Powerlink Queensland

Annual Report & Financial Statements

2015/16

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Corporate

Mission

Powerlink enriches lifestyles and powers economic growth through electricity transmission and associated solutions.

Vision

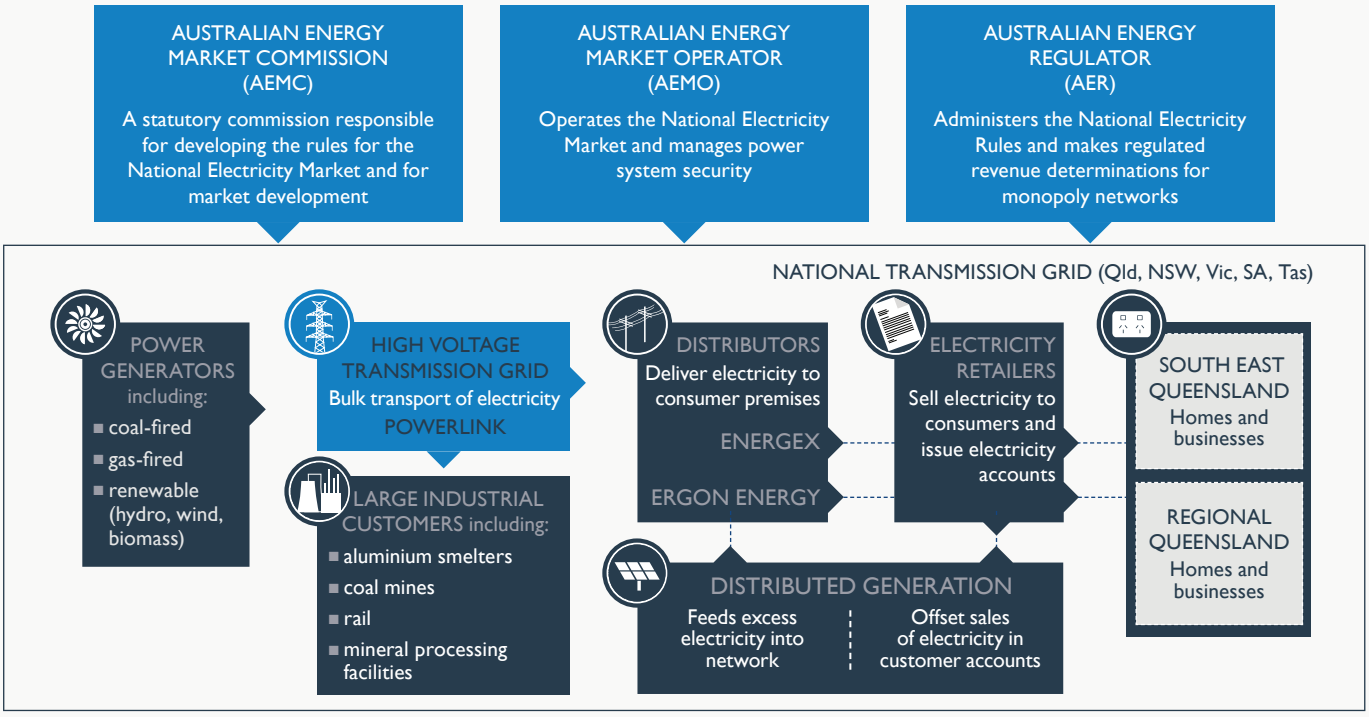
We are innovative and customer focused with a stronger business and reputation.

Values

The values that guide our behaviour are:

- Safe • Respectful • Proactive
- Ethical • Cooperative

Powerlink's role in the Queensland power supply industry



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 2015/16.

Powerlink Queensland is the trading name of Queensland Electricity Transmission Corporation Limited.

Highlights

- Our employee and contractor Lost Time Injury Frequency Rate (LTIFR) was continuously below 1.25 during 2015/16, which is below our target of 2.0. This is a step change reduction in LTIFR for Powerlink and its contractors.
- Controllable operating costs were below target, contributing to the favourable Earnings Before Interest and Tax (EBIT) result of $623.5 million for the year, which was slightly above the Statement of Corporate Intent (SCI) target.
- Strong overall growth in energy supplied across the transmission network contributed to Powerlink delivering its highest ever level of energy demand over its transmission network during a 12 month period. Powerlink also continued to meet or better the performance targets set by the Australian Energy Regulator (AER) for network reliability, supply reliability and market impact.
- We submitted Powerlink's Revenue Proposal for the 2018 to 2022 regulatory period to the AER. The proposal is focused on delivering better value to consumers and customers through increased efficiency to lower costs, while maintaining the same level of reliable transmission services they have come to expect. Considerable input from our Customer and Consumer Panel informed the Revenue Proposal.
- We completed Australia's largest non-regulated transmission project, delivering high voltage connections for Liquefied Natural Gas (LNG) proponents' processing facilities in the North West Surat region of Queensland. This project injected more than $25 million into local businesses, $225,000 into the community and supported 850 jobs.
- We commenced putting in place a business development team to more proactively pursue non-regulated revenue streams.
- Our 2016 Transmission Annual Planning Report (TAPR) introduced discussion on the potential for new renewable generation developments in Queensland, particularly solar developments, including information on available capacity at various locations in our transmission network.
- Powerlink was a finalist in two categories of the National Safety Council of Australia's 2015 National Safety Awards of Excellence.

Powerlink profile

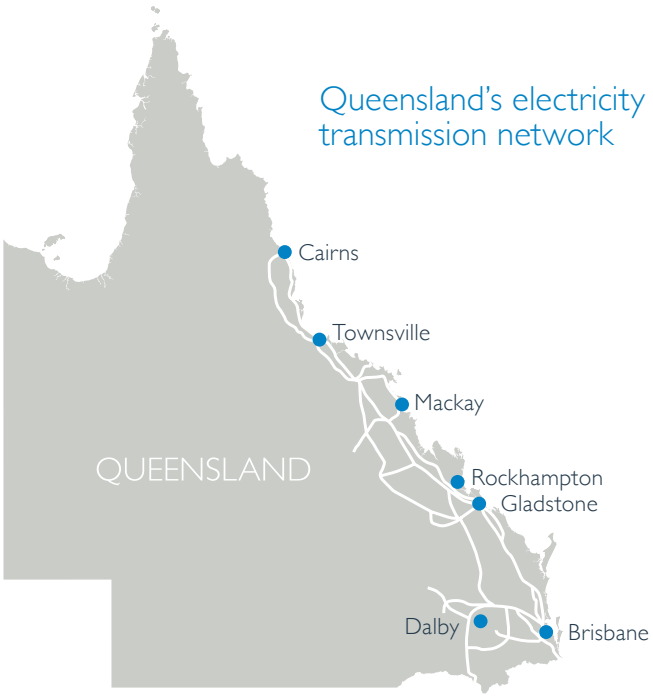
Powerlink Queensland is a Queensland Government Owned Corporation that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland.

With electricity being a key enabler of the economy and supporter of our lifestyles, Powerlink has an important responsibility to deliver electricity to almost four million Queenslanders. We transport electricity generated at major power stations to the electricity distribution networks owned by Energex, Ergon Energy and Essential Energy (in northern New South Wales).

Powerlink also transports electricity to large industrial customers such as rail companies, mines and mineral processing facilities that are directly connected to the transmission network. These large industrial connections to the transmission network are provided on a non-regulated (user-pays) basis. We also transport electricity to New South Wales via the Queensland/NSW Interconnector transmission line.

Powerlink's transmission network extends approximately 1,700 kilometres from Cairns to New South Wales.

We are a Transmission Network Service Provider in the National Electricity Market. The majority of Powerlink's network is regulated by the AER under the National Electricity Law and the National Electricity Rules.



Financial overview

The 2015/16 financial year saw Powerlink's highest ever delivery of energy over its transmission network, due in part to the energy supplied to the LNG companies' gas processing plants in the North West Surat region. Overall growth in energy supplied across the transmission network was strong (approximately five per cent), which was three per cent below Powerlink's 2015 TAPR forecast. The underlying (excluding LNG) demand and energy outlook is flat and in response Powerlink has continued to review, and where appropriate, reduce and defer its network capital expenditure program.

Powerlink business performance

Total revenue for the 2015/16 year was $1,166.7 million with approximately 98 per cent derived from the provision of transmission network services (regulated and non-regulated). EBIT was $623.5 million.

Powerlink focuses on its 'controllable operating costs' to deliver efficient and effective transmission services. Controllable operating expenditure closed the year at $224.1 million, slightly better than the SCI target. One of Powerlink's measures of cost efficiency is 'controllable operating cost as a percentage of depreciated asset value', which for the year was three per cent, also slightly better than target.

Powerlink's Net Profit After Tax (NPAT) for 2015/16 was $218.3 million, which was slightly above the SCI target, with a key contributor being additional non-regulated grid revenue for connections to a number of LNG sites in the North West Surat that were commissioned during the financial year.

Capital investment

Capital expenditure in 2015/16 was $205.4 million, which was slightly lower than the SCI expenditure forecast, with regulated expenditure comprising approximately 65 per cent. In line with a relatively flat outlook for energy demand excluding LNG load, expenditure on replacing and refurbishing existing transmission network assets accounted for almost all of the regulated network capital expenditure in the year. Investment to address assets that have reached the end of their technical life, while taking into consideration future network requirements, is essential to meet prescribed reliability standards.

Assets of approximately $439 million were capitalised in the financial year, with non-regulated assets comprising the major proportion of this at nearly 70 per cent.

Borrowings

Powerlink's borrowings of $821 million were in line with the SCI forecast. New borrowings were primarily to fund the 2014/15 dividends in line with the shareholding Ministers' direction last financial year. Powerlink's business gearing (Net Debt to Regulatory Asset Base) at 30 June 2016 was 75.3 per cent, slightly above the target of 75 per cent. The higher than target gearing is attributable to a lower than forecast closing Regulatory Asset Base, primarily due to a lower annual CPI asset revaluation of only 1.3 per cent. The slightly higher gearing did not impact Powerlink's debt service capability, with the interest cover ratio remaining strong at 3.0 times and better than target.

Dividends

The Board adopted a dividend payout ratio of 100 per cent for 2015/16 resulting in a final dividend of $218.3 million for the financial year. There were no special dividends declared for the year.

Summary of Statement of Corporate Intent 2015/16

Our SCI for 2015/16, 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 in the SCI, as well as our performance against these indicators.

Objectives	2015/16 Performance targets	2015/16 Performance outcomes
Meeting financial targets		
Achieve specified financial performance		
Earnings Before Interest and Tax (EBIT)	$ 606.5 million	$ 623.5 million
Net Profit After Tax (NPAT)	$ 205.1 million	$218.3 million
Return on Assets	7.4%	7.7%
Net Debt/Fixed Assets Ratio	65.9%	65.7%
Net Debt/Regulated Assets Ratio	75.0%	75.3%
Debt/Debt + Equity Ratio	75.5%	76.7%
Interest Cover Ratio (EBITDA)	2.9 times	3.0 times
Deliver shareholder value		
Deliver targeted dividends and returns to shareholders		
Return on Equity	12.5%	13.9%
Dividend Payout Ratio	100%	100%
Dividend provided	$ 205.1 million	$ 218.3 million
Deliver our capital works program		
Develop the Queensland transmission grid to maintain reliability and meet customer requirements		
Total capital works expenditure	$ 221.4 million	$ 205.4 million
Meet non-financial targets		
Achieve specified safety performance		
Lost Time Injury Frequency Rate (LTIFR)	2.5	0.53
Lost Time Injury Duration Rate (LTIDR)	3.0	1.0
Compliant with relevant environmental legislation		
Environment	To be compliant with relevant legislation	Compliant
Achieve cost efficiency performance targets		
Maintenance operating cost/depreciated asset value	1.6%	1.6%
Controllable operating cost/depreciated asset value	3.1%	3.0%
Achieve network performance targets (calendar year 2015)		
Transmission circuit parameters		
- Peak transmission availability	> 98.76%	99.01%
- Transmission line availability	> 98.76%	98.29%
- Transformer availability	> 98.76%	99.03%
- Reactive plant availability	> 97.15%	97.33%
- Average outage duration	859 minutes	628 minutes
System reliability parameters		
- Events in excess of 0.1 system minutes	Not more than 4	1
- Events in excess of 0.75 system minutes	Not more than 1	1

Chairman's review

Powerlink achieved all of its key financial targets as approved by the shareholding Ministers in the 2015/16 SCI. One key area of focus has been progressing improvements in the corporation's cost efficiency that will ultimately deliver value for both our customers and our shareholders, the Queensland Government.

Dividends declared for 2015/16 will total $218.3 million, which is higher than the SCI target. The Board considers that this level of dividend is appropriate, being underpinned by strong business fundamentals.

The announcement by the Queensland Government in December 2015 that Powerlink will remain a stand-alone transmission business recognised our role in supporting wholesale electricity market competition and delivering network connections for renewable generators and large energy users.

This provided the impetus to realign Powerlink's business direction and develop a new Mission and Vision, together with a new business strategy, to drive our focus on innovation and customers. This focus will help us to align with our shareholders' expectations, build a stronger business and enhance our reputation.

The business strategy supports Powerlink's initiatives to deliver cost effective electricity transmission services to Queensland consumers. This is also reflected in our Revenue Proposal for the 2018 to 2022 regulatory period, lodged with the AER in January 2016. Our Revenue Proposal is focused on delivering better value to consumers and customers through driving lower costs while still achieving reliability of electricity supply.

Another business priority is to grow our non-regulated revenue by connecting new renewable generation developments to the transmission network and leveraging the skills of our people to provide a range of telecommunications, asset management and consulting services to the external market.

This year saw the completion of Powerlink's $500 million transmission project in the North West Surat region that supports the State's LNG industry, and represents a significant achievement for our business. As Australia's largest non-regulated transmission project, it demonstrated our capability to develop and implement innovative commercial, social and environmental solutions. With transmission network connections being completed in the North West Surat region, collection of non-regulated revenue has commenced, delivering additional returns from these capital investments.

Powerlink has continued to develop our mature safety culture supported by health and safety training and a commitment to proactive safety leadership, which was recognised when Powerlink was nominated as a finalist in two categories of the 2015 National Safety Awards of Excellence.

I thank my fellow Board members for their support and input during the year. I particularly recognise Mr David Stevens, who resigned as a Director in 2016, for his contribution to the Powerlink Board and its Audit, Risk and Compliance Committee.

I would also like to take the opportunity to thank Powerlink's people for their contribution and important role in delivering on the business strategy.

Dr Julie Beeby

Chief Executive's review

During 2015/16 we continued to adapt Powerlink's business operations to meet our customers' needs, implement innovative solutions, realise efficiencies which put downward pressure on electricity prices, and pursue an interdependent safety culture.

Powerlink's Revenue Proposal for the 2018 to 2022 regulatory period was lodged with the AER in January. We understand that the price of electricity is a key issue for all Queenslanders and we are focused on doing our part to put downward pressure on prices, while maintaining a reliable supply of electricity.

Our Revenue Proposal provides for a 28 per cent reduction in the indicative transmission price in the first year of the 2018 to 2022 regulatory period. This reflects a proposed decrease in Powerlink's operating expenditure through improved efficiency and productivity, a decrease in capital expenditure driven by a flat electricity demand outlook over the next decade and lower rate of return due to changes in the external environment.

This year, we looked to expand our non-regulated business as a growth opportunity. We started to prepare the business to leverage our strong skills and capabilities, including our extensive track record of delivering large and complex connection solutions for customers.

The business made improvements in our approach and accountability for safety through the implementation of an IT solution to capture and analyse health, safety and environment information.

We also made significant improvements to our stakeholder engagement practices across the business, to obtain direct feedback from our stakeholders as inputs to our decision making. As a result, Powerlink's reputation and social licence to operate remain positive, with improvement in stakeholders' perceptions of our social performance, as evidenced by the results of our stakeholder survey.

