Powerlink Queensland

Annual Report & Financial Statements

2016/17

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Corporate profile

Mission

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

Vision

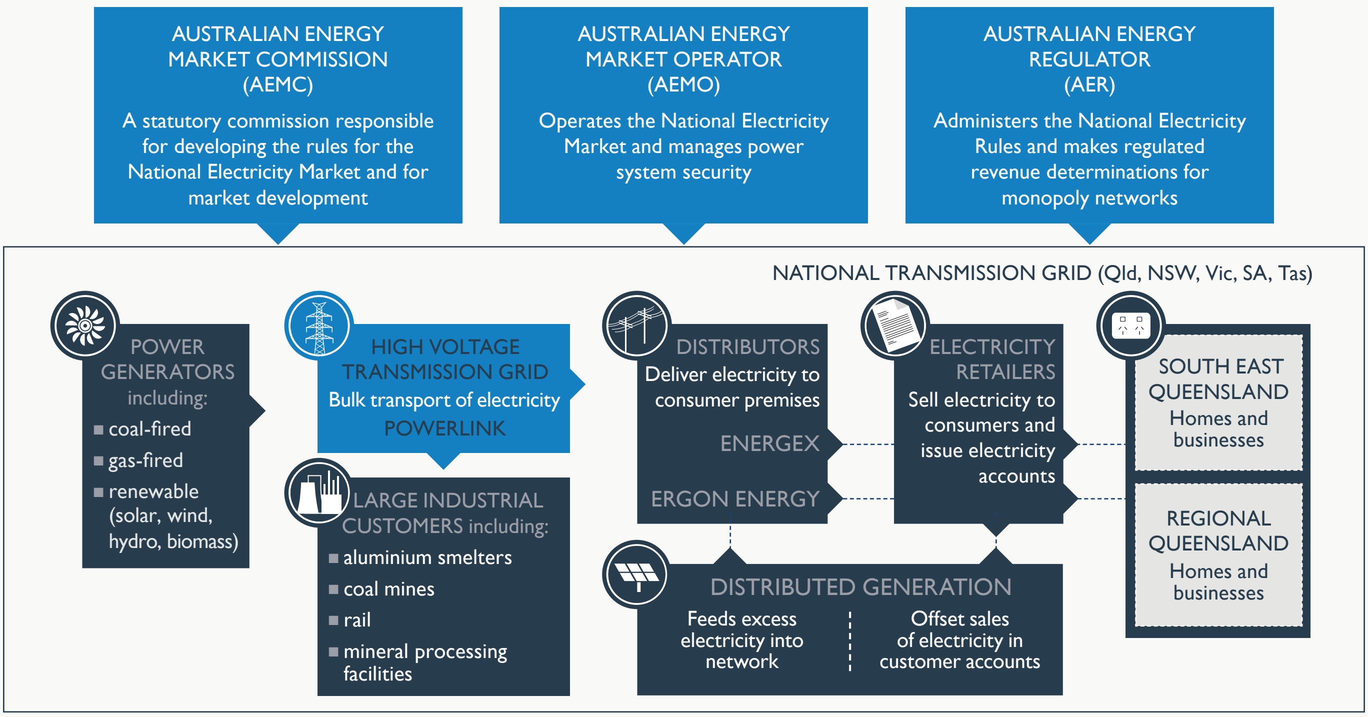
We are innovative and customer focused with a stronger business and reputation.

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 2016/17.

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

Highlights 2016/17

- Our 2016/17 Earnings Before Interest and Tax (EBIT) performed above the Statement of Corporate Intent (SCI) target, with controllable operating costs below target.
- Powerlink's contribution to electricity bills will reduce by a third in 2017/18 and our Australian Energy Regulator (AER) transmission determination process for 2017/18 to 2021/22 achieved positive stakeholder engagement.
- We successfully completed comprehensive negotiations to connect seven new renewable generators to our electricity network. We responded to an unprecedented level of more than 80 enquiries and progressed more than 20 applications from potential renewable generators, which will continue through connection processes in 2017/18.
- We implemented a new leadership and organisational structure to drive a sustainable, high performing business that delivers value to customers.
- We maintained electricity supply to customers during Severe Tropical Cyclone Debbie and the subsequent severe weather event despite the flooding causing damage to 19 transmission towers in Central Queensland.
- We committed to the 2016 Queensland Electricity Supply Industry Code of Practice detailing how we will maintain electricity corridors and infrastructure in National Parks and State Forests.

