Powerlink Queensland

Annual Report and Financial Statements 2012/13

Powerlink Queensland

Mission

We responsibly deliver electricity transmission services that are valued by our shareholders, consumers, customers and the market.

Vision

Powerlink is a safe, commercial and performance focused organisation that creates and delivers valued outcomes.

Values

- Safe
- Ethical
- Respectful
- Cooperative
- Proactive

Queensland electricity transmission network

Contents

Reporting

This Annual Report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* (incorporating aspects of the *Financial Accountability Act 2009*) and the *Corporations Act 2001* and is presented to the Legislative Assembly of Queensland. It contains Powerlink's Financial Report for 2012/13.

Highlights

- We developed new safety strategies to build on our safety culture and promote continued learning and safety improvement.
- In response to the economic imperative to reduce network costs, Powerlink gained the ability to seek a variation of its reliability of supply standards on a case-by-case basis, to better balance network costs and reliability outcomes.
- We reported a reduction in the forecast growth in electricity demand, which means a deferral of some network augmentation projects. However, Powerlink's capital investment program remains relatively stable due to increased non-regulated customer connection works.
- As we progress transmission projects in the Surat Basin we are implementing efficiencies and improvements in our processes for securing customer connection and access agreements, and enhancing our landowner engagement practices.
- A change program has been implemented to support a new change to organisational structure which will ensure Powerlink remains an efficient and performance focused business.
- Powerlink performed positively against the network performance targets set by the Australian Energy Regulator (AER).

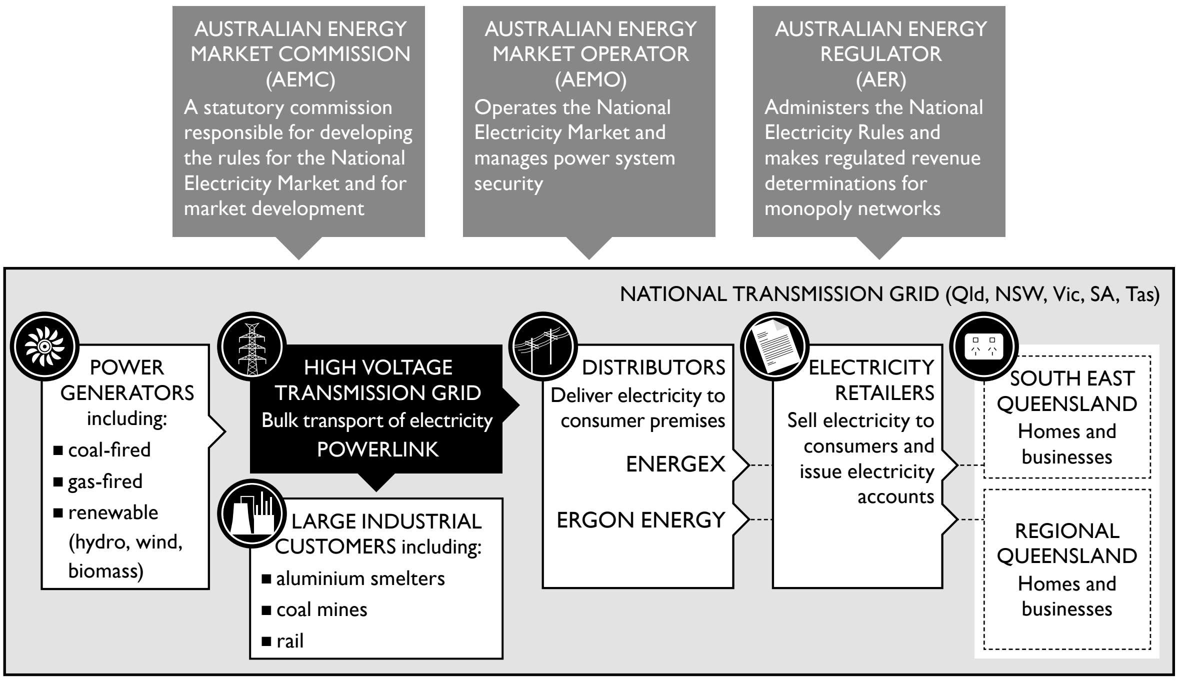
Powerlink profile

Powerlink is a State Government Owned Corporation that owns, develops, operates and maintains the high voltage transmission network in Queensland. Powerlink's network extends 1,700 kilometres from north of Cairns to the New South Wales (NSW) border, and comprises 14,700 circuit kilometres of transmission lines and 126 substations.

Our primary role is to provide a safe, cost effective and reliable transmission network to transport high voltage electricity from power stations where electricity is generated, to the electricity distribution networks owned by Energex, Ergon Energy and Essential Energy (Northern NSW). We also transport electricity to some large industrial customers such as aluminium smelters, mines and rail companies that are directly connected to our high voltage electricity network, and to NSW via the Queensland/NSW Interconnector (QNI) transmission line. Powerlink does not buy or sell electricity.

Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). The majority of Powerlink's network is regulated under the National Electricity Law (NEL) and the National Electricity Rules (NER) by the Australian Energy Regulator (AER). A small number of transmission services are provided on a non-regulated basis, when large industrial customers (such as mines and generators) need to connect to the high voltage network. All costs associated with acquiring easements, constructing and operating the non-regulated network are paid for by the customer via commercial charges over the life of the agreement with the customer.

Powerlink's role in the Queensland power supply industry



Financial overview

The 2012/13 financial year was the first year of Powerlink's operations under the Australian Energy Regulator's (AER) regulatory determination for the five years from 1 July 2012 to 30 June 2017 (delivered in April 2012).

Powerlink derives approximately 90 per cent of its revenue from the provision of prescribed (regulated) transmission services. The regulatory process provides the sufficient costs required to meet Powerlink's obligations, including both operating and capital expenditure. As a Government Owned Corporation, Powerlink will continue to focus on reducing controllable expenses and pursue operational efficiencies within the AER's regulatory allowance.

Powerlink's weighted average cost of capital (WACC) is set by the AER for each regulatory period. The current determination provided for a slightly lower rate of return than previously, reducing WACC from 8.76 per cent to 8.61 per cent.

Divestment of ElectraNet

The Powerlink Board, having considered future business requirements, decided it was an appropriate time to divest non-core investments, specifically its 41 per cent share interest in South Australia's transmission business, ElectraNet.

While it had been a successful investment, the divestment allows Powerlink to fully focus its resources on its Queensland transmission business, both regulated and non-regulated transmission network augmentation requirements.

The net financial benefits from the divestment were returned to the State Government through an interim dividend of $339.2 million (approved by the Board) and paid on 30 April 2013.

Powerlink business performance

In 2012/13, Powerlink delivered an Earnings Before Interest and Tax (EBIT) result of $533.9 million, with a total revenue of $972.1 million.

The continuing focus on cost management was one of the key business strategies adopted in Powerlink's 2012/13 Statement of Corporate Intent (SCI). The 2012/13 financial and non-financial targets set for the organisation and agreed with shareholding Ministers incorporated targeted operational efficiencies and cost reductions (both operating and capital expenditure), while maintaining Powerlink's mandated reliability and security standards.

A key measure of cost performance used by Powerlink is 'controllable operating cost' as a percentage of depreciated asset value. The 2.8 per cent result for 2012/13 slightly outperformed the stretch target in the SCI.

Powerlink's Net Profit After Tax (NPAT) for 2012/13 was $457.0 million. The increase in NPAT since the last financial year was primarily attributable to Powerlink's divestment of ElectraNet.

Capital investment

Capital expenditure in 2012/13 was $558.3 million (below the SCI target of $613.5 million), with assets of approximately $625.0 million capitalised in the financial year.

Powerlink's capital expenditure decisions take into account the most recent demand forecasts and assessments of the network's capability and performance. The lower than SCI forecast of capital expenditure in 2012/13 was due to a range of circumstances including lower demand forecast, effective contracting outcomes and wet weather delays.

Operating expenditure

Controllable operating expenditure in 2012/13 was $171.4 million compared to the SCI target of $179.2 million. The lower expenditure is attributable to efficiencies in the delivery of maintenance and operating activities, and fewer loss events resulting from natural disasters such as flooding and cyclones.

Borrowings

Powerlink's business gearing (defined as Debt to Fixed Assets) remains strong and stable at 58.1 per cent, below the regulatory benchmark of 60 per cent.

Powerlink will continue to focus on financing arrangements to support our regulated and non-regulated investment that recognise the State Government's objective of reducing existing Powerlink debt.

Powerlink's debt portfolio has been proactively managed according to the market conditions and the funding requirements of the capital works program for the year, with interest cover ratio achieved on target at 3.2 times.

Dividends

The Powerlink Board approved a dividend payout ratio of 90 per cent for 2012/13. The higher payout ratio (80 per cent in 2011/12) recognises Powerlink's strong financial outlook and future funding requirements. The final dividend for 2012/13, excluding the interim dividend gained from ElectraNet, is $177.4 million.

Summary of SCI 2012/13

Our SCI for 2012/13, as agreed with our shareholding Ministers, details Powerlink's performance targets, priorities and strategies. The following table summarises the key financial and non-financial indicators, as incorporated in Powerlink's SCI, as well as our performance against these indicators.

Summary of SCI 2012/13

Objectives	Performance measures/targets	Performance outcomes
Meet financial targets		
Achieve specified financial performance		
Earnings Before Interest and Tax (EBIT)	$502.0 million	$533.9 million
Net Profit After Tax (NPAT)	$182.9 million	$197.1 million[1]
Controllable operating expenses	$179.2 million	$171.4 million
Return on Assets	6.9%	7.4%
Return on Equity	7.5%	8.4%[1]
Debt/Fixed Assets Ratio	58.3%	58.1%
Debt/Debt and Equity Ratio	62.6%	63.5%
Interest Cover Ratio (EBITDA)	3.2	3.2
Deliver shareholder value		
To deliver dividends to shareholders, while maintaining at least an 'investment grade' business rating		
Dividend Payout Ratio	80.0%	90.0%
Dividend provided	$146.3 million	$177.4 million[1]
Deliver our capital works program		
Develop the Queensland transmission grid to meet customer electricity demands, and safety and reliability standards		
Total capital forecast works expenditure	$613.5 million	$558.3 million
Meet non-financial targets		
Compliant with relevant environmental legislation		
Environment	To be compliant with relevant legislation	Compliant
Achieve safety performance targets		
Lost Time Calculation (LTC)	3	0.04
LTIFR (Frequency Rate)	5	3.9
LTIDR (Duration Rate)	5	3.8
Achieve cost efficiency performance targets		
– Total network maintenance cost/depreciated asset	1.7%	1.7%
– Total controllable operating cost/depreciated asset value	2.9%	2.8%
Achieve network performance targets		
Transmission Circuit Parameters (6mths 1 July – 31 December 2012)		
– Peak transmission availability	>98.76%	98.71%
– Transmission line availability	>98.76%	98.47%
– Transformer availability	>98.76%	98.77%
– Reactive plant availability	>97.15%	98.01%
– Average outage duration	859 minutes	900 minutes
System Reliability (6mths 1 July – 31 December 2012)		
Events in excess of 0.1 system minutes	No more than 2	1
Events in excess of 0.75 system minutes	No more than 1	0

[1] Excludes ElectraNet divestment

Chairman's review

Powerlink has performed strongly during 2012/13, while maintaining its focus on achieving its goals and business strategy.

Cost management was a key strategy adopted in Powerlink's 2012/13 Statement of Corporate Intent (SCI), and operational efficiencies were incorporated in the financial and non-financial targets. Powerlink achieved the stretch financial targets for its operating performance by delivering efficiencies in its business operations.

Powerlink has also refocused its approach to health and safety with a program of activities to improve safety culture and performance.

Having considered Powerlink's future business requirements and having achieved fair market value, the Board decided to divest Powerlink's 41 per cent share interest in South Australia's transmission business, ElectraNet. This divestment allows Powerlink to fully focus its capital resources on its Queensland transmission business, both regulated and non-regulated.

Ultimately the strong financial performance for the year and proceeds from the ElectraNet divestment enabled Powerlink to deliver higher dividends to the State Government.

The electricity sector has received significant attention during the past 12 months, with the Queensland Government reaching key milestones in its electricity sector reform process. During this period, Powerlink monitored and engaged with the State Government appointed Commission of Audit, the Independent Review Panel on Network Costs, and the Interdepartmental Committee on Energy Sector Reform.

The reform process has reinforced the importance of Powerlink's ongoing focus on delivering transmission services safely with the appropriate balance between reliability of supply and cost to consumers. This focus is central to Powerlink's business strategy, and is shared by the Board, management and Powerlink's people.

As Chairman, I acknowledge the contribution from members of the Board, the Executive Team and Powerlink's employees in meeting the challenges during a period of change and continuing to pursue our shared direction.

Stephen Rochester
Chairman of the Board

Chief Executive's review

It has been a year of substantial change and reform for Queensland's electricity sector, throughout which Powerlink has delivered significant developments in its internal operations. At the same time, we have maintained our focus on achieving our business strategy and goals.

The Board and Executive Team reviewed Powerlink's vision, mission and values, which are reflected in the 2013 update of Powerlink's business strategy and its planned initiatives. The focus of this strategy is on delivering Powerlink's transmission services safely with an appropriate balance between reliability of supply and cost to consumers.

To ensure Powerlink is efficiently delivering its services, we reviewed and implemented significant changes to our organisational structure and our business operations. We are well advanced in implementing these changes, and additional improvements are planned to further refine our focus on performance and accountability throughout the business.

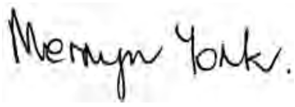
Powerlink's corporate strategy includes a commitment to improvements in the organisation's safety culture and performance as safety is an essential part of our business. Initiatives to achieve improvements and changes to our safety measurement and reporting methods are also being implemented.

During the year we undertook initial research to clearly understand how consumers value and perceive the transmission services we provide, so we can better take that into account in addressing consumer needs into the future.

A reduction in the electricity demand growth forecast, as we reported to the electricity market in January 2013, has resulted in the deferral of several projects. This revision of timing for planned network augmentation projects has ensured we are investing in infrastructure only when required, based on the most up-to-date information, and supports the right balance between reliability of supply and cost to consumers. We also continue our significant program of work to replace, refurbish and maintain transmission assets.

Powerlink is undertaking several projects to provide transmission services to the Surat Basin, a major natural mineral and energy resource zone in South West Queensland. A number of these projects are non-regulated customer connection projects, the cost of which is fully paid for by the customer via commercial charges.

I am grateful to Powerlink's people for their commitment and diligence during this period. I look forward to continuing to work together as we move through the changes and continue to deliver transmission services that meet our shareholder, customer, community, and electricity market expectations.



Merryn York
Chief Executive

Safety

Safety and risk management strategies

The safety of our people, our contractors and the community is essential.

Through a period of review and renewal, we have identified opportunities to improve our safety culture and performance including using leadership roles to demonstrate safety behaviours in all of our activities. We have developed new strategies that build on our existing safety culture to promote continued learning and improvement, and have engaged with our employees in preparation for the implementation of a new *Safe for Life* program in late 2013.

A priority is improving our approach to risk management which includes enhancing our hazard management system and developing a consolidated health and safety risk register to support consistent management of health and safety risks across the business. To inform this, employees across the organisation participated in a series of hazard and risk workshops that helped consolidate the organisation's risk profile and examined the effectiveness of risk management controls. Strategies are being implemented to monitor these risks and provide consistent controls to enhance outcomes across Powerlink.

Our Electrical Safety Management System retained certification under the *Electrical Safety Act 2002* following the annual compliance audit undertaken by an external auditor in August 2012. Improvement opportunities identified by the audit are being implemented.

Safety performance

Powerlink continues to strive to be an incident free workplace and has enhanced our safety performance reporting to support this goal. Our commitment to improving the safety performance of the organisation for the benefit of employees, contractors and the wider community is the key objective of the new *Safe for Life* program.

