>97,115</u>	<u>66,748</u>	<u>83,678</u>	<u>59,605</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (Notes 14 and 22)	27,869	67,070	24,946	56,797
	<u>27,869</u>	<u>67,070</u>	<u>24,946</u>	<u>56,797</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**6 Income tax equivalent expense (continued)**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(d) Tax equivalent expense (income) relating to items of other comprehensive income</b>				
Gains on revaluation of land and buildings (Note 25(a))	34,186	59,732	32,008	55,970
Prior Year Adjustment	(109)	-	-	-
Cash flow hedges (Note 25(a))	(2,827)	6,095	209	(339)
Actuarial gains/(losses) on retirement benefit obligation	(3,381)	1,243	(7,271)	1,166
	<u>27,869</u>	<u>67,070</u>	<u>24,946</u>	<u>56,797</u>

**(e) Tax consolidation legislation**

Powerlink Queensland and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Powerlink Queensland.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Powerlink Queensland for any current tax payable assumed and are compensated by Powerlink Queensland for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Powerlink Queensland under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

**7 Current assets - Cash and cash equivalents**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Cash balance comprises:</b>				
Cash on hand	3	3	3	3
Bank balances	6,375	3,912	6,350	3,908
Cash on Deposit with Qld Treasury Corporation (QTC)	53,310	195,333	39,356	182,292
Closing Cash balance	<u>59,688</u>	<u>199,248</u>	<u>45,709</u>	<u>186,203</u>

**(a) Risk exposure**

The Consolidated Entity's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

**(b) Deposits at call**

Cash on deposit with QTC earns interest at floating rates based on daily QTC deposit rates.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

**(c) Fair value**

The carrying amount for cash and cash equivalents equals the fair value.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**8 Current assets - Trade and other receivables**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Net trade receivables</b>				
Trade receivables	109,804	89,410	109,804	89,410
Other	2,745	3,969	4,497	3,759
	<b>112,549</b>	<b>93,379</b>	<b>114,301</b>	<b>93,169</b>

**(a) Provision for Impairment of Receivables**

The Consolidated Entity has not considered it necessary to raise a provision for the impairment of receivables as all receivables are considered recoverable.

**(b) Impaired Trade Receivables**

The Consolidated Entity has recognised a loss of \$0.15 thousand (2011: \$24 thousand) in respect of impaired trade receivables during the year ended 30 June 2012.

**(c) Trade receivables past due but not impaired**

As of 30 June 2012, trade receivables of \$154 thousand (2011 - \$1,273 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Up to 3 months	80	1,040	80	1,040
3 to 6 months	74	233	74	233
	<b>154</b>	<b>1,273</b>	<b>154</b>	<b>1,273</b>

**(d) Other receivables**

For the Company, these are receivables from tax consolidated entities under the tax funding agreement, see Note 6(e).

**(e) Foreign exchange and interest rate risk**

Information about the Consolidated Entity's and the Company's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

**(f) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Powerlink Queensland

# NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

## 9 Current assets - Inventories

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Maintenance and Construction Stock	<u>22,132</u>	<u>27,456</u>	<u>22,132</u>	<u>27,456</u>
	<b>22,132</b>	<b>27,456</b>	<b>22,132</b>	<b>27,456</b>

## 10 Current assets - Other current assets

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Work in Progress - Customer Works	570	2,130	570	2,130
Prepayments	2,686	2,416	2,686	2,416
Other	<u>206</u>	<u>74</u>	<u>206</u>	<u>74</u>
	<b>3,462</b>	<b>4,620</b>	<b>3,462</b>	<b>4,620</b>

## 11 Non-current assets - Investments accounted for using the equity method

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Shares in associates (Note 33)	<u>117,612</u>	<u>96,867</u>	<u>-</u>	<u>-</u>
	<b>117,612</b>	<b>96,867</b>	<b>-</b>	<b>-</b>

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the subsidiary entities holding the investments (refer to Note 12).

## 12 Non-current assets - Other financial assets

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Advances to Associates</b>				
Loan Notes	84,090	84,090	-	-
Shares in subsidiaries * (Note 32)	-	-	1	1
Unsecured Loans to Subsidiaries #	<u>-</u>	<u>-</u>	<u>84,054</u>	<u>84,054</u>
	<b>84,090</b>	<b>84,090</b>	<b>84,055</b>	<b>84,055</b>

\* Represents investments in unlisted controlled entities at cost

# Represents unsecured advances to Harold Street Holdings Pty Ltd of \$84,050 thousand (2011: \$84,050 thousand) and Powerlink Transmission Services Pty Ltd \$4 thousand (2011: \$4 thousand). Both companies are wholly owned subsidiaries of Powerlink Queensland.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**13 Non-current assets - Property, plant and equipment**

Consolidated and Parent Entity	Work in Progress \$'000	Freehold Land and Easements \$'000	Buildings \$'000	Supply System Assets \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
<b>At 1 July 2010</b>						
- Directors' Valuation	515,605	437,820	60,660	5,429,055	100,299	6,543,439
Accumulated depreciation	-	-	(7,602)	(843,632)	(55,787)	(907,021)
Net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418
<b>Year ended 30 June 2011</b>						
Opening net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418
Additions	476,667	-	-	-	-	476,667
Disposals	-	(407)	(161)	(515)	(720)	(1,803)
Revaluation increments/(decrements)	-	15,208	2,286	169,072	-	186,566
Transfers from work in progress	(452,297)	15,172	12,220	404,324	20,581	-
Depreciation charge	-	-	(1,719)	(205,902)	(16,112)	(223,733)
Closing net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
<b>At 30 June 2011</b>						
- Directors' Valuation	539,975	467,793	75,254	6,007,255	111,320	7,201,597
Accumulated depreciation	-	-	(9,570)	(1,054,853)	(63,059)	(1,127,482)
Net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
<b>Consolidated and Parent Entity</b>						
<b>Year ended 30 June 2012</b>						
Opening net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
Additions	752,860	-	-	-	-	752,860
Disposals	-	(4,246)	-	(5,514)	(289)	(10,049)
Revaluation increments/(decrements)	-	8,581	1,178	96,935	-	106,694
Transfers from work in progress	(540,966)	27,836	3,262	488,788	21,080	-
Depreciation charge	-	-	(2,090)	(220,257)	(18,427)	(240,774)
Closing net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846
<b>At 30 June 2012</b>						
- Directors' Valuation	751,869	499,964	79,851	6,588,737	127,519	8,047,940
Accumulated depreciation	-	-	(11,817)	(1,276,383)	(76,894)	(1,365,094)
Net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**13 Non-current assets - Property, plant and equipment (continued)****(a) Leased assets**