Powerlink profile

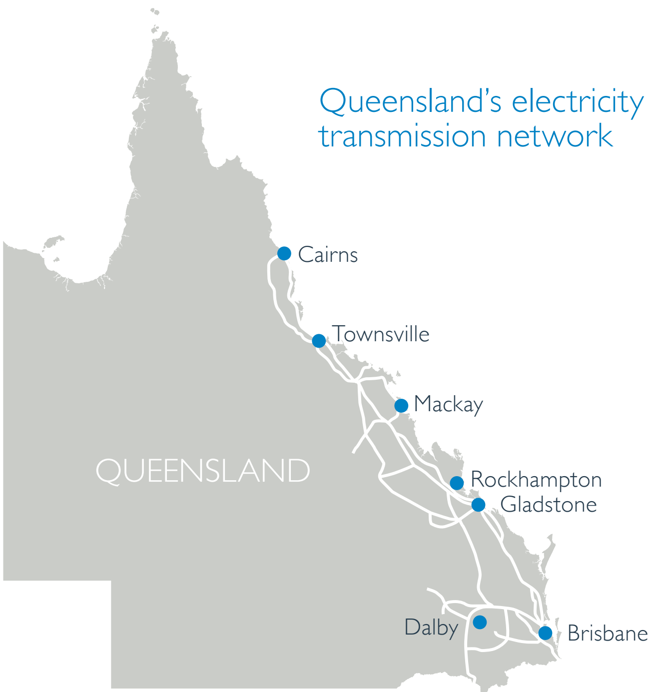
Powerlink Queensland is a leading Australian provider of high voltage electricity transmission network services, combining innovation with insight to deliver safe, cost effective and reliable solutions. We are a Queensland Government Owned Corporation (GOC) that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. Our network extends 1,700km from Cairns to the New South Wales border, and comprises 15,337 circuit kilometres of transmission lines and 139 substations.

With electricity being a key enabler of the economy and supporter of our lifestyles, Powerlink has an important responsibility in delivering electricity to almost four million Queenslanders. We transport electricity generated at major power stations through our transmission grid to the electricity distribution networks owned by Energex, Ergon Energy and Essential Energy (in northern New South Wales) to supply customers. We also transport electricity to several large electricity consumers in Queensland and to New South Wales via the Queensland/NSW Interconnector transmission line.

Powerlink is Australia's most experienced transmission network connection team, having delivered more network connections on a commercial basis than any other transmission company in Australia. We provide network connections for renewable and large-scale energy generators, as well as for major industrial customers operating rail systems, mines, and gas and mineral processing facilities.

We are a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). The majority of Powerlink's network is regulated by the Australian Energy Regulator (AER) under the National Electricity Law and the National Electricity Rules (NER).

Queensland's electricity transmission network



Powering communities and industry across Queensland.

Financial overview

Financial year 2016/17 was the final year of Powerlink's 2012/13 to 2016/17 regulatory period.

During the year, the AER delivered its Final Decision on Powerlink's transmission determination for the 2017/18 to 2021/22 regulatory period. The regulatory process establishes Powerlink's revenue for the five-year period from 1 July 2017, which includes an allowance for efficient operating and capital expenditure requirements.

Powerlink business performance

EBIT for 2016/17 was $816.3 million with total revenue of $1,370.4 million.

A key strategic focus for Powerlink was the delivery of its transmission services in an efficient and effective manner. To this end, in 2016/17 Powerlink continued to drive sustainable efficiencies in the controllable operating cost base, which closed at $233.4 million, slightly below the SCI target.

One of Powerlink's measures of cost efficiency is 'controllable operating cost as a percentage of depreciated asset value'. Performance against this measure for the year was in line with the target of three per cent, with the better operating cost performance being offset by a lower closing asset base, with asset revaluation at 2.1 per cent, which was below forecast.