This year brought considerable growth in the renewable energy sector, with consumers wanting a lower carbon future as well as safe, reliable and affordable electricity. Powerlink is well placed to support the development of renewable energy sources and deliver efficient connections for large-scale renewable generators going forward. For this reason, this year we expanded the scope of our Transmission Annual Planning Report to include information specific to renewable generation proponents.

Powerlink's people have been engaged in programs to manage Powerlink's indirect costs and support our drive for efficiency. We challenged our people to continue to seek more efficient ways of doing things and their response has further strengthened the business. I thank our people for their commitment and continued focus on these goals during this period of transformational change.

Merryn York

Safety and environment

Safety strategies and culture

Safety is essential for our employees, contractors and members of the community. Powerlink expects all our people to demonstrate safe behaviour at all times and in everything they do.

A comprehensive review completed in late 2015 to map the progress of our safety culture found that Powerlink has an 'independent' or mature safety culture, where safety leadership is demonstrated. Our safety strategy continues to move Powerlink towards an interdependent, high performance safety culture.

Safe for Life is a highly visible program that influences Powerlink's safety culture at a personal and business level. The program continued to consolidate our focus on safety across all aspects of our business, to proactively manage health and safety risks, and improve safety performance and leadership.

The business-wide rollout of our new Safety Management System (SMS) was completed during the year. The system supports Powerlink's long-term safety performance and provides a cost efficient and consistent approach to safety management. The SMS presents the framework and standards relevant for Powerlink's electrical safety, and workplace health and safety. The 12 elements addressed in the SMS clearly define our approach to safety and accountability. One of the elements is Powerlink's Electrical Safety Management System, which retained certification under the *Electrical Safety Act 2002*, following an audit by an independent external auditor in August 2015.

In May 2016 we implemented PQ Switch, an online tool used by all Powerlink employees to improve our incident reporting and management. In addition to the roll-out of PQ Switch, Powerlink implemented Incident Causation Analysis Methodology in July 2015 to further strengthen our incident management process.

Powerlink was a finalist in two categories of the National Safety Council of Australia's 2015 National Safety Awards of Excellence - Best Workplace Health and Safety Training Program, and Best Safety Leadership Program/Initiative.

Proactive safety leadership

Powerlink's Be Safe program created opportunities for employees and key contractors to engage in proactive and effective safety discussions. These discussions, conducted by team leaders and managers, demonstrated and reinforced safety leadership, and further embedded safe behaviours in the workplace.

A comprehensive review of Powerlink's health and safety risks was undertaken. This enabled the updating of risk registers that steward effective health and safety risk management processes.

We continued our program of safety walkthroughs where each member of Powerlink's Executive Team regularly engages with employees and contractors in their workplaces to identify opportunities for safety improvements. The walkthroughs have proven successful in targeting risk areas and improving communication about safety-related matters throughout the business.

Safety performance

Our safety scorecard was extended to incorporate additional lead indicators to increase the effectiveness of our reporting and drive safety performance improvement.

Extensive safety performance data is now more easily accessible to all employees across the business as a result of the implementation of PQ Switch.

Powerlink's Lost Time Injury (LTI) reporting included a combined Powerlink employee and contractor LTI Frequency Rate (LTIFR), in addition to LTIFR for Powerlink employees. This measure of overall safety performance is a reflection of the increased maturity of the business' safety culture and leadership. An LTI is defined as a work injury that resulted in time lost of one full shift or more (injuries that occur on journeys to/from work or during recess break are excluded). The LTIFR is expressed as the number of LTIs per million hours worked. Monthly LTI performance for combined Powerlink employees and contractors is presented on page 22. During 2015/16, the combined Powerlink employee and contractor LTIFR was continuously below Powerlink's target.

Contractor safety

Powerlink expects our contractors to demonstrate safe behaviour at all times. We have oversight of and monitor contractors' safety performance and improvement initiatives against established performance measures.

To support contractors in delivering good safety performance and to further embed a strong safety culture, Powerlink undertakes activities including contractor safety meetings, joint site inspections and extensive consultation on the expected safety behaviours on Powerlink sites, as well as related reporting and review processes.

Powerlink introduced a contractor prequalification program where an independent organisation reviews each contractor's overall management systems including their safety system and actual overall safety performance, and based on that review provides advice to Powerlink regarding safety matters relating to that contractor.

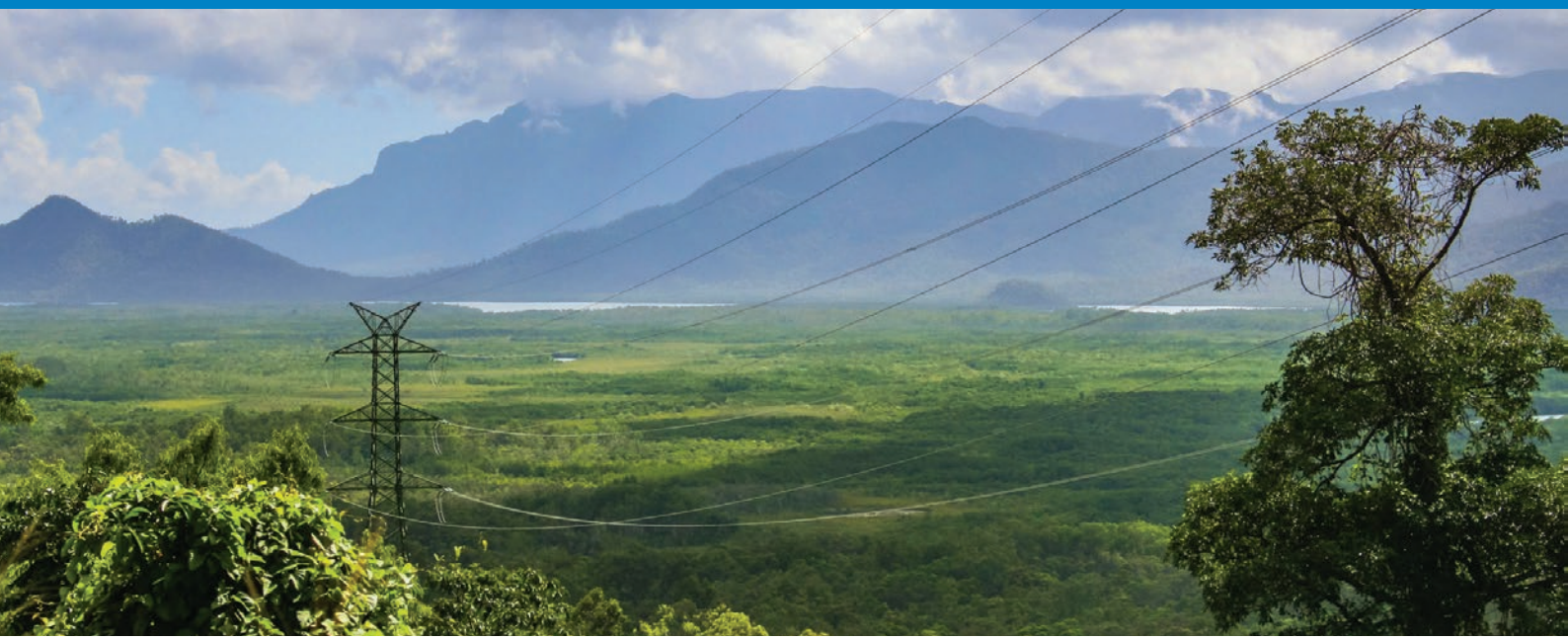
Powerlink's contractors achieved zero LTIFR in June 2016 and performed better than LTIFR target throughout the 2015/16 period.

Public safety and infrastructure security

Powerlink recently joined with Ergon Energy and Energex to engage with the community to deliver the 'Look Up and Live' message and raise awareness of electrical safety. These community engagement activities aim to raise awareness of the importance of exercising caution around powerlines and substations for landholders and people working and living around our infrastructure.

We also provide information and advice to landholders about activities that can and can't be carried out on, or near, Powerlink easements. We publish this information in Powerlink's Management of Easement Co-use Requests Guideline.

Public safety and network security considerations also influence the terms and conditions of electricity transmission line easements provided to landholders.



The view across Hinchinbrook Island National Park from a local lookout, taken by Powerlink team member Tracey de Lange.

Environmental management

Powerlink seeks to continually improve our environmental performance, as we acknowledge that responsible environmental management is integral to our business activities.

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

Our program to rebuild Powerlink's Environmental Management System (EMS) is significantly progressed and will align the system with ISO14001:2015. Within this program of work, we are reviewing and updating our environmental processes, our EMS Framework and supporting standards.

Powerlink manages environmental risks through a clear identification process and implementation of appropriate control measures. There were three reportable environmental incidents during 2015/16:

- Approximately 2,000 litres of sewage overflowed from a portable toilet at Blackwall Substation into a stormwater drain in May 2016. The incident was reported to the Department of Environment and Heritage Protection (DEHP). Upon further investigation, no off-site impact was evident and DEHP advised it was satisfied with Powerlink's actions.
- An inadvertent error was made when classifying osprey under the Species Management Program (SMP) in May 2016. Following consultation with DEHP, an ornithologist and a wildlife rescue organisation, the nest was removed and eggs destroyed without the correct Damage Mitigation Permit. The event was reported to DEHP. DEHP advised it was satisfied with Powerlink's actions and was provided with a copy of the incident investigation report for consideration.
- Approximately 50 square metres of land at the outlets of the oil water separator units at the Tarong Substation was contaminated with hydrocarbon as a result of the slow release of oily water in March 2016. The area was investigated and a voluntary report subsequently submitted to DEHP. Remedial actions were completed to stop the leaks and the area will continue to be monitored.

Powerlink monitors changes to legislation and engages with government agencies to share information about relevant potential impacts on our business. Regulatory changes are reflected through changes in our business processes.

Powerlink engaged with government on regulatory reviews and impacts of regulatory change including planning reform, biosecurity, protected plants and protected fauna. Powerlink also engaged with the Queensland Parks and Wildlife Service during a review of the Code of Practice for Maintenance of Electricity Infrastructure in Parks and Forests, and with DEHP in relation to management of fauna interaction on the network.

Biosecurity management

Powerlink recognises the importance of effective management of identified weeds, pathogens and pests. We reviewed our biosecurity management processes with respect to our General Biosecurity Obligation under the new *Biosecurity Act 2014* that came into effect on 1 July 2016. Our new Biosecurity Management Strategy will provide the foundation for a cooperative approach between Powerlink, landholders, Local Government and State Government in the shared responsibility of establishing management requirements appropriate to the level of biosecurity risk.

Powerlink engaged with the Queensland Biosecurity Capability Review process to ensure our business interests were represented during the Queensland Government's independent review into the State's biosecurity capability.

Emissions management and reporting

Powerlink reports annually on energy and greenhouse gas emissions to remain compliant with the *National Greenhouse and Energy Reporting Act 2007*. An independent limited assurance audit verified the accuracy of Powerlink's 2015 report.

Operating in the National Electricity Market

Revenue Proposal determination process

Powerlink is required to lodge a Revenue Proposal with the AER every five years, setting out our forecast expenditure and revenue requirements to provide safe, cost effective and reliable prescribed (regulated) transmission services. The AER is responsible for the economic regulation of transmission network service providers (TNSPs) under Chapter 6A of the National Electricity Rules (NER).

The AER is required to assess the Revenue Proposal before setting Powerlink's Maximum Allowed Revenue for the next five-year regulatory period.

In January 2016, Powerlink submitted our Revenue Proposal for the regulatory period from 1 July 2017 to 30 June 2022. The AER called for public submissions on Powerlink's Revenue Proposal in April 2016 and expects to publish its Draft Determination in September 2016.

Prior engagement with the AER and Powerlink's stakeholders, including members of our Customer and Consumer Panel, enabled meaningful input to Powerlink's Revenue Proposal. Stakeholders were engaged on topics including operating and capital expenditure forecasting methodologies, demand and energy forecasting methodologies, rate of return approach, transmission pricing and network planning. Ongoing engagement will ensure our stakeholders' views inform Powerlink's decision making.

Revenue and transmission pricing

The price of electricity is an important issue for all Queenslanders – affordable and reliable electricity is a key enabler of the economy and enriches our modern lifestyles.

Powerlink's high voltage electricity network represents about nine per cent of the total delivered cost of electricity for the typical Queensland residential electricity consumer. Powerlink determines the transmission component of electricity costs by calculating our charges in accordance with the methodology in the NER, based on the Maximum Allowed Revenue for the provision of regulated transmission services approved by the AER through the revenue determination process. Powerlink's Maximum Allowed Revenue was $986.2 million[1] for 2015/16, which is year four of the current five-year regulatory period.

Network customers who connect directly to Powerlink's transmission network are charged for the use of the transmission network, at prices which take into account factors such as location and level of use. Directly connected customers and other stakeholders were invited to provide feedback on possible changes to our prescribed transmission pricing arrangements via the Transmission Pricing Consultation Paper published by Powerlink in October 2015.

Revenue Proposal overview

Powerlink's Revenue Proposal is focused on delivering better value to consumers and customers through increased efficiency and lower costs, while maintaining safe, cost effective and reliable transmission services.

Our Revenue Proposal was published on the Powerlink website and key aspects include:

Electricity Prices

28% drop in indicative transmission price in the first year of the 2018-22 regulatory period

Between **$22 and $37** savings for the average Queensland residential household annual electricity bill

Price growth is expected to remain within CPI over the balance of the regulatory period.

Maximum Allowed Revenue

14% lower in the 2018-22 regulatory period compared to the 2013-17 regulatory period

25% lower regulated revenue in the first year of the 2018-22 regulatory period

This has been achieved through a substantial reduction in the proposed rate of return and the changes Powerlink has made to our operations, which have resulted in a significant reduction in the revenue required to efficiently manage Powerlink's network.

Rate of Return

8.61% in 2013-17 regulatory period

6.04% estimate for start of 2018-22 regulatory period

Forecast Operating Expenditure

7% lower compared to actual operating expenditure in the 2013-17 regulatory period

Lower forecast operating expenditure will be achieved through improved operating efficiency and increased productivity.

Forecast Capital Expenditure

31% lower compared to actual capital expenditure in the 2013-17 regulatory period

This reduction in forecast capital expenditure is driven by a flat electricity demand outlook over the next decade and Powerlink's different thinking in its approach to reinvestment (refer to 'Focus on network reinvestment' on page 12).

[1] This is the revenue specified in the AER's 2012 Determination and does not include allowable adjustments.

Planning and maintaining the network to safely, reliably and cost effectively deliver for customers.

Network planning and reliability standards

Powerlink's network is planned, developed and operated to meet reliability standards set out in the NER, *Queensland's Electricity Act 1994* and Powerlink's Transmission Authority which is issued by the Queensland Government. Powerlink annually assesses the network's capability to meet forecast electricity demand through a process that involves collaboration with transmission businesses in other states, Distribution Network Service Providers connected to our network, the Australian Energy Market Operator (AEMO) and other stakeholders.

The planning standard set in Powerlink's Transmission Authority requires our network to be planned and developed on the basis that that only a limited amount of load will be at risk of interruption during a single contingency event. This standard is applied through Powerlink's policies and frameworks, so that the transmission network is operated and maintained in a way that achieves reliable supply outcomes for customers while balancing cost factors.

Powerlink is continually adapting to ongoing changes in our operating environment. Due to the level of growth in renewable energy systems in Queensland, Powerlink, in conjunction with Ergon Energy, considered the potential impact of large-scale renewable energy penetration on network stability. The high level findings were:

- There are presently no anticipated network stability issues arising from projects under consideration that require solutions outside of normal customer connection planning processes.
- Compared to most other States in the National Electricity Market (NEM), Queensland's network presently has a much lower proportion of intermittent renewables to total generation capacity.
- Powerlink's transmission network is sufficiently strong, with capability to accommodate a considerable number of additional renewable energy connections without immediate concern for overall system stability.