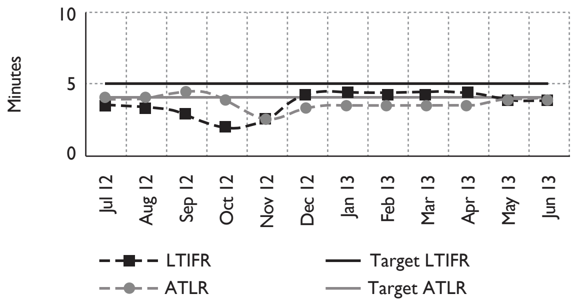
Powerlink's safety reporting continues to evolve through lead and lag indicators. Lead measures include key performance indicators in the areas of leadership, training, health and wellbeing, culture and engagement in relation to Workplace Health and Safety, consultation and communication, risk management and safety in design.

Safety performance is monitored by the Safety Steering Committee and reported across the organisation.

The increase in Powerlink's Lost Time Injury Frequency Rate (LTIFR) when compared to previous years indicates an increase in the overall number of lost time injuries per million hours worked. Improved clarity in reporting and changes in how measures are applied have contributed to the LTIFR measure changes. Despite the rise in the LTIFR, the Average Time Lost Rate (ATLR) has remained stable, indicating that lost time injuries were not of long duration or high severity.

Year	Lost Time Injury Frequency Rate (LTIFR)
2008/09	2.27
2009/10	1.07
2010/11	2.02
2011/12	3.41
2012/13	3.89

Accident Frequency and Lost Time Rates



LTIFR *(Lost Time Injury Frequency Rate)*
ATLR *(Average Time Lost Rate)*

Contractor safety

Powerlink facilitates safety forums involving our construction contractors to address safety challenges and improve safety culture. During 2012/13, additional bimonthly forums improved safety performance by enhancing collaboration and information sharing. The forums facilitated improvements in training and sharing of design and work processes to promote safety.

Public safety

Public safety and the secure operation of Powerlink's network determine the terms and conditions of electricity transmission line easements. We provide information and advice to landowners about activities which may be allowed or prohibited on our easements.

Flooding experienced in South East Queensland (SEQ) during January 2013 was the first significant test that proved the effectiveness of new flood monitoring processes on potentially affected locations on our network. Using these processes, we were able to confirm that all of our transmission assets were secure and able to remain in service during the flood. The processes were developed using our learnings from SEQ's major flood event in January 2011. Remote monitoring of rising water levels near transmission assets can identify locations with the potential for safety clearances to be compromised, so that transmission assets can be removed from service to protect public safety.

Operating in the NEM

Revenue and transmission pricing

Powerlink's maximum allowable revenue for the provision of regulated transmission services is determined by the Australian Energy Regulator (AER) in accordance with the National Electricity Rules (NER) and published in the AER's final revenue determination applicable to the five year period from 2012/13. Powerlink's maximum allowable revenue in 2012/13 was $835 million.

Powerlink calculates transmission charges in accordance with the NER, and using the revenue approved by the AER. The resulting transmission prices for 2013/14 were published in May 2013. Based on electricity demand forecasts in Powerlink's 2013 Annual Planning Report (APR), on average, the transmission component of electricity costs (which comprises Transmission Use of System (TUOS) charges) is expected to increase at about the Consumer Price Index (CPI) over the next few years. While this change is a small impact on household electricity bills, we are mindful of our responsibility to minimise cost impacts wherever possible.

Large customers connecting to the network also pay TUOS charges for use of the regulated (shared) transmission network. Non-regulated services are provided on a contractual basis through direct negotiation with the relevant customer. All costs associated with acquiring, constructing and operating non-regulated transmission assets are paid for by the customer making the connection request over the life of the asset.

Regulatory issues

Much of Powerlink's engagement in National Electricity Market (NEM) development occurs through Grid Australia, the association that represents the owners of Australia's electricity transmission networks in the NEM and Western Australia. Powerlink participated in a number of processes affecting the NEM and service providers, including:

- The Australian Energy Market Commission's (AEMC) Transmission Frameworks Review, which concluded in April 2013, made recommendations to improve the transparency of the connection process, increase coordination in transmission planning across the NEM and further work on optional firm access.
- The AEMC's consideration of proposals to change the NER for the economic regulation of network service providers was finalised in late 2012.
- The Productivity Commission's Review of Electricity Network Regulatory Frameworks final report was released on 26 June 2013.
- The Senate Select Committee on Electricity Prices concluded in late 2012.

Network planning

Powerlink's network is planned and operated to meet reliability standards set out in the NER, Queensland's *Electricity Act 1994* and Powerlink's Transmission Authority. Powerlink annually assesses the capability of the network to meet forecast load growth, a process that involves collaboration with transmission bodies in other states, Queensland Distribution Network Service Providers (DNSPs), the New South Wales DNSP connected to our network and the Australian Energy Market Operator (AEMO).

The economic imperative to reduce network costs and consumer response to rising electricity costs has generated discussion on whether the current standards for network services are appropriately balanced in terms of reliability, cost efficiency and consumer value.

In January 2013, the Regulator amended Powerlink's Transmission Authority to allow the transmission reliability of supply standards to be varied on a case-by-case basis with the agreement of the Regulator. This allows Powerlink to seek a variation of the reliability of supply standard as required. Each variation of the standard must be assessed on its individual merits by the Regulator.

Any proposal to vary the reliability of supply standard will occur only after a rigorous assessment by Powerlink of the circumstances and options to address relevant emerging network limitations, based on all reasonable information available at the time.

The purpose of seeking a variation of the reliability of supply standard is to achieve the appropriate balance between reliability of supply and cost to consumers. This balance is achieved through reducing the impact of network charges on electricity prices by reducing or deferring augmentation of the network, with consequential but not unreasonable changes to underlying reliability of supply to electricity consumers.

The first step towards the application of a varied reliability of supply standard has been Powerlink's Regulatory Investment Test for Transmission (RIT-T) for supply to the Bowen Basin coal mining area. As part of this process a Project Assessment Conclusions Report was released in early July 2013 which outlined the results of the planning investigations and recommended solutions to address future supply requirements. Registered Participants, AEMO and Interested Parties were given the opportunity to provide feedback and advice on the options outlined in the Report.

Network performance in 2012

The AER sets calendar-year network performance targets for Powerlink for the duration of each five year regulatory period. With the commencement of a new regulatory period for Powerlink on 1 July 2012, minor parameter changes and tighter targets have been applied.

The AER service target performance incentive scheme for Powerlink comprises two components:

- The network service component focuses on lead indicators of network reliability. Powerlink's positive performance against these targets for the six months from 1 July 2012 is reported in the Summary of the Statement of Corporate Intent (SCI) (refer to page 3).
- The Market Impacts of Transmission Congestion (MITC) component focuses on outages that could potentially have an adverse impact on NEM participants. Performance is measured in terms of dispatch intervals, which is the five minute period at which AEMO recalculates the generation dispatch and pricing across the NEM. Powerlink's performance for the six months from 1 July 2012 of zero dispatch intervals was better than the target of 710 dispatch intervals set by the AER, which means we are delivering better outcomes for the NEM by minimising impacts of network outages.

Network strategy and operations

Electricity demand

Powerlink published its Annual Planning Report (APR) to National Electricity Market (NEM) participants in June 2013, consistent with the National Electricity Rule's (NER) requirements. The APR provides information about forecast electricity demand, the transmission network's capability and potential network developments required in future years to ensure an efficient, safe and reliable network.

To inform the market before publishing the APR, Powerlink published an Energy and Demand Forecast Update in January 2013, which presented a reduction in the forecast energy and demand when compared with the June 2012 APR. Since the Update there has been little change in the economic forecasts that underpin the energy and demand forecasts presented in the June 2013 APR.

There has been no growth in energy consumption or maximum electricity demand over 2012/13 due to factors including slower than anticipated growth in the Queensland economy, mild weather, the uptake of household solar initiatives, and the consumer response to rising electricity prices.

Economic forecasts predict a return to sustained long-term economic growth, which will spur growth in energy and demand in Queensland over the next 10 years. The APR forecasts modest growth over the 10 year forecast period, at an average of 3 per cent per annum for maximum demand and 3.3 per cent per annum for energy. The liquefied natural gas (LNG) industry remains a strong contributor to the 10 year growth forecast.

Capital works program

Powerlink's capital works program ensures our transmission network continues to meet required reliability standards and electricity demand for more than two million consumers. It also provides non-regulated connection transmission services to direct customers of Powerlink.

Powerlink invested $558.3 million in capital works projects throughout Queensland in 2012/13, of which 20 per cent comprised non-regulated customer connection works, the costs of which are paid for by the customer making the connection request. Of the capital investment in regulated projects, 41 per cent was directed to transmission network replacement projects.

The reduction in forecast electricity demand reported in Powerlink's January 2013 Energy and Demand Forecast Update resulted in the deferral of several transmission network augmentation projects. While Powerlink's revised regulated capital expenditure program has been substantially reduced, the overall capital investment program remains relatively stable, due primarily to an increase in non-regulated transmission network connections. During the five years to 2017/18, Powerlink expects to invest $2.7 billion in capital works projects, of which 18 per cent will comprise non-regulated customer connection works.

During that five year period, almost 60 per cent of our regulated capital works projects will be replacement projects. These projects are located within existing substation sites or transmission line easements and require a high level of planning and oversight to ensure reliability of electricity supply is maintained while the work is carried out.

Extending the network into South West Queensland

Powerlink is currently undertaking several projects (regulated and non-regulated) in the Surat Basin to provide electricity transmission services to major natural mineral and energy resource zones.

In response to the large scale of the required development in the Surat Basin, Powerlink developed an innovative Shared Services Connection and Access Agreement which allows multiple customers with interests in the same geographic area to share non-regulated transmission assets. This new approach enabled Powerlink and large industrial customers to jointly plan efficient transmission solutions, reduce community and environmental impacts, and costs.

We have established site offices in Dalby and Chinchilla, and a local presence in Roma to efficiently manage the consultation, planning and construction of the transmission developments. We are engaging with landowners and stakeholders in the area and have enhanced some of our processes to ensure we keep pace with landowner and stakeholder expectations.

In addition to meeting the needs of customers in the Surat Basin, non-regulated developments put downward pressure on the transmission component of electricity prices. Electricity loads connected through non-regulated developments help lower the transmission component of the overall cost of electricity for consumers, due to the greater amount of electricity moving across the transmission network as a whole.

Maintenance

Powerlink tracks its critical and corrective network maintenance programs and monitors progress against targets. In 2012/13, we successfully delivered 99 per cent of planned maintenance of our transmission lines, substations and communication sites to ensure their ongoing reliability. During the period, Powerlink invested $102.5 million in maintaining the network to efficiently and reliably deliver transmission services to the standards expected by electricity consumers, our customers and the electricity market.

Contingency planning and corporate emergency response

Powerlink participated in internal exercises and an annual exercise with the Australian Energy Market Operator (AEMO) to refine and ensure familiarity with our suite of corporate emergency management response plans. There were no major incidents on the transmission network during 2012/13. Flooding experienced in South East Queensland during January 2013 did not impact the transmission network.

Network development

Drivers for network development

The main drivers that trigger the need for Powerlink to develop the transmission network include:

- Replacement of aged infrastructure to maintain security of electricity supply. Where equipment has reached the end of its useful life, we consider the most appropriate and economic options, including complete replacement or life extension.
- Construction to directly connect a major industrial customer into the transmission network (a non-regulated connection). In this instance, the cost of acquiring easements, constructing and operating the transmission line or substation are paid for by the customer making the connection request over the life of the agreement.
- The need to build new infrastructure or implement non-network solutions to meet electricity demand. Powerlink is required to meet reliability of supply standards, at the lowest long-run cost to electricity consumers.

Regulated network developments

Prior to building a new transmission line or substation, Powerlink undertakes a thorough assessment of alternatives (including non-network) and options to ensure the solution selected is the lowest long-run cost to electricity consumers, while also meeting a balance of reliability, safety, environmental and social factors.

When identifying network augmentation solutions, Powerlink must apply the Regulatory Investment Test for Transmission (RIT-T), an economic cost benefit test developed by the Australian Energy Regulator (AER). The RIT-T includes a consultation process which calls for interested parties and National Electricity Market (NEM) participants to provide feedback on Powerlink's potential network development augmentation solution and put forward any credible alternative solutions for evaluation.

- Consultations on regulated network investments under way during 2012/13 were:
  - Supply to the Bowen Basin coal mining area
  - Supply to the southern Brisbane area (jointly with Energex)
  - Queensland/New South Wales interconnector transmission line upgrade study.

Major network projects (regulated)

Major transmission developments and replacements: Completed 2012/13

Project	Delivered on or under budget	Delivered within approved schedule
Region: North Queensland		
Kareeya 132kV Substation replacement	✓	✓
Tully to Cardwell 132kV transmission line replacement	Final costing is still under progression	✓
Region: Central Queensland		
Bouldercombe 275/132kV transformer	✓	✓
Region: South Queensland		
Columboola to Wandoan South 275kV transmission line and Wandoan South 275kV Substation	✓	✓

Major transmission developments and replacements: Under construction 2012/13

Project	Currently within budget	Currently within approved program
Region: North Queensland		
Cardwell to Ingham 132kV transmission line replacement	✓	✓
Collinsville 132kV Substation replacement	✓	✓
Moranbah 132kV Substation secondary systems replacement	✓	✓
Nebo Substation 275/132kV transformer replacements	✓	✓
Region: Central Queensland		
Bouldercombe 275/132kV Substation secondary systems replacement	✓	✓
Calvale to Stanwell 275kV transmission line	✓	✓
Gladstone 275/132kV Substation replacement (including construction of Calliope River 275/132kV Substation which is now commissioned)	✓	✓

Major transmission developments and replacements: Under construction 2012/13

Project	Currently within budget	Currently within approved program
Region: South Queensland		
Bulli Creek 330kV Substation secondary systems replacement	✓	✓
Columboola to Western Downs 275kV transmission line and Columboola 275kV Substation	✓	✓
Loganlea 110kV Substation replacement	✓	✓
Palmwoods 132kV Substation replacement	✓	✓
Richlands 110kV Substation replacement	✓	✓
Swanbank B 275kV Substation replacement	✓	✓
Western Downs to Halys 275kV transmission line and Western Downs and Halys Substations	✓	✓

Major transmission developments and replacements committed but not yet under construction

Region	Project
North Queensland	Garbutt to Alan Sherriff 132kV transmission line replacement
	Moranbah Substation 132/66kV transformer replacement
	Moranbah area 132kV capacitor banks
	Proserpine 132kV Substation replacement
South Queensland	Blackwall 275kV Substation secondary systems replacement
	Braemar 330/275kV Substation secondary systems replacement

Customer connection works (non-regulated)

Customer connection works: Commissioned in 2012/13

Region	Project	Customer
North Queensland	Eagle Downs Mine 132kV connection	Eagle Downs Coal Management – a joint venture between Vale and Aquila Resources
Central Queensland	Duaringa, Bluff and Wycarbah 132kV connection traction substations	Aurizon
South Queensland	Kumbarilla Park 275/132kV connection	Queensland Gas Company (QGC)
	Woleebee Creek 132kV connection	Queensland Gas Company (QGC)

Customer connection works under construction in 2012/13

Region	Project	Customer
Central Queensland	Wotonga 132kV connection traction Substation	Aurizon
South Queensland	Condabri 132kV connections to Columboola	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec
	North West Surat connections to Wandoan South (includes both 275/132kV sites as well as 132kV sites)	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec GLNG (Gladstone LNG) – a joint venture between Santos, Petronas, Total and Kogas
	Orana 275kV connection	APLNG (Asia Pacific Liquefied Natural Gas) – a joint venture between Origin Energy, ConocoPhillips and Sinopec

People

Workforce profile

Powerlink employs just over 1,000 people with the skills required to meet our business objectives in professional, technical, trade, specialist and administrative roles.