Powerlink's Net Profit After Tax (NPAT) for 2016/17 was $351.2 million, which was a stronger result than the SCI target.

Capital investment

Capital expenditure in 2016/17 was $177.1 million, slightly below the SCI target of $179.6 million. With the relatively flat energy demand outlook, the network capital works undertaken focused on the refurbishment and replacement of assets, representing approximately 85 per cent of Powerlink's total network expenditure.

Borrowings

Powerlink did not require any additional debt funding during the year with its closing debt balance remaining unchanged at $5.3 billion. Powerlink's business gearing (Net Debt to Regulatory Asset Base) at 30 June 2017 was 72.9 per cent, which was below the SCI target of 75 per cent. The lower gearing ratio was due to higher cash holdings at the end of the year ($264 million) resulting in a lower Net Debt position.

A key contributor to the higher closing cash position and the EBIT performance was higher than forecast regulated revenue collections in 2016/17. This was due to the significant increase in Inter and Intra-Regional Settlements Residue (IRSRs) collections through the Australian Energy Market Operator (AEMO). IRSR proceeds totalled $115 million in 2016/17, an increase from $55 million on collections in 2015/16.

The over-collection of regulated revenue in 2016/17 will be used to offset regulated transmission prices in 2018/19, as prices have already been set for 2017/18. However, the 2017/18 prices already represent a significant reduction in average transmission prices.

Dividends

Powerlink's shareholding Ministers directed Powerlink on 8 June 2017 to retain $150 million of its proposed 2016/17 final dividend for the potential development of a transmission line linking proposed renewable energy generators in North Queensland (the Clean Energy Hub).

As such, Powerlink's final declared dividend for 2016/17 was $201.2 million, in addition to the $160 million of special dividends paid during the year.

Summary of Statement of Corporate Intent 2016/17

Our SCI for 2016/17, 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	2016/17 Performance targets	2016/17 Performance outcomes
Meet financial targets		
Achieve specified financial performance		
Earnings Before Interest and Tax (EBIT)	$ 743.1 million	$ 816.3 million
Net Profit After Tax (NPAT)	$ 279.4 million	$ 351.2 million
Return on Assets	9.1%	10.0%
Net Debt/Fixed Assets Ratio	65.8%	63.7%
Net Debt/Regulated Assets Ratio	75.2%	72.9%
Debt/Debt + Equity Ratio	76.6%	75.4%
Cash Flow From Operations + Interest/Interest	>2 times	3.1 times
Cash Flow From Operations/Net Debt	>7%	13.5%
Interest Cover Ratio (EBITDA)	3.1 times	3.6 times
Deliver shareholder value		
Deliver targeted dividends and returns to shareholders		
Return on Equity	17.2%	21.2%
Dividend Payout Ratio	157% (includes Special Dividends)	103%
Distribution Yield	21.6%	20.3%
Distribution Cash Coverage	1.2 times	1.5 times
Dividend provided	$ 439.4 million	$ 361.2 million[1]
Deliver our capital works program		
Develop the Queensland transmission grid to maintain reliability and meet customer requirements		
Total capital works expenditure	$ 179.6 million	$ 177.1 million
Meet non-financial targets		
Achieve specified safety performance		
Lost Time Injury Frequency Rate (LTIFR)	2.5	1.2
Total Recordable Injury Frequency Rate (TRIFR)	9.5	5.4
Compliant with relevant environmental legislation		
Environment	To be compliant with relevant legislation	Compliant
Environmental incidents	<=4	Nil
Achieve cost efficiency performance targets		
Maintenance operating cost/depreciated asset value	1.6%	1.6%
Controllable operating cost/depreciated asset value	3.0%	3.0%
Achieve network performance targets (calendar year 2016)		
System reliability parameters - Events in excess of 0.1 system minutes	Not more than 4	0
- Events in excess of 0.75 system minutes	Not more than 1	0

[1] Refer to Shareholding Minister directions on page 20 of this report.