Network performance in 2015

The AER sets calendar year performance targets for Powerlink for the duration of each five-year regulatory period. The AER Service Target Performance Incentive Scheme for Powerlink comprises two components:

- The Network Service Component scheme focuses on network availability and reliability. Powerlink's performance on peak period availability was above target performance levels, as was availability of transformers and reactive plant. Transmission line availability was below target performance level due to necessary outages related to projects to refurbish or extend the life of selected transmission lines.
- The Market Impact Component scheme focuses on outages that potentially have a negative impact on participants in the NEM wholesale electricity market. For 2015, Powerlink's performance exceeded AER targets.

Powerlink's performance against these targets for 2015 is reported in the Statement of Corporate Intent summary on page 3.

There was one significant loss of supply event on the transmission network during the year. In January 2015, a significant lightning storm impacted Powerlink's network in Far North Queensland, resulting in loss of supply to Cairns and surrounding areas.

International benchmarking

Powerlink takes opportunities to benchmark our performance to drive continuous improvement. This includes participating in the International Transmission Operations and Maintenance Study (ITOMS), a biennial benchmarking study of network performance and practices.

Among the 32 Australian and international transmission businesses participating in ITOMS 2015, Powerlink was again identified as a top quartile performer in overall trending in terms of cost efficiency and network reliability. Powerlink has participated in ITOMS since 1995 and for more than a decade has consistently achieved top quartile performance.

Network strategy and operations

Electricity demand and forecasting

Planning and development of the transmission network is integral to Powerlink's ability to meet our obligations under the NER, *Queensland's Electricity Act 1994* and our Transmission Authority.

Powerlink's Transmission Annual Planning Report (TAPR), published in June each year, is a key part of the planning process. It provides information about the Queensland electricity transmission network to stakeholders in the NEM including the AEMO, Registered Participants[2] and interested parties. The TAPR also provides other stakeholders with an overview of Powerlink's planning processes and decision making on potential future investments and planning.

The TAPR includes information on electricity energy and demand forecasts, the capability of the existing electricity supply system, committed generation and network developments.

To support the production of the TAPR, Powerlink hosted a second Demand and Energy Forum in March 2016 to engage with a range of industry experts on the drivers that may impact electricity demand and energy, including battery storage, energy efficiency, demand side management and emerging technologies.

The Household Energy Survey, developed in conjunction with Energex and Ergon Energy over a number of years, also informed Powerlink's forecasts. Through this survey, thousands of households across Queensland provide details about their energy usage, appliance saturation and energy efficient behaviours.

Excluding the energy and demand for significant LNG developments in the Surat Basin, forecasts for both energy and demand across the balance of Queensland over the outlook period remain relatively flat.

The TAPR forecasts that energy delivered by the Queensland transmission network will increase at an average of 0.6 per cent per annum over the next 10 years. Without the LNG sector, energy delivered over the same forecast period would grow at 0.2 per cent per annum. Powerlink expects relatively flat growth rates to continue.

A record demand was set on 1 February 2016, when 8,271 megawatts was delivered from the transmission grid, an increase of 252 megawatts on the previous record. The record demand was largely driven by more than 400 megawatts of demand from the LNG industry in the Surat Basin.

The 2016 TAPR introduced discussion on the potential for new renewable generation developments, particularly solar developments, including information on available network capacity at various locations in the transmission network across Queensland.

Powerlink adopted a new approach to the annual Queensland Transmission Network Forum, hosted in July 2015 to discuss future planning for Queensland's transmission network. More than 100 customer, consumer, Government and electricity industry representatives took part in interactive sessions on topics of interest including our Revenue Proposal, optimising our network planning, and how Powerlink can best consider new technology in our energy and demand forecasts. A summary of key discussions and themes from these interactive sessions was published on our website.

Powerlink's Demand and Energy Forecasting model is available on our website, providing greater transparency to stakeholders with an interest in our planning models and forecasting.

Capital works program

Powerlink invested $205.4 million in capital works projects throughout Queensland in 2015/16. Thirty-five per cent of Powerlink's capital works projects comprised non-regulated customer connections, the costs of which are paid for by the customer.

Reinvestment associated with assets reaching end of technical life is the largest component of Powerlink's capital expenditure, comprising 48.2 per cent of Powerlink's total investment and 74.7 per cent of regulated investment in capital works in 2015/16.

The forecast total regulated capital expenditure for the 2018 to 2022 regulatory period as submitted in the Revenue Proposal in January 2016 is $957.1 million. This is $426.8 million or 31 per cent lower than actual and expected regulated capital expenditure in the current regulatory period.

The reduction is being driven by a flat electricity demand outlook over the next 10 years and Powerlink applying a different thinking in its approach to reinvestment to deliver longer-term value to consumers and customers (refer to 'Focus on network reinvestment' on page 12).

Maintenance

We track Powerlink's network maintenance programs and monitor progress against maintenance targets to ensure ongoing reliability of electricity supply. In 2015/16, we successfully delivered 99 per cent of planned maintenance on our transmission lines, substations and communication sites. During the period, Powerlink invested $134 million in maintaining the transmission network to ensure the delivery of safe, cost effective and reliable transmission services.

Powerlink implemented a new priority-based approach to maintenance notifications that delivers efficiencies which contribute to greater consumer value. To support this approach, we rolled out a new prioritisation tool for use by Powerlink and our maintenance service providers.

We investigated and trialled a new method for calibration of instrument transformers during energy metering maintenance through the application of leading edge test equipment. This new approach delivered safety benefits as well as efficiencies. Powerlink has undertaken the necessary preparation to achieve approval for full implementation of this new test regime.

Contingency planning and corporate emergency response

Powerlink is committed to working with relevant state agencies where appropriate on planning and responding to extreme events that impact the transmission network.

Powerlink participated in internal exercises as well as an annual exercise with the AEMO to refine and ensure familiarity with our suite of corporate emergency management response plans. An internal project to improve Powerlink's business continuity and disaster recovery plans was progressed.

[2] Defined under National Electricity Rules, AEMC, Chapter 2 – Registered Participants and Registration

Eurombah Substation – one of seven new substations now powering gas processing facilities in the Surat Basin.

Connecting the North West Surat region

A new approach to deliver Australia's largest non-regulated transmission project

Powerlink's $500 million project in the North West Surat region was completed and energised in 2015/16, delivering high voltage connections for Australia Pacific LNG and Santos GLNG processing facilities.

The project was Australia's largest non-regulated transmission connection project, comprising construction of more than 200 kilometres of transmission line and seven substations.

Within this program of works, Powerlink successfully delivered high voltage connections to power six gas processing facilities by applying innovative commercial, social and environmental solutions to meet our customer and stakeholder requirements.

We developed an innovative shared network solution, which was a cost effective outcome for gas proponents and resulted in reduced landholder and social impacts. We worked closely with the proponents on our network design and ensured a shared approach to problem solving and technical interfaces.

In response to our engagement with 45 directly affected landholders, during the course of the project we improved our landholder engagement systems, processes and tools to better meet landholder expectations and improve our social licence to operate, while also effectively supporting Powerlink's land access activities. Key to those improvements were our Land Access Protocol and consultation processes, which have been embedded through a change management and training program for our employees and contractors.

We took a different approach with our contractors to accelerate the program of works, delivering the final stage of the project ahead of schedule and injecting more than $25 million into local businesses and $225,000 into local community projects, while also supporting 850 jobs.

Business development opportunities

Leveraging our experience

Powerlink has a strong history of connecting customers to the energy they need and delivering transmission services to support economic growth and enrich lifestyles. Over the long term, Powerlink has provided a range of consulting and technical services to the external market. During recent years we have focused our resources on delivering a large suite of transmission connection and telecommunications services to meet customer requirements within Queensland.

We are now looking to identify opportunities to leverage Powerlink's skills and capabilities and provide a broader range of commercial and technical expertise to the external market across Australia, to grow Powerlink's non-regulated revenue. This includes developing a forward focus on connecting new renewable generation to the transmission network both in Queensland and in other States.

During 2015/16 we started to prepare to capitalise on business development opportunities and meet marketplace expectations. We expanded Powerlink's service offering and initiated a business development team to more proactively pursue new non-regulated revenue streams.

Our services

Powerlink provides transmission network services that combine innovation with insight to deliver safe, cost effective and reliable solutions. Our commitment to delivering value to customers has seen an expansion in the services we offer, including:

- network connections for renewable energy facilities and large energy users
- telecommunications
- asset management
- construction and project management
- easement acquisition
- ongoing maintenance and operations
- sale of high voltage equipment
- oil, insulation and sulfur hexafluoride (SF_6) gas testing
- technical and engineering consultancy services
- property and consulting services.

Customer and connection works

Powerlink has delivered more non-regulated connections than any other transmission company in Australia. Over the past 15 years, we have completed more than 30 connections for major industrial customers including generators, rail system operators, gas processing plants, mines and mineral processing facilities.

Powerlink works with power generators or high load customers who wish to connect to our network as they undergo the detailed connection process required by the NER. We are well-placed to support the development of renewable energy sources and deliver efficient connections to the transmission network for large-scale renewable generators.

Customer and connection works commissioned in 2015/16

Region	Project	Customer
Central Queensland	Wotonga connection for traction substation	Aurizon
Southern Queensland	North West Surat connections to Wandoan South Substation	Australia Pacific LNG* and Santos GLNG*

*Notes:
Australia Pacific LNG – a joint venture between Origin Energy, Conoco Phillips and Sinopec.
Santos GLNG – a joint venture between Santos, Petronas, Total and Kogas.

Network development

Focus on network reinvestment

We assess committed and future potential investments following consideration of three key factors:

- infrastructure reaching the end of technical or economic life
- connection of a major industrial customer directly to Powerlink's network
- electricity demand growth.

Powerlink has developed an integrated approach to analysing future reinvestment options. Consistent with the relatively flat electricity demand forecast outlook, Powerlink assesses the enduring need for assets at the end of their technical or economic life and considers a broad range of options including network reconfiguration, asset retirement, non-network solutions or replacement with an asset of similar or lower capacity.

During 2015, Powerlink undertook various stakeholder engagement activities to obtain direct feedback for input into our network investment decision making. At Powerlink's Queensland Transmission Network Forum in July 2015, we engaged with interested stakeholders about factors impacting Powerlink's ability to deliver value though network optimisation, specifically in the Greater Brisbane area.

An example of this approach is Powerlink's strategy to undertake incremental minor works on the Central Queensland to Southern Queensland interconnector to align the technical end of life of the 275 kilovolt transmission lines, an approach that defers large capital investment. This reinvestment decision was a key point of discussion with interested stakeholders at Powerlink's Central Queensland and Southern Queensland Area Planning Forum in October 2015.

Regulated network developments

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

Powerlink is required to apply the AER's Regulatory Investment Test for Transmission (RIT-T) when, among other things, identifying network augmentation solutions over $6 million[3]. Powerlink did not initiate any new RIT-T assessments during 2015/16.

Non-network solutions

In certain cases, technically and economically feasible non-network solutions can reduce, defer or even replace the need for future transmission network investments. Non-network alternatives may include voluntary curtailment of customers' electricity consumption or the provision of additional generation during times of peak demand on the network.

During the year, Powerlink initiated a Non-network Solution Feasibility Study process to better consult and engage with stakeholders with the potential to provide non-network solutions outside the formal NER consultation requirements. This new process provides opportunities to exchange early information on the viability and potential of non-network solutions and how they may integrate with the transmission network.

Powerlink's first application of the new process was initiated in March 2016 to assess the viability of obtaining a non-network solution as an alternative to the replacement of a transformer at Garbutt Substation in North Queensland.

Major network projects (regulated)

Major transmission developments and reinvestments completed in 2015/16

Region	Project
Southern Queensland	Bulli Creek 275kV Substation secondary systems replacement
	Swanbank B 275kV Substation replacement

Major transmission developments and reinvestments under construction in 2015/16

Region	Project
North Queensland	Mackay 132kV Substation replacement
	Moranbah area 132kV capacitor banks
	Nebo 275/132kV Substation transformer replacements
	Nebo 275kV Substation replacement
	Proserpine 132kV Substation replacement
	Ross 275kV Substation secondary systems replacement
	Strathmore 275kV Substation secondary systems replacement
	Tully 132kV Substation secondary systems replacement
Central Queensland	Blackwater 132kV Substation replacement
	Calvale and Callide B 275kV Substation secondary systems replacement
	Moura 132kV Substation replacement
	Stanwell 275kV Substation secondary systems replacement
Southern Queensland	Blackwall 275kV Substation secondary systems replacement
	Braemar 275kV Substation secondary systems replacement
	Mudgeeraba 110kV Substation replacement

Major transmission developments and reinvestments approved but not yet under construction in 2015/16

Region	Project
North Queensland	Collinsville to Proserpine 132kV transmission line refit
Central Queensland	Gladstone to Boyne Island 132kV transmission line refit
Southern Queensland	Rocklea 275kV Substation secondary systems replacement
	Tennyson 110kV Substation secondary systems replacement
	Upper Kedron 110kV Substation secondary systems replacement

[3] In accordance with the AER's Cost Threshold Review undertaken in 2015, the revised cost threshold for the RIT-T as well as public information requirements for replacement projects was amended from $5 million to $6 million. The revised cost threshold came into effect from 1st January, 2016.

People

Workforce

Our aim is to ensure Powerlink is a great place to work and that our employees collectively create and share success through the delivery of our business strategy. During 2015/16 we operated under the Working At Powerlink Union Collective Agreement 2015 and the Powerlink Managers Agreement 2014.

Powerlink's staff are employed in professional, technical, trade, specialist and administrative roles, with total workforce Full Time Equivalent staffing as at June 2016 of 922. We have continued to focus on optimising our business for future competitiveness, including adjustments to our systems and the size of our organisation to align with forecast workload requirements. As a result, employee numbers continued to reduce during 2015/16, delivering reductions in Powerlink's direct and indirect costs.

Powerlink understands that a diverse and inclusive workforce is critical to support business performance and employee engagement. Our employees participated in a diversity survey that identified specific opportunities for increased diversity and inclusion, and ways to integrate diversity efforts into our broader organisational strategy.

Organisational development

Powerlink's human resources strategies focus on securing the resources Powerlink needs to deliver services in line with shareholder and stakeholder expectations. Powerlink's Future Resourcing Outlook project was finalised in October 2015 and Powerlink is now working through further organisational reviews and structural efficiency initiatives.

Powerlink also implemented initiatives to support culture change, leadership development and talent management across the business.

Employee engagement and organisational culture

Powerlink aims to achieve a productive, supportive and performance focused culture that enables employees to reach their full potential and contribute to achieving our business goals. Our approach to working individually, in teams and with our customers will help drive Powerlink's success, enrich lifestyles and power the State's future economic growth.

An organisation-wide survey was undertaken in late 2015 to identify Powerlink's existing culture and its drivers. The survey outcomes informed our planning and helped us to clarify the actions needed to achieve the organisational culture, direction and focus to which we aspire.

As our industry experiences rapid change, it is imperative for Powerlink to engage earlier and more closely with its employees and their representatives so that we meet new challenges together in strategic and long term partnerships. We have improved Powerlink's lines of communication with employees and their representatives, which will support the business to achieve its commercial goals, while also recognising its social responsibilities.

Stakeholder engagement

Engagement activities

Powerlink engages with diverse stakeholders including our customers, electricity consumers, landholders, communities, Traditional Owners, regulators, government and industry groups. Effective and genuine engagement, based on Powerlink's principles of integrity, openness, responsiveness, accountability and inclusiveness, builds Powerlink's social licence to operate.

Powerlink made significant improvements to our stakeholder engagement activities during 2015/16 and received positive feedback from stakeholders on our increased focus on engagement.