Our human resources strategies aim to ensure our people have the right skills, commitment and positive behaviours to enable Powerlink to provide transmission services that are valued by our shareholders, consumers, customers and the market.

Powerlink's total workforce Full Time Equivalent (FTE) staffing as at June 2013 was 1,069 which includes 72 people in development roles (see table below). Our employee turnover rate was 5 per cent (excluding retirement), which is consistent with Powerlink's historically low turnover.

About 95 per cent of our workforce operate from our offices at Virginia in Brisbane, including field staff who travel to site to undertake their work. We also have site offices in Dalby, Chinchilla, Gladstone, Ingham, Mackay, Pandoin and Rockhampton, a regional presence in Roma, and a warehouse for equipment and spares at Narangba.

Employees in development roles

Role	Number of employees
Apprentices	31
Trainees	4
Development Engineers	26
Development Engineering Officers	6
Graduate Information Technologists	5

MAP Program

The Maximising Accountability and Performance (MAP) Program is under way to establish a new organisational structure and ensure that Powerlink is an overall performance focused business with clear accountabilities.

MAP represents a large program of change within Powerlink. The first stage involved establishing the high level structure and an executive team with renewed purpose and focus, to support a culture that aligns with Powerlink's strategic objectives.

Since the program's commencement in September 2012 a number of functional areas have been reviewed and changes in structure identified to deliver business efficiencies and improve accountability and performance outcomes. Additional review projects are in progress with the MAP Program expected to be wrapped up by late 2013. Further implementation and embedding will occur as part of normal business processes following the completion of the MAP Program.

Employee engagement

We strive to have a dynamic and performance focused culture underpinned by strong employee engagement and individual accountability. Following the results of our most recent employee engagement survey in May 2012, we have focused on the areas of performance management and communication within Powerlink.

We have commenced a review of our performance management framework and tools to further drive performance and accountability.

Targeted and structured processes have improved the two-way flow of communication between managers, supervisors and employees. These processes identify key messages that are important to all staff, and ensure that scheduled sessions and meetings convey these messages across the organisation.

Environment and community

Environmental management

Powerlink reviews environmental performance against internal performance indicators and relevant legislative requirements. This review is informed by a program of audits undertaken throughout the year.

When an environmental incident occurs, Powerlink focuses on effectively and responsibly managing the incident. During 2012/13, three environmental incidents occurred, however due to Powerlink's response and effective engagement with relevant stakeholders, no action has been taken against Powerlink or its agents.

Powerlink has proactively monitored changes to legislation and policy. We are engaging appropriately with government agencies on proposed legislative changes to ensure Powerlink continues to be compliant and potential impacts on the business are understood by relevant parties.

Stakeholder engagement

We aim to share effective, timely and transparent information with our stakeholders using diverse methods of engagement. Our stakeholders include our shareholders and other elected representatives, regulators, customers, National Electricity Market (NEM) participants and energy industry associations, organisations in the electricity supply chain, electricity consumers, community groups and organisations, landowners, Aboriginal Parties, suppliers and contractors, unions, and our employees.

The results of a broad survey of our stakeholders are guiding the development of a new stakeholder engagement framework. Once implemented, the new framework will aim to better meet the needs of our stakeholders, strengthen relationships, and enhance our business decision making.

Consultation for new infrastructure projects

Powerlink obtains easements and sites for electricity infrastructure in accordance with applicable legislation, including the *Acquisition of Land Act 1967 (ALA)* and the Community Infrastructure Designation (CID) process under the *Sustainable Planning Act 2009 (SPA)*. These acquisition and planning approval processes provide a transparent legislative framework, ensuring formal opportunities for landowner and stakeholder feedback, and are applied whether a project is initiated by Powerlink or by a major industrial customer.

Before constructing a new transmission line or substation we undertake an Environmental Impact Assessment (EIA) process involving appropriate environmental investigations and community consultation, as required by the *SPA*.

Consultation with community members, landowners and stakeholders may include face-to-face communication, public advertising, media statements, newsletters, using the FREECALL 1800 635 369 phone line, publishing information on Powerlink's website and other written and verbal communication.

Some landowners in the Surat Basin have provided feedback about Powerlink's engagement practices and how they differ from gas companies. Through liaison with landowners and other stakeholders, we are developing and implementing changes to address this important feedback and demonstrate our willingness to genuinely engage with landowners.

Projects on which landowners and stakeholders have been actively consulted during 2012/13

Region	Regulated projects	Non-regulated projects
North Queensland	■ Northern Bowen Basin transmission reinforcement project	■ Wotonga 132kV connection traction Substation
Central Queensland	■ Broadsound Lilyvale 275kV easement acquisition ■ Moranbah 132kV Substation site expansion	■ Galilee Basin transmission project
Southern Queensland	■ Springdale to Blackwall 500kV transmission line project ■ Halys 500kV Substation site expansion ■ Molendinar 275/110kV Substation augmentation	■ Transmission network extension in North West Surat Basin ■ Wandoan South to Eurombah transmission network project ■ Orana 275kV connection ■ Wandoan South to Wandoan Coal connection
South East Queensland	■ Larapinta to Algester transmission project	

Powerlink completed the process to acquire corridors and achieve site access for several projects including the final section in the replacement of the aged coastal transmission network supplying North and Far North Queensland, the main backbone of the network extension into the Surat Basin area, and connections of new gas processing facilities in the Surat Basin.

Projects for which site access has been finalised during 2012/13

Region	Regulated projects	Non-regulated projects
Far North Queensland	■ Ingham to Tully 275/132kV transmission line replacement	
North Queensland	■ Collinsville 132kV Substation replacement	
Southern Queensland	■ Columboola to Western Downs easement acquisition	■ Orana 275kV connection site and easements ■ Columboola South transmission network

Electric and Magnetic Fields

Powerlink keeps abreast of issues that are important to landowners, one of which is Electric and Magnetic Fields (EMF). EMF occurs everywhere electricity is being used – including homes, offices and work sites or anywhere electricity is transported. In Australia, the Federal Government agency responsible for EMF regulation is the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA). Powerlink follows the Energy Networks Association (ENA) EMF policy which recommends to its members that they design and operate their electricity generation, transmission and distribution systems prudently within relevant health guidelines.

Powerlink carries out EMF readings at the request of landowners. EMF readings at the boundary of a typical Powerlink easement are generally similar to those people would come across in their daily activities at home or work.

Biosecurity management

We work with landowners and councils to develop effective strategies to minimise the spread and manage specific weeds in accordance with the relevant legislation. We also invest in research to continuously improve our weed strategies.

Powerlink has added a new component to our biosecurity management procedures to enhance weed management during the early investigations of the Environmental Impact Assessment (EIA) phase of a transmission project. The procedure has been developed with input from industry, including the Queensland Weed Society, SEQ Catchments, Queensland Murray-Darling Committee and considers individual landowner requirements to ensure a collaborative approach is taken to biosecurity during the EIA phase. Compliance with the procedure is audited.

In 2013, Powerlink contributed funds towards a significant truck and machinery clean-down facility to be constructed in Chinchilla, in the vicinity of Powerlink's transmission network projects.

Cultural Heritage

Powerlink respects and proactively manages Aboriginal and Historical Cultural Heritage for the life of our transmission projects. We meet the obligations outlined in the *Queensland Aboriginal Cultural Heritage Act 2003* and the *Queensland Heritage Act 1992*, and Federal Cultural Heritage legislation.

Aboriginal Parties are key stakeholders in Powerlink's operations and we have improved our processes to build and strengthen positive long-term relationships. In 2012/13, we formalised our relationships with three Aboriginal Parties in the Surat Basin through innovative whole-of-claim agreements: an overarching agreement that applies to any works undertaken by Powerlink in the claim area. The agreements provide a framework for works to proceed in a more streamlined and cost-effective way.

We have also improved our internal documentation and induction processes to deliver higher protection of Cultural Heritage and improved accountability.

Strategic partnerships

Consistent with our corporate values and corporate citizenship activities, Powerlink supported a select number of key sponsorships in the fields of community, education, environment and industry.

Two community and environment programs are now at their conclusion, having met their aims of delivering improved visual amenity near transmission assets, creating enduring environmental benefits and establishing strong positive relationships with councils, stakeholders and communities in areas traversed by existing or future transmission assets.

The Community Environmental Program supported a number of community and environmental projects in South West Queensland. Delivered in a cooperative arrangement with the Western Downs Regional Council, the program was affirmed by significant community support including more than 1,000 volunteer hours on projects such as the rehabilitation of local creeks, management of weeds and erosion, and protection of areas of high environmental value.

The GreenWorks program, which concludes in December 2013 is being delivered in Southern Queensland through a partnership between the Lockyer Valley, Somerset, South Burnett and Toowoomba Regional Councils, Ipswich City Council, and Powerlink.

Offset programs

Powerlink continued to liaise with government to ensure our offset approach is compliant with the *Queensland Government Biodiversity Offset Policy* and the *Koala Offset Policy*.

We signed a service level agreement with SEQ Catchments that will assist us to deliver on our offset and revegetation commitments, beginning with the planting of koala habitat. The agreement gives Powerlink access to SEQ Catchments' resources and expertise, and strengthens our existing relationship.

Powerlink continued to support koala research being undertaken by the University of Queensland's Koala Fund (UQKF) that informs our koala conservation strategies and contributes to meeting our current and future obligations associated with impacts on koala habitat.

Emissions reporting

Powerlink reports annually on energy and greenhouse gas emissions to remain compliant with the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*. An independent audit verified the accuracy of our 2012 report, identified the robustness of our systems and noted good levels of staff involvement from across the business.

Corporate governance

Powerlink Queensland and its wholly-owned subsidiaries operate and are managed within a best practice corporate governance framework, encompassing the appropriate degree of accountability and transparency to all stakeholders.

Corporate governance in Powerlink

Powerlink Queensland is a corporation established under the *Government Owned Corporation Act 1993 (GOC Act)* and is a registered public company under the *Corporations Act 2001*. The Board of Directors has the overall responsibility for corporate governance of the corporation.

Directors are appointed by the Government and report to the nominated shareholding Ministers of the Queensland Government. Powerlink's two shareholding Ministers are:

- Treasurer and Minister for Trade
- Minister for Energy and Water Supply

The Queensland Government published its *Corporate Governance Guidelines for Government Owned Corporations (Guidelines)*, which include a *Code of Conduct and Conflicts of Interest Best Practice Guide for Government Owned Corporations*.

The *Guidelines* outline the expectations of shareholding Ministers and describe a set of comprehensive high quality corporate governance principles, and proper disclosure and reporting arrangements for all stakeholders, which are appropriate to Government Owned Corporations (GOCs). There were no revisions made to the *Guidelines* that required changes to Powerlink's governance arrangements for 2012/13.

Corporate governance in Powerlink is managed through the policies and practices adopted by the Board. The corporation commits to those governance policies and practices to ensure appropriate accountability and control systems are in place to achieve business outcomes and encourage and enhance sustainable business performance. This section of the Annual Report outlines Powerlink's corporate governance arrangements and describes its reporting and disclosure practices.

The Powerlink Board is responsible for the overall corporate governance of the corporation and its subsidiary companies, setting the organisation's strategic direction articulated in Powerlink's Statement of Corporate Intent (SCI) and Corporate Plan.

The Board has regard to the *Guidelines* in the overall scope and application of corporate governance within Powerlink. The Board sets goals for management and establishes the policies and operational framework for the corporation. It monitors performance of the corporation, its Chief Executive, senior management and staff through regular direct reporting and via established committees.

Details relating to Powerlink Directors, Board Committee composition, and meetings in 2012/13 are set out in the Directors' Report.

Powerlink corporate governance framework

Shareholding Ministers

Our Shareholders

Powerlink has two shareholders who hold the shares on behalf of the State of Queensland. Our shareholding Ministers, as at 30 June 2013, were:

- The Honourable Tim Nicholls MP, Treasurer and Minister for Trade, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares
- The Honourable Mark McArdle MP, Minister for Energy and Water Supply, holding 50 percent of the A class voting shares

Powerlink Queensland Board

Key accountabilities of the Board

The Powerlink Board establishes the overall corporate governance of the corporation and its subsidiary companies, and is responsible for:

- setting the corporation's values and standards of conduct, and ensuring that these are observed
- providing leadership of the corporation within a framework of prudent and effective controls
- setting the corporation's direction, strategies and financial objectives and ensuring that all necessary resources are available for the business to meet its objectives
- approving the SCI
- monitoring financial outcomes and the integrity of reporting; in particular, approving annual budgets and longer-term strategic and business plans
- monitoring management's performance and implementation of strategy, and ensuring appropriate processes for risk assessment, management and internal controls are in place
- ensuring an effective system of corporate governance exists
- disclosing to shareholding Ministers relevant information on the operations, financial performance and financial position of the corporation and its subsidiaries
- providing of formal delegations of authority to the Chief Executive, management and other specified officers

Membership and meetings

- All Directors, including the Chairman, are independent, non-executive Directors appointed by the Governor in Council in accordance with the *GOC Act*
- In 2012/13, Powerlink held 11 meetings of Directors. The attendance record of the Directors at meetings of the Board is presented in the Directors' Report section in the Annual Report

Board Committees

Audit, Risk and Compliance Committee

Key accountabilities

The Committee assists the Board in fulfilling its responsibilities in relation to:

- financial integrity
- laws, regulations and codes of conduct
- business risk management
- audit effectiveness.

People, Culture and Remuneration Committee

Key accountabilities

The Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance and workplace relations.

Chief Executive

Executive Team

Management Committees

Corporate governance guidelines for GOCs – Queensland Government

Powerlink's corporate governance processes are consistent with *Guidelines* issued by the Queensland Government. Powerlink's corporate governance arrangements in reference to the *Guidelines* are:

Principle 1: Foundations of management and oversight

The Board Charter is publicly available on Powerlink's website. The Charter, established by the Board, describes the Board's functions and responsibilities, which are to:

- set the corporation's values and standards of conduct
- provide leadership of the corporation within a framework of prudent and effective controls
- provide guidance and set the corporation's direction, and develop strategies and objectives
- set financial objectives and ensure that all necessary resources are available for the business to meet its objectives
- monitor implementation of strategies and performance
- inform shareholders of key issues, major developments and performance
- ensure an effective system for compliance and risk management is in place.

The Board and management work together to establish and maintain a legal and ethical environment and framework that ensures accountability.

Day-to-day management of the consolidated entity's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive and senior executives as set out in the delegations policy. These delegations are reviewed on a regular basis.

The Powerlink Board undertook its annual evaluation of the performance of the Chief Executive against pre-agreed business and individual targets. The Chief Executive evaluated the annual performance of each senior executive against pre-agreed business and individual targets and submitted the outcomes of the evaluation to the Board for its consideration and approval.

The Board Handbook is a key resource identifying the major reference documents that are relevant and will assist the Powerlink Directors in undertaking their roles and responsibilities.

The Handbook serves as both an induction and an ongoing reference guide for Directors, and is updated annually by the Company Secretary.

New Directors attend induction sessions which provide an overview of Powerlink's operations and policies, and information on the Board and Committee functions. The induction process assists the Directors to understand their roles and responsibilities.

Principle 2: Structure the Board to add value

At 30 June 2013, the Board comprised six independent non-executive Directors. All Directors are appointed by the Governor in Council in accordance with the *GOC Act*. Changes to Powerlink's Directors in 2012/13 were:

- Ms Anne Barclay – appointed as Director on 20 December 2012
- Mr Ken Howard – reappointed on 20 December 2012 (initial appointment term finished on 30 September 2012).