Chairman's review

The future of energy in Australia continues to change. This is a transformational period for the energy industry, driven by changes in economic outlook, consumer behaviour, government policy and regulation, and emerging technologies. In addition to these wider changes to our national industry, renewable energy developments in Queensland are reshaping Powerlink's operating environment.

Powerlink achieved its key financial targets as approved by shareholding Ministers for 2016/17. Leading into the next regulatory period, Powerlink placed an emphasis on reducing its operating cost base to ensure it continues to deliver customer value and provide competitive non-regulated services.

Powerlink's underlying dividend policy is to distribute 100 per cent of Net Profit After Tax, which was $351.2 million for 2016/17. The final declared dividend for the year was $201.2 million, which recognised the Queensland Government's decision for Powerlink to retain $150 million for the potential development of transmission infrastructure to support renewable energy generation in Northern Queensland.

This supports Powerlink's work with the Queensland Government to deliver the initiatives presented in its Powering Queensland Plan and associated Powering North Queensland Plan. The plans outline investment across the Queensland energy industry, including investigations into transmission infrastructure for clean energy hubs and assessing the need for more interconnectors. These initiatives highlight the key role Powerlink's transmission network will play in the future of energy in Queensland, particularly in regard to encouraging diversity of renewable generation sources.

Another key focus has been our continued positive engagement with our stakeholders. In 2016/17, Powerlink engaged with its stakeholders in a variety of forums and across a range of matters that contributed to our business direction and improved our decision making.

We acknowledge the valued input from stakeholders into our Revenue Proposal and Revised Revenue Proposal to the AER. With reduced capital and operating expenditure compared to the current regulatory period, Powerlink has been preparing for the AER's Final Decision by changing the way we operate the business and reducing costs.

Safety is essential and Powerlink remains firmly committed to achieving a more mature and interdependent safety culture and improved safety performance. Safety leadership continues to be valued across Powerlink and contributes to ongoing improvements in safety reporting.

I welcome Ms Sarah Zeljko and Mr Peter Hudson to the Powerlink Board and thank them, along with continuing Board members, for their support and input. I recognise former Directors, Ms Joanna Brand and The Honourable Paul Lucas, who resigned in September 2016 and April 2017 respectively, for their contribution to the Board and Board Committees.

In March and April 2017, the impacts of Severe Tropical Cyclone Debbie were felt by communities across Queensland. Our network operated throughout this severe weather event without any electricity supply interruption to customers, despite flood-related damage to a number of electricity transmission towers in Central Queensland. Our people rose to the challenge and responded to this extreme weather event with a high level of commitment and professionalism.

Powerlink's people are delivering the business strategy in a rapidly changing environment. I take this opportunity to thank them for their contribution to the future of electricity transmission services in Queensland.

Dr Julie Beeby

Chief Executive's review

The past 12 months have seen continuing change in our industry. Energy policy has become a national priority, while the price of electricity continues to be a key issue for customers and consumers. In 2016/17, Powerlink continued to respond to these changes, adjusting our operating model to continue to safely deliver cost-effective, regulated transmission services for electricity consumers and facilitate renewable energy generation connections to our transmission network.

One of the key achievements has been the work undertaken as part of the 2017/18 to 2021/22 Regulated Revenue Determination process with the AER. Our approach was to propose a reasonable level of revenue to allow us to operate our network safely and efficiently while responding to the concerns of customers and consumers over electricity prices. The Final Decision is closely aligned with the proposal made by Powerlink and will see the transmission component of typical Queensland residential household electricity bills reduce by between $23 and $38 per annum. Our approach was recognised by the AER, who positively stated that "Powerlink demonstrated a genuine desire to put the interests of its customers first".

As a member of Energy Networks Australia (ENA), we made a significant contribution to the Electricity Network Transformation Roadmap, a comprehensive plan developed by the ENA and CSIRO which demonstrates the role of energy networks in delivering reliable and secure electricity supply at lower cost in a decarbonised future. The roadmap is closely aligned to the recommendations made in the report by Australia's Chief Scientist, Dr Alan Finkel, which also reinforces that transmission infrastructure will remain a critical component of the electricity supply system of the future.