A stakeholder pulse survey was undertaken to provide a 'health check' of stakeholders perceptions of our social licence to operate, reputation and performance. The pulse survey found most measures had improved when compared to 2014, and stakeholder relationships with Powerlink remained positive.

PQConnect, our new stakeholder management system, was fully implemented in 2015/16 and provides valuable data that supports us in strengthening our relationships and keeping our promises to stakeholders.

Customer and consumer engagement

Powerlink's Customer and Consumer Panel is a face-to-face forum where stakeholders can give input and feedback about our decision making, processes and methodologies. Quarterly meetings are held and attended by panel members representing diverse industry and research sectors, energy users and community agencies. All presentations and documents provided to the panel and meeting minutes are published on Powerlink's website.

Powerlink has implemented a dedicated strategy to engage customers and consumers in the AER Revenue Proposal process applicable to Powerlink for the 2018 to 2022 regulatory period. Our Customer and Consumer Panel has taken a lead role in this process and is supported by our business-as-usual engagement activities.

Powerlink also hosted a number of engagement forums to share information and secure stakeholders' input to topics relevant to the decisions being taken in our business. These forums included the Queensland Transmission Network Forum in July 2015, which for the first time included separate breakout engagement sessions, the Central Queensland and Southern Queensland Area Plan Forum in October 2015, and the Demand and Energy Forecasting Forum in March 2016.

Cultural Heritage

Powerlink recognises that Traditional Owners have a significant landholding interest and are key stakeholders in our operations. We meet our obligations under the Queensland *Aboriginal Cultural Heritage Act 2003* and the Queensland *Heritage Act 1992,* as well as Commonwealth legislation.

Our revised Cultural Heritage Framework guides the ongoing management of Cultural Heritage throughout the life of our transmission assets and proactive engagement with Traditional Owner groups to develop respectful and positive relationships.

Powerlink's transmission projects in the North West Surat Basin were completed in 2016 without a major Cultural Heritage incident or dispute, proving the success of our innovative whole-of-claim area agreement approach and relationship building with Traditional Owner groups in the area.

Powerlink has also reached another whole-of-claim area agreement with a Traditional Owner group in Central Queensland, which establishes agreed processes to manage Cultural Heritage matters in all phases of our activities and recognises the Traditional Owners' unique knowledge of the land.

Maranoa Regional Council Team Leader Corey Drennan giving Yuleba State School students a helping hand to plant a native tree at the Queensland Murray-Darling Committee project site at Yuleba Skate Park in November 2015.

Community focus

Corporate citizenship approach

Powerlink strives to act as a good corporate citizen through our operational performance, engagement with stakeholders and community relations activities. Powerlink is focused on delivering mutual community and organisational value through our corporate citizenship activities.

This approach is a key driver of Powerlink's reputation and the social licence to operate granted to us by our stakeholders.

During the year, Powerlink worked hard to improve our relationships with stakeholders in the North West Surat region and we partnered with our contractors to invest in community projects that would deliver benefits well into the future. Contractors' performance was measured on attributes including strength of relationships with landholders, participating in local community development, supporting local business and measures that enhance road safety. Community projects supported the Roma Country Women's Association, Wallumbilla State School and Wallumbilla Cricket Ground.

Strategic partnerships

A strategic partnership between Powerlink and the Queensland Murray-Darling Committee focused on enhancing biosecurity and weed management in the North West Surat Basin, in the vicinity of Powerlink's new transmission infrastructure. The eight-month partnership supported a number of initiatives including a local weed management strategy, a Let's Get Weed Wise Pocket Guide and app, a regional education campaign, engagement sessions and a series of community action events focused on weed awareness. More than 105 school students and 80 community members contributed 720 hours of volunteer work and planted 175 trees across important environmental sites in the region.

In 2015, Powerlink joined with Energex and Ergon Energy to become joint equipment sponsors of the Queensland State Emergency Service (QSES). The sponsorship funds new equipment for QSES groups throughout the state and aligns with our commitment to safety and emergency response, and working with local communities.

Koala offset program

The Powerlink Grandchester Koala Offset Program continued to be delivered in partnership with Ipswich City Council and SEQ Catchments. This program enables Powerlink to meet our obligations to offset the impacts associated with transmission infrastructure in South East Queensland.

Ongoing monitoring and management of the restored 20 hectare conservation site has resulted in koala conservation and biodiversity benefits, which will continue to contribute to the long-term survival of koalas in the region.

Electric and Magnetic Fields

Electric and magnetic fields (EMFs) are found everywhere electricity or electrical equipment is being used. We understand that some of Powerlink's community stakeholders have an interest in EMFs. Powerlink carries out EMF readings at the request of landholders. EMF readings at the boundary of a typical Powerlink easement are generally similar to those that people would come across in their daily activities at home or work.

Powerlink closely monitors ongoing research and developments in this area and takes advice about EMFs from recognised national and international authorities including the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) and the International Commission on Non-Ionizing Radiation Protection.

In Australia, the Federal Government agency responsible for EMF regulation is ARPANSA. Powerlink complies with the guidelines set by ARPANSA. A fact sheet developed by ARPANSA, *Electricity and Health*, concludes: *"The scientific evidence does not establish that exposure to the electric and magnetic fields found around the home, the office or near powerlines causes health effects."*

Corporate Governance

Powerlink Queensland and its wholly-owned subsidiaries operate and are managed within the applicable corporate governance framework which encompasses the appropriate degree of accountability and transparency to all stakeholders.

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 2016, were:

- The Honourable Curtis Pitt, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport, holding 50 percent of the A class voting shares and 100 per cent of the B class non-voting shares.
- The Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply, holding 50 per cent 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 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
- endorsing the Statement of Corporate Intent (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 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 2015/16, Powerlink held 12 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

The 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.

People, Culture and Remuneration Committee

The Committee assists the Board in fulfilling its employer responsibilities by providing governance of key organisational people and culture matters, and developing "fit for purpose" organisational policies that support Powerlink's strategic direction and the development of an appropriate organisational culture.

Chief Executive

Executive Team

Executive Committees

- Executive Committee for Environment
- Executive Committee for Security
- Executive Committee for Corporate Emergency Response
- Executive Committee for Health and Safety

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 overall responsibility for corporate governance of the corporation.

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

- Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply
- Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport.

The Queensland Government has published its *Corporate Governance Guidelines for Government Owned Corporations* (Guidelines), which includes 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 corporate governance principles, and proper disclosure and reporting arrangements that are appropriate to Government Owned Corporations (GOCs). There were no revisions made to the Guidelines that required changes to Powerlink's governance arrangements for 2015/16.

Corporate governance in Powerlink is managed through a framework of policies approved by the Board and supplemented by supporting procedures and practices developed by management. 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 Board

The Powerlink Board is responsible for the overall corporate governance of the corporation, setting the organisation's strategic direction articulated in Powerlink's Statement of Corporate Intent (SCI) and five-year 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 2015/16 are set out in the Directors' Report.

The table below sets out the balance and tenure of Board members at Powerlink as at 30 June 2016.

Board Balance	Board Tenure		Board Diversity	
1 Non-Executive Chairman	0-2 years	2	Male	25%
	2-4 years	0	Female	75%
3 Non-Executive Directors[4]	4-6 years	1		
	6-8 years	1		

Corporate Governance Guidelines for GOCs – Queensland Government

Powerlink's corporate governance processes are consistent with the 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 business 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 as considered necessary.

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.

[4] One of Powerlink's Non-Executive Directors resigned on 15 June 2016

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 2016, the Board comprised four independent non-executive Directors. All Directors are appointed by the Governor in Council in accordance with the GOC Act. There were changes to Powerlink's Directors in 2015/16:

- The appointment terms of Directors Ken Howard and Anne Barclay ended in September 2015.
- New Directors, Joanna Brand and Alan Millis were both appointed in October 2015.
- Director, David Stevens, resigned on 15 June 2016.

Details of the skills and experience of each current Director are presented separately in the Corporate Governance section of this Annual Report. The table below provides an overview of the significant strengths of the current Directors.

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 pre-determined 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, this year through 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.

In addition to business operational and performance matters, the Board specifically considers at each meeting key issues relevant to the business including safety, environment, stakeholder engagement and corporate governance.

In addition to the 2015/16 Board meetings, the Board held Strategic Planning and Risk Workshops.

The Board held the April 2016 Board meeting in Dalby and hosted a meeting with regional stakeholders and customers. The regional visit also included viewing a proposed solar PV site and a visit with existing customers at the Darling Downs Power Station. The tour concluded with the Board viewing Powerlink's infrastructure at Braemar Substation.

The Board 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 2015/16 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.

	Finance & commercial	Governmental & stakeholder relations	Business strategy development	Corporate governance & risk management	Industry knowledge	HR & IR
Julie Beeby	•		•	•	•	•
Joanna Brand		•	•	•		
Alan Millis		•	•	•	•	
Julie Martin				•	•	

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
- the Powerlink People, Culture and Remuneration Committee.

These Committees have documented mandates that are reviewed on a regular basis, at least every two years. The membership of both committees consists of non-executive Directors. Details of Committee members at 30 June 2016, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee

Chairman: Mr Alan Millis (replaced Mr David Stevens in June 2016)

Members: Dr Julie Beeby and Ms Joanna Brand (from June 2016)

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 consideration and 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: Ms Julie Martin

Members: Dr Julie Beeby and Ms Joanna Brand

The Committee assists the Board in fulfilling its employer responsibilities by providing governance of key organisational people and culture matters, and developing "fit for purpose" organisational policies that support Powerlink's strategic direction and the development of an appropriate organisational culture.

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 Annual 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 its SCI and 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 and are submitted to shareholding Ministers.

Principle 7: Recognise and manage risk

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

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

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

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

The Executive Committee for Security 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 Executive Committee for Corporate Emergency Response 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 and corruption 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 2015 Union Collective Agreement was effective from March 2015, and the Powerlink Managers Agreement 2014 was effective from January 2015. The Agreements allow for Powerlink and its employees to respond to targets set by our shareholding Ministers and regulator. They continue to focus Powerlink on developing a competitive and efficient workplace. They recognise that the economic health of the corporation and the wellbeing of all employees depend upon the success of a shared commitment by all parties to these Agreements.

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 at least 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 remuneration 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 shareholding Ministers. Directors also receive reimbursement for expenditure incurred in performing their roles as Directors.

Shareholding Minister directions

There were no shareholding Minister directions in 2015/16.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2015/16 totalled $13,850. There were no events above the individual reporting threshold of $5,000.

Board of Directors

Julie Beeby

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

Chairman of the Board
(Appointed to Chairman December 2014, Board Member since 2008)

Julie has more than 25 years' experience in the minerals and petroleum industries in Australia including major Australian and US resources companies. She was also Chief Executive Officer of WestSide Corporation, an ASX-listed, Queensland-based coal seam gas company.

Julie has technical, operations, projects and strategy expertise and has held executive positions in coal mining, mining services and coal seam gas after commencing her career in coal and mineral processing research.

Julie is currently a non-executive director of Whitehaven Coal Ltd and was recently appointed to the Board of Oz Minerals Ltd. She has previously held non-executive director positions with Gloucester Coal Ltd and Forge Group Ltd. In 2014, Julie was appointed member of the Queensland Government's ResourcesQ Partnership Group.

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

Joanna Brand

BA, JD, EMBA, GAICD

Board Member
(Appointed 2015)

Joanna Brand has 20 years' experience in the legal sector, including General Counsel and Company Secretary, ASX-listed and international experience, with a focus on the energy and infrastructure industries.

Joanna most recently finished a contract as International General Counsel and Company Secretary (Acting) and Senior Legal Consultant for Billabong International Limited. Joanna has held other senior roles including General Counsel and Company Secretary for Epic Energy and Legal Counsel for QGC, and has provided legal consulting services for ExxonMobil's Papua New Guinea Liquefied Natural Gas project.

Joanna specialises in the areas of corporate governance, commercial negotiations, risk management, government and regulator relations, and capital markets.

Joanna is a member of the Powerlink Board's Audit, Risk and Compliance Committee (from June 2016) and the People, Culture and Remuneration Committee.

Julie Martin

BE (Hons), MIEAust, GAICD

Board Member
(Appointed 2011)

Julie Martin has 20 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects in Queensland. She is currently HV Power Package Manager with CPB Contractors responsible for the delivery of QGC's Surat North Project high voltage infrastructure. Previously, Julie was the HV Power Package Manager with Thiess responsible for the delivery of the high voltage traction substations to support the supply of the new Moreton Bay Rail Link.

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 Chairman of the Powerlink Board's People, Culture and Remuneration Committee.

Alan Millis

BE(Hons), MEngSc, DipCompSc, BEcon, GAICD

Board Member
(Appointed 2015)

Alan Millis has over 40 years' experience in the energy sector with management roles covering corporatisation of the Queensland electricity Government Owned Corporations, general energy policy, development of the national energy markets, energy market trading and risk management.

Alan has held a number of senior executive roles including General Manager and Deputy Director-General within the Queensland Government departments responsible for energy, as well as the role of Queensland Energy Regulator.

Alan has a detailed knowledge of the operational and regulatory environment of the Queensland and national electricity sectors and the issues they face going forward.

Alan is a member of the Powerlink Board's Audit, Risk & Compliance Committee and was appointed Chairman of that Committee in June 2016.

David Stevens

BComm, FCPA, CTA, GAICD

Board Member
(Appointed 2014; resigned June 2016)

David has over 20 years' experience as a senior international strategy and finance executive across a diverse range of businesses related to strategy, business development, investment, infrastructure, finance, accounting, economics and tax. He is the founder and Managing Director of DGS Consulting Group, which specialises in private strategy and investment consulting.

David has held a number of senior positions in Australia and internationally including senior partner roles with PricewaterhouseCoopers in the Middle East and KPMG in Hong Kong China. David is a director of the National Institute of Circus Arts.

David was Chairman of the Powerlink Board's Audit, Risk and Compliance Committee from October 2015 until his resignation.

Executive Team

Merryn York

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

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, and the People, Culture and Remuneration Committee 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 finance, treasury, business planning, investment analysis, internal audit, legal and risk services, contract procurement, business process improvement and shareholder reporting. In addition, Maurie is Powerlink's Company Secretary.

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 35 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

Executive Manager Stakeholder Relations and Corporate Services

Michelle has responsibility for Powerlink's strategic stakeholder engagement, communications and environmental strategies as well as accountability for the provision of corporate services.

Michelle has more than 18 years' experience in transmission and distribution within the Queensland electricity industry.

Michelle is temporarily undertaking a six month role to accelerate improvements in business information technology.

Greg Rice

B Tech (Elec), FIEAust, GAICD

Executive Manager Infrastructure Delivery and Technical Services

Greg manages the division responsible for the coordination of all aspects of Powerlink's capital works program including the investigation, acquisition, design, construction, delivery and refurbishment of transmission assets, as well as the acquisition and management of land and property, and landholder relations.

Greg has more than 30 years' experience in the electricity sector covering generation, retail, transmission and distribution.

Julia Smith

B App Sc, BBus, GCCM, GAICD

Executive Manager People and Culture

Julia has responsibility for the development of effective frameworks and systems for employee relations, occupational health and safety, electrical safety, organisational capability and culture (including organisational development, leadership development and talent management), safety training delivery and coordination, and delivery of human resources systems and services.