Details of the skills and experience of each current Director are presented separately in the Corporate Governance section of this Annual Report. The Directors' Report includes a listing of the terms of office and appointment date for each Director.

In the event of Directors requiring independent professional advice, it is provided at the expense of Powerlink. All Directors, including the Chairman, continue to exercise independent judgement in the conduct of their responsibilities.

The Board continually assesses the ongoing independence of the Directors. All Directors are required to disclose any potential conflicts of interest at the commencement of each Board meeting. Any such conflicts are recorded in the minutes of the meeting.

All Directors are considered to be independent. No Directors are considered to have material supplier or customer relationships with the corporation. A predetermined specific materiality threshold has not been established by the Board. The Board's assessment of materiality is undertaken on a case-by-case basis taking into consideration the relevant facts and circumstances that may impact Director independence.

The Board annually reviews the individual and collective performance of the Directors and the Board, as a self assessment by the Directors, to assure itself that it operates in accordance with the Board Charter and the discharge of its responsibilities. A key element in this evaluation is the consideration of the continuing education and professional development of Directors.

The Board also formally considers its information requirements on an annual basis to ensure it is receiving appropriate information to effectively carry out its responsibilities.

The Board undertook its annual review for 2012/13 and concluded that it is fulfilling its role with no obvious gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

A structured internal process is in place to review and evaluate the performance of Board Committees. Each Board Committee submits an Annual Report of its activities to the Board.

Principle 3: Promote ethical and responsible decision making

The Board has a Code of Conduct that guides Directors in carrying out their duties and responsibilities, sets out expected standards of behaviour, and includes policies relating to conflict of interest issues. A summary of this document is available on the Powerlink website.

The Board has developed a Share Trading Policy which is also available on the Powerlink website. The primary purpose of this policy is to mitigate the risk of inappropriate trading of shares by Powerlink employees, managers and Directors.

Each Director has a responsibility to declare any related interests, which are appropriately recorded and assessed for materiality on a case-by-case basis. Where appropriate, the Director does not participate in the Board's consideration of the interests disclosed.

All Powerlink Directors and management are expected to act with integrity and strive at all times to enhance the reputation and performance of the corporation.

Principle 4: Safeguard integrity in financial reporting

The Board has established two Board Committees to assist in fulfilling its corporate governance responsibilities – the Powerlink Audit, Risk and Compliance Committee and the Powerlink People, Culture and Remuneration Committee.

These committees have documented mandates that are reviewed on a regular basis. The membership of both committees consists of non-executive Directors. Details of committee members at 30 June 2013, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee	
Chairman	Ms Christina Sutherland
Members	Mr Ken Howard, Ms Julie Martin and Mr Stephen Rochester

The Powerlink Audit, Risk and Compliance Committee endorses the corporation's internal audit program and risk management profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee meets with, and receives reports from, both the internal and external auditors over the duration of the financial year.

The Committee is responsible for considering the annual statutory financial statements for subsequent approval by the Board. The Chief Executive and Chief Financial Officer are required to provide an annual declaration that the financial statements represent a true and fair view, and are in accordance with accounting standards. The processes the Chief Executive and the Chief Financial Officer have in place to support their certifications to the Board are also considered by the Committee.

The Committee also assesses and reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct and business risk management.

People, Culture and Remuneration Committee	
Chairman	Dr Julie Beeby
Members	Ms Anne Barclay, Ms Christina Sutherland and Mr Stephen Rochester

The name of the Committee was amended to "People, Culture and Remuneration Committee" from the "Human Resources and Remuneration Committee". The Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance, and workplace relations.

Principle 5: Make timely and balanced disclosures

Powerlink has established processes to ensure it meets its disclosure and reporting obligations, including those to shareholding Ministers. Powerlink's reporting arrangements include the Powerlink Annual and (half yearly) Interim Report, Forecast Report, regulatory reports, Powerlink website and other public disclosures.

Principle 6: Respect the rights of shareholders

The Powerlink Board has a communication strategy to promote effective communication with shareholding Ministers. The Board aims to ensure that shareholding Ministers are informed of all major developments affecting the corporation's state of affairs. This includes regular meetings with shareholding Ministers' representatives and departments, and information communicated formally through quarterly progress reports and the Annual Report.

Each year Powerlink prepares a SCI and a five-year Corporate Plan, reflecting the outcomes of a comprehensive strategic and business planning process involving the Board and the Executive Team. Both documents are presented to shareholding Ministers.

Quarterly progress reports on the performance against the SCI are prepared by the Board for submission to shareholding Ministers.

Principle 7: Recognise and manage risk

Risk assessment processes are inherent within Powerlink's business. Powerlink has an approved Risk Management Charter that provides an overall framework and structure for the management of risk within Powerlink. Management regularly reports to the Board on key business risks.

A Management Committee structure also operates in parallel with the Board Committees to address issues of work, health and safety, environmental management, security, and corporate emergency response. Each of these committees submits reports to the Audit, Risk and Compliance Committee through the Chief Executive, and work, health and safety reports are presented to the People, Culture and Remuneration Committee through the Chief Executive.

The Safety Steering Committee develops and directs Powerlink's work, health and safety management practices, and also ensures that Powerlink complies with relevant work, health and safety legislation.

The Environmental Steering Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink policies and relevant environmental legislation.

The Security Steering Committee provides guidance in the development and approval of the Powerlink Security Plan. The Committee reviews security incidents and considers necessary amendments to the plan in response to these events.

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate emergencies and is responsible for maintaining corporate emergency management documentation.

The corporation's internal control framework is designed to provide reasonable assurance regarding the achievement of the corporation's objectives. Implicit within this framework is the prevention of fraud (including corruption). Powerlink has a range of strategies and approaches that provides an effective fraud control framework that is closely integrated with the corporation's enterprise information management systems.

Powerlink's Employee Code of Conduct aims to ensure that Powerlink employees perform their work cost effectively, efficiently, cooperatively, honestly, ethically and with respect and consideration for others.

Principle 8: Remunerate fairly and responsibly

Powerlink seeks to develop individuals to attain the skills and motivation necessary to excel in an environment of high achievement. High priority is given to selecting the best person for the job at all levels in the corporation and investing in that person's potential through further training and development.

The membership and responsibilities of the Board's People, Culture and Remuneration Committee are presented above.

Powerlink's Remuneration Policy is designed to:

- attract and retain talented people with the skills to plan, develop, operate and maintain a large world class electricity transmission network
- reward and provide incentives for exceeding the key business performance targets.

The remuneration policy provides for performance-based payments for all permanent employees, with the payments directly linked to the performance of the individual or small teams against pre-agreed performance targets and the performance of the business.

The Working at Powerlink 2011 Union Collective Agreement came into operation on 30 March 2012. The Agreement allows for Powerlink and its employees to respond to changes in an environment of targets set by our owners and regulator. It has a focus to continue to develop Powerlink into a competitive and satisfying place to work. It recognises that the economic health of the company and the wellbeing of all employees depend upon the success of a shared commitment by all parties to this Agreement.

Award employees may be eligible for performance-based payments that are delivered as gainsharing and performance pay. Gainsharing is a payment subject to Board approval. The gainsharing payment is made subject to the corporation's profitability target being exceeded and key organisation performance measures and stretch targets being achieved.

Performance pay is based on individual or small team performance targets, which are reviewed half yearly, and rated at the end of the annual performance cycle. The individual performance targets are aligned with the overall business stretch targets of the corporation.

Managers and senior staff are employed on management contracts. Powerlink's remuneration policy for contract employees uses the concept of Total Fixed Remuneration (TFR), which includes employer superannuation contributions. In order to promote management focus, the policy provides for performance-based payments dependent on the performance against pre-agreed business and individual targets. The TFR level is reviewed annually based on consideration of economic and individual capability factors.

The fees paid to Directors for serving on the Board and on the Committees of the Board are determined by the Corporation's shareholding Ministers. Directors also receive reimbursement for expenditure incurred in performing their roles as Directors.

Shareholding Minister notifications

There was one shareholding Minister notification in 2012/13:

- Revocation of purchasing carbon offsets for Queensland Government air travel, QFleet ClimateSmart Action Plan and sport and recreation sponsorships policies.

The revocation of the purchasing carbon offsets for air travel and QFleet ClimateSmart Action Plan policies has resulted in a minor reduction in costs for Powerlink Queensland. There was no financial or business impact of the revocation Sport and Recreation Sponsorship Policy.

Amendments to Statement of Corporate Intent

Powerlink submitted its 2012/13 Statement of Corporate Intent (SCI) to shareholding Minsters in May 2012. The SCI was updated in September 2012, and subsequently approved by shareholding Ministers, to reflect the initiatives being implemented by Powerlink to focus on efficiency, effectiveness and improved accountability in the delivery of electricity transmission services.

The revised SCI reflected the operating cost reductions from these initiatives, thereby improving Powerlink's forecast financial position for the financial year and ultimately enabling the delivery of higher dividends and returns to the State Government.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2012/13 totalled $14,502. There were no events above the individual reporting threshold of $5,000.

Board of Directors

Stephen Rochester

B.Ec, MAICD, FFTP

Chairman of the Board
(Appointed May 2012)

Stephen is an established leader in public sector financing, the banking and finance industry, and the global financial markets, with a career spanning more than 35 years. He has been involved in all aspects of the provision of corporate treasury services to the Queensland public sector, as well as the establishment and operation of domestic and offshore borrowing programs, the development and implementation of liability management strategies, and the provision of infrastructure funding and financial risk management services.

Stephen held the position of Queensland Treasury Corporation's (QTC) inaugural Chief Executive for 22 years and also served as QTC's Chairman for two years. Stephen is currently a Director of Stanwell Corporation Limited and has previously held the positions of Chief Executive of Sun Retail, and Director of Tarong Energy Corporation Limited.

Stephen is a member of the Powerlink Board's Audit, Risk and Compliance Committee and the People, Culture and Remuneration Committee.

Anne Barclay

GCertBusiness, GAICD

Board Member
(Appointed 2012)

Anne Barclay has over 20 years' management experience including senior human resource management roles in large, complex organisations. Her business management experience includes co-founder and Director of HR Advantage Consulting – an award winning Brisbane-based firm.

As a management consultant Anne specialises in improving people management practices and organisational cultures, and managing and implementing change to improve business outcomes.

She has a strong interest in organisations that take a strategic approach to managing their investment in people to meet business needs, apply a continuous improvement mentality in what they do and how they do it, and have effective people management practices delivered by skilful and supported leaders and teams.

Anne works with a diverse client base including large publicly listed corporations, medium sized privately owned businesses, universities, and state and local government organisations. Anne is a member of the Powerlink Board's People, Culture and Remuneration Committee.

Julie Beeby

BSc (Hons I), PhD (Physical Chemistry), MBA, GAICD

Board Member
(Appointed 2008)

Julie has worked in the minerals and petroleum industries in Australia for 25 years and her career has included work for several major Australian and US resources companies. In 2010, she was appointed to the role of Chief Executive Officer of WestSide Corporation, an ASX-listed, Queensland-based coal seam gas company.

Julie commenced her career in mineral processing research, and went on to develop her project and business skills through a succession of successful senior management positions in chemical plant, coal seam gas, explosives and mining areas.

Julie is Chair of the Powerlink Board's People, Culture and Remuneration Committee.

Ken Howard

CFA, LLB, BEcon, F Fin, MSAA, GAICD

Board Member
(Appointed 2007)

Ken is the Responsible Executive (ASX) and the Responsible Manager (Australian Financial Services Licence) for the Brisbane Dealing Room of RBS Morgans, and a member of the RBS Morgans Compliance Committee. Ken advises private clients on the full range of financial planning and investment matters with a particular focus on securities traded on the Australian Stock Exchange.

Prior to joining the Powerlink Board of Directors, Ken was a Director of Energex Retail Pty Ltd.

Ken is the Chair of the CFA (Chartered Financial Analyst) Australia Brisbane Chapter. He is currently the Treasurer for the MacGregor State School P&C.

From 1991 to 1998 Ken was an Infantry Officer in the Australian Army Reserve.

Ken is a member of the Powerlink Board's Audit, Risk and Compliance Committee.

Julie Martin

BE (Hons Elec), MIEAust, GAICD

Board Member
(Appointed 2011)

Julie Martin has 17 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects in Queensland. She is currently the Senior Project Electrical Engineer with Thiess for the QCLNG Upstream Early Works projects, primarily responsible for the delivery of QGC's high voltage substations.

In 2008 Julie won the Women in Community/Public Sector – Engineering category of the Smart Women – Smart State Awards for her work in the TrackStar Alliance program to deliver $700 million worth of rail projects in South East Queensland.

Julie is a Director of Lourdes Hill College.

She is a member of the Powerlink Board's Audit, Risk and Compliance Committee.

Christina Sutherland

BLaw, MAICD

Board Member
(Appointed 2001)

Christina Sutherland is a solicitor of the Supreme Court of Queensland and the High Court of Australia. Admitted as a solicitor in 1989 after serving two years of articles, Christina has over 20 years' experience in providing legal advice/services to clients.

She is employed by HWL Ebsworth Lawyers.

Christina's areas of experience include corporate and commercial law, insurance and commercial litigation, mediation and disputes, and employment and industrial relations. She also has a strong interest in occupational health and safety matters.

Christina brings to the Powerlink Board experience in the areas of corporate governance, risk management and legal.

Christina is Chair of the Powerlink Board's Audit, Risk and Compliance Committee and a member of the Board's People, Culture and Remuneration Committee.

Christina is an independent Director of Surf Life Saving Queensland. She is Chair of the Surf Life Saving Queensland Board's Human Resources and Remuneration Sub-Committee and member of that Board's Audit, Risk and Compliance Sub-Committee.

Executive Team profiles

Merryn York

BE(Hons), MEngSc, Grad Cert AppLaw, FIEAust, RPEQ

Chief Executive

Merryn has more than 25 years' experience in the Queensland electricity industry. Her career encompasses experience in strategic business development and asset management to optimise the long-term return on investment, network planning, regulatory affairs, customer management and strategic development of the transmission network.

Merryn attends the Board's Audit, Risk and Compliance Committee, the People, Culture and Remuneration Committee and the Harold Street Holdings and Powerlink Transmission Services meetings.

Maurie Brennan

BBus, MBA, CPA, FAICD

Chief Financial Officer

Maurie has provided strategic financial and commercial advice to public sector organisations in Queensland's electricity industry since 1979.

At Powerlink, Maurie manages all finance, tax, treasury, business planning and investment analysis, internal audit, insurance, legal and risk services, contract and purchasing services, business processes improvement and shareholder reporting. In addition, Maurie is Powerlink's Company Secretary.

Chris Hazzard

BE, Grad Bus Mgt, CEng, FIEAust, FAICD, RPEQ

Executive Manager Operations and Field Services

Chris has responsibility for ensuring the transmission network is operated and maintained in a strategic and coordinated way. Chris also oversees and provides direction for our IT support systems and plays a key role in ensuring Powerlink is equipped to ably respond to emergencies and issues.

Chris has more than 30 years' experience in the electricity industry, including management roles in asset management, operations, design, procurement and project delivery.

Garry Mulherin

BE

Executive Manager Investment and Planning

Garry's responsibilities include strategic business development and asset management to optimise the long-term return on Powerlink's investments in a way that meets the emerging expectations of our stakeholders, including our shareholders, customers, National Electricity Market participants, the Australian Energy Regulator, and the community.

Garry has more than 30 years' experience in the electricity industry, providing him with a depth of experience in distribution and transmission networks, including management of key business areas and organisational change initiatives.

Michelle Palmer
BComms, MA, MBA, GAICD, MPRIA

Executive Manager Stakeholder Relations and Corporate Services
Michelle has responsibility for Powerlink's strategic stakeholder engagement, communications, environmental and business resilience strategies as well as accountability for the provision of corporate services support.