Supply system assets previously included the following amounts which are subject to a cross border lease. The cross border lease was terminated on 20 September 2011:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Leasehold equipment</b>				
- Directors' Valuation	-	5,611,930	-	5,611,930
Accumulated depreciation	-	(981,589)	-	(981,589)
Net book amount	-	4,630,341	-	4,630,341

**(b) Valuation of property, plant and equipment**

Powerlink's supply system assets, work in progress, freehold land and building and easements are carried at fair value. An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2012 using the following key assumptions and approach:

- a major proportion of Powerlink's assets are subject to regulation in the form of a revenue cap and it is assumed that they will continue to be subject to regulation in the future;
- cash flows have been projected based on forecasts of prudent and efficient operating costs and revenue consistent with existing regulatory determinations, regulatory methodologies and existing connection and access agreements which satisfy fair value definitions contained in relevant accounting standards;
- future capital expenditure and related revenues have been excluded from the cash flows;
- residual asset values have been determined using the best information available; and
- determination of a discount rate to convert future cash flows into present day values. The discount rate applied was the regulatory rate for regulated assets and the Consolidated Entity's hurdle rate for un-regulated assets, reflecting both the time value of money and the risks inherent in the projected cash flows for the assets.

**14 Non-current assets - Deferred income tax equivalent assets**

Consolidated		Powerlink Queensland	
2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

The balance comprises temporary differences attributable to:

Accruals	577	62	575	60
Provisions	14,761	10,830	14,761	10,830
Cash flow hedges	85	253	85	253
<b>Total deferred tax assets</b>	<b>15,423</b>	<b>11,145</b>	<b>15,421</b>	<b>11,143</b>

Set-off of deferred tax equivalent liabilities pursuant to set-off provisions (Note 22)

<b>Net deferred tax assets</b>	<b>(15,423)</b>	<b>(11,145)</b>	<b>(15,421)</b>	<b>(11,143)</b>
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Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**14 Non-current assets - Deferred income tax equivalent assets (continued)**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Movements:</b>				
<b>Opening balance at 1 July 2011</b>	<b>11,145</b>	10,276	<b>11,143</b>	10,274
Credited/(charged) to profit or loss (Note 6)	(1,613)	616	(1,613)	616
Credited/(charged) to equity	<u>5,891</u>	<u>253</u>	<u>5,891</u>	<u>253</u>
<b>Closing balance at 30 June</b>	<b><u>15,423</u></b>	<u>11,145</u>	<b><u>15,421</u></b>	<u>11,143</u>
Deferred tax equivalent assets to be recovered within 12 months	<b>7,110</b>	6,620	<b>7,108</b>	6,618
Deferred tax equivalent assets to be recovered after more than 12 months	<u>8,313</u>	<u>4,525</u>	<u>8,313</u>	<u>4,525</u>
	<b><u>15,423</u></b>	<u>11,145</u>	<b><u>15,421</u></b>	<u>11,143</u>

**15 Employee Benefits and Superannuation Commitments****(a) Performance Payments to Employees**

Information in respect of each category of performance related payment is as follows:

**Performance Payments - Other Key Management Personnel**

Performance payments to other key management personnel are dependent on the performance of individual key management personnel against pre-agreed business and individual targets. The performance payments made in the 2011/12 year were granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**Performance Payments - All Other Employees**

Performance payments to all other employees are dependent on the performance of employees against individual/team pre-agreed performance targets. The performance payments made in the 2011/12 year were granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**Gainsharing Payments**

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2011/12 was granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**At-Risk Performance Remuneration**

The aggregate at-risk employee remuneration is as follows:

	2011/12	2010/11
Aggregate at-risk performance remuneration	<b>\$6.697m</b>	6.311m
Total salaries and wages paid	<b>\$138.960</b>	\$120.265m
Number of employees receiving performance payments	<b>980</b>	942

**Number of Employees**

Number of employees (full-time equivalents) at year end: 1,028 (2011: 986)

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**15 Employee Benefits and Superannuation Commitments (continued)****(b) Superannuation Plan**

The Consolidated Entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation (Qld) Ltd. Members, after serving a qualifying period, are entitled to benefits from this scheme on retirement, resignation, retrenchment, disability or death. The Consolidated Entity has one plan with a defined benefit section and a defined contribution section. The defined benefit section is only open to existing employees who have always been in the section, and is not open to new employees.

The defined benefit account of this plan provides defined lump sum benefits based on years of service and final average salary. Employee contributions to the scheme are based on percentages of their salaries and wages. The Consolidated Entity also contributes to the plan.

The Trust Deed of the plan states that, if the plan winds up, after the payment of all costs and the payment of all member benefits in respect of the period up to the date of termination, any remaining assets are to be distributed by the Trustee of the plan, acting on the advice of an actuary to the participating employers.