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

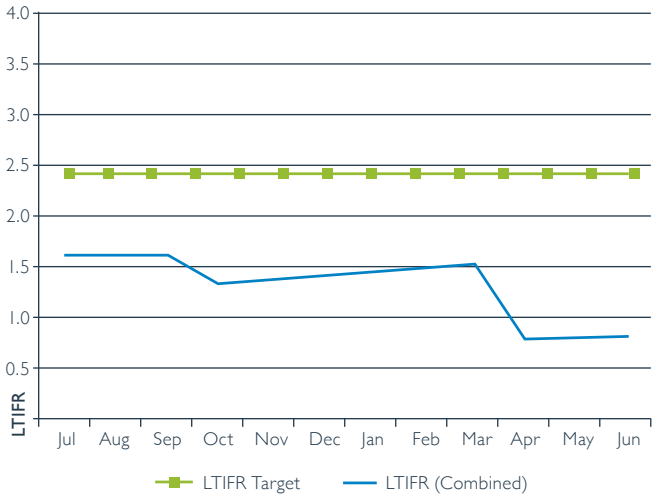
Executive Manager Operations and Field Services

The responsibilities of the Executive Manager Operations and Field Services include leading and driving the operation and maintenance of Powerlink's transmission network and management of the network's interaction with the National Electricity Market. The position also oversees all field maintenance programs including emergency and incident response for the transmission network.

This position is currently in recruitment and is being temporarily filled by an internal Powerlink employee.

Statistical Summary

Combined Employee and Contractor Lost Time Injury Frequency Rate (LTIFR) 2015/16



Substations/switching stations and communication sites as at 30 June 2016

Voltage	Substations	Cable transitions	Communication sites
330kV	4	0	
275kV	43	1	
132kV	78	3	
110kV	14	5	
66kV	0	1	
Total	**139****	**10**	**88***

* 5 communication sites decommissioned: Mt Archer Repeater Site, Mt Mercer, Banyo, Bohle Repeater, Townsville Zinc Car Park
** 2 substation sites decommissioned: 110kV Swanbank A Power Station, 275kV Swanbank B Power Station

Substations/switching stations and transformers added in 2015/16

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total rating (MVA)	Location
330kV	0		0	0	
275kV	2	Eurombah, Yuleba North	4	1500	Yuleba North Transformer No1, Yuleba North Transformer No2, Eurombah Transformer No1, Eurombah Transformer No2
132kV	4	Clifford Creek, Fairview South, Fairview, Blythdale	1	100	Wotonga Transformer No3
110kV	0		0	0	
Total	**6**		**5**	**1600**	

Circuit breakers added in 2015/16

Voltage	Circuit breakers	Location
330kV	0	
275kV	13	Yuleba North, Eurombah
132kV	47	Eurombah, Fairview South, Blythdale, Pioneer Valley, Condabri Central, Wotonga, Clifford Creek, Fairview, Yuleba North
110kV	0	
66kV*	0	
Total	**60**	

* equal to or less than 66kV

Circuit breakers as at 30 June 2016

Voltage	Total number
330kV	31
275kV	513
132kV	553
110kV	273
66kV*	24
Total	**1394**

* equal to or less than 66kV

Capacitor banks, shunt reactors and Static VAr Compensators added in 2015/16

Voltage	Capacitor banks		Reactors		SVCs		Location
	Total	MVAr	Total	MVAr	Total	MVAr	
330kV	0		0		0		
275kV	0		0		0		
132kV	6	210.0	0		1	200.0	Fairview South, Blythdale, Condabri Central, Fairview, Wotonga
110kV	0		0		0		
Total	**6**	**210.0**	**0**		**1**	**200.0**	

Capacitor banks, shunt reactors and Static Var Compensators as at 30 June 2016

Voltage	Capacitor banks		Reactors		SVCs	
	Total	MVAr	Total	MVAr	Total	MVAr
330kV	3	440.0	4	144.0	0	
275kV	28	3880.0	18	846.0	8	2510.0
132kV	36	1603.0	0		15	1881.0
110kV	34	1862.7	0		0	
66kV*	5	96.0	2	42.4	0	
Total	**106**	**7881.7**	**24**	**1032.4**	**23**	**4391.0**

* equal to or less than 66kV

Transmission lines and underground cables added in 2015/16

Voltage	Transmission line		Underground cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0	0	0
275kV	136	272	0	0
132kV	80	158	0	0
110kV	0	0	0	0
66kV	0	0	0	0
Total	**216**	**430**	**0**	**0**

Five-year history of transmission lines and underground cables as at 30 June 2016

Voltage^	2012		2013		2014		2015		2016	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission lines										
330kV	348	696	348	696	348	696	348	696	348	696
275kV	6032	8458	6293	8981	6512	9419	6557	9509	6693	9781
132kV	2785	4364	2820	4521	2841	4564	2787	4458	2867	4616
110kV	238	416	222	420	215	413	215	413	215	413
66kV*	4	4	4	4	4	4	4	4	4	4
Total lines	**9407**	**13938**	**9687**	**14622**	**9920**	**15096**	**9911**	**15080**	**10127**	**15510**
Underground cables										
275kV	10	10	10	10	10	10	10	10	10	10
132kV	4	4	4	4	4	4	4	4	4	4
110kV	8	8	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	1	1
Total cables	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**
Total lines & cables	**9430**	**13961**	**9710**	**14645**	**9943**	**15119**	**9934**	**15103**	**10150**	**15533**

* equal to or less than 66kV
^ as constructed voltages

Index and abbreviations

Powerlink Queensland

Financial Statements

2015/16

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 2016. 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 for the financial year ended 30 June 2016 and the auditor's report thereon.

Directors

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

Dr Julie Beeby
Ms Julienne Martin

Ms Joanna Brand was appointed as a Director effective from 1 October 2015 and continues in office as at the date of this report.

Mr Alan Millis was appointed as a Director effective from 1 October 2015 and continues in office as at the date of this report.

Mr Kenneth Howard was a Director from the beginning of the financial year until the expiration of his term on 30 September 2015.

Ms Anne Barclay was a Director from the beginning of the financial year until the expiration of her term on 30 September 2015.

Mr David Stevens was a Director from the beginning of the financial year until his resignation effective from 15 June 2016.

Principal activities

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

(a) Delivery of a transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points, and

(b) Provision of metering services to measure electricity generation and use 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 - Powerlink Queensland

The proposed 2015/16 final dividend ($218.300M) is based on 100% of the operating profit after income tax equivalent expense (2015: final dividend $155.986M being 100% of the profit after income tax equivalent expense and an additional distribution of $1,121.000M from retained earnings. The increase in the dividend for 2014/15 was made in response to a direction from the shareholding Ministers, dated 29 June 2015, under section 131(3)(b) of the *Government Owned Corporations Act 1993* and was funded from borrowings to the extent necessary.)

The dividends will not be franked.

Review of operations

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

Significant changes in the state of affairs

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

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

In January 2016 Powerlink Queensland submitted a comprehensive revenue proposal to the Australian Energy Regulator (AER) for the 2017/2018 - 2021/2022 regulatory period. The revenue proposal applies only to Powerlink's prescribed (regulated) services.

Powerlink's revenue proposal delivers value to consumers and customers through improved efficiency while maintaining reliable prescribed transmission services. The proposal envisages a 28% drop in average transmission prices in the first year of the 2018/2022 regulatory period.

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 and other sites.

The Consolidated Entity has an Executive Committee for Environment and a 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.

Emissions Reduction Fund

The Consolidated Entity does not trigger current thresholds for the proposed Emissions Reductions Fund "safeguarding emissions reduction" scheme which is effective from 1 July 2016.

Greenhouse gas and energy data reporting requirements

*The Energy Efficiency Opportunities Act 200*6 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 annual energy use for the *Energy Efficiency Opportunities Act 2006* is 0.5 petajoules. During the reporting period, the Consolidated Entity 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 2014/15 by external auditors, Ernst and Young. Powerlink's scope 1 emissions in 2014/15 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 16,593.49 tonnes of carbon dioxide equivalent.

Information on directors

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

Directors' 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.

Mr Michael W Boylson was appointed to the position of Alternative Company secretary in November 2013. Mr Boylson holds a Bachelor of Business degree and a Bachelor of Laws degree and was admitted as a solicitor in Queensland in 2001. Mr Boylson's role as Group Manager Commercial and Legal Services includes corporate governance and risk.

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 2016, and the numbers of meetings attended by each Director were:

Directors	Full meetings of directors		Meetings of committees			
			Audit & Risk		Remuneration	
	A	B	A	B	A	B
Dr Julie Beeby	12	12	4	4	4	4
Anne Barclay	3	3	1	1	2	2
Joanna Brand	9	9	1	1	2	2
Kenneth Howard	3	3	1	1	**	**
Ms Julienne Martin	12	12	**	**	4	4
Alan Millis	9	9	3	3	**	**
David Stevens	11	11	3	3	**	**

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
** Not a member of the relevant committee

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 2016 were the Honourable Curtis Pitt, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport on behalf of the State of Queensland, and the Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels 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 and are not 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 28 October 2014.

Key management personnel pay
The People, Culture and Remuneration Committee of the Board of Directors is responsible for establishing remuneration policy, and for determining, reviewing and recommending to the Board the remuneration arrangements for key management personnel.

Directors' report

Remuneration report (continued)

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 13.

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*
- *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

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

The indemnity relates to any liability:

- 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
- 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*.

The Company has Directors' and officers liability and legal insurance contracts in place.

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 contract as such disclosure is prohibited under the terms of the contract.

The Consolidated Entity has not, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Consolidated Entity or of any related body corporate against a liability incurred.

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 year are set out in Note 14 - 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.

Directors' report

Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191, 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.

Dr Julie Beeby
Chairman
Brisbane
30 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Queensland Electricity Transmission Corporation Limited,

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

Independence Declaration

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 30 June 2016, 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.

~ George

QUEENSLAND
31 AUG 2016
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

Contents

Income statements

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000	Powerlink Queensland 2016 $'000	Powerlink Queensland 2015 $'000
Revenue from continuing operations	2	**1,166,680**	995,871	**1,166,680**	996,087
Other gains/(losses)	3(a)	**1,091**	(433)	**1,091**	(433)
Less					
Expenses from continuing operations excluding finance costs expense	3(b)	**(544,305)**	(518,322)	**(544,305)**	(518,322)
Finance costs	3(b)	**(310,255)**	(252,994)	**(310,255)**	(252,994)
Profit before income tax equivalent		**313,211**	224,122	**313,211**	224,338
Income tax equivalent expense	4	**(94,911)**	(68,136)	**(94,911)**	(68,138)
Profit for the period		**218,300**	155,986	**218,300**	156,200
Profit is attributable to:					
Owners of Powerlink Queensland		**218,300**	155,986	**218,300**	156,200

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

Statements of comprehensive income

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000	Powerlink Queensland 2016 $'000	Powerlink Queensland 2015 $'000
Profit for the period		**218,300**	155,986	**218,300**	156,200
Other comprehensive income					
Items that may be reclassified to profit or loss					
Cash flow hedges		**(54)**	362	**(54)**	362
Items that will not be reclassified to profit or loss					
Gain on revaluation of property, plant and equipment, net of tax		**69,833**	72,078	**69,833**	72,078
Actuarial (losses)/gains on defined benefit superannuation fund, net of tax		**(2,575)**	3,532	**(2,575)**	3,531
Other comprehensive income for the period, net of tax		**67,204**	75,972	**67,204**	75,971
Total comprehensive income for the period		**285,504**	231,958	**285,504**	232,171
Total comprehensive income for the period is attributable to:					
Owners of Powerlink Queensland		**285,504**	231,958	**285,504**	232,171
Total comprehensive income for the period attributable to owners of Powerlink Queensland arises from:					
Continuing operations		**285,504**	231,958	**285,504**	232,171

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

Balance sheets

	Notes	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000	Powerlink Queensland 30 June 2016 $'000	Powerlink Queensland 30 June 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5(c)	**119,656**	113,697	**119,632**	113,676
Trade and other receivables	5(a)	**91,108**	84,216	**91,108**	84,216
Inventories	6(c)	**43,396**	44,644	**43,396**	44,644
Other current assets	5(e)	**4,555**	7,404	**4,555**	7,404
Total current assets		**258,715**	249,961	**258,691**	249,940
Non-current assets					
Defined Benefit Fund Asset	6(g)	**13,951**	20,133	**13,951**	20,133
Other non-financial assets	6(f)	**-**	-	**1**	1
Property, plant and equipment	6(a)	**7,831,890**	7,835,220	**7,831,890**	7,835,220
Total non-current assets		**7,845,841**	7,855,353	**7,845,842**	7,855,354
Total assets		**8,104,556**	8,105,314	**8,104,533**	8,105,294
LIABILITIES					
Current liabilities					
Trade and other payables	5(b)	**85,378**	91,503	**85,380**	91,508
Current tax equivalent liabilities		**12,201**	(140)	**12,201**	(140)
Provisions	6(d)	**233,911**	1,290,448	**233,911**	1,290,448
Other current liabilities	5(d)	**9,127**	5,119	**9,127**	5,119
Total current liabilities		**340,617**	1,386,930	**340,619**	1,386,935
Non-current liabilities					
Interest Bearing Loans and Borrowings	5(g)	**5,265,221**	4,444,221	**5,265,221**	4,444,221
Deferred Tax Equivalent Liabilities	6(b)	**620,483**	602,134	**620,483**	602,134
Provisions	6(e)	**26,974**	26,018	**26,974**	26,018
Other non-current liabilities	5(f)	**248,432**	110,386	**248,432**	110,386
Total non-current liabilities		**6,161,110**	5,182,759	**6,161,110**	5,182,759
Total liabilities		**6,501,727**	6,569,689	**6,501,729**	6,569,694
Net assets		**1,602,829**	1,535,625	**1,602,804**	1,535,600
EQUITY					
Contributed equity	7(a)	**401,000**	401,000	**401,000**	401,000
Reserves	7(b)	**1,126,459**	1,056,680	**1,126,459**	1,056,680
Retained earnings	7(c)	**75,370**	77,945	**75,345**	77,920
Capital and reserves attributable to owners of Powerlink Queensland		**1,602,829**	1,535,625	**1,602,804**	1,535,600
Total equity		**1,602,829**	1,535,625	**1,602,804**	1,535,600

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

Statements of changes in equity

Consolidated Entity	Notes	Attributable to owners of Powerlink Queensland			Total equity $'000
		Share capital $'000	Other reserves $'000	Retained earnings $'000	
Balance at 1 July 2014		401,000	984,240	1,195,590	2,580,830
Profit for the period		-	-	155,986	155,986
Other comprehensive income		-	72,440	3,532	75,972
Total comprehensive income for the period		**-**	**72,440**	**159,518**	**231,958**
Transactions with owners in their capacity as owners:					
Prior year adjustment intercompany tax consolidation	18	-	-	(177)	(177)
Dividends provided for or paid	11(b)	-	-	(1,276,986)	(1,276,986)
		-	-	(1,277,163)	(1,277,163)
Balance at 30 June 2015		**401,000**	**1,056,680**	**77,945**	**1,535,625**
Balance at 1 July 2015		401,000	1,056,680	77,945	1,535,625
Profit for the period		-	-	218,300	218,300
Other comprehensive income		-	69,779	(2,575)	67,204
Total comprehensive income for the period		**-**	**69,779**	**215,725**	**285,504**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(218,300)	(218,300)
Balance at 30 June 2016		**401,000**	**1,126,459**	**75,370**	**1,602,829**

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

Statements of changes in equity

Powerlink Queensland	Notes	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2014		401,000	984,240	1,195,175	2,580,415
Profit for the period		-	-	156,200	156,200
Other comprehensive income		-	72,440	3,531	75,971
Total comprehensive income for the period		**-**	**72,440**	**159,731**	**232,171**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(1,276,986)	(1,276,986)
Balance at 30 June 2015		**401,000**	**1,056,680**	**77,920**	**1,535,600**
Balance at 1 July 2015		401,000	1,056,680	77,920	1,535,600
Profit for the period		-	-	218,300	218,300
Other comprehensive income		-	69,779	(2,575)	67,204
Total comprehensive income for the period		**-**	**69,779**	**215,725**	**285,504**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(218,300)	(218,300)
Balance at 30 June 2016		**401,000**	**1,126,459**	**75,345**	**1,602,804**

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

Statements of cash flows

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000	Powerlink Queensland 2016 $'000	Powerlink Queensland 2015 $'000
Cash flows from operating activities					
Receipts from customers		**1,274,552**	1,027,210	**1,274,552**	1,027,210
Payments to suppliers and employees		**(230,757)**	(231,426)	**(230,757)**	(231,415)
Other operating receipts		**24,369**	23,201	**24,369**	23,201
Finance Costs Paid		**(302,682)**	(252,036)	**(302,682)**	(252,036)
Income tax equivalent paid		**(94,085)**	(105,834)	**(94,085)**	(106,040)
Interest received		**2,909**	2,748	**2,906**	2,746
Dividends received		**-**	-	**-**	218
Goods and Services Tax Received/(Paid)		**4,701**	(2,187)	**4,701**	(2,187)
Other operating payments		**(167)**	(2,796)	**(167)**	(2,796)
Net cash inflow from operating activities		**678,840**	458,880	**678,837**	458,901
Cash flows from investing activities					
Payments for property, plant and equipment		**(219,173)**	(511,192)	**(219,173)**	(511,013)
Proceeds from sale of property, plant and equipment		**2,278**	1,300	**2,278**	1,300
Net cash (outflow) from investing activities		**(216,895)**	(509,892)	**(216,895)**	(509,713)
Cash flows from financing activities					
Proceeds from borrowings		**821,000**	290,000	**821,000**	290,000
Dividends paid to company's shareholders	11(b)	**(1,276,986)**	(167,789)	**(1,276,986)**	(167,789)
Net cash (outflow) inflow from financing activities		**(455,986)**	122,211	**(455,986)**	122,211
Net increase in cash and cash equivalents		**5,959**	71,199	**5,956**	71,399
Cash and cash equivalents at the beginning of the financial year		**113,697**	42,498	**113,676**	42,277
Cash and cash equivalents at end of period	5(c)	**119,656**	113,697	**119,632**	113,676

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 and its subsidiaries.