Michelle has provided strategic reputation risk and communications counsel within the Queensland electricity industry for more than 14 years. Michelle is also a Director of Greening Australia Queensland.

Julia Smith
B App Sc, BBus, GCCM, GAICD

Executive Manager People and Culture
Julia has responsibility for the development and implementation of Powerlink's effective workplace and industrial relations, occupational health and safety, electrical safety, employee development, equal employment opportunity, technical and training coordination, organisational development and employment systems and services.

Prior to joining Powerlink, Julia held senior human resource management roles in fast moving consumer goods, financial services and infrastructure sectors.

Roland Vitelli
BE, Assoc Dip Eng (Elec), FIEAust

Executive Manager Infrastructure Delivery and Technical Services
Roland manages the division responsible for the delivery of capital works throughout Queensland as well as leading the organisation's development and implementation of new technologies.

Roland's career encompasses over 20 years of experience with a global electrical technology company in the delivery of complete turnkey system integration of transmission systems, transmission and distribution product manufacture and development of new technologies.

Statistical summary

Transmission Lines and Underground Cables
Added in 2012/13

Voltage	Transmission Line		Underground Cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0		
275kV	261	523	0	0
132kV	35	157	0	0
110kV	-16*	4	0	0
66kV	0	0	0	0
Total	**280**	**684**	**0**	**0**

* The negative number indicates the decommissioning of 110kV transmission line assets

Energy output and delivery

2012/13	2011/12	2010/11	2009/10	2008/09
Energy flowing into the grid (GWh)				
47,690	47,987	48,020	49,593	49,104
Energy delivered to customers (GWh)				
45,871	46,246	46,261	47,720	47,303
Peak maximum demand (MW)				
8,453	8,707	8,836	8,891	8,677

Circuit Breakers
Added in 2012/13

Voltage	Circuit Breakers	Location
330kV	0	
275kV	32	Halys, Calvale, Stanwell, Woree, Calliope River
132kV	61	Woolooga, Palmwoods, Lilyvale, Kumbarilla Park, Wandoan South, Gladstone PS, Chinchilla, Blackwater, Moranbah, Dysart, Turkinje, Columboola, Bluff, Duaringa, Eagle Downs, Condabri North, Condabri Central
110kV	12	Loganlea, Runcorn, Richlands
66kV*	0	
Total	**105**	

* Equal to or less than 66kV

Substations/Switching Stations and Transformers
Added in 2012/13

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	3	Wandoan South, Kumbarilla Park, Halys	6	2,125	Woolooga 5TX (250), Kumbarilla Park 1TX (375), Kumbarilla Park 2TX (375), Calliope River 1TX (375), Calliope River 2TX (375), Bouldercombe 3TX (375)
132kV	8	Condabri Central, Condabri North, Eagle Downs, Duaringa, Bluff, Chinchilla, Wycarbah, Columboola	5	525	Duaringa 3TX (100), Bluff 3TX (100), Palmwoods 8TX (125), Wandoan South 5TX (100), Wycarbah 3TX (100)
110kV	0		2	240	Loganlea 3TX (100), Richlands 1TX (100), Richlands 2TX Uprating (+40)
Total	**11**		**13**	**2,890**	

Capacitor Bank, Shunt Reactors and Static VAr Compensators
Added in 2012/13

Voltage	Capacitor Banks		Reactors		SVCs		Location
	Total	MVAr	Total	MVAr	Total	MVAr	
330kV	0		0		0		
275kV	0		0		0		
132kV	1	20	0		3	600	Turkinje 1 CAP, Duaringa SVC, Wycarbah SVC, Bluff SVC
110kV	0		0		0		
Total	**1**	**20**	**0**	**0**	**3**	**600**	

Substations/Switching Stations and Communication Sites
As at 30 June 2013

Voltage	Substations	Cable Transition	Communication
330kV	4		
275kV	40	3*	
132kV	70	3	
110kV	15	3	
66kV		1	
Total	**129**	**10**	**91**

* Two of these cable transition sites are energised at 110kV

Transformers
As at 30 June 2013

Voltage	Total Number	Total Rating MVA
330kV	5	4,975
275kV	70	19,870
132kV	91	6,474
110kV	30	2,450
Total	**196**	**33,769**

Circuit Breakers
As at 30 June 2013

Voltage	Total Number
330kV	31
275kV	468
132kV	494
110kV	295
66kV*	28
Total	**1316**

* Equal to or less than 66kV

Capacitor Bank, Shunt Reactors and Static VAr Compensators
As at 30 June 2013

Voltage	Capacitor Banks		Reactors		SVCs	
	Total	MVAr	Total	MVAr	Total	MVAr
330kV	3	440	4	144		
275kV	28	3,880	16	711	8	2,510
132kV	27	1,206			14	1,681
110kV	32	1,750				
66kV*	5	96	5	114		
Total	**95**	**7,372**	**25**	**969**	**22**	**4,191**

* Equal to or less than 66kV

Five Year History of Transmission Lines and Underground Cables
As at 30 June 2013

Voltage^	2009		2010		2011		2012		2013	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission Lines										
330kV	347	691	347	691	347	691	347	691	347	691
275kV	5,548	7,495	5,819	8,037	5,990	8,387	6,032	8,458	6,293	8,981
132kV	2,816	4,488	2,769	4,405	2,796	4,468	2,785	4,364	2,820	4,521
110kV	238	416	238	416	238	416	238	416	222	420
66kV*	1	1	1	1	1	1	1	1	1	1
Total Lines	**8,950**	**13,091**	**9,174**	**13,550**	**9,372**	**13,963**	**9,403**	**13,930**	**9,683**	**14,614**
Underground Cables										
275kV	5	5	10	10	10	10	10	10	10	10
132kV	2	2	4	4	4	4	4	4	4	4
110kV	7	7	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	1	1
Total Cables	**15**	**15**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**
Total Lines & Cables	**8,965**	**13,106**	**9,197**	**13,573**	**9,395**	**13,986**	**9,426**	**13,953**	**9,706**	**14,637**

* Equal to or less than 66kV

^ As constructed voltages

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Powerlink Queensland

Financial Statements 2012/13

These financial statements are the consolidated financial statements of the consolidated entity consisting of Powerlink Queensland and its subsidiaries. The financial statements are presented in the Australian currency.

Powerlink Queensland is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Powerlink Queensland
33 Harold Street
Virginia Qld 4014

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report , which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 August 2013. The Directors have the power to amend and reissue the financial statements.

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 2013 and the auditor's report thereon.

Directors
The following persons were Directors of Powerlink Queensland during the whole of the financial year and up to the date of this report:

Stephen Rochester
Julie Beeby
Julienne Martin
Christina Sutherland

Mr Kenneth Howard was a Director from the beginning of the financial year until the expiration of his term on 30 September 2012. Mr Howard was re-appointed as a Director on 20 December 2012 and continues in office as at the date of this report.

Ms Anne Barclay was appointed as a Director on 20 December 2012 and continues in office as at the date of this report.

Mr Walter Threlfall's term as Director finished on 30 September 2012.

Principal activities
During the period 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
An unfranked interim dividend of $339.2 million (2012:NIL) was paid on 30/4/2013. The interim dividend being payable from proceeds of the divestment of the Consolidated Entity's investment in its associate ElectraNet Pty Ltd.

The Directors have provided for a final dividend of $177.402 million (2012: $146.678 million) being 90% of the profit after income tax equivalent expense excluding contributions from equity accounted associates and excluding the items recognised in the income statement on the divestment of the investment in associates and which comprised the interim dividend paid during the financial year (2012: 80% of the profit after income tax equivalent expense excluding the contributions from equity acounted 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
Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

The divestment of the equity accounted investment in ElectraNet Pty Ltd, the electricity transmission service provider in South Australia, was completed on 18/12/2012.

The proceeds from the divestment were returned to the Consolidated Entity's shareholders by way of an interim dividend.

For details of the divestment see Note 35 to the financial statements.

Matters 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 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, have not been included in these financial statements
because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

In May 2012, the Queensland Governmant 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 delivered a final report to the Queensland Government in January 2013. The Queensland Government's response to the IDC's report is publicly available and is not expected to have a material impact on the operations of the Consolidated Entity as 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.

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_2) 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_6), fuel and electricity, there will be some financial impacts on the Consolidated Entity, but these are unlikely to be material.

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 commenced from 1 July 2008. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submits its report to the Clean Energy Regulator each year before the 31 October deadline. Powerlink's NGER reporting methods and submissions were reviewed in 2011/12 by external auditors, Net Balance. Powerlink's scope 1 emissions in 2011/12 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 9,385 tonnes of carbon dioxide equivalent.

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

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.

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 2013, 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	11	11	4	4	5	5
Julie Beeby	10	11	**	**	5	5
Kenneth Howard	8	8	3	3	**	**
Julienne Martin	11	11	4	4	**	**
Christina Sutherland	11	11	4	4	4	4
Walter Threlfall	3	3	**	**	2	2
Anne Barclay	5	5	**	**	2	2

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 period
** = Not a member of the relevant committee

Retirement, election and continuation in office of directors
M/s Anne Barclay was appointed a Director effective from 20 December 2012. Mr Kenneth Howard's term as a Director finished on 30 September 2012. Mr Howard was re-appointed as a Director on 20 december 2012. Mr Walter Threlfall's term as a Director finished on 30 September 2012. 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 2013 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 or are entitled to acquire shares in the Company. 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 2012.

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 29.

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 Financial Officer*
- *Chief Operating Officer (up to 19/10/2012)*
- *Executive Manager Infrastructure Delivery and Technical Services*
- *Executive Manager Investment and Planning*
- *Executive Manager Operations and Field Services*
- *Executive Manager People and Culture*
- *Executive Manager Stakeholder Relations and Corporate Services*

Loans to Directors and Executives

There are no loans to any Director or any 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 include 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.

Indemnification and insurance of officers (continued)
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 (Queensland Audit Office) or their delegate (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the period are set out in Note 30 - 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, or in certain cases, to the nearest dollar.

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
30 August 2013

To the Directors of Queensland Electricity Transmission Corporation Limited (Powerlink Queensland)

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 (Powerlink Queensland) and its controlled entities for the year ended 30 June 2013, 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.

QUEENSLAND
28 AUG 2013
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Contents

		Consolidated Year ended		Powerlink Queensland Year ended	
	Notes	**30 June 2013 $'000**	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Revenue from continuing operations	4	**972,093**	921,376	**1,312,776**	917,390
Other income	5	**353,477**	583	**157**	583
Less					
Expenses from continuing operations excluding finance costs expense	6	**(438,208)**	(416,155)	**(438,021)**	(416,134)
Finance costs	6	**(246,934)**	(234,134)	**(246,934)**	(234,134)
Share of profit/(loss) from associates	35(b)	**8,811**	29,210	**-**	-
Profit before income tax		**649,239**	300,880	**627,978**	267,705
Income tax expense	7	**(192,288)**	(97,115)	**(83,315)**	(83,678)
Profit for the period		**456,951**	203,765	**544,663**	184,027
Profit is attributable to:					
Owners of Powerlink Queensland		**456,951**	203,765	**544,663**	184,027

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

	Notes	Consolidated Year ended 30 June 2013 $'000	Consolidated Year ended 30 June 2012 $'000	Powerlink Queensland Year ended 30 June 2013 $'000	Powerlink Queensland Year ended 30 June 2012 $'000
Profit for the period		**456,951**	203,765	**544,663**	184,027
Other comprehensive income					
Items that may reclassified to profit or loss					
Changes in the fair value of cash flow hedges	27(a)	**(1,246)**	(6,598)	**503**	487
Items that will not be reclassified to profit or loss					
Gain on revaluation of property,plant and equipment net of tax	27(a)	**116,403**	79,766	**116,403**	74,686
Actuarial (losses)/gains on defined benefit superannuation fund net of tax	27(b)	**8,955**	(13,851)	**8,955**	(9,962)
Other comprehensive income for the period, net of tax		**124,112**	59,317	**125,861**	65,211
Total comprehensive income for the period		**581,063**	263,082	**670,524**	249,238
Total comprehensive income for the period is attributable to:					
Owners of Powerlink Queensland		**581,063**	263,082	**670,524**	249,238
Total comprehensive income for the period attributable to owners of Powerlink Queensland arises from:					
Continuing operations		**581,063**	263,082	**670,524**	249,238

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

		Consolidated		Powerlink Queensland	
		30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
	Notes	**$'000**	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**129,898**	59,688	**113,202**	45,709
Trade and other receivables	9	**93,368**	112,549	**101,853**	114,301
Inventories	10	**36,715**	22,132	**36,715**	22,132
Other current assets	11	**4,444**	3,462	**4,444**	3,462
Total current assets		**264,425**	197,831	**256,214**	185,604
Non-current assets					
Investments accounted for using the equity method	12	**-**	117,612	**-**	-
Other financial assets	13	**-**	84,090	**1**	84,055
Property, plant and equipment	14	**7,147,161**	6,682,846	**7,147,161**	6,682,846
Total non-current assets		**7,147,161**	6,884,548	**7,147,162**	6,766,901
Total assets		**7,411,586**	7,082,379	**7,403,376**	6,952,505
LIABILITIES					
Current liabilities					
Trade and other payables	18	**89,377**	135,880	**89,368**	135,871
Current tax equivalent liabilities	20	**32,624**	43,945	**32,801**	43,945
Provisions	19	**196,258**	159,813	**191,817**	159,813
Other current liabilities	21	**3,954**	16,937	**3,954**	16,937
Total current liabilities		**322,213**	356,575	**317,940**	356,566
Non-current liabilities					
Interest Bearing Loans and Borrowings	22	**4,154,221**	3,854,221	**4,154,221**	3,854,221
Deferred tax liabilities	23	**517,009**	504,435	**517,013**	467,973
Provisions	24	**25,790**	24,269	**25,790**	24,269
Defined Benefit Fund	17	**(5,071)**	8,128	**(5,071)**	8,128
Other non-current liabilities	25	**10,367**	12,154	**10,367**	12,154
Total non-current liabilities		**4,702,316**	4,403,207	**4,702,320**	4,366,745
Total liabilities		**5,024,529**	4,759,782	**5,020,260**	4,723,311
Net assets		**2,387,057**	2,322,597	**2,383,116**	2,229,194
EQUITY					
Contributed equity	26	**401,000**	401,000	**401,000**	401,000
Reserves	27(a)	**837,656**	783,281	**837,656**	720,750
Retained earnings	27(b)	**1,148,401**	1,138,316	**1,144,460**	1,107,444
Capital and reserves attributable to owners of Powerlink Queensland		**2,387,057**	2,322,597	**2,383,116**	2,229,194
Total equity		**2,387,057**	2,322,597	**2,383,116**	2,229,194

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

Consolidated Entity	Notes	Attributable to owners of Powerlink Queensland: Contributed equity $'000	Attributable to owners of Powerlink Queensland: Reserves $'000	Attributable to owners of Powerlink Queensland: Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		401,000	710,113	1,095,080	2,206,193
Profit for the year		-	-	203,765	203,765
Other comprehensive income		-	73,168	(13,851)	59,317
Total comprehensive income for the period		**-**	**73,168**	**189,914**	**263,082**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28	-	-	(146,678)	(146,678)
Balance at 30 June 2012		**401,000**	**783,281**	**1,138,316**	**2,322,597**
Balance at 1 July 2012		401,000	783,281	1,138,316	2,322,597
Profit for the year		-	-	456,951	456,951
Other comprehensive income	27(a)	-	115,156	8,955	124,111
Transfers between reserves and retained earnings	27(b)	-	(60,781)	60,781	-
Total comprehensive income for the period		**-**	**54,375**	**526,687**	**581,062**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28	-	-	(516,602)	(516,602)
Balance at 30 June 2013		**401,000**	**837,656**	**1,148,401**	**2,387,057**