The Consolidated Entity may at any time, by notice to the Trustee, terminate its contributions. In respect of the defined contributions section of the plan, the employer has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for an employer to pay any further contributions, irrespective of the financial condition of the plan.

The Consolidated Entity may benefit from any surplus in the Fund in the form of a contribution reduction. Any reduction in contributions would normally be implemented only after advice from the plan's actuary.

All monetary amounts are in Australian dollars and have been rounded to the nearest \$1,000. Actuarial gains or losses associated with the defined benefit plan are recognised directly in retained earnings.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in Note 5.

**(c) Defined Benefit Plan asset recognised on the balance sheet**

The amounts recognised in the balance sheets are determined as follows:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value of defined benefit plan assets	<b>71,764</b>	76,248	<b>71,764</b>	76,248
Present value of the defined benefit obligation	<b>(79,892)</b>	(67,575)	<b>(79,892)</b>	(67,575)
<b>Net (deficit)/surplus in the balance sheet</b>	<b>(8,128)</b>	8,673	<b>(8,128)</b>	8,673

**(d) Categories of plan assets**

The major categories of plan assets are as follows:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash	<b>10.0</b>	5.0	<b>10.0</b>	5.0
Fixed Interest	<b>10.0</b>	15.0	<b>10.0</b>	15.0
Domestic Equities	<b>28.0</b>	28.0	<b>28.0</b>	28.0
Alternatives	<b>20.0</b>	20.0	<b>20.0</b>	20.0
International Equities	<b>22.0</b>	22.0	<b>22.0</b>	22.0
Property	<b>10.0</b>	10.0	<b>10.0</b>	10.0
	<b>100.0</b>	100.0	<b>100.0</b>	100.0



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**15 Employee Benefits and Superannuation Commitments (continued)****(e) Reconciliations**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</i>				
Balance at the beginning of the year	(67,575)	(69,363)	(67,575)	(69,363)
Current service cost	(2,771)	(2,960)	(2,771)	(2,960)
Interest cost	(2,717)	(2,718)	(2,717)	(2,718)
Contributions by members	(808)	(865)	(808)	(865)
Actuarial gains and (losses)	(16,210)	1,394	(16,210)	1,394
Benefits paid	7,224	7,512	7,224	7,512
Provisions for Contributions Tax	2,965	(575)	2,965	(575)
<b>Balance at the end of the year</b>	<b>(79,892)</b>	<b>(67,575)</b>	<b>(79,892)</b>	<b>(67,575)</b>
<i>Reconciliation of the fair value of plan assets:</i>				
Balance at the beginning of the year	76,248	74,782	76,248	74,782
Expected return on plan assets	4,283	4,178	4,283	4,178
Actuarial gains and (losses)	(3,985)	2,493	(3,985)	2,493
Contributions by Company	1,634	1,801	1,634	1,801
Contributions by members	808	865	808	865
Benefits paid	(7,224)	(7,512)	(7,224)	(7,512)
Other cash flow	-	(359)	-	(359)
<b>Balance at the end of the year</b>	<b>71,764</b>	<b>76,248</b>	<b>71,764</b>	<b>76,248</b>

**(f) Defined Benefit Plan amounts recognised in profit or loss**

The amounts recognised in profit or loss are as follows:

Current service cost	2,771	2,960	2,771	2,960
Interest cost	2,717	2,718	2,717	2,718
Expected return on plan assets	(4,283)	(4,178)	(4,283)	(4,178)
Other	-	359	-	359
<b>Total included in employee benefits expense</b>	<b>1,205</b>	<b>1,859</b>	<b>1,205</b>	<b>1,859</b>

**(g) Defined Benefit Plan amounts recognised in other comprehensive income**

Actuarial (loss)/gain recognised in the year	(20,195)	3,887	(20,195)	3,887
Cumulative actuarial (losses)/gains recognised in other comprehensive income	(18,133)	2,062	(18,133)	2,062

**(h) Principal actuarial assumptions**

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
Discount rate	2.6%	4.4%	2.6%	4.4%
Expected return on plan assets	6.0%	6.0%	6.0%	6.0%
Future salary increases	4.5%	4.5%	4.5%	4.5%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**15 Employee Benefits and Superannuation Commitments (continued)****(i) Employer contributions**

Employer contributions to the defined benefit section of the plan are based on recommendations by the Plan's actuary. Actuarial assessments are made at no less than three yearly intervals, and the last such assessment was effective as at 1 July 2010.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective the actuary has adopted a method of funding known as the aggregate funding method.

This funding method seeks to have benefits funded by a total contribution which is expected to be a constant percentage of members salaries and wages over their working lifetimes.

Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates.

Using the funding method described above and the abovementioned actuarial assumptions as to plans and future experience, the Fund's actuary has not recommended that additional contributions beyond the current contribution level be made.

**(j) Historic summary**

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Defined benefit plan assets	71,764	76,248	74,782	69,138	70,219
Defined benefit plan obligation	(79,892)	(67,575)	(69,363)	(63,729)	(56,614)
Surplus / (deficit)	(8,128)	8,673	5,419	5,409	13,605
Experience adjustments arising on plan assets	(3,985)	2,493	3,558	(5,069)	(19,606)
Experience adjustments arising on plan liabilities	(2,339)	750	(867)	(544)	(3,115)

**16 Current liabilities - Trade and other payables**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables	128,310	109,562	128,301	109,568
Deposits	28	28	28	28
Other payables	7,542	18,829	7,542	18,829
	135,880	128,419	135,871	128,425

**(a) Fair Value**

Due to their short term nature, the carrying amounts of the Consolidated Entity's and the Company's trade and other payables are a reasonable approximation of fair value.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**17 Current liabilities - Provisions**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee benefits (b)	13,135	12,431	13,135	12,431
Dividends	146,678	121,365	146,678	121,365
	<u>159,813</u>	<u>133,796</u>	<u>159,813</u>	<u>133,796</u>