(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, the *Corporations Act 2001,* and the *Queensland Government Owned Corporations Act 1993*.

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

(i) Going concern

The financial statements have been prepared on a going concern basis. As at 30 June 2016, the current liabilities exceed current assets for the Consolidated Entity by $81.902M (2015:$1,136.969M) (Parent Entity $81.928M (2015:$1,136.995M)). The excess of current liabilities to current assets primarily results from the provision for a dividend of $218.300M. The Directors believe that the strong operational cash flows forecast for the 2016/17 financial year and subsequent periods support the preparation of the financial statements under the going concern assumption. The Company also has access to a working capital facility with Queensland Treasury Corporation from which borrowings may be made to meet short term cash flow obligations.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 16 *Leases*	AASB 16 provides additional guidance as to whether a contract contains a lease, requires an on-balance sheet approach for all leases (with some exceptions) and places a greater emphasis on disclosures.	While the Consolidated Entity has yet to undertake a detailed assessment of the impact of the new standard, initial assessments as to the effects of applying the new standard have not identified any areas where the effects are likely to be material. A more comprehensive review will be undertaken closer to the implementation date.	Must be applied for financial years commencing on or after 1 January 2019. The Consolidated Entity is currently assessing whether it should adopt AASB 16 before its mandatory date.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	While the Consolidated Entity has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Consolidated Entity does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Consolidated Entity does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Consolidated Entity is currently assessing whether it should adopt AASB 9 before its mandatory date.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	Management is currently assessing the effects of applying the new standard on the Consolidated Entity's financial statements and has not to date identified any areas in which there is likely to be a material impact. At this stage, the Consolidated Entity is not able to estimate the effect of the new rules on the Group's financial statements. The Consolidated Entity will make more detailed assessments of the effect over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption Expected date of adoption by the group: 1 January 2018.

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

(iii) New and amended standards adopted by the group

The Consolidated Entity has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2015:

- AASB 2014-1 *Amendments to Australian Accounting Standards (*including Part A*: Annual Improvements 2010-2012 and 2011-2013 Cycles* and Part B*: Defined Benefit Plans: Employee Contributions - Amendments to AASB 119)*

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Consolidated Entity also elected to adopt the following two amendments early:
• AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle,* and
• AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative Amendments to AASB 101.*

As these amendments merely clarify the existing requirements, they do not affect the Consolidated Entity's accounting policies or any of the disclosures.

(iv) Historical cost convention

These financial statements have been prepared on the basis of historical costs, except for:

- 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.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(v) 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 9.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

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.

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ('Company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the entities comprising the Consolidated Entity 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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

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. 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.

Summary of significant accounting policies

(d) Revenue recognition (continued)

Revenue is recognised for the major business activities using the methods outlined below.

(i) Grid sales revenue

Grid sales revenue comprises revenue earned from the provision of regulated and non-regulated 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 allowance determined for the Company. Transmission Use of System (TUOS) prices are initially set to recover the annual revenue allowance.

While the regulated revenue billed in a period may vary from the annual revenue allowance, the regulated revenue recognised for the period is on an as billed basis. Refer Note 2.

(ii) Other revenue

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

(iii) Interest income

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

(iv) Dividends

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

(e) Income tax equivalents

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Powerlink Queensland and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Summary of significant accounting policies

(e) Income tax equivalents (continued)

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

(i) Investment allowances and similar tax incentives

Companies within the Consolidated Entity may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg: the Research and Development Tax Incentive regime in Australia or other investment allowances). The Consolidated Entity accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(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.

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 16). 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.

Summary of significant accounting policies

(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. See note 5(a) for further information about the group's accounting for trade receivables and Note 10(c) for a description of the Consolidated Entity's impairment policies.

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 hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 10(a). Movements in the hedging reserve in shareholder's equity are shown in Note 7(b)(ii). 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.

Summary of significant accounting policies

(k) Derivatives and hedging activities (continued)

(i) Fair value hedge (continued)

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

(ii) Cash flow hedge

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

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.

Summary of significant accounting policies

(m) Property, plant and equipment

(i) Supply System Assets

Supply system assets (including work in progress) are measured at fair value. The carrying values of the assets are supported through 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.

(ii) Freehold Land and Buildings and Easements

Freehold land and buildings and easements are measured at fair value. The carrying values of the assets are supported through 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.

(iii) Other Property Plant and Equipment

All other property, plant and equipment is valued at historical cost less depreciation. The carrying values of the assets are supported through the income based approach based on expected future cash flows.

(iv) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up or liability undertaken at the date of the acquisition plus incidental costs attributable 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.

(v) 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.

(vi) Revaluation

The values of assets within the supply system assets and freehold land and buildings and easements categories are increased by the Australian Bureau of Statistics Weighted Average of Eight Capital Cities Index (CPI) at the end of each financial year.

The valuation of the asset category other property, plant and equipment (refer Note 6(a)) does not take into account price index movements.

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 the 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.

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.

Summary of significant accounting policies

(m) Property, plant and equipment (continued)

(vii) Depreciation

Land is not depreciated. Easements are only depreciated where the indefinite useful life of an easement no longer applies and a known useful life is identified. Depreciation is calculated using the straight line method to allocate cost or revalued amounts, net of their residual values, over estimated useful lives of assets, 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, other than as specified above.

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

(viii) 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.

(p) Borrowing costs

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

Summary of significant accounting policies

(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. The increase in the provision due to the passage of time is recognised as interest expense.

(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 5(d) and 5(f)).

(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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheets if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Superannuation benefit obligations

All employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's superannuation plan on resignation, retirement, disability or death or, subject to eligibility, 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.

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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Summary of significant accounting policies

(s) Employee benefits (continued)

(iii) Superannuation benefit obligations (continued)

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.

Contributions to the defined contribution section of the Consolidated Entity'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 future payments is available.

Past service costs are recognised immediately in profit or loss.

(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.

(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 7(a).

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, for expenses and assets, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

(w) Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191, 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).

Summary of significant accounting policies

(x) Electricity market operations (continued)

Pursuant to the Rules, IRSR is received by Powerlink Queensland and is applied to offset transmission network charges (refer Note 20).

(y) Comparatives

Comparative amounts have, where necessary, been reclassified so as to be consistent with current year disclosures. Such changes are not material.

2 Revenue

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Revenues from continuing operations				
Grid Sales Revenue	**1,145,507**	973,151	**1,145,507**	973,151
Total Grid Sales Revenue	**1,145,507**	973,151	**1,145,507**	973,151
Other revenue				
Interest	**2,927**	2,748	**2,927**	2,746
Dividends	**-**	-	**-**	218
Other items	**18,246**	19,972	**18,246**	19,972
Total Other Revenue	**21,173**	22,720	**21,173**	22,936
Total Revenues from Continuing Operations	**1,166,680**	995,871	**1,166,680**	996,087

3 Other income and expense items

(a) Other gains/(losses)

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Net gain/(loss) on disposal of property, plant and equipment	**1,091**	(433)	**1,091**	(433)
Total Other gains/(losses)	**1,091**	(433)	**1,091**	(433)

(b) Expenses from Continuing Operations

	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Finance costs				
Interest Expense	**261,546**	210,473	**261,546**	210,473
Other	**48,709**	42,521	**48,709**	42,521
Total finance costs expensed	**310,255**	252,994	**310,255**	252,994

Other income and expense items

(b) Expenses from Continuing Operations (continued)

	Consolidated		Powerlink Queensland	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Profit before income tax equivalent includes the following specific expenses:				
Continuing Operating Expenses				
Network Operations	**15,809**	16,300	**15,809**	16,300
Network Maintenance	**119,282**	118,791	**119,282**	118,791
Grid Support	**3,532**	2,644	**3,532**	2,644
Corporate/Business Support	**93,965**	84,686	**93,965**	84,686
Other	**5,091**	5,416	**5,091**	5,416
Depreciation	**306,626**	290,485	**306,626**	290,485
Total Expenses from Continuing Operations excluding Finance Costs Expensed	**544,305**	518,322	**544,305**	518,322
Employee benefits expenses				
Defined Contribution Superannuation expense through profit or loss	**5,996**	5,312	**5,996**	5,312
Employee Benefit expense through profit or loss	**121,991**	110,289	**121,991**	110,289
Total employee benefits expenses	**127,987**	115,601	**127,987**	115,601

4 Income tax equivalent expense

(a) Income tax equivalent expense

	Consolidated		Powerlink Queensland	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Current tax	**104,571**	74,074	**104,571**	74,076
Deferred tax	**(9,660)**	(5,938)	**(9,660)**	(5,938)
Total Income Tax Equivalent Expense	**94,911**	68,136	**94,911**	68,138
Deferred income tax (revenue)/ equivalent included in income tax equivalent expense comprises:				
(Increase)/decrease in deferred tax equivalent assets (Note 6(b)(i))	**(1,529)**	312	**(1,529)**	312
(Decrease)/increase in deferred tax equivalent liabilities (Note 6(b)(ii))	**(8,131)**	(6,250)	**(8,131)**	(6,250)
	(9,660)	(5,938)	**(9,660)**	(5,938)

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

	Consolidated		Powerlink Queensland	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Profit from continuing operations before income tax equivalent expense	**313,211**	224,122	**313,211**	224,338
	313,211	224,122	**313,211**	224,338
Tax equivalent at the Australian tax rate of 30.0% (2015 - 30.0%)	**93,963**	67,237	**93,963**	67,301

4 Income tax equivalent expense (continued)

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

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Increase in income tax equivalent expense due to:				
Prior year adjustment	**51**	(41)	**51**	(41)
Other differences	**1,584**	1,564	**1,584**	1,567
	95,598	68,760	**95,598**	68,827
Decrease in income tax equivalent expense due to:				
Tax exempt revenues	**-**	-	**-**	(65)
Building capital allowances	**(687)**	(624)	**(687)**	(624)
	(687)	(624)	**(687)**	(689)
Total income tax equivalent expense	**94,911**	68,136	**94,911**	68,138

(c) Amounts recognised directly in equity

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Aggregate current and deferred tax equivalent 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 equivalent - debited (credited) directly to equity	**28,008**	32,246	**28,008**	32,246

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

		Consolidated		Powerlink Queensland	
		2016	2015	**2016**	2015
	Notes	**$'000**	$'000	**$'000**	$'000
Gains on revaluation of property, plant and equipment	7(b)	**29,928**	30,890	**29,928**	30,890
Cash flow hedges	7(b)	**(65)**	197	**(65)**	197
Remeasurement of Defined Benefit Fund Asset		**(1,855)**	1,159	**(1,855)**	1,159
		28,008	32,246	**28,008**	32,246

(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.

4 Income tax equivalent expense (continued)

(e) Tax consolidation legislation (continued)

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.

5 Financial assets and financial liabilities

(a) Current assets - Trade and other receivables

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Net trade receivables				
Trade receivables	**90,489**	83,491	**90,489**	83,491
	90,489	83,491	**90,489**	83,491
Prepayments	**619**	725	**619**	725
	91,108	84,216	**91,108**	84,216

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(ii) 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.

(iii) 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 10.

(iv) Fair value and credit risk

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

(b) Current liabilities - Trade and other payables

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Current liabilities				
Trade payables	**50,085**	64,947	**50,087**	64,952
Deposits	**63**	3	**63**	3
Other payables	**35,230**	26,553	**35,230**	26,553
	85,378	91,503	**85,380**	91,508

Trade payables are unsecured and are usually paid within 30 days of recognition.

(i) 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.

Financial assets and financial liabilities

(c) Cash and cash equivalents

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Cash balance comprises:				
Cash on hand	**1**	2	**1**	2
Bank balances	**868**	424	**866**	424
Cash on deposit with Qld Treasury Corporation (QTC)	**118,787**	113,271	**118,765**	113,250
Closing Cash Balance	**119,656**	113,697	**119,632**	113,676

(i) Reconciliation to cash flow statement

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows.

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See Note 1(h) for the Consolidated Entity's accounting policies on cash and cash equivalents.

(iii) 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.

(iv) Fair value

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

(v) Risk exposure

The Consolidated Entity's exposure to interest rate risk is discussed in Note 10. 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 other than Cash on Hand.

(d) Current liabilities - Other current liabilities

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Unearned revenue	**9,127**	4,988	**9,127**	4,988
Derivative financial instruments	**-**	131	**-**	131
Total other current liabilities	**9,127**	5,119	**9,127**	5,119

Financial assets and financial liabilities

(e) Current assets - Other current assets

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Work in progress - Customer Works	**1,243**	965	**1,243**	965
Prepayments	**3,310**	6,078	**3,310**	6,078
Other	**2**	361	**2**	361
	4,555	7,404	**4,555**	7,404

(f) Other non-current liabilities

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Unearned revenue	**247,203**	109,204	**247,203**	109,204
Other	**1,229**	1,182	**1,229**	1,182
Total other non-current liabilities	**248,432**	110,386	**248,432**	110,386

(g) Interest Bearing Loans and Borrowings

	Consolidated					
	30 June 2016			30 June 2015		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured						
Queensland Treasury Corporation	**-**	**5,265,221**	**5,265,221**	-	4,444,221	4,444,221
Total unsecured borrowings	**-**	**5,265,221**	**5,265,221**	-	4,444,221	4,444,221

	Powerlink Queensland					
	30 June 2016			30 June 2015		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured						
Queensland Treasury Corporation	**-**	**5,265,221**	**5,265,221**	-	4,444,221	4,444,221
Total unsecured borrowings	**-**	**5,265,221**	**5,265,221**	-	4,444,221	4,444,221

* Further information relating to loans from related parties is set out in Note 17.

(i) Compliance with loan covenants

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods, see Note 11 for details.

(ii) Fair value

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

Financial assets and financial liabilities

(g) Interest Bearing Loans and Borrowings (continued)

(ii) Fair value (continued)

Consolidated Entity	**At 30 June 2016**		At 30 June 2015	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (iii)				
QTC Loans	**5,265,221**	**5,524,226**	4,444,221	4,761,669
	5,265,221	**5,524,226**	4,444,221	4,761,669

Powerlink Queensland	**At 30 June 2016**		At 30 June 2015	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (iii)				
QTC Loans	**5,265,221**	**5,524,226**	4,444,221	4,761,669
	5,265,221	**5,524,226**	4,444,221	4,761,669

(iii) 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.