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

Powerlink Queensland	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2011		401,000	645,577	1,080,057	2,126,634
Profit for the year		-	-	184,027	184,027
Other comprehensive income		-	75,173	(9,962)	65,211
Total comprehensive income for the period		**-**	**75,173**	**174,065**	**249,238**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28	-	-	(146,678)	(146,678)
Balance at 30 June 2012		**401,000**	**720,750**	**1,107,444**	**2,229,194**
Balance at 1 July 2012		401,000	720,750	1,107,444	2,229,194
Profit for the year		-	-	544,663	544,663
Other comprehensive income	27(a)	-	116,906	8,955	125,861
Total comprehensive income for the period		**-**	**116,906**	**553,618**	**670,524**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	28	-	-	(516,602)	(516,602)
Balance at 30 June 2013		**401,000**	**837,656**	**1,144,460**	**2,383,116**

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

	Notes	Consolidated Year ended 30 June 2013 $'000	Consolidated Year ended 30 June 2012 $'000	Powerlink Queensland Year ended 30 June 2013 $'000	Powerlink Queensland Year ended 30 June 2012 $'000
Cash flows from operating activities					
Receipts from customers		**933,986**	847,027	**933,986**	847,027
Payments to suppliers and employees		**(216,917)**	(156,688)	**(216,732)**	(156,666)
Other operating receipts		**35,828**	34,039	**31,203**	33,766
Finance Costs Paid		**(240,803)**	(228,722)	**(240,803)**	(228,722)
Income tax equivalent paid		**(240,192)**	(77,792)	**(99,506)**	(71,827)
Interest received		**15,935**	21,501	**3,833**	4,952
Dividends received		**-**	42	**350,135**	11,656
Goods and Services Tax Paid		**10,356**	(14,598)	**10,355**	(14,598)
Other operating payments		**(1,175)**	(2,642)	**(1,175)**	(2,642)
Net cash inflow from operating activities		**297,018**	422,167	**771,296**	422,946
Cash flows from investing activities					
Payments for property, plant and equipment		**(612,704)**	(724,891)	**(612,704)**	(724,891)
Proceeds from sale of property, plant and equipment		**1,774**	10,075	**1,774**	10,075
Proceeds from/(payments for) investments		**570,000**	(8,246)	**93,005**	(9,959)
Net cash (outflow) from investing activities		**(40,930)**	(723,062)	**(517,925)**	(724,775)
Cash flows from financing activities					
Proceeds from borrowings	22	**300,000**	282,700	**300,000**	282,700
Dividends paid to company's shareholders	28	**(485,878)**	(121,365)	**(485,878)**	(121,365)
Net cash (outflow) inflow from financing activities		**(185,878)**	161,335	**(185,878)**	161,335
Net increase (decrease) in cash and cash equivalents		**70,210**	(139,560)	**67,493**	(140,494)
Cash and cash equivalents at the beginning of the financial year		**59,688**	199,248	**45,709**	186,203
Cash and cash equivalents at end of period	8	**129,898**	59,688	**113,202**	45,709

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

Contents of the notes to the financial statements

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 2013, the current liabilities exceed current assets for the Consolidated Entity by $57.8 million (Parent Entity $61.7 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.

(i) New and amended standards adopted by the Consolidated Entity
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 *Related Party Disclosures* resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in Note 33, and the adoption of AASB 1054 *Australian Additional Disclosures,* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

(ii) Early adoption of standards
The Consolidated Entity has elected to apply the pronouncements to the annual reporting period beginning 1 July 2012:
• *AASB 2012-5 Amendmends to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

This includes applying the revised pronouncements to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* None of the items in the financial statements had to be restated as a result of applying this standard. However, the amendments removed the requirement to provide additional comparative information in all relevant notes where line items in the financial statements are affected as a result of a retrospective restatement (eg because of an error). Following the amendments, it is now sufficient if an entity includes a third balance sheet and explains the impact of the restatement on individual line items in the note that sets out the reasons for the restatement.

(iii) Historical cost convention
These financial statements have 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.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) 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 2013 and the results of all subsidiaries for the period 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 business combinations 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.

(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. The Consolidated Entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 35).

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.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates (continued)
Upon loss of significant influence over the associate, the Consolidated Entity measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit and loss.

(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 nonregulated 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.

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.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(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 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 7).

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.

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.

1 Summary of significant accounting policies (continued)

(e) Income tax equivalents (continued)

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.

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 7).

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. 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 asset's useful life or 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.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases (Note 32). 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.

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

(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.

1 Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

Collectability 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. An allowance account (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 is 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 heding 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 shareholder's equity are shown in Note 27. 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.

1 Summary of significant accounting policies (continued)

(k) Derivatives and hedging activities (continued)

(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.

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 reclassified 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 cost of goods sold in the case of inventory, or 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 reclassified 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.

1 Summary of significant accounting policies (continued)

(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.

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
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 14) does not take into account price index movements.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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 3 -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.

(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 from 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 it is probable 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 services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet 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.

1 Summary of significant accounting policies (continued)

(p) Borrowing costs

Borrowing costs include interest and costs incurred in connection with the arrangement of borrowings. As the Consolidated Enity'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 end of the reporting period. 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 21 and 25).

(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 oncosts.

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 oncosts.

(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
All employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Consolidated Entity's superannuation plan has a defined benefit section and a defined contribution section. 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.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Superannuation benefit obligations (continued)
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 contribution section of the group's superannuation plan and other independent defined contribution superannuation funds 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 16).

(v) Termination benefits
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 26.

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.

1 Summary of significant accounting policies (continued)

(v) Goods and Services Tax (GST) (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 consolidated 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 39).

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Consolidated Entity's and the parent entity'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*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for its 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 recognise any such gains 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 group 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.

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and *AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (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.

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 for 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' does not have any investments in joint venture partnerships which will be required to be classified as a joint venture under the new rules. 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, and will impact the type of information disclosed in relation to the Consolidated Entity's investments.

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 but does not expect any impact as no relevant investments are currently held.

The Consolidated Entity will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

(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 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 and*, AASB 2012-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2012).

In September 2011, the AASB released a revised standard on accounting for employee benefits and is applicable for reporting periods beginning on or after 1 January 2013. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so called 'corridor' method), the immediate recognition of all past service cost in profit or loss 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 removal of the "corridor method" is not expected to have any impact on the Consolidated Entity. The anticipated impact on the Consolidated Entity for the next financial year is an increase in defined benefit superannuation expense of $2.336m.

The Consolidated Entity will apply the new standard when it becomes operative, being from 1 July 2013.

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

2 Financial risk management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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 Consolidated Entity. The Consolidated Entity uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. 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 interest rate, foreign exchange and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Company's Executive Team (ET) and the Company's Hedge Committee under policies approved by the Board of Directors. The ET 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.

2 Financial risk management (continued)

The Consolidated Entity holds the following financial instruments:

		Consolidated		Powerlink Queensland	
	Notes	**30 June 2013 $'000**	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Financial assets					
Cash and cash equivalents	8	**129,898**	59,688	**113,202**	45,709
Trade and other receivables	9	**93,368**	112,549	**101,853**	114,301
Derivative financial instruments		**587**	154	**587**	154
Other financial assets		**-**	84,090	**1**	84,055
		223,853	256,481	**215,643**	244,219
Financial liabilities					
Trade and other payables	18	**89,377**	135,880	**89,368**	135,871
Borrowings	22	**4,154,221**	3,854,221	**4,154,221**	3,854,221
Derivative financial instruments		**-**	285	**-**	285
		4,243,598	3,990,386	**4,243,589**	3,990,377

(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 exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2013				30 June 2012			
	USD $'000	**CAN $'000**	**EURO $'000**	**OTH $'000**	USD $'000	CAN $'000	SEK $'000	OTH $'000
Forward exchange contracts - buy foreign currency (cash flow hedges)	**2,912**	**-**	**1,466**	**1,325**	21,454	1,620	379	1,230
Net exposure	**2,912**	**-**	**1,466**	**1,325**	21,454	1,620	379	1,230

All the forward foreign exchange contracts are hedging forecast purchases.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)
Consolidated Entity and Company Sensitivity
Based on the financial instruments held at 30 June 2013, 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 $0.695M higher/$0.569M lower (2012 $2.7M higher/$2.2M 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 affect from 1 July 2013. During 2013 and 2012, 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 9.

2 Financial risk management (continued)

(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.

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's borrowing program. For the 2013/14 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.

Contractual maturities of financial liabilities	**0 - 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
Consolidated Entity - at 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	89,377	-	-	89,377	89,377
Borrowings (excluding finance leases)	238,784	955,742	4,377,381	5,571,907	4,154,221
Total non-derivatives	328,161	955,742	4,377,381	5,661,284	4,243,598
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	(587)	-	-	(587)	(587)
Total Derivatives	(587)	-	-	(587)	(587)

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Consolidated Entity - at 30 June 2012	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade payables	135,880	-	-	135,880	135,880
Borrowings (excluding finance leases)	232,627	931,096	4,107,126	5,270,849	3,854,221
Total non-derivatives	368,507	931,096	4,107,126	5,406,729	3,990,101
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	(154)	-	-	(154)	(154)
- (outflow)	285	-	-	285	285
Total Derivatives	131	-	-	131	131

Contractual maturities of financial liabilities	**0 - 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
Powerlink Queensland - at 30 June 2013	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	**89,368**	**-**	**-**	**89,368**	**89,368**
Borrowings (excluding finance leases)	**238,784**	**955,742**	**4,377,381**	**5,571,907**	**4,154,221**
Total non-derivatives	**328,152**	**955,742**	**4,377,381**	**5,661,275**	**4,243,589**
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	**(587)**	**-**	**-**	**(587)**	**(587)**
Total Derivatives	**(587)**	**-**	**-**	**(587)**	**(587)**

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Powerlink Queensland - at 30 June 2012	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade payables	135,871	-	-	135,871	135,871
Borrowings (excluding finance leases)	232,627	931,096	4,107,126	5,270,849	3,854,221
Total non-derivatives	368,498	931,096	4,107,126	5,406,720	3,990,092
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	(154)	-	-	(154)	(154)
- (outflow)	285	-	-	285	285
Total Derivatives	131	-	-	131	131

(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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) 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
(c) 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.

2 Financial risk management (continued)

(d) Fair value measurements (continued)

The Consolidated Entity and the parent entity did not have any level 1 or level 3 instruments for the year ended 30 June 2013.

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 17.

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 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.

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.

3 Critical accounting judgements,estimates and assumptions (continued)

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.

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 14.

4 Revenue

	Consolidated Year ended		**Powerlink Queensland Year ended**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Revenues from continuing operations				
Grid Sales Revenue	**927,603**	867,094	**927,603**	867,094
Total Grid Sales Revenue	**927,603**	867,094	**927,603**	867,094
Other revenue				
Interest	**13,192**	20,242	**3,833**	4,875
Dividends	**-**	-	**350,135**	11,656
Other	**31,298**	34,040	**31,205**	33,765
Total Other Revenue	**44,490**	54,282	**385,173**	50,296
Total Revenues from Continuing Operations	**972,093**	921,376	**1,312,776**	917,390

5 Other income

	Consolidated Year ended		**Powerlink Queensland Year ended**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Net gain on disposal of property, plant and equipment	**157**	583	**157**	583
Divestment of Equity Accounted Associate	**353,320**	-	**-**	-
	353,477	583	**157**	583

(a) Divestment of Equity Accounted Associate

The Consolidated Entity's net gain on divestment of Equity Accounted Associate is inclusive of the gain by Harold Street Holdings Pty Ltd (a wholly owned subsidiary of Powerlink Queensland) on the divestment of its investment in ElectraNet Pty Ltd, an electricity transmission entity located in South Australia.

6 Expenses from Continuing Operations

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Profit before income tax includes the following specific expenses:				
Finance costs				
Interest Expense	**206,325**	227,922	**206,325**	227,922
Other	**40,609**	6,212	**40,609**	6,212
Total Finance Costs Expensed	**246,934**	234,134	**246,934**	234,134
Continuing Operating Expenses				
Network Operations	**13,450**	13,989	**13,450**	13,989
Network Maintenance	**102,433**	94,356	**102,433**	94,356
Corporate/Business Support	**55,485**	58,039	**55,298**	58,018
Other	**8,248**	8,997	**8,248**	8,997
Depreciation	**258,592**	240,774	**258,592**	240,774
Total Expenses from Continuing Operations excluding Finance Costs Expensed	**438,208**	416,155	**438,021**	416,134
Employee benefits expenses				
Defined Contribution Superannuation expense through profit or loss	**3,497**	3,590	**3,497**	3,590
Employee Benefit expense through profit or loss	**93,306**	89,730	**93,306**	89,730
Total employee benefits expenses	**96,803**	93,320	**96,803**	93,320

7 Income tax equivalent expense

(a) Income tax equivalent expense

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Current tax	**233,390**	92,567	**88,335**	87,514
Deferred tax	**(5,843)**	(4,203)	**(5,020)**	(3,836)
Associates accounted for using the equity method	**-**	8,751	**-**	-
Reversal of deferred tax liability in relation to divestment of equity accounted associate	**(35,259)**	-	**-**	-
	192,288	97,115	**83,315**	83,678

7 Income tax equivalent expense (continued)

(a) Income tax equivalent expense (continued)

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Deferred income tax (revenue)/ equivalent included in income tax equivalent expense comprises:				
(Increase)/decrease in deferred tax assets (note 15)	**(3,058)**	1,613	**(3,058)**	1,613
(Decrease)/increase in deferred tax liabilities (note 23)	**(2,785)**	(5,816)	**(1,962)**	(5,449)
	(5,843)	(4,203)	**(5,020)**	(3,836)

(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Profit from continuing operations before income tax equivalent expense	**649,239**	300,880	**627,978**	267,705
	649,239	300,880	**627,978**	267,705
Tax equivalent at the Australian tax rate of 30.0% (2012 - 30.0%)	**194,772**	90,264	**188,393**	80,312
Increase in income tax equivalent expense due to:				
Non deductible expenses	**-**	-	**-**	-
Prior year adjustment	**64**	293	**64**	293
Temporary differences	**460**	7,086	**460**	7,086
Capital gains	**141,451**	-	**-**	-
	336,747	97,643	**188,917**	87,691
Decrease in income tax equivalent expense due to:				
Tax exempt revenues	**(142,754)**	(12)	**(105,041)**	(3,497)
Building capital allowances	**(561)**	(516)	**(561)**	(516)
Temporary differences	**(1,144)**	-	**-**	-
	(144,459)	(528)	**(105,602)**	(4,013)
Total income tax equivalent expense	**192,288**	97,115	**83,315**	83,678

7 Income tax equivalent expense (continued)

(c) Amounts recognised directly in equity

	Consolidated Year ended 30 June 2013 $'000	Consolidated Year ended 30 June 2012 $'000	Powerlink Queensland Year ended 30 June 2013 $'000	Powerlink Queensland Year ended 30 June 2012 $'000
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	**21,875**	27,869	**54,060**	24,946

(d) Tax expense (income) relating to items of other comprehensive income

	Notes	Consolidated Year ended 30 June 2013 $'000	Consolidated Year ended 30 June 2012 $'000	Powerlink Queensland Year ended 30 June 2013 $'000	Powerlink Queensland Year ended 30 June 2012 $'000
Gains on revaluation of land and buildings	27(a)	**22,831**	34,186	**49,885**	32,008
Cash flow hedges	27(a)	**(729)**	(2,807)	**215**	209
Actuarial gains/(losses) on retirement benefit obligation		**(227)**	(3,381)	**3,960**	(7,271)
Prior year adjustment		**-**	(109)	**-**	-
		21,875	27,889	**54,060**	24,946

(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 Note1(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.

8 Current assets - Cash and cash equivalents

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Cash balance comprises:				
Cash on hand	**3**	3	**3**	3
Bank balances	**4,081**	6,375	**4,078**	6,350
Cash on deposit with Qld Treasury Corporation (QTC)	**125,814**	53,310	**109,121**	39,356
Closing Cash Balance	**129,898**	59,688	**113,202**	45,709

(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 the 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.