**(a) Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2012	Dividends \$'000
<b>Consolidated and Powerlink Queensland - 2012</b>	
<b>Current</b>	
Carrying amount at start of year	121,365
- additional provisions recognised	146,678
Amounts used during the year	<u>(121,365)</u>
<b>Carrying amount at end of year</b>	<b><u>146,678</u></b>

**(b) Amounts not expected to be settled within the next 12 months**

The current provision for employee entitlements includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Leave obligations expected to be settled after 12 months	<u>24,008</u>	<u>19,837</u>	<u>24,008</u>	<u>19,837</u>

**18 Current liabilities - Current tax equivalent liabilities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Income tax equivalents	<u>43,945</u>	<u>20,232</u>	<u>43,945</u>	<u>20,232</u>
<b>Total current tax equivalent liabilities</b>	<b><u>43,945</u></b>	<b><u>20,232</u></b>	<b><u>43,945</u></b>	<b><u>20,232</u></b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**19 Current liabilities - Other current liabilities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Unearned revenue	6,624	6,486	6,624	6,486
Derivative financial instruments	285	845	285	845
Other	10,028	9,619	10,028	9,619
<b>Total other current liabilities</b>	<b>16,937</b>	<b>16,950</b>	<b>16,937</b>	<b>16,950</b>

**20 Non-current liabilities - Interest bearing loans and borrowings**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Unsecured</b>				
Queensland Treasury Corporation	3,854,221	3,571,521	3,854,221	3,571,521
<b>Total non-current borrowings</b>	<b>3,854,221</b>	<b>3,571,521</b>	<b>3,854,221</b>	<b>3,571,521</b>

**(a) Fair value**

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	At 30 June 2012		At 30 June 2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Consolidated Entity</b>				
<b>On-balance sheets (i)</b>				
QTC Loans	3,854,221	4,056,543	3,571,521	3,602,388
	<b>3,854,221</b>	<b>4,056,543</b>	<b>3,571,521</b>	<b>3,602,388</b>
<b>Powerlink Queensland</b>				
<b>On-balance sheets (i)</b>				
QTC Loans	3,854,221	4,056,543	3,571,521	3,602,388
	<b>3,854,221</b>	<b>4,056,543</b>	<b>3,571,521</b>	<b>3,602,388</b>

**(i) On-balance sheets**

The borrowings are carried on the Balance Sheet at an amount different to the aggregate net fair value. The Directors have not caused those liabilities to be adjusted to the aggregate net fair value as it is intended to retain those securities until maturity.

The carrying amounts of the Consolidated Entity's borrowings are denominated in Australian dollars.

**(b) Risk exposures**

Information about the Consolidated Entity's and the Company's exposure to interest rate changes is provided in Note 2.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**21 Non-current liabilities - Other liabilities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Unearned Revenue	10,946	12,767	10,946	12,767
Other	1,208	1,037	1,208	1,037
<b>Total other financial liabilities</b>	<b>12,154</b>	<b>13,804</b>	<b>12,154</b>	<b>13,804</b>

**22 Non-current liabilities - Deferred tax equivalent liabilities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>				
Property, plant and equipment	480,840	450,919	480,840	450,919
Receivables	171	639	171	639
Prepayments	45	43	45	43
	<b>481,056</b>	<b>451,601</b>	<b>481,056</b>	<b>451,601</b>
<i>Other</i>				
Defined Benefit Fund Surplus	-	2,602	-	2,602
Inventories	2,291	3,797	2,291	3,797
Cash flow hedges	46	5	47	5
Associates Accounted for using the Equity Method	35,642	29,415	-	-
Interest receivable	823	1,191	-	-
Sub-total other	<b>38,802</b>	<b>37,010</b>	<b>2,338</b>	<b>6,404</b>
<b>Total deferred tax liabilities</b>	<b>519,858</b>	<b>488,611</b>	<b>483,394</b>	<b>458,005</b>
Set-off of deferred tax equivalent assets pursuant to set-off provisions (Note 14)	<b>(15,423)</b>	<b>(11,145)</b>	<b>(15,421)</b>	<b>(11,143)</b>
<b>Net deferred tax liabilities</b>	<b>504,435</b>	<b>477,466</b>	<b>467,973</b>	<b>446,862</b>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Movements:</b>				
Opening balance at 1 July 2011	488,611	415,747	458,005	397,735
Charged/(credited) to profit or loss (Note 6)	3,043	5,541	(5,448)	3,220
Charged/(credited) to equity (Notes 24, 25)	31,588	67,323	30,837	57,050
Prior year adjustment	(3,384)	-	-	-
<b>Closing balance at 30 June</b>	<b>519,858</b>	<b>488,611</b>	<b>483,394</b>	<b>458,005</b>

Deferred tax equivalent liabilities to be settled within 12 months	3,357	5,674	2,574	4,484
Deferred tax equivalent liabilities to be settled after more than 12 months	516,481	482,937	480,840	453,521
	<b>519,838</b>	<b>488,611</b>	<b>483,414</b>	<b>458,005</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**23 Non-current liabilities - Provisions**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Employee benefits	<u>24,269</u>	<u>20,067</u>	<u>24,269</u>	<u>20,067</u>
	<b>24,269</b>	<b>20,067</b>	<b>24,269</b>	<b>20,067</b>

**24 Contributed equity**

	Powerlink Queensland		Powerlink Queensland	
	2012	2011	2012	2011
	Shares '000	Shares '000	\$'000	\$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>
	<b>401,000</b>	<b>401,000</b>	<b>401,000</b>	<b>401,000</b>

**(b) Capital risk management**

The Consolidated Entity's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in line with shareholding Minister expectations.