Powerlink's network is already playing an important role in facilitating new renewable generation for Queensland. In addition to the seven new renewable generators that committed during 2016/17 to connect to Powerlink's network, we are working with a significant number of proponents of solar and wind generation projects across the state, providing certainty and solutions for their projects.

Our new leadership and organisational structure supports Powerlink's transition to our future business. I would like to thank employees for engaging in the journey towards a constructive organisational culture, supporting our new leadership and demonstrating their ongoing commitment to safety and business performance.

Merryn York

Health, safety and environment

Safe for Life

At Powerlink, the safety of our employees, contractors and the communities in which we operate is essential. Powerlink is also committed to protecting the environment and managing the potential environmental impacts resulting from our activities.

At Powerlink, every individual is responsible and accountable for health, safety and responsible environmental management, and our leaders are active role models of this commitment.

Our Safe for Life program continued to be highly visible and strongly influences Powerlink's safety culture at both personal and organisational levels. Safe for Life was implemented in 2014, as Powerlink commenced a journey towards an interdependent safety culture and improved safety performance. Safe for Life initiatives implemented during 2016/17 continued to support us in progressing the maturity of Powerlink's safety culture.

We implemented an alcohol and other drugs management program to reflect industry and community expectations, to raise awareness about the negative influences of alcohol and other drug use, and to highlight the potential risk to personal safety in the workplace.

Integrating our approach

We have aligned to a contemporary and efficient management support model by integrating and centralising Powerlink's health, safety and environment functions. This is underpinned by a new Health, Safety and Environment Policy, driving our integrated approach.

In maturing our safety culture and improving our health, safety and environment objectives, we have commenced a program of works which leverages our previous success. The health, safety and environment program will address engagement and communications for improvement initiatives, leadership coaching, strengthening our safety management system, and building health, safety and environment acumen across our business.

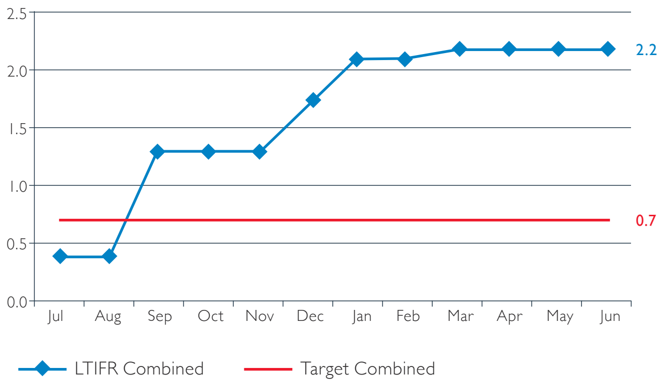
Safety performance

Powerlink's Electrical Safety Management System retained certification under the *Electrical Safety Act 2002,* following an audit by an independent external auditor. The Electrical Safety Management System is one element addressed in Powerlink's Safety Management System, which provides a cost efficient and consistent approach to safety management. Powerlink continues to monitor and report performance against our Lost Time Injury Frequency Rate (LTIFR) target.

In 2016/17, the combined Powerlink employee and contractor LTIFR tracked considerably above the target. In response, Powerlink has ensured that management takes action and learnings are shared to reduce the likelihood of similar incidents in the future. The incident trends have reinforced the importance of our safety values, Safe For Life – Everyone, Everywhere, Everyday.

Powerlink will continue to monitor and report on LTIFR, however, in line with our goal of improved safety performance and cultural maturity, we will also target a reduction in the Total Recordable Injury Frequency Rate (TRIFR). This measure, which is inclusive of lost time injuries and extends to medically treated and restricted work injuries, aligns with contemporary industry practices and visibly demonstrates Powerlink's commitment to our Safe for Life program.

Powerlink 2016/2017 Combined Employee and Contractor LTIFR



Contractor safety

We require our contractors to demonstrate the application of safe systems of work and display safe behaviour at all times. Our engagement processes help ensure our contractors share our commitment to safety and are willing to adopt our safety standards.