9 Current assets - Trade and other receivables

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Net trade receivables				
Trade receivables	**93,368**	109,804	**93,368**	109,804
Other	**-**	2,745	**8,485**	4,497
	93,368	112,549	**101,853**	114,301

(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 $1.2 thousand (2012: $0.15 thousand) in respect of impaired trade receivables during the year ended 30 June 2013.

(c) Trade receivables past due but not impaired

As of 30 June 2013, trade receivables of $1,131 thousand (2012: $154 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:

9 Current assets - Trade and other receivables (continued)

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

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Up to 3 months	**1,102**	80	**1,102**	80
3 to 6 months	**29**	74	**29**	74
	1,131	154	**1,131**	154

(d) Other receivables

For the Company, these are receivables from tax consolidated entities under the tax funding agreement, see Note7(e)

(e) Foreign exchange and interest rate risk

Information about the Consolidated Entity'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.

10 Current assets - Inventories

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Maintenance and Construction Stock	**36,715**	22,132	**36,715**	22,132
	36,715	22,132	**36,715**	22,132

11 Current assets - Other current assets

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Work in progress - Customer Works	**612**	570	**612**	570
Prepayments	**3,203**	2,686	**3,203**	2,686
Other	**629**	206	**629**	206
	4,444	3,462	**4,444**	3,462

12 Non-current assets - Investments accounted for using the equity method

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Shares in associates (Note 35)	-	117,612	-	-
	-	117,612	-	-

(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 13).

13 Non-current assets - Other financial assets

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Advances to Associates				
Loan Notes +	-	84,090	-	-
Shares in subsidiaries* (Note 34)	-	-	1	1
Unsecured Loans to Subsidiaries#	-	-	-	84,054
	-	84,090	1	84,055

+ Represents loan notes included in the divestment of the associate.

* Represents investments in unlisted controlled entities at cost

Represents unsecured advances to Harold Street Holdings Pty Ltd of $NIL thousand (2012: $84,050 thousand) and Powerlink Transmission Services Pty Ltd $NIL thousand (2012: $4 thousand). Both companies are wholly owned subsidiaries of Powerlink Queensland.

14 Non-current assets - Property, plant and equipment

Consolidated Entity and Powerlink Queensland	**Work in Progress $'000**	**Freehold Land and Easements $'000**	**Buildings $'000**	**Supply System Assets $'000**	**Other Property, Plant and Equipment $'000**	**Total $'000**
At 1 July 2011						
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
Year ended 30 June 2012						
Opening net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
Revaluation increment/(decrements)	-	8,581	1,178	96,935	-	106,694
Additions	752,860	-	-	-	-	752,860
Depreciation charge	-	-	(2,090)	(220,257)	(18,427)	(240,774)
Disposals	-	(4,246)	-	(5,514)	(289)	(10,049)
Transfers from work in progress	(540,966)	27,836	3,262	488,788	21,080	-
Closing net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846
At 30 June 2012						
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

Consolidated Entity and Powerlink Queensland	**Work in Progress $'000**	**Freehold Land and Easements $'000**	**Buildings $'000**	**Supply System Assets $'000**	**Other Property, Plant and Equipment $'000**	**Total $'000**
Year ended 30 June 2013						
Opening net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846
Revaluation increment/(decrements)	-	13,252	2,109	150,927	-	166,288
Additions	558,284	-	-	-	-	558,284
Depreciation charge	-	-	(2,285)	(235,351)	(20,956)	(258,592)
Disposals	-	(1,454)	-	-	(211)	(1,665)
Transfers from work in progress	(605,379)	20,741	9,665	554,777	20,196	-
Closing net book amount	**704,774**	**532,503**	**77,523**	**5,782,707**	**49,654**	**7,147,161**

14 Non-current assets - Property, plant and equipment (continued)

Consolidated Entity and Powerlink Queensland	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
At 30 June 2013						
Cost	704,774	532,503	91,639	7,305,670	141,366	8,775,952
Accumulated depreciation	-	-	(14,116)	(1,522,963)	(91,712)	(1,628,791)
Net book amount	**704,774**	**532,503**	**77,523**	**5,782,707**	**49,654**	**7,147,161**

(a) 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 2013 using the following key assumptions and approach:

- a major proportion of Powerlink's assets are subject to regulation in the form of a regulated 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 non-regulated assets, reflecting both the time value of money and the risks inherent in the projected cash flows for the assets.

15 Non-current assets - Deferred tax equivalent assets

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
The balance comprises temporary differences attributable to:				
Accruals	**241**	577	**237**	575
Provisions	**15,718**	14,761	**15,717**	14,761
Cash flow hedges	**-**	85	**-**	85
Total deferred tax equivalent assets	**15,959**	15,423	**15,954**	15,421
Set-off of deferred tax equivalent liabilities pursuant to set-off provisions	**(15,959)**	(15,423)	**(15,954)**	(15,421)
Net deferred tax equivalent assets	**-**	-	**-**	-

15 Non-current assets - Deferred tax equivalent assets (continued)

Movements:				
Opening balance at 1 July 2012	**15,423**	11,145	**15,421**	11,143
Credited/(charged) to profit or loss	**3,058**	(1,613)	**3,058**	(1,613)
Credited/(charged) to equity	**(2,522)**	5,891	**(2,524)**	5,891
Closing balance at 30 June 2013	**15,959**	15,423	**15,955**	15,421
Deferred tax assets expected to be recovered within 12 months	**7,769**	7,110	**7,764**	7,108
Deferred tax assets expected to be recovered after more than 12 months	**8,190**	8,313	**8,190**	8,313
	15,959	15,423	**15,954**	15,421

16 Employee Benefits

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

(i) 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 2012/13 year were granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(ii) 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 2012/13 year were granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iii) 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 2012/13 was granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iv) At-Risk Performance Remuneration
The aggregrate at-risk performance remuneration is at follows:

	2012/13	2011/12
Aggregate at -risk performance remuneration	**$6.256m**	$6.697m
Total salaries and Wages paid	**$138.989m**	$138.960m
Number of employees receiving performance payments	**1,052**	980

(v) Number of Employees
Number of employees (full time equivalents) at year end:1,028 (2012: 1,028)

17 Superannuation Commitments

(a) 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.

17 Superannuation Commitments (continued)

(a) Superannuation plan (continued)

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 6.

(b) Defined Benefit Plan Balance Sheet Amounts

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

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Fair value of defined benefit plan assets	**80,396**	71,764	**80,396**	71,764
Present value of the defined benefit obligation	**(75,325)**	(79,892)	**(75,325)**	(79,892)
Net surplus/(deficit) in the balance sheets	**5,071**	(8,128)	**5,071**	(8,128)

(c) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Powerlink Queensland	
	30 June 2013 %	30 June 2012 %	**30 June 2013 %**	30 June 2012 %
Cash	**10.0**	10.0	**10.0**	10.0
Fixed Interest	**10.0**	10.0	**10.0**	10.0
Domestic Equities	**28.0**	28.0	**28.0**	28.0
Alternatives	**20.0**	20.0	**20.0**	20.0
International Equities	**22.0**	22.0	**22.0**	22.0
Property	**10.0**	10.0	**10.0**	10.0
	100.0	100.0	**100.0**	100.0

17 Superannuation Commitments (continued)

(d) Reconciliations

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Opening balance	**(79,892)**	(67,575)	**(79,892)**	(67,575)
Current service cost	**(3,494)**	(2,771)	**(3,494)**	(2,771)
Interest cost	**(1,954)**	(2,717)	**(1,954)**	(2,717)
Actuarial gains and (losses)	**9,062**	(16,210)	**9,062**	(16,210)
Benefits paid	**4,084**	7,224	**4,084**	7,224
Contributions by members	**(802)**	(808)	**(802)**	(808)
Provisions for contributions tax	**(2,329)**	2,965	**(2,329)**	2,965
Balance at the end of the period	**(75,325)**	(79,892)	**(75,325)**	(79,892)
Reconciliation of the fair value of plan assets:				
Opening balance	**71,764**	76,248	**71,764**	76,248
Expected return on plan assets	**4,081**	4,283	**4,081**	4,283
Actuarial (gains) and losses	**6,178**	(3,985)	**6,178**	(3,985)
Contributions by Company	**1,655**	1,634	**1,655**	1,634
Benefits paid	**(4,084)**	(7,224)	**(4,084)**	(7,224)
Contributions by members	**802**	808	**802**	808
Balance at the end of the period	**80,396**	71,764	**80,396**	71,764

(e) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Current service cost	**3,494**	2,771	**3,494**	2,771
Interest cost	**1,954**	2,717	**1,954**	2,717
Expected return on plan assets	**(4,081)**	(4,283)	**(4,081)**	(4,283)
Total included in employee benefits expense	**1,367**	1,205	**1,367**	1,205

17 Superannuation Commitments (continued)

(f) Amounts recognised in other comprehensive income

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Actuarial gain/(loss) recognised in the period	**15,240**	(20,195)	**15,240**	(20,195)
Cumulative actuarial (losses) recognised in other comprehensive income	**(2,893)**	(18,133)	**(2,893)**	(18,133)

(g) Principal actuarial assumptions

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

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013	30 June 2012	**30 June 2013**	30 June 2012
Discount rate	**3.2%**	2.6%	**3.2%**	2.60
Expected return on plan assets	**6.0%**	6.0%	**6.0%**	6.00
Future salary increases	**4.0%**	4.5%	**4.0%**	4.50

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.

(h) 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 more than three yearly intervals, and the last such assessment was made 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.

Total employer contributions expected to be paid by the Consolidated Entity to the defined benefit section of the plan for the year ended 30 June 2014 are $1.633 million.

17 Superannuation Commitments (continued)

(i) Historic summary

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Plan assets	**80,396**	71,764	76,248	74,782	69,138
Defined benefit plan obligation	**(75,325)**	(79,892)	(67,575)	(69,363)	(63,729)
Surplus/(deficit)	**5,071**	(8,128)	8,673	5,419	5,409

Experience adjustments arising on plan assets	**6,178**	(3,985)	2,493	3,558	(5,069)
Experience adjustments arising on plan liabilities	**664**	(2,339)	750	(867)	(544)

18 Current liabilities - Trade and other payables

	Consolidated		**Powerlink Queensland**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Trade payables	**64,870**	128,310	**64,862**	128,301
Deposits	**28**	28	**28**	28
Other payables	**24,479**	7,542	**24,478**	7,542
	89,377	135,880	**89,368**	135,871

(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.

19 Current liabilities - Provisions

	Consolidated		**Powerlink Queensland**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Dividends	**177,402**	146,678	**177,402**	146,678
Onerous contracts (a)	**686**	-	**686**	-
Restructuring costs (b)	**852**	-	**852**	-
Other provisions (c)	**4,441**	-	**-**	-
Employee benefits	**12,877**	13,135	**12,877**	13,135
	196,258	159,813	**191,817**	159,813

19 Current liabilities - Provisions (continued)

(a) Onerous Contracts

In 2012 the Consolidated Entity entered into a non-cancellable lease for office accommodation. Due to changes in its activities and office accommodation requirements, the lease premises became surplus to existing and forecast office accommodation needs. The premises has been sublet for the remaining lease term, but changes in market conditions has meant that the rental income from the sub-lease is lower than the rental expense. The obligation for the discounted future payments, net of expected sub-lease income, has been provided for.

(b) Restructuring costs

The Consolidated Entity is currently undertaking a review of its high level organisational structure and organisational responsibilities to align with its Productivity and Performance strategic theme initiative which seeks to deliver an increased focus on productivity and performance. As part of this review, a number of positions have been identified as surplus to requirements and negotiations are being undertaken with affected staff as to redundancy compensation packages. The provision reflects the total estimated staff restructuring costs identified as at 30 June 2013.

(c) Other Provisions

Provision has been made for an adjustment included in the sale price of Powerlink's divestment of its interest in ElectraNet Pty Ltd, previously an equity accounted associate of the Consolidated Entity. The sale price adjustment relates to the Consolidated Entity's share of a liability which may result in accordance with commercial and confidential terms of the Sale/Purchase Agreement. These claims are expected to be known in the next financial year.

(d) Movements in provisions

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

Consolidated Entity and Powerlink Queensland 2013	**Dividends $'000**	**Onerous contracts $'000**	**Restructuring obligations $'000**	**Other $'000**
Carrying amount at the start of the year	146,678	-	-	-
- additional provisions recognised	177,402	686	852	4,441
Amounts used during the year	(146,678)	-	-	-
Carrying amount at end of period	**177,402**	**686**	**852**	**4,441**

20 Current liabilities - Current tax equivalent liabilities

	Consolidated		**Powerlink Queensland**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Current tax equivalent liabilities	**32,624**	43,945	**32,801**	43,945
Total current tax equivalent liabilities	**32,624**	43,945	**32,801**	43,945

21 Current liabilities - Other current liabilities

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Unearned Revenue	**3,935**	6,624	**3,935**	6,624
Derivative Financial Instruments	**-**	285	**-**	285
Other	**19**	10,028	**19**	10,028
Total other current liabilities	**3,954**	16,937	**3,954**	16,937

22 Non-current liabilities - Interest Bearing Loans and Borrowings

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Unsecured				
Queensland Treasury Corporation	**4,154,221**	3,854,221	**4,154,221**	3,854,221
Total non-current borrowings	**4,154,221**	3,854,221	**4,154,221**	3,854,221

* Further information relating to loans from related parties is set out in note 33.

(a) Fair value

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

Consolidated Entity	**At 30 June 2013**		At 30 June 2012	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (i)				
QTC Loans	**4,154,221**	**4,364,233**	3,854,221	4,056,543
	4,154,221	**4,364,233**	3,854,221	4,056,543

Powerlink Queensland	**At 30 June 2013**		At 30 June 2012	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (i)				
QTC Loans	**4,154,221**	**4,364,233**	3,854,221	4,056,543
	4,154,221	**4,364,233**	3,854,221	4,056,543

22 Non-current liabilities - Interest Bearing Loans and Borrowings (continued)

(a) Fair value (continued)

(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 exposure to interest rate and foreign exchange risk is provided in note 2.

23 Non-current liabilities - Deferred tax equivalent liabilities

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**525,408**	480,840	**525,408**	480,840
Receivables	**184**	171	**184**	171
Prepayments	**39**	45	**39**	45
	525,631	481,056	**525,631**	481,056
Other				
Defined Benefit Fund Surplus	**1,521**	-	**-**	-
Inventories	**5,628**	2,291	**5,628**	2,291
Cash flow hedges	**176**	46	**176**	47
Associates accounted for using the equity method	**-**	35,642	**-**	-
Interest receivable	**-**	823	**-**	-
Convertible notes	**-**	-	**1,521**	-
Rent Received in Advance	**12**	-	**11**	-
Sub-total other	**7,337**	38,802	**7,336**	2,338
Total deferred tax equivalent liabilities	**532,968**	519,858	**532,967**	483,394
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 15)	**(15,959)**	(15,423)	**(15,954)**	(15,421)
Net deferred tax equivalent liabilities	**517,009**	504,435	**517,013**	467,973

23 Non-current liabilities - Deferred tax equivalent liabilities (continued)

	Consolidated		Powerlink Queensland	
Movements:				
Opening balance	**519,858**	488,611	**483,394**	458,005
Charged/(credited) to profit or loss	**(2,784)**	3,043	**(1,962)**	(5,448)
Charged/(credited) to equity	**15,894**	31,588	**51,535**	30,837
Prior year adjustment	**-**	(3,384)	**-**	-
Closing balance at 30 June	**532,968**	519,858	**532,967**	483,394
Deferred tax liabilities expected to be settled within 12 months	**6,039**	3,377	**6,038**	(2,554)
Deferred tax liabilities expected to be settled after more than 12 months	**526,929**	516,481	**526,929**	(480,840)
	532,968	519,858	**532,967**	(483,394)

24 Non-current liabilities - Provisions

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Employee benefits	**24,560**	24,269	**24,560**	24,269
Onerous contracts	**1,230**	-	**1,230**	-
	25,790	24,269	**25,790**	24,269

(a) Movements in provisions

Consolidated and Powerlink Queensland 2013	**Onerous contracts $'000**	**Total $'000**
- additional provisions recognised	1,230	1,230
Carrying amount at end of period	**1,230**	**1,230**

25 Non-current liabilities - Other non-current liabilities

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Unearned revenue	**9,189**	10,946	**9,189**	10,946
Other	**1,178**	1,208	**1,178**	1,208
Total other financial liabilities	**10,367**	12,154	**10,367**	12,154

26 Contributed equity

(a) Share capital

	Powerlink Queensland		Powerlink Queensland	
	30 June 2013 Shares	30 June 2012 Shares	**30 June 2013 $'000**	30 June 2012 $'000
Ordinary shares				
Fully paid	**401,000,000**	401,000,000	**401,000**	401,000
	401,000,000	401,000,000	**401,000**	401,000

(b) Ordinary shares

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 2013.