The Consolidated Entity's overall strategy remains unchanged, to maintain at least an "investment grade" business credit rating.

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 24,25(a) and (b) respectively.

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Operating cash flows are used to maintain and expand the Consolidated Entity's supply system assets, as well as to make routine outflows of tax, dividends and servicing of debt.

The Consolidated Entity's policy is to borrow centrally using facilities provided by Queensland Treasury Corporation to meet anticipated funding requirements.

There has not been any changes in strategy or policy subsequent to the previous year ended 30 June 2011.

**Gearing ratio**

The Consolidated Entity's management monitor capital on the basis of a gearing ratio on an annual basis through its reporting to the Board and shareholding Ministers and Queensland Treasury Corporation. This ratio is calculated as debt to fixed assets.

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Total debt	<u>3,854,221</u>	<u>3,571,521</u>	<u>3,854,221</u>	<u>3,571,521</u>
Fixed assets	<u>6,682,846</u>	<u>6,074,115</u>	<u>6,682,846</u>	<u>6,074,115</u>
Gearing ratio	<b>57.7%</b>	<b>58.8%</b>	<b>57.7%</b>	<b>58.8%</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**24 Contributed equity (continued)**

The decrease in the gearing ratio for the year ended 30 June 2012 resulted primarily from the lower level of borrowings required to finance the Consolidated Entity's capital expenditure program.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2012 the Consolidated Entity had only long term borrowings.

Fixed Assets is Property, Plant and Equipment. (Note 13)

**(c) Issued and Paid Up Capital**

Consists of 2 "A" Class voting shares of \$1.00 each and 400,999,998 "B" Class non-voting shares of \$1.00 each. Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital, and issued shares do not have a par value.

There was no movement in the issued and paid up capital during the financial year ended 30 June 2012.

**(d) Terms and Conditions of Contributed Equity - Ordinary Shares**

Ordinary shares entitle the holder to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up, on shares held.

Holders of "A" Class ordinary shares are entitled to one vote per share at shareholders' meetings.

**25 Reserves and retained earnings**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Revaluation surplus - property, plant and equipment	781,624	701,858	720,842	646,156
Cash flow hedges	1,657	8,255	(92)	(579)
	<u>783,281</u>	<u>710,113</u>	<u>720,750</u>	<u>645,577</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Movements:</b>				
<i>Asset Revaluation Reserve</i>				
Balance 1 July	701,858	562,484	646,156	515,560
Revaluation - gross (Note 13)	106,694	186,566	106,694	186,566
Deferred tax (Note 22)	(32,008)	(55,970)	(32,008)	(55,970)
Revaluation - associate (Note 33)	7,258	12,540	-	-
Deferred tax - associate (Note 22)	(2,178)	(3,762)	-	-
<b>Balance 30 June</b>	<u>781,624</u>	<u>701,858</u>	<u>720,842</u>	<u>646,156</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Movements:</b>				
<i>Hedging Reserve</i>				
Balance 1 July	8,255	(5,965)	(579)	213
Revaluation - gross	696	(1,132)	696	(1,132)
Deferred tax (Notes 14 and 22)	(209)	340	(209)	340
Associate	(10,121)	21,446	-	-
Deferred tax - associate (Notes 14 and 22)	3,036	(6,434)	-	-
<b>Balance 30 June</b>	<u>1,657</u>	<u>8,255</u>	<u>(92)</u>	<u>(579)</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**25 Reserves and retained earnings (continued)****(b) Retained Earnings**

Movements in retained earnings were as follows:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening retained earnings	<b>1,095,080</b>	1,058,122	<b>1,080,057</b>	1,048,166
Net profit attributable to members of Powerlink Queensland	<b>203,765</b>	157,178	<b>184,027</b>	151,112
Dividends provided for or paid	<b>(146,678)</b>	(121,365)	<b>(146,678)</b>	(121,365)
Actuarial gains/(losses) on defined benefit plans net of tax recognised directly in retained earnings	<b>(16,816)</b>	2,901	<b>(12,927)</b>	2,719
Defined Benefit Fund Contributions Tax	<b>2,965</b>	(575)	<b>2,965</b>	(575)
Change in prior years value of Associates	-	(1,181)	-	-
<b>Balance 30 June</b>	<b><u>1,138,316</u></b>	<u>1,095,080</u>	<b><u>1,107,444</u></b>	<u>1,080,057</u>

**(c) Nature and purpose of reserves****(i) Revaluation surplus - property, plant and equipment**

The property, plant and equipment revaluation surplus is used to record increments and decrements arising from the revaluation of non-current assets, and investments in associates measured at fair value in accordance with the applicable Australian Accounting Standards - Note 1(m). The balance standing to the credit of the surplus may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

**(ii) Cash flow hedges**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1(k). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit and loss.

**26 Dividends**

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Ordinary Shares</b>				
Unfranked final dividend proposed	<b><u>146,678</u></b>	<u>121,365</u>	<b><u>146,678</u></b>	<u>121,365</u>
	<b><u>146,678</u></b>	<u>121,365</u>	<b><u>146,678</u></b>	<u>121,365</u>

In consultation with the shareholding Ministers, dividends have been recommended at 80% (2011: 80%) of the operating profit after income tax equivalents excluding the contributions from equity accounted associates.

Pursuant to the National Tax Equivalent Manual, Powerlink Queensland and its controlled entities are not required to maintain a franking account.