(iv) Risk exposures

Information about the Consolidated Entity's exposure to interest rate and foreign exchange risk is provided in Note 10.

(h) Fair value measurements

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Consolidated Entity classifies its financial instruments into the three levels prescribed under the accounting standards.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

The Consolidated Entity's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: 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.

Level 2: 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 which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

6 Non-financial assets and liabilities

(a) 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 2014						
Cost or fair value	443,558	567,495	94,396	8,171,618	151,520	9,428,587
Accumulated depreciation	-	-	(17,366)	(1,800,665)	(106,843)	(1,924,874)
Net book amount	443,558	567,495	77,030	6,370,953	44,677	7,503,713
Year ended 30 June 2015						
Opening net book amount	443,558	567,495	77,030	6,370,953	44,677	7,503,713
Revaluation surplus	-	7,853	1,029	94,086	-	102,968
Additions	520,945	-	-	-	-	520,945
Depreciation charge	-	-	(3,304)	(268,978)	(18,203)	(290,485)
Disposals	-	(1,448)	-	(185)	(288)	(1,921)
Transfers from work in progress	(453,799)	8,686	128	436,260	8,725	-
Closing net book amount	510,704	582,586	74,883	6,632,136	34,911	7,835,220
At 30 June 2015						
Cost or fair value	510,704	582,586	95,743	8,709,760	153,436	10,052,229
Accumulated depreciation	-	-	(20,860)	(2,077,624)	(118,525)	(2,217,009)
Net book amount	510,704	582,586	74,883	6,632,136	34,911	7,835,220

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 2016						
Opening net book amount	510,704	582,586	74,883	6,632,136	34,911	7,835,220
Revaluation surplus	-	8,734	1,129	89,899	-	99,762
Additions	204,722	-	-	132	-	204,854
Depreciation charge	-	(1,221)	(2,767)	(284,943)	(17,695)	(306,626)
Disposals	-	(477)	-	(377)	(466)	(1,320)
Transfers from work in progress	(434,420)	60,918	3,511	353,453	16,538	-
Closing net book amount	**281,006**	**650,540**	**76,756**	**6,790,300**	**33,288**	**7,831,890**
At 30 June 2016						
Cost or fair value	281,006	651,761	100,590	9,165,740	161,444	10,360,541
Accumulated depreciation	-	(1,221)	(23,834)	(2,375,440)	(128,156)	(2,528,651)
Net book amount	**281,006**	**650,540**	**76,756**	**6,790,300**	**33,288**	**7,831,890**

Non-financial assets and liabilities

(a) Property, plant and equipment (continued)

(i) 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.

The Consolidated Entity has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is contained in Note 5(h). Property, Plant and Equipment has been classified under level 3 in determining fair value.

An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2016 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 allowance 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.

(b) Deferred tax balances

(i) Deferred tax equivalent assets

		Consolidated		**Powerlink Queensland**	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	Notes	**$'000**	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:					
Accruals		**203**	223	**203**	223
Provisions		**17,216**	15,667	**17,216**	15,667
Cash flow hedges		**-**	39	**-**	39
Total deferred tax equivalent assets		**17,419**	15,929	**17,419**	15,929
Set-off of deferred tax equivalent liabilities pursuant to set-off provisions	6(b)(ii)	**(17,419)**	(15,929)	**(17,419)**	(15,929)
Net deferred tax equivalent assets		**-**	-	**-**	-

Non-financial assets and liabilities

(b) Deferred tax balances (continued)

(i) Deferred tax equivalent assets (continued)

	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Movements:				
Opening balance at 1 July 2015	**15,929**	16,357	**15,929**	16,353
Credited/(charged) to profit or loss	**1,529**	(318)	**1,529**	(314)
Credited/(charged) to equity	**(39)**	(110)	**(39)**	(110)
Closing balance at 30 June 2016	**17,419**	15,929	**17,419**	15,929
Deferred tax assets expected to be recovered within 12 months	**8,942**	7,748	**8,942**	7,748
Deferred tax assets expected to be recovered after more than 12 months	**8,477**	8,181	**8,477**	8,181
	17,419	15,929	**17,419**	15,929

(ii) Deferred tax equivalent liabilities

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**624,975**	605,932	**624,975**	605,932
Receivables	**373**	290	**373**	290
Prepayments	**36**	31	**36**	31
	625,384	606,253	**625,384**	606,253
Other				
Defined Benefit Fund Surplus	**4,185**	6,040	**4,185**	6,040
Inventories	**8,333**	5,665	**8,333**	5,665
Cash flow hedges	**-**	105	**-**	105
Sub-total other	**12,518**	11,810	**12,518**	11,810
Total deferred tax equivalent liabilities	**637,902**	618,063	**637,902**	618,063
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 6(b)(i))	**(17,419)**	(15,929)	**(17,419)**	(15,929)
Net deferred tax equivalent liabilities	**620,483**	602,134	**620,483**	602,134

	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Movements:				
Opening balance at 1 July 2015	**618,063**	592,178	**618,063**	592,178
Charged/(credited) to profit or loss	**(8,130)**	(6,250)	**(8,130)**	(6,250)
Charged/(credited) to equity	**27,969**	32,135	**27,969**	32,135
Closing balance at 30 June 2016	**637,902**	618,063	**637,902**	618,063
Deferred tax liabilities expected to be settled within 12 months	**8,741**	6,091	**8,741**	6,091
Deferred tax liabilities expected to be settled after more than 12 months	**629,161**	611,972	**629,161**	611,972
	637,902	618,063	**637,902**	618,063

Non-financial assets and liabilities

(c) Inventories

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Current Assets				
Maintenance and Construction Stock	**43,396**	44,644	**43,396**	44,644
	43,396	44,644	**43,396**	44,644

(d) Current liabilities - Provisions

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Dividends	**218,300**	1,276,986	**218,300**	1,276,986
Onerous contracts	**157**	155	**157**	155
Restructuring costs	**2,518**	178	**2,518**	178
Other provisions	**438**	-	**438**	-
Employee benefits	**12,498**	13,129	**12,498**	13,129
	233,911	1,290,448	**233,911**	1,290,448

Information about individual provisions:

(i) 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 2016	**Dividends $'000**	**Onerous contracts $'000**	**Restructuring obligations $'000**	**Other $'000**
Carrying amount at the start of the year	1,276,986	155	178	-
- additional provisions recognised	218,300	157	2,518	438
- unused amounts reversed	-	-	(178)	-
Amounts used during the year	(1,276,986)	(168)	-	-
- unwinding of discount	-	13	-	-
Carrying amount at end of period	**218,300**	**157**	**2,518**	**438**

(ii) Other

The Consolidated Entity has provided for the estimated costs associated with the removal and destruction of contaminated liquids, solid wastes and power transformers previously written off from inventory stock. The estimate of costs has been prepared on current costs, current legal requirements and current technology.

(iii) 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.

(iv) Restructuring costs

The Consolidated Entity is currently undertaking a review of its organisational structure and organisational responsibilities. 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 voluntary redundancy compensation arrangements. The provision reflects the estimated staff restructuring costs identified as at 30 June 2016.

Non-financial assets and liabilities

(d) Current liabilities - Provisions (continued)

(v) Leave obligations

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

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Current leave obligations expected to be settled after 12 months	**54**	70	**54**	70

(e) Non-current liabilities - Provisions

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Employee benefits	**25,805**	24,798	**25,805**	24,798
Onerous contracts	**1,169**	1,220	**1,169**	1,220
	26,974	26,018	**26,974**	26,018

(i) Movements in provisions

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

Consolidated and Powerlink Queensland 2016	**Onerous contracts $'000**
Carrying amount at start of year	1,220
- unwinding of discount	106
Amounts used during the year	(157)
Carrying amount at end of period	**1,169**

(f) Other non-financial assets

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Shares in subsidiaries* (Note 18)	**-**	-	**1**	1
	-	-	**1**	1

* Represents investments in unlisted controlled entities at cost.

Non-financial assets and liabilities

(g) Superannuation commitments

(i) Superannuation plan

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

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

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

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

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

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

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in Note 3(b).

(ii) Defined Benefit Plan Balance Sheet Amounts

The amounts recognised in the balance sheet arising from the Consolidated Entity's obligation in respect of its defined benefit plan are as follows:

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Fair value of defined benefit plan assets	**74,427**	83,427	**74,427**	83,427
Present value of the defined benefit obligation	**(60,476)**	(63,294)	**(60,476)**	(63,294)
Net surplus/(deficit) in the balance sheets	**13,951**	20,133	**13,951**	20,133

(iii) Significant estimate: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	Consolidated		**Powerlink Queensland**	
	2016	2015	**2016**	2015
Discount rate - Australia	2.8%	3.6%	2.8%	3.6%
Expected return on plan assets	2.8%	3.6%	2.8%	3.6%
Future salary increases	4.0%	4.0%	4.0%	4.0%

Non-financial assets and liabilities

(g) Superannuation commitments (continued)

(iii) Significant estimate: actuarial assumptions and sensitivity (continued)

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

	Change in assumption		Impact on defined benefit obligation: Increase in assumption		Impact on defined benefit obligation: Decrease in assumption	
	2016	2015	**2016**	2015	**2016**	2015
Discount rate	**0.5%**	0.5%	**Decrease by 5.1%**	Decrease by 4.8%	**Increase by 5.5%**	Increase by 5.2%
Salary growth rate	**0.5%**	0.5%	**Increase by 5.5%**	Increase by 5.2%	**Decrease by 5.2%**	Decrease by 4.9%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(iv) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Powerlink Queensland	
	30 June 2016 %	30 June 2015 %	**30 June 2016 %**	30 June 2015 %
Cash	**5.0**	12.0	**5.0**	12.0
Property	**10.0**	10.0	**10.0**	10.0
Equity instruments	**50.0**	52.0	**50.0**	52.0
Debt instruments	**10.0**	7.0	**10.0**	7.0
Alternative assets	**25.0**	19.0	**25.0**	19.0
	100.0	100.0	**100.0**	100.0

(v) Risk exposure

Through its defined benefit plan, the Consolidated Entity is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility — The plan liabilities are calculated using a discount rate with reference to high quality corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities which are expected to outperform high quality corporate bonds in the long term while providing volatility and risk in the short term. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long term nature of the plan liabilities, it is considered appropriate that a reasonable portion of plan assets should be invested in equity securities and real estate to leverage the return generated by the fund.

Interest risk — A decrease in the bond interest rate will increase the plan liability; however this will be partially offset by an increase in the value of the plan's debt investments.

Salary risk — The present value of the defined benefit plan liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The average future-working lifetime is approximately 9 years, which indicates a medium to longer time horizon. To match this liability profile, the defined benefit fund assets are invested in a balanced strategy with holdings in all the major asset classes.

(vi) Defined benefit liability employer obligations

The weighted average duration of the defined benefit obligation is 9 years (2015 - 9 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

Non-financial assets and liabilities

(g) Superannuation commitments (continued)

(vi) Defined benefit liability employer obligations (continued)

Consolidated Entity and Parent Entity	Less than a year $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Total $'000
Defined benefit obligation - 30 June 2016	**4,241**	**4,171**	**15,108**	**93,192**	**116,712**
Defined benefit obligation - 30 June 2015	5,042	4,236	18,407	102,862	130,547

(vii) Reconciliations

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at the beginning of the year	**(63,294)**	(67,706)	**(63,294)**	(67,706)
Current service cost	**(2,524)**	(2,763)	**(2,524)**	(2,763)
Interest cost	**(2,188)**	(1,936)	**(2,188)**	(1,936)
Actuarial gains and (losses)	**(3,847)**	635	**(3,847)**	635
Benefits paid	**10,924**	9,843	**10,924**	9,843
Contributions by members	**(638)**	(685)	**(638)**	(685)
Provisions for contributions tax	**1,091**	(682)	**1,091**	(682)
Balance at the end of the period	**(60,476)**	(63,294)	**(60,476)**	(63,294)
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**83,427**	83,976	**83,427**	83,976
Expected return on plan assets	**2,924**	2,451	**2,924**	2,451
Actuarial gains and (losses)	**190**	4,739	**190**	4,739
Contributions by Company	**36**	1,419	**36**	1,419
Contributions by members	**638**	685	**638**	685
Benefits paid	**(10,924)**	(9,843)	**(10,924)**	(9,843)
Other Cash Flow	**(1,864)**	-	**(1,864)**	-
Balance at the end of the period	**74,427**	83,427	**74,427**	83,427

(viii) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

	Consolidated		Powerlink Queensland	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Current service cost	**2,524**	2,763	**2,524**	2,763
Interest cost	**2,188**	1,936	**2,188**	1,936
Expected return on plan assets	**(2,924)**	(2,451)	**(2,924)**	(2,451)
Total included in employee benefits expense	**1,788**	2,248	**1,788**	2,248

(ix) 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 30 June 2013.

Non-financial assets and liabilities

(g) Superannuation commitments (continued)

(ix) Employer contributions (continued)

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.

During the most recent review it was noted by the actuary that the defined benefit section of the plan is in a strong financial position and will be able to meet its existing and future liabilities without any further employer contributions. As a result the actuary advised the Consolidated Entity that it is able to cease its employer contributions until otherwise advised. The Consolidated Entity ceased employer contributions to the defined benefits fund plan effective from 1 July 2015.

7 Equity

(a) Contributed equity

		Powerlink Queensland		**Powerlink Queensland**	
		30 June 2016	30 June 2015	**30 June 2016**	30 June 2015
	Notes	**Shares**	Shares	**$'000**	$'000
Ordinary shares					
Fully paid	7(a)(ii)	**401,000,000**	401,000,000	**401,000**	401,000
Total Contributed Equity		**401,000,000**	401,000,000	**401,000**	401,000

(ii) 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 2016.

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.

(b) Reserves

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 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.

(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.

Equity

(b) Reserves (continued)

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Revaluation surplus - property, plant and equipment	**1,126,459**	1,056,626	**1,126,459**	1,056,626
Cash flow hedges	**-**	54	**-**	54
	1,126,459	1,056,680	**1,126,459**	1,056,680

	Notes	Consolidated		Powerlink Queensland	
		30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Movements:					
Revaluation surplus - Property, plant and equipment					
Opening balance at 1 July 2015		**1,056,626**	984,548	**1,056,626**	984,548
Revaluation - gross	6(a)	**99,761**	102,968	**99,761**	102,968
Deferred tax		**(29,928)**	(30,890)	**(29,928)**	(30,890)
Balance 30 June 2016		**1,126,459**	1,056,626	**1,126,459**	1,056,626
Cash flow hedges					
Opening balance at 1 July 2015		**54**	(308)	**54**	(308)
Revaluation - gross		**(120)**	560	**(120)**	560
Deferred tax		**66**	(198)	**66**	(198)
Balance 30 June 2016		**-**	54	**-**	54

(c) Retained earnings

Movements in retained earnings were as follows:

	Notes	Consolidated		Powerlink Queensland	
		30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Balance 1 July 2015		**77,945**	1,195,590	**77,920**	1,195,175
Net profit for the period		**218,300**	155,986	**218,300**	156,200
Dividends	11(b)	**(218,300)**	(1,276,986)	**(218,300)**	(1,276,986)
Actuarial gains/(losses) and tax on remeasurement of defined benefit plan assets		**(1,802)**	4,214	**(1,802)**	4,213
Defined benefit fund contributions tax		**(773)**	(682)	**(773)**	(682)
Prior Year adjustment intercompany tax consolidation		**-**	(177)	**-**	-
Balance 30 June 2016		**75,370**	77,945	**75,345**	77,920

8 Cash flow information

(a) Reconciliation of profit after income tax equivalent to net cash inflow from operating activities

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Profit for the year from continuing operations after income tax equivalent	**218,300**	155,986	**218,300**	156,200
Depreciation	**306,626**	290,485	**306,626**	290,485
Net (gain)/loss on sale of non-current assets	**(1,091)**	433	**(1,091)**	433
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	**(7,216)**	27,761	**(7,216)**	27,761
(Increase)/decrease in inventories	**1,248**	(5,037)	**1,248**	(5,037)
(Increase)/decrease in deferred tax equivalent assets	**(1,529)**	316	**(1,529)**	313
(Decrease)/increase in creditors	**154,042**	29,123	**154,039**	29,133
(Decrease)/increase in provision for income taxes equivalent payable	**12,341**	(32,923)	**12,341**	(33,123)
(Decrease)/increase in deferred tax equivalent liabilities	**(9,986)**	(5,091)	**(9,986)**	(5,091)
(Decrease)/increase in other provisions	**3,222**	(1,423)	**3,222**	(1,423)
(Increase)/decrease in prepayments	**2,883**	(750)	**2,883**	(750)
Net cash inflow/(outflow) from operating activities	**678,840**	458,880	**678,837**	458,901

(b) 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.