We support and have oversight of our contractors to achieve good safety performance and drive a strong safety culture.

We will continue to work with all of our contractors to ensure their ongoing commitment and maintenance of effective health, safety and environment management. Working together will improve our safety performance.

Public safety and infrastructure security

We delivered improvements to public safety and security by increasing the robustness of our critical substation infrastructure to prevent unauthorised entry and identify site entry activities. The improvements continue to be rolled out across our network of substations.

Powerlink continued to deliver powerline safety messages in collaboration with Energex and Ergon Energy (part of the Energy Queensland Group), through the 'Look up and Live' campaign and other electrical safety awareness activities. We promoted public safety messages through social media, and during face-to-face interactions with landholders and targeted community events. 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 provided information and advice to landholders about activities that can 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.

Abrasive blasting taking place on the Runcorn to Belmont transmission line as part of refit activities to safeguard network reliability.

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

We manage environmental risks through a clear identification process and implementation of appropriate control measures. There were no reportable environmental incidents during 2016/17.

Recognising the diversity of the environments in which we operate, Powerlink was a signatory to the 2016 Queensland Electricity Supply Industry (QESI) Code of Practice which details how Powerlink, Ergon Energy and Energex will maintain electricity corridors and infrastructure in Queensland's National Parks and State Forests, including Wet Tropics World Heritage listed areas. The 2016 QESI Code of Practice was negotiated by the QESI entities and the Department of National Parks, Sport and Racing (including the Queensland Parks and Wildlife Service – QPWS) and the Department of Agriculture and Fisheries, with engagement from Wet Tropics Management Authority (WTMA) and HQPlantations.

With the assistance of Macquarie University and James Cook University, Powerlink assessed the environmental impact of abrasive blasting of transmission towers, part of a process to extend the life of the towers. WTMA and QPWS were also engaged in the study process. Findings from the study have informed our processes to implement relevant controls during abrasive blasting of transmission towers and were shared with the Australian Chapter of the International Council on Large Electric Systems (CIGRE).

We established a collaborative biosecurity research project with Biosecurity Queensland, seeking to improve the efficiency of our process for managing weedy tussock grasses and minimise the impact of our biosecurity management processes on existing grazing activities.

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 2016 report.

Operating in the National Electricity Market

Regulatory determination process

The AER is responsible for the economic regulation of TNSPs under Chapter 6A of the NER.

In April 2017, the AER published its Final Decision on Powerlink's transmission determination for the 2017/18 to 2021/22 regulatory period, which sets out the revenue, capital expenditure, operating expenditure and other allowances for regulated services for the next five years.

The AER's Final Decision is the culmination of an extensive process that has occurred over more than two years. Powerlink submitted a Revenue Proposal to the AER in January 2016, and a Revised Revenue Proposal in December 2016 in response to the AER's Draft Decision in September 2016. Powerlink proposed prudent and efficient expenditure forecasts and revenue requirements that we considered were capable of acceptance by the AER.

Over the course of the transmission determination process, we built on our business-as-usual program of customer and consumer engagement activities to seek input into and provide feedback on our Revenue Proposals. We acknowledge the important role these stakeholders played in the determination process. Our Revenue Proposal reflected our focus on responding to consumer concerns over electricity prices through increased efficiency, cost reductions and consideration of alternative solutions that minimised the requirement for additional investment in the regulated network.

Regulatory determination outcome

The AER's Final Decision on Powerlink's transmission determination for the 2017/18 to 2021/22 regulatory period means that Powerlink's contribution to electricity bills is forecast to fall by almost one third from 1 July 2017.

Powerlink estimates that a typical Queensland residential household will save between $23 and $38 per annum on their electricity bill as a result of reduced transmission charges. The reduction will vary between households depending on electricity tariffs and consumption patterns.

The AER has determined that Powerlink's average annual revenues for the 2017/18 to 2021/22 regulatory period will be 24.7 per cent lower than those in the current regulatory period. In communicating its decision, the AER stated that it was supportive of the approach taken by Powerlink and acknowledged that most of the savings were identified by Powerlink after engaging with customers.