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**27 Key management personnel disclosures****(a) Directors**

Directors of Powerlink Queensland are appointed by the shareholding Ministers for a fixed term with specified expiry dates. The following persons were directors of the Consolidated Entity during the financial year:

*(i) Chairman*

Stephen Rochester (Chairman from 31/5/2012)  
David Harrison (Director from 1/10/2011, Chairman from 1/1/2012, resigned 25/5/2012)  
Else Shepherd (term finished 31/12/2011)

*(ii) Directors*

Julie Beeby  
Kenneth Howard  
Julienne Martin (from 1/10/2011)  
Christina Sutherland  
Walter Threlfall

**(b) Other key management personnel**

The following positions had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, during the financial year:

Chief Executive  
Chief Operating Officer  
Chief Financial Officer  
Human Resources and Development Manager

*(i) Remuneration of other key management personnel*

The Remuneration Committee of the Board of Directors is responsible for establishing remuneration policy, and for determining and reviewing the remuneration arrangements for other key management personnel.

The Human Resources and Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on a periodic basis by reference to relevant employment market conditions to assist the Company to attract, retain and motivate high calibre individuals. Shareholder guidelines and policy in relation to remuneration of key management personnel are followed.

The remuneration arrangements include a total fixed remuneration component which provides some flexibility for packaging of superannuation, motor vehicles and other costs, as well as a performance pay component which rewards out-performance of pre-agreed business and individual targets.

Other key management personnel are employed under employment agreements. Their current employment agreements either have a fixed term or do not have an expiry date. The agreements provide a notice period from five (5) weeks to six (6) months depending on the particular contract and provision for severance payment should the Company elect to terminate the agreement. The severance payment is in accordance with the employment agreement.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**27 Key management personnel disclosures (continued)****(c) Details of remuneration**(i) *Details of the nature and amount of each major element of the remuneration of each Director are:*

<b>2012</b>		Short Term	Post employment	
Name	Fixed Remuneration \$'000	Superannuation \$'000	Total \$'000	
Stephen Rochester	7	1	8	
David Harrison	46	4	50	
Else Shepherd	41	4	45	
Julie Beeby	34	3	37	
Kenneth Howard	42	4	46	
Julienne Martin	25	2	27	
Christina Sutherland	44	4	48	
Walter Threlfall	36	3	39	
<b>Total</b>	<b>275</b>	<b>25</b>	<b>300</b>	

<b>2011</b>		Short Term	Post employment	
Name	Fixed Remuneration \$'000	Superannuation \$'000	Total \$'000	
Else Shepherd	79	7	86	
Julie Beeby	35	3	38	
Stuart Copeland	36	3	39	
Kenneth Howard	34	3	37	
Christina Sutherland	37	4	41	
Walter Threlfall	35	3	38	
<b>Total</b>	<b>256</b>	<b>23</b>	<b>279</b>	

Directors' remuneration excludes insurance premiums paid by Powerlink Queensland in respect of the Directors' and Officers' liability insurance contracts, and premiums in respect of Directors' and Officers' supplementary legal expenses, as the contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to insurance contracts is set out in the Directors' Report.

(ii) *Other key management personnel*

Details of the nature and amount of each major element of the remuneration to each of the other key management personnel, inclusive of performance payments are:

<b>2012</b>		Short Term	Post-employment	
Position	Fixed Remuneration \$'000	At Risk Payments \$'000	Superannuation # \$'000	Total \$'000
Chief Executive *	522	93	96	711
Chief Operating Officer	429	70	89	588
Chief Financial Officer	305	43	55	403
Human Resources and Development Manager	232	14	28	274
<b>Total</b>	<b>1,488</b>	<b>220</b>	<b>268</b>	<b>1,976</b>

<b>2011</b>		Short Term	Post employment	
Position	Fixed Remuneration \$'000	Superannuation # \$'000	Total \$'000	
Chief Executive	528	97	625	
Chief Operating Officer	398	72	470	
Chief Financial Officer	284	52	336	
Human Resources and Development Manager*	218	35	253	
<b>Total</b>	<b>1,428</b>	<b>256</b>	<b>1,684</b>	

# Includes both employee and employer superannuation contributions.

\* Remuneration disclosed reflects a change in incumbents during the financial year. The new Chief Executive was appointed on 22nd July 2011. "At-Risk" payment reflects remuneration to outgoing incumbent.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**27 Key management personnel disclosures (continued)**

Other key management personnel remuneration excludes insurance premiums paid by the parent entity in respect of Directors' and Officers' liability insurance contracts and premiums in respect of Directors' and Officers' supplementary legal expenses, as the contracts do not specify premiums paid in respect of individual Directors and Officers. Information relating to the insurance contracts is set out in the Directors' Report.

**(d) Director Term and Appointment****Stephen Rochester**

Current Term - 3 years 4 months - First appointed May 2012

**David Harrison**

Resigned 31/5/2012 - First appointed October 2011.

**Elsie Shepherd**

Term Finished 31 December 2011 - First appointed September 1994.

**Julie Beeby**

Current term - 3 years commencing October 2011 - First appointed October 2008.

**Kenneth Howard**

Current Term - 3 years commencing October 2009 - First appointed January 2007.

**Julienne Martin**

Current term - 3 years commencing October 2011. First appointed October 2011.

**Christina Sutherland**

Current Term - 2 years commencing October 2011 - First appointed July 2001.

**Walter Threlfall**

Current Term - 3 years commencing October 2009 - First appointed September 1994.

**28 Remuneration of auditors**

Remuneration for audit or review of the financial statements of Powerlink Queensland or any entity of the Consolidated Entity.

Amounts received or due and receivable by the auditors of Powerlink Queensland:

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Queensland Audit Office</i>				
Audit and review of financial statements	222	232	213	222
Non-audit services (Deloitte Touche Tohmatsu)				
Consultancy services	-	40	-	40
<b>Total remuneration for audit and other services</b>	<b>222</b>	<b>272</b>	<b>213</b>	<b>262</b>

The audit and review of the financial statements of the Consolidated Entity and Powerlink Queensland is conducted by Deloitte Touche Tohmatsu as Delegate of the Auditor-General of Queensland, Queensland Audit Office.