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.

(c) 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 Ministers' 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 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 26 and 27 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 property, plant and equipment, 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 material changes in strategy or policy subsequent to the previous year ended 30 June 2012.

26 Contributed equity (continued)

(c) Capital risk management (continued)

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	
	Notes	**30 June 2013 $'000**	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Total debt	22	**4,154,221**	3,854,221	**4,154,221**	3,854,221
Property, plant and equipment	14	**7,147,161**	6,682,846	**7,147,161**	6,682,846
Gearing ratio		**58.1%**	57.7%	**58.1%**	57.7%

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2013 and 2012 reporting periods.

The increase in the gearing ratio for the year ended 30 June 2013 resulted primarily from the 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 2013 the Consolidated Entity had only long term borrowings.

27 Reserves and retained earnings

(a) Reserves

		Consolidated		Powerlink Queensland	
	Notes	**30 June 2013 $'000**	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Revaluation surplus - property, plant and equipment		**837,245**	781,624	**837,245**	720,842
Cash flow hedges		**411**	1,657	**411**	(92)
		837,656	783,281	**837,656**	720,750

27 Reserves and retained earnings (continued)

(a) Reserves (continued)

	Notes	Consolidated 30 June 2013 $'000	Consolidated 30 June 2012 $'000	Powerlink Queensland 30 June 2013 $'000	Powerlink Queensland 30 June 2012 $'000
Movements:					
Revaluation surplus - Property, plant and equipment					
Opening balance		**781,624**	701,858	**720,842**	646,156
Revaluation - gross	14	**166,288**	106,694	**166,288**	106,694
Deferred tax		**(49,885)**	(32,008)	**(49,885)**	(32,008)
Revaluation - associate	35	**(87,836)**	7,258	**-**	-
Deferred tax -associate		**27,054**	(2,178)	**-**	-
Balance 30 June		**837,245**	781,624	**837,245**	720,842
Cash flow hedges					
Opening balance		**1,657**	8,255	**(92)**	(579)
Revaluation - gross		**718**	696	**718**	696
Deferred tax		**(215)**	(209)	**(215)**	(209)
Revaluation - associate		**(2,693)**	(10,121)	**-**	-
Deferred tax - associate		**944**	3,036	**-**	-
Balance 30 June		**411**	1,657	**411**	(92)

(b) Retained earnings

Movements in retained earnings were as follows:

	Notes	Consolidated 30 June 2013 $'000	Consolidated 30 June 2012 $'000	Powerlink Queensland 30 June 2013 $'000	Powerlink Queensland 30 June 2012 $'000
Balance 1 July		**1,138,316**	1,095,080	**1,107,444**	1,080,057
Net profit for the period		**456,951**	203,765	**544,663**	184,027
Dividends	28	**(516,602)**	(146,678)	**(516,602)**	(146,678)
Actuarial gains/(losses) on defined benefit plans net of tax recognised directly in retained earnings		**11,284**	(16,816)	**11,284**	(12,927)
Defined benefit fund contributions tax		**(2,329)**	2,965	**(2,329)**	2,965
Divestment of interest in Associate - Asset Revaluation Reserve		**60,781**	-	**-**	-
Balance 30 June		**1,148,401**	1,138,316	**1,144,460**	1,107,444

(c) Nature and purpose of other reserves

(i) Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets, and investments in associates, measured at fair value in accordance with the applicable Australian Accounting Standards, as described in 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.

27 Reserves and retained earnings (continued)

(c) Nature and purpose of other reserves (continued)

(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 or loss.

28 Dividends

(a) Ordinary shares

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Ordinary shares				
Unfranked interim dividend	**339,200**	-	**339,200**	-
Unfranked final dividend proposed	**177,402**	146,678	**177,402**	146,678
	516,602	146,678	**516,602**	146,678

The unfranked interim dividend from proceeds available to the Consolidated Entity following the divestment of its investment in an associate, ElectraNet Pty Ltd.

In consultation with the shareholding Ministers, a final dividend has been recommended at 90% of the operating profit after tax, excluding contributions from equity accounted associates and excluding the items recognised in the income statement on the divestment of the investment in the associates which comprised the interim dividend paid during the financial year (2012: 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.

29 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

(ii) Directors
Anne Barclay (from 20/12/2012)
Julie Beeby
Kenneth Howard (from 1/7/2012 to 30/9/2012; reappointed 20/12/2012)
Julienne Martin
Christina Sutherland
Walter Threlfall (term finished 30/9/12)

29 Key management personnel disclosures (continued)

(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 (to 19/10/2012)
Chief Financial Officer
Executive Manager Infrastructure Delivery and Technical Services
Executive Manager Investment and Planning
Executive Manager Operations and Field Services
Executive Manager People and Culture
Executive Manager Stakeholder Relations and Corporate Services

(i) Remuneration of other key management personnel

The People, Culture and 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 People, Culture and Remuneration Committee assesses the appropriateness of the nature and amount of compensation of other 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 other 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.

(c) Details of remuneration

(i) Details of the nature and amount of each major element of the remuneration of each Director are:

2013	Short term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Stephen Rochester	86	8	94
Anne Barclay	16	1	17
Julie Beeby	36	3	39
Kenneth Howard	26	2	28
Julienne Martin	34	3	37
Christina Sutherland	46	4	50
Walter Threlfall	9	1	10
Total	**253**	**22**	**275**

29 Key management personnel disclosures (continued)

(c) Details of remuneration (continued)

(i) Details of the nature and amount of each major element of the remuneration of each Director are: (continued)

2012	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
Total	275	25	300

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:

2013	Short term		Post employment		
Position	Fixed Remuneration $'000	At Risk Payments $'000	Superannuation# $'000	Termi-nation benefits $'000	Total $'000
Other key management personnel (Consolidated Entity)					
Chief Executive	507	46	90	-	643
Chief Operating Officer #	838	32	35	792	1,697
Chief Financial Officer	299	22	52	-	373
Executive Manager Investment and Planning	255	22	45	-	322
Executive Manager Operations and Field Services	221	15	23	-	259
Executive Manager Stakeholder Relations and Corporate Services	192	13	34	-	239
Executive Manager People and Culture	235	20	23	-	278
Executive Manager Infrastructure Delivery and Technical Services	295	26	29	-	350
Total	**2,842**	**196**	**331**	**792**	**4,161**

Fixed Remuneration shown for the Chief Operating Officer includes payout of accrued employee entitlements on termination.

29 Key management personnel disclosures (continued)

(c) Details of remuneration (continued)

(ii) Other key management personnel (continued)

2012	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
Total	**1,488**	**220**	**268**	**1,976**

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 22 July 2011. "At-Risk" payment reflects remuneration to outgoing incumbent.

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 *(Chairman)*
Current Term 3 years 4 months First appointed May 2012

Anne Barclay
Current term 2 years and 9 months. First appointed 20 December 2012

Julie Beeby
Current term 3 years commencing October 2011. First appointed October 2008.

Kenneth Howard
Current term 2 years and 9 months commencing 20 December 2012. 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.

30 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 Year ended		Powerlink Queensland Year ended	
	30 June 2013 $	30 June 2012 $	**30 June 2013 $**	30 June 2012 $
Queensland Audit Office				
Audit and review of financial statements	**224,000**	222,000	**213,000**	213,000
Total remuneration for audit and other services	**224,000**	222,000	**213,000**	213,000

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.

31 Contingencies

(a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2013 (2012:NIL).

(b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2013 (2012:NIL)

32 Commitments

(a) Capital Expenditure Commitments

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

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Property, plant and equipment				
Within one year	**207,703**	73,630	**207,703**	73,630
	207,703	73,630	**207,703**	73,630

(b) 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.

32 Commitments (continued)

(b) Non-cancellable operating leases (continued)

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**3,108**	2,389	**3,108**	2,389
Later than one year but not later than five years	**4,448**	4,094	**4,448**	4,094
Later than five years	**2,420**	286	**2,420**	286
	9,976	6,769	**9,976**	6,769

(c) Lease commitments: Consolidated Entity as lessor

(i) Non-cancellable operating leases
Excess office accommodation has been sublet to third parties under non-cancellable operating leases.

Sub-lease receipts

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Within one year	**645**	-	**645**	-
Later than one year but not later than five years	**3,107**	-	**3,107**	-
Later than five years	**4,052**	-	**4,052**	-
	7,804	-	**7,804**	-

33 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 2013 owned 100% (2012: 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.

33 Related party transactions (continued)

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 34.

Interests in Associates are set out in Note 35.

(d) Key management personnel

Disclosures relating to other key management personnel are set out in Note 29.

(e) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Sales of goods and services				
Parent Entity	**1,020,591**	923,740	**1,020,591**	923,740
Associates	**-**	473	**-**	473
	1,020,591	924,213	**1,020,591**	924,213

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Purchases of goods and services				
Parent Entity	**79,536**	147,078	**79,536**	147,078
Associates	**-**	54	**-**	54
	79,536	147,132	**79,536**	147,132

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Dividend revenue				
Subsidiaries	**-**	-	**350,135**	11,656
Associates	**-**	42	**-**	-
	-	42	**350,135**	11,656

33 Related party transactions (continued)

(e) Transactions with other related parties (continued)

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Interest revenue				
Parent Entity	**10,420**	5,189	**3,811**	4,593
Associates	**2,748**	14,778	**-**	-
	13,168	19,967	**3,811**	4,593

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Other Transactions				
Dividends paid to ultimate Australian parent entity (State of Queensland)	**485,878**	121,365	**485,878**	121,365
Borrowing Costs - Parent Entity	**246,905**	233,606	**246,905**	233,606
	732,783	354,971	**732,783**	354,971

(f) Outstanding balances

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

	Consolidated		Powerlink Queensland	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Current receivables (sales of goods and services)				
Parent Entity	**70,980**	69,742	**70,980**	69,742
	70,980	69,742	**70,980**	69,742
Current payables (purchases of goods and services)				
Parent Entity	**92**	-	**92**	-
	92	-	**92**	-

33 Related party transactions (continued)

(g) Loans to/from related parties

	Consolidated		Powerlink Queensland	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Loans to subsidiaries				
Beginning of the year	**-**	-	**84,054**	84,054
Loans repayments received	**-**	-	**(84,054)**	-
End of period	**-**	-	**-**	84,054
Loans from ultimate Australian parent entity				
Beginning of the year	**3,854,221**	3,571,521	**3,854,221**	3,571,521
Loans advanced	**300,000**	282,700	**300,000**	282,700
Interest charged	**246,905**	233,606	**246,905**	233,606
Interest paid	**(246,905)**	(233,606)	**(246,905)**	(233,606)
End of period	**4,154,221**	3,854,221	**4,154,221**	3,854,221

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables 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.

34 Subsidiaries

Significant investments in subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding ****	
			2013	2012
			%	%
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 Class Order 98/1418 issued by the Australian Securities and Investments Commission.

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

35 Investments in associates

(a) Movements in carrying amounts

	Consolidated	
	30 June 2013 $'000	30 June 2012 $'000
Carrying amount at the beginning of the financial year	**117,612**	96,867
Share of profit/(loss) after income tax of associates	**8,811**	29,210
Reversal of dividends received/receivable	**-**	(42)
Share of actuarial gain/(loss) in Defined Benefit Fund	**-**	(5,556)
Share of increment on revaluation of property, plant & equipment	**-**	7,258
Share of increment/decrement of hedge reserve	**1,865**	(10,121)
Return of capital on investment	**-**	(4)
Divestment of investments in associates	**(128,288)**	-
Carrying amount at the end of the financial year	-	117,612

(b) Summarised financial information of associates

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

		Company's share of:			
	Ownership Interest %	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profit $'000**
2013					
ElectraNet Pty Ltd #	41.11	-	-	51,604	8,811
		-	-	51,604	8,811
2012					
ElectraNet Pty Ltd #	41.11	901,064	783,452	135,995	29,210

Investment in associate divested on 18 December 2012.

The above associate is incorporated in Australia.

(c) Share of associates' expenditure commitments, other than for the supply of inventories

	Consolidated	
	2013 $'000	2012 $'000
Capital commitments	-	13,984
Operating lease commitments	-	15,447
	-	29,431

36 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years (2012:NIL).

37 Reconciliation of profit after income tax equivalent to net cash inflow from operating activities

	Consolidated Year ended		**Powerlink Queensland Year ended**	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Profit for the year from continuing operations after income tax equivalent	**456,951**	203,765	**544,663**	184,027
Depreciation	**258,592**	240,774	**258,592**	240,774
Transfers from hedge reserve on divestment of associate	**4,531**	-	**-**	-
Net (gain)/loss on sale of non-current assets	**(353,477)**	(583)	**(157)**	(583)
Share of (profit)/loss of associates not received as dividends or distributions	**(8,811)**	(29,210)	**-**	-
Dividends received from associates	**-**	42	**-**	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	**19,114**	(17,649)	**16,369**	(18,830)
(Increase)/decrease in inventories	**(14,582)**	5,324	**(14,582)**	5,324
(Increase)/ decrease in deferred tax assets	**(621)**	(4,446)	**(620)**	(4,446)
(Decrease)/ increase in creditors	**(19,839)**	(2,740)	**(19,840)**	(2,740)
(Decrease)/ increase in provision for income taxes payable	**(11,321)**	23,713	**(15,131)**	22,959
(Decrease)/ increase in deferred tax liabilities	**(35,962)**	55	**(441)**	(6,661)
(Decrease)/ increase in other provisions	**2,964**	3,395	**2,964**	3,395
(Increase/decrease in prepayments	**(521)**	(273)	**(521)**	(273)
Net cash inflow/(outflow) from operating activities	**297,018**	422,167	**771,296**	422,946

38 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.

39 Settlements Residue

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 $'000	30 June 2012 $'000	**30 June 2013 $'000**	30 June 2012 $'000
Opening balance	**-**	-	**-**	-
Residue transferred from AEMO	**82,029**	43,469	**82,029**	43,469
Interest Earned	**-**	-	**-**	-
Transfer to Powerlink Queensland to offset network charges	**(82,029)**	(43,469)	**(82,029)**	(43,469)
Balance at end of year	**-**	-	**-**	-

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the 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 Directors.

Stephen Rochester
Chairman
Brisbane
30 August 2013

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 2013, 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. 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 2013 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

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

George

QUEENSLAND
30 AUG 2013
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

POWERLINK QUEENSLAND
ABN 82 078 849 233

33 Harold Street Virginia
Queensland Australia 4014

PO Box 1193 Virginia
Queensland Australia 4014

Telephone: (07) 3860 2111
Facsimile: (07) 3860 2100

www.powerlink.com.au