Powerlink recognises the flat outlook for electricity demand and the need to place downward pressure on electricity prices. Powerlink considers it can safely and reliably deliver its regulated services within the revenue level in the Final Decision. Powerlink has accepted the AER's Final Decision and has not pursued Limited Merits Review of the decision.

Transmission component of electricity prices

28.5% drop in indicative transmission price in 2017/18

Between

$23 and $38

savings for the average Queensland residential household annual electricity bill

Transmission pricing

Powerlink recognises that access to affordable and reliable electricity is a key enabler of the economy and enriches our modern lifestyle. We are focused on making our contribution to the electricity supply chain to deliver better value to our customers and consumers.

Powerlink's high voltage electricity network services represent about eight per cent of the total delivered cost of electricity for a typical Queensland residential electricity consumer. We determine Powerlink's regulated transmission charges in accordance with the NER and Powerlink's AER-approved Pricing Methodology. This is based on the Maximum Allowed Revenue (MAR) approved by the AER through the transmission determination process. Powerlink's MAR was $986.2 million[2] for 2016/17, which was year five of its 2012/13 to 2016/17 regulatory period.

Customers who connect directly to Powerlink's transmission network are charged for the use of the transmission network taking into account factors such as location and level of use.

Engaging in market development

Powerlink participated in a number of initiatives that contributed to the development of the NEM within a changing operating environment. Some of these key processes include:

Electricity Network Transformation Roadmap

Australia's national science agency, CSIRO, and the peak national body representing gas distribution and electricity transmission and distribution businesses in Australia, ENA, partnered to develop an Electricity Network Transformation Roadmap released in April 2017. The roadmap was developed to guide a structured transformation over the next decade, and to equip networks to deliver identified customer outcomes. The Final Report identifies various challenges facing Australia's electricity system in the face of diversified energy supply driven by customers, a strategy for the future and a plan to deliver that strategy.

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

Working alongside stakeholders to effectively respond to an ever-changing environment.

System Security

A number of reviews and rule changes into power system security are under way to consider various aspects of security and reliability of electricity supply in the context of a national electricity system in transition and a lower emissions future. Key among these has been the Independent Review into the Future Security of the NEM (the Finkel Review). The Review Panel recommended a way forward with the release of its blueprint for the future of the NEM, with the majority of recommendations accepted by the Council of Australian Governments (COAG) Energy Council.

Transmission Connections and Planning Rule change

In April 2017, the Australian Energy Market Commission (AEMC) introduced new Rules aimed at providing more choice, control and certainty for customers connecting to a transmission network, while confirming that TNSPs remain accountable for the operation, maintenance and control of the shared network. These changes will also result in TNSPs including more information in their Annual Planning Reports.

Regulatory Investment Test (RIT) Rule change

The COAG review of the RIT for Transmission concluded that the current test remains the appropriate mechanism for new transmission infrastructure investment in the NEM, including assessment of interconnection investments. A number of improvements to the test were identified, including a requirement to ensure system security and emissions reduction goals are adequately considered. Separately, the AEMC is consulting on a proposed RIT for Replacements Rule change intended to increase the transparency of asset retirement, de-rating and replacement decisions of network businesses.

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. Each year Powerlink assesses the network's capability to meet forecast electricity demand through a process that involves collaboration with TNSPs in other states, Distribution Network Service Providers connected to our network, 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 only a specified 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 can be operated and maintained in a way that achieves reliable supply outcomes for customers while balancing cost and other factors.

Powerlink is adapting to ongoing changes in our operating environment including the impacts and opportunities associated with supporting developments in renewable energy generation.

Network performance in 2016

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

- The network service component focuses on network availability and supply 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 the target performance level due to necessary outages related to projects to refurbish or extend the life of selected transmission lines. Powerlink exceeded the performance targets for supply reliability.
- The market impact component focuses on outages that potentially have a negative impact on participants in the NEM wholesale electricity market. For 2016, Powerlink's performance exceeded AER targets.

Powerlink's performance against these targets for 2016 is reported in the SCI summary on page 3. There was no significant loss of supply event on the transmission network during the year.

As Powerlink enters