**29 Contingent Assets and Contingent Liabilities**

There were no known contingent assets or contingent liabilities of a material nature as at 30 June 2012 (2011:NIL).

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**30 Expenditure Commitments****(a) Capital Expenditure Commitments**

Estimated capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Property, plant and equipment</i>				
Payable:				
Not later than one year	<b>73,630</b>	107,830	<b>73,630</b>	107,830
Later than one year but not later than five years	-	372	-	372
	<b>73,630</b>	108,202	<b>73,630</b>	108,202

**(i) Non-cancellable operating leases**

The Consolidated Entity leases property primarily for the placement of communication equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Consolidated Entity provides the option of novated motor vehicle leases for its employees. These leases are non-cancellable operating leases expiring from one to five years.

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	<b>2,389</b>	1,475	<b>2,389</b>	1,475
Later than one year but not later than five years	<b>4,094</b>	1,727	<b>4,094</b>	1,727
Later than five years	<b>286</b>	315	<b>286</b>	315
	<b>6,769</b>	3,517	<b>6,769</b>	3,517

**31 Related party transactions****(a) Parent entities**

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2012 owned 100% (2011: 100%) of the issued ordinary shares of Powerlink Queensland.

The Consolidated Entity has a related party relationship with its parent entity (includes other agencies and departments of the State of Queensland) and associates.

**(b) Directors***Directors' Shareholdings*

No shares in Powerlink Queensland were held by Directors of the Company, Consolidated Entity or their Director related entities.

*Loans to Directors*

No loans have been made or are outstanding to Directors of the Company, Consolidated Entity or their Director related entities.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**31 Related party transactions (continued)****(c) Subsidiaries and Associates**

Interests in subsidiaries are set out in Note 32.

Interests in Associates are set out in Note 33.

**(d) Key management personnel**

Disclosure relating to key management personnel are set out in Note 27.

**(e) Transactions with other related parties**

The following transactions occurred with related parties:

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Sales of goods and services</i>				
Parent Entity	923,740	1,049,097	923,740	1,049,097
Associates	473	14	473	14
	<u>924,213</u>	<u>1,049,111</u>	<u>924,213</u>	<u>1,049,111</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Purchases of goods</i>				
Parent Entity	147,078	53,618	147,078	53,618
Associates	54	56	54	56
	<u>147,132</u>	<u>53,674</u>	<u>147,132</u>	<u>53,674</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Dividend revenue</i>				
Subsidiaries	-	-	11,656	10,873
Associates	42	273	-	-
	<u>42</u>	<u>273</u>	<u>11,656</u>	<u>10,873</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<i>Interest revenue</i>				
Parent Entity	5,189	7,617	4,593	7,052
Associates	14,778	15,716	-	-
	<u>19,967</u>	<u>23,333</u>	<u>4,593</u>	<u>7,052</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**31 Related party transactions (continued)**

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Other transactions</i>				
Dividends paid to ultimate Australian parent entity (State of Queensland)	<b>121,365</b>	100,226	<b>121,365</b>	100,226
Borrowing Costs - Parent Entity	<b>233,606</b>	218,169	<b>233,606</b>	218,169
	<b>354,971</b>	318,395	<b>354,971</b>	318,395

**(f) Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current receivables (sales of goods and services)</i>				
Parent Entity	<b>69,742</b>	60,690	<b>69,742</b>	60,690
	<b>69,742</b>	60,690	<b>69,742</b>	60,690
<i>Current payables (purchases of goods)</i>				
Parent Entity	-	99	-	99
	-	99	-	99

**(g) Loans to/from related parties**

	<b>Consolidated</b>		<b>Powerlink Queensland</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Loans to subsidiaries</i>				
Balance at the beginning of the year	-	-	<b>84,054</b>	84,054
End of year	-	-	<b>84,054</b>	84,054
<i>Loans from ultimate parent entity</i>				
Balances at the beginning of the year	<b>3,571,521</b>	3,341,021	<b>3,571,521</b>	3,341,021
Loans advanced	<b>282,700</b>	230,500	<b>282,700</b>	230,500
Interest charged	<b>233,606</b>	218,169	<b>233,606</b>	218,169
Interest paid	<b>(233,606)</b>	(218,169)	<b>(233,606)</b>	(218,169)
End of year	<b>3,854,221</b>	3,571,521	<b>3,854,221</b>	3,571,521

No provisions for impairment of debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

**(h) Terms and conditions**

All transactions were made on normal commercial terms and conditions, except there are no fixed terms for the repayment of loans to wholly-owned subsidiaries and loans from the ultimate parent entity (Queensland Treasury Corporation loans). Outstanding balances are unsecured and are repayable in cash. Loans to wholly-owned subsidiaries are currently on an interest free basis.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**32 Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2012 %	2011 %
Harold Street Holdings Pty Ltd *	Australia	Ordinary	100	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	100	100

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Section 45(A) of the *Corporations Act (2001)*

\*\* The proportion of ownership interest is equal to the proportion of voting power held.

**33 Investments in associates****(a) Carrying amounts**

Information relating to associates is set out below.