9 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 affect the financial results or the financial position reported in future periods.

(a) Defined Benefit Plan

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 6(g).

(b) 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.

9 Critical accounting judgements, estimates and assumptions (continued)

(c) 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.

(d) 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 (CPI) each financial year.

(e) 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 6(a).

10 Financial risk management

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

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Consolidated Entity did not have any derivatives existing at the end of the financial period.

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The Consolidated Entity's accounting policy for its cash flow hedges is set out in Note 1(k). For hedged forecast transactions that result in the recognition of a non-financial asset, the Consolidated Entity has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 5(h).

(b) Market risk

(i) Foreign exchange risk and commodity risk

The Consolidated Entity is exposed to currency risk and commodity 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 and commodity exposures are managed within approved policy parameters using forward foreign exchange and commodity contracts.

The Consolidated Entity's market risk management policy is to hedge between 50% and 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.

10 Financial risk management (continued)

(b) Market risk (continued)

(ii) Exposure

The Consolidated Entity and the Company did not have any exposure to foreign currency risk at the end of the financial period.

All the forward foreign exchange contracts are hedging forecast purchases.

(iii) Other Price risk

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

(iv) 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 provided 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 is 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. Book rate reviews were held on 1 July 2015 and 1 April 2016. All the Consolidated Entity’s borrowings were denominated in Australian dollars.

(c) 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 5(a).

(i) Impaired Trade Receivables

The Consolidated Entity has recognised a loss of $1,720 (2015: $NIL) in respect of impaired trade receivables during the year ended 30 June 2016.

(ii) Trade receivables past due but not impaired

As of 30 June 2016, trade receivables of $720 thousand (2015: $392 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:

10 Financial risk management (continued)

(c) Credit risk (continued)

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

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Up to 3 months	**310**	333	**310**	333
3 to 6 months	**358**	59	**358**	59
Greater than 6 months	**52**	-	**52**	-
	720	392	**720**	392

(d) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has 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 and 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. Should additional funds beyond the approved amounts be necessary 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, in 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.

Maturities of financial liabilities

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 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	**85,378**	**-**	**-**	**85,378**	**85,378**
Borrowings (excluding finance leases)	**287,701**	**1,151,542**	**4,011,011**	**5,450,254**	**5,265,221**
Total non-derivatives	**373,079**	**1,151,542**	**4,011,011**	**5,535,632**	**5,350,599**

10 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities of financial liabilities (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 2015	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade payables	91,503	-	-	91,503	91,503
Borrowings (excluding finance leases)	277,516	1,107,964	4,383,712	5,769,192	4,444,221
Total non-derivatives	369,019	1,107,964	4,383,712	5,860,695	4,535,724

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 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	**85,380**	**-**	**-**	**85,380**	**85,380**
Borrowings (excluding finance leases)	**287,701**	**1,151,542**	**4,011,011**	**5,450,254**	**5,265,221**
Total non-derivatives	**373,081**	**1,151,542**	**4,011,011**	**5,535,634**	**5,350,601**

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 2015	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade payables	91,508	-	-	91,508	91,508
Borrowings (excluding finance leases)	277,516	1,107,964	4,383,712	5,769,192	4,444,221
Total non-derivatives	369,024	1,107,964	4,383,712	5,860,700	4,535,729

11 Capital management

(a) 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 to 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 5(g), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 7(a), 7(b) and 7(c) respectively.

Capital management

(a) Capital risk management (continued)

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.

The Consolidated Entity believes its forecast cash flows for the 2016/17 financial year will be sufficient to meet operational requirements including the payment of the dividend for the 2015/16 year.

There have not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2015.

Gearing ratio

The Consolidated Entity's management monitor its 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**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Total debt	**5,265,221**	4,444,221	**5,265,221**	4,444,221
Property, plant and equipment	**7,831,890**	7,835,220	**7,831,890**	7,835,220
Gearing ratio	**67.2%**	56.7%	**67.2%**	56.7%

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2016 and 2015 reporting periods.

The increase in the gearing ratio for the year ended 30 June 2016 resulted primarily from the level of borrowings ($821M) (2015:$290M) required to finance the Consolidated Entity's 2014/15 special dividend in accordance with the shareholding Ministers' direction of 29 June 2015.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2016, the Consolidated Entity had only long term borrowings.

(b) Dividends

(i) Ordinary shares

	Consolidated		**Powerlink Queensland**	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Ordinary shares				
Unfranked final dividend proposed	**218,300**	1,276,986	**218,300**	1,276,986
	218,300	1,276,986	**218,300**	1,276,986

The 2015/16 final dividend is based on 100% of operating profit after income tax equivalent expense (2015: 100% of the operating profit after income tax equivalent expense and an additional distribution of $1,121M from retained earnings. The increase in the dividend for 2014/15 was made in response to a direction from the shareholding Ministers, dated 29 June 2015, under section 131(3)(b) of the *Government Owned Corporations Act 1993* and was funded from borrowings to the extent necessary).

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

12 Employee Benefits

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

(i) Performance payments - Other Key Management Personnel

Other Key Management Personnel are eligible for an "at-risk" or variable salary component that is linked to both the overall performance of the Consolidated Entity and their individual efforts against a range of key performance behaviours and performance objectives contained in individual performance agreements. Actual performance payments are based on performance against the predetermined key indicators as detailed in the individual's performance agreement and the annual statement of corporate intent which is approved by the shareholding Ministers. Performance payments may not exceed 15% of the individual's total employment contract remuneration.
The performance payments made in the 2015/16 year were granted/approved by the Board on 22 September 2015. 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 and behaviours. Actual performance payments are based on performance against the predetermined indicators and take into consideration the overall performance of the Consolidated Entity.
The performance payments made in the 2015/16 year were granted/approved by the Board on 22 September 2015. 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 2015/16 was granted/approved by the Board on 22 September 2015. 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 aggregate at-risk performance remuneration is at follows:

	2015/16	2014/15
Aggregate at-risk performance remuneration	**$3.428m**	$6.346m
Total salaries and Wages paid	**$141.5m**	$150.138m
Number of employees receiving performance payments	**936**	1,006

(v) Number of Employees

Number of employees (full time equivalents) at year end: 917 (2015: 1,049)

13 Key management personnel disclosures

The key management personnel of Powerlink Queensland during the financial year were:-

(a) Directors

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

(i) Chairman

Julie Beeby

(ii) Directors

Anne Barclay (term expired 30 September 2015)
Joanna Brand (from 1 October 2015)
Kenneth Howard (term expired 30 September 2015)
Julienne Martin
Alan Millis (from 1 October 2015)
David Stevens (resigned effective from 15 June 2016)

Key management personnel disclosures

(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:

2015/16 Financial Year

- Chief Executive - M E York
- Chief Financial Officer - M D Brennan
- Executive Manager Infrastructure Delivery and Technical Services - G Rice
- Executive Manager Investment and Planning - K G Mulherin
- Executive Manager Operations and Field Services - C D Hazzard (to 1 April 2016)
- Executive Manager People and Culture - J K Smith
- Executive Manager Stakeholder Relations and Corporate Services - M Palmer

2014/15 Financial Year

- Chief Executive - M E York
- Chief Financial Officer - M D Brennan
- Executive Manager Infrastructure Delivery and Technical Services - G Rice
- Executive Manager Investment and Planning - K G Mulherin
- Executive Manager Operations and Field Services - C D Hazzard
- Executive Manager People and Culture - J K Smith
- Executive Manager Stakeholder Relations and Corporate Services - M Palmer

(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 a 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:

2016	Short term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Julie Beeby	99	9	108
Anne Barclay	13	1	14
Joanna Brand	37	4	41
Kenneth Howard	13	1	14
Julienne Martin	51	5	56
Alan Millis	38	4	42
David Stevens	51	5	56
Total	**302**	**29**	**331**

Key management personnel disclosures

(c) Details of remuneration (continued)

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

2015

Name	Short term Fixed Remuneration $'000	Post employment Superannuation $'000	Total $'000
Stephen Rochester	45	4	49
Julie Beeby	72	7	79
Anne Barclay	45	4	49
Kenneth Howard	43	9	52
Julienne Martin	45	4	49
David Stevens	29	3	32
Total	279	31	310

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 of both Powerlink Queensland and the Consolidated Entity, inclusive of performance payments are:

2016

Position	Short term Fixed Remuneration $'000	Short term At Risk Payments $'000	Post employment Superannuation# $'000	Long term benefits% Annual and Long service leave $'000	Termi-nation benefits $'000	Total $'000
Chief Executive	589	61	106	63	-	819
Chief Financial Officer	331	31	59	10	-	431
Executive Manager Investment and Planning	319	26	56	9	-	410
Executive Manager Operations and Field Services *	302	4	26	-	244	576
Executive Manager Stakeholder Relations and Corporate Services	220	18	39	8	-	285
Executive Manager People and Culture	276	16	28	11	-	331
Executive Manager Infrastructure Delivery and Technical Services	311	25	50	9	-	395
Total	**2,348**	**181**	**364**	**110**	**244**	**3,247**

Includes both employee and employer superannuation contributions.

% Long term benefits represents the net increase in the balance accrued during the year. Amounts paid in the year are included in Fixed Remuneration.

* The Executive Manager Operations and Field Services position was made redundant effective from 1 April 2016.
Fixed Remuneration includes payout of leave entitlements on termination.
Total remuneration disclosed reflects earnings and termination entitlements of incumbent up to that date.

Key management personnel disclosures

(c) Details of remuneration (continued)

(ii) Other key management personnel (continued)

2015	Short term		Post employment	Long term benefits	
Position	Fixed Remuneration $'000	At Risk Payments $'000	Superannuation# $'000	Annual and Long service leave $'000	Total $'000
Chief Executive	568	43	100	55	766
Chief Financial Officer	320	23	56	26	425
Executive Manager Investment and Planning	301	27	53	9	390
Executive Manager Operations and Field Services *	227	14	36	7	284
Executive Manager Stakeholder Relations and Corporate Services	211	17	37	6	271
Executive Manager People and Culture	265	18	27	13	323
Executive Manager Infrastructure Delivery and Technical Services	294	-	50	10	354
Total	**2,186**	**142**	**359**	**126**	**2,813**

Includes both employee and employer superannuation contributions.

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

Julie Beeby *(Chairman)*
Current term 3 years commencing October 2014. First appointed October 2008.

Joanna Brand
Current term 3 years commencing October 2015. First appointed October 2015.

Julienne Martin
Current term 3 years commencing October 2014. First appointed October 2011.

Alan Millis
Current term 3 years commencing October 2015. First appointed October 2015.

14 Remuneration of auditors

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

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

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $	30 June 2015 $	**30 June 2016 $**	30 June 2015 $
Queensland Audit Office				
Audit and review of financial statements	**211,000**	201,700	**211,000**	201,700
Total remuneration for audit and other services	**211,000**	201,700	**211,000**	201,700

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.

15 Contingencies

(a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2016 (2015:NIL).

(b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2016 (2015:NIL)

16 Commitments

(a) Capital Expenditure Commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated		**Powerlink Queensland**	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Property, plant and equipment	**66,926**	147,080	**66,926**	147,080
	66,926	147,080	**66,926**	147,080

(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. Excess office space is sub-let to third parties also under non-cancellable operating leases.

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.

16 Commitments (continued)

(b) Non-cancellable operating leases (continued)

	Consolidated		Powerlink Queensland	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**2,537**	2,867	**2,537**	2,867
Later than one year but not later than five years	**5,571**	5,904	**5,571**	5,904
Later than five years	**1,507**	2,962	**1,507**	2,962
	9,615	11,733	**9,615**	11,733

(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 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Within one year	**791**	761	**791**	761
Later than one year but not later than five years	**3,495**	3,361	**3,495**	3,361
Later than five years	**1,380**	2,306	**1,380**	2,306
	5,666	6,428	**5,666**	6,428

17 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 2016 owned 100% (2015: 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).

(b) Directors

Directors' Shareholdings
No shares in Powerlink Queensland were held by Directors' of the Company, the 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.

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 18.

17 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Sales of goods and services (includes GST)				
Parent Entity	**1,022,874**	868,986	**1,022,874**	868,986
	1,022,874	868,986	**1,022,874**	868,986

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Purchases of goods and services (includes GST)				
Parent Entity	**71,163**	72,999	**71,163**	72,999
	71,163	72,999	**71,163**	72,999

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Dividend revenue				
Subsidiaries	**-**	-	**-**	218
	-	-	**-**	218

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Interest revenue				
Parent Entity	**2,896**	2,727	**2,895**	2,725

	Consolidated		Powerlink Queensland	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Other Transactions				
Dividend paid to ultimate parent entity	**1,276,986**	167,789	**1,276,986**	167,789
Borrowing Costs - Parent Entity	**310,136**	252,871	**310,136**	252,871
	1,587,122	420,660	**1,587,122**	420,660

17 Related party transactions (continued)

(e) 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 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Current receivables (sales of goods and services)				
Parent Entity	**72,294**	59,299	**72,294**	59,299
	72,294	59,299	**72,294**	59,299
Current payables (purchases of goods and services)				
	-	-	**-**	-

(f) Loans to/from related parties

	Consolidated		Powerlink Queensland	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
Loans from ultimate Australian parent entity				
Beginning of the year	**4,444,221**	4,154,221	**4,444,221**	4,154,221
Loans advanced	**821,000**	290,000	**821,000**	290,000
Finance costs charged	**310,136**	252,871	**310,136**	252,871
Finance costs expensed	**(310,136)**	(252,871)	**(310,136)**	(252,871)
End of period	**5,265,221**	4,444,221	**5,265,221**	4,444,221

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.

(g) 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.

18 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). The country of incorporation is also their principal place of business. Principal activities of both subsidiaries are to act as holding companies for investments made by the parent company, Powerlink Queensland.

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2016 %	2015 %
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.

19 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 (2015:NIL).

20 Settlements Residue

	Consolidated		**Powerlink Queensland**	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Opening balance	**-**	-	**-**	-
Residue transferred from AEMO	**55,246**	74,292	**55,246**	74,292
Interest earned	**-**	-	**-**	-
Transfer to Powerlink Queensland to offset network charges	**(55,246)**	(74,292)	**(55,246)**	(74,292)
Balance at end of year	**-**	-	**-**	-

Directors' declaration

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 and the Company's financial positions as at 30 June 2016 and of their 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 Directors' report is signed in accordance with a resolution of directors made pursuant to S.298(2) of the *Corporations Act 200*1.

Dr Julie Beeby
Chairman
Brisbane
30 August 2016

INDEPENDENT AUDITOR'S REPORT

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, which comprises the balance sheets as at 30 June 2016, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes to the financial statements including 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 2016 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.

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

Queensland Audit Office
Brisbane

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