Name of company	Ownership Interest		Consolidated		Powerlink Queensland	
	2012 %	2011 %	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Unlisted</i>						
ElectraNet Pty Ltd	41.11	41.11	117,612	96,821	-	-
ElectraNet Transmission Services Pty Ltd	-	41.11	-	46	-	-
			<u>117,612</u>	<u>96,867</u>	<u>-</u>	<u>-</u>
					Consolidated	
					2012 \$'000	2011 \$'000
					96,867	56,260

**(b) Movements in carrying amounts**

Carrying amount at the beginning of the financial year #	96,867	56,260
Share of profit/(loss) after income tax	29,210	7,818
Reversal of dividends received/receivable	(42)	(273)
Share of actuarial gain/(loss) in Defined Benefit Fund	(5,556)	257
Share of increment on revaluation of property, plant & equipment	7,258	12,540
Share of increment/decrement of hedge reserve	(10,121)	21,446
Share in error for restatement of prior year balances	-	(1,181)
Return of capital on investment	(4)	-
<b>Carrying amount at the end of the financial year</b>	<u>117,612</u>	<u>96,867</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**33 Investments in associates (continued)**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Share of associates' profits or losses</b>		
Profit/(loss) before income tax	<b>41,728</b>	11,169
Income tax expense	<b>(12,518)</b>	(3,351)
<b>Profit after income tax</b>	<b>29,210</b>	7,818

**(d) Summarised financial information of associates**

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	<b>Ownership Interest %</b>	<b>Consolidated Entity's share of:</b>			
		<b>Assets \$'000</b>	<b>Liabilities \$'000</b>	<b>Revenues \$'000</b>	<b>Profit \$'000</b>
<b>2012</b>					
<b>ElectraNet Pty Ltd</b>	<b>41.11</b>	<b>901,064</b>	<b>783,452</b>	<b>135,995</b>	<b>29,210</b>
		<b>901,064</b>	<b>783,452</b>	<b>135,995</b>	<b>29,210</b>
<b>2011</b>					
ElectraNet Pty Ltd	41.11	831,211	734,392	124,450	7,776
ElectraNet Transmission Services Pty Ltd	41.11	66	18	16,886	42
		<b>831,277</b>	<b>734,410</b>	<b>141,336</b>	<b>7,818</b>

The above associate is incorporated in Australia.

The Consolidated Entity's proportion of voting power held in the associate is the same as the ownership interest.

The Consolidated Entity's investment in the associate is accounted for in accordance with the accounting policy described in Note 1(b)(ii).

The associate is a proprietary company, is incorporated in Australia and has a 30 June reporting date.

The Consolidated Entity's investment in the associate was not impaired during the year (2011: NIL).

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(e) Share of associates' expenditure commitments, other than for the supply of inventories</b>		
Capital commitments	<b>13,984</b>	23,318
Operating Lease commitments	<b>15,447</b>	17,811
	<b>29,431</b>	41,129



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**33 Investments in associates (continued)****(f) Contingent liabilities of associates**

There were no known contingent liabilities of a significant nature as at 30 June 2012 (2011: NIL).

**34 Events occurring after the reporting period**

No events have occurred subsequent to 30 June 2012 (2011: NIL) that materially affect the results disclosed in these financial statements.

**35 Reconciliation of profit after income tax equivalent to net cash provided from operating activities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit from continuing operations after income tax equivalent	203,765	157,178	184,027	151,112
Depreciation	240,774	223,733	240,774	223,733
Net (gain)/loss on sale of non-current assets	(583)	(993)	(583)	(993)
Share of (profit)/loss of associates not received as dividends or distributions	(29,210)	(7,818)	-	-
Dividends received from associates	42	273	-	-
<i>Change in operating assets and liabilities</i>				
(Increase)/Decrease in debtors	(17,649)	(18,677)	(18,830)	(18,212)
(Increase)/Decrease in inventories	5,324	3,874	5,324	3,874
(Increase)/Decrease in prepayments	(273)	-	(273)	-
(Increase)/Decrease in deferred tax assets	(4,446)	(616)	(4,446)	(616)
Increase/(Decrease) in creditors	(2,740)	24,064	(2,740)	24,063
Increase/(Decrease) in provision for income taxes payable	23,713	8,741	22,959	8,541
Increase/(Decrease) in deferred tax liabilities	55	6,785	(6,661)	4,386
Increase/(Decrease) in other provisions	3,395	1,373	3,395	1,373
<b>Net cash inflow (outflow) from operating activities</b>	<b>422,167</b>	<b>397,917</b>	<b>422,946</b>	<b>397,261</b>

**36 Non-cash investing and financing activities**

No financing or investing activities were undertaken by the Consolidated Entity during the period which did not result in cash flows during this period.

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 37 Settlements Residue

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Opening Balance</b>	-	-	-	-
Residue transferred from AEMO	43,469	41,788	43,469	41,788
Interest Earned	-	-	-	-
Transfer to Powerlink Queensland - to offset network charges	(43,469)	(41,788)	(43,469)	(41,788)
<b>Balance at end of year</b>	-	-	-	-

Powerlink Queensland

## DIRECTORS' DECLARATION

30 June 2012

In the opinion of the Directors of Queensland Electricity Transmission Corporation Limited (the "Company"):

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Stephen Rochester  
Chairman

Brisbane  
Dated 30 August 2012

Powerlink Queensland

## INDEPENDENT AUDITOR'S REPORT

30 June 2012

To the Members of Queensland Electricity Transmission Corporation Limited

**Report on the Financial Report**

I have audited the accompanying financial report of Queensland Electricity Transmission Corporation Limited ("the company"), which comprises the balance sheets as at 30 June 2012, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

*Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

Powerlink Queensland

## INDEPENDENT AUDITOR'S REPORT

30 June 2012

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Queensland Electricity Transmission Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

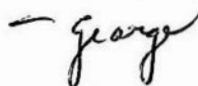
In my opinion –

- (a) the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including –
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Other Matters - Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Queensland Electricity Transmission Corporation Limited and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on Queensland Electricity Transmission Corporation Limited's website the company's directors are responsible for the integrity of Queensland Electricity Transmission Corporation Limited's website and I have not been engaged to report on the integrity of Queensland Electricity Transmission Corporation Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



N George CPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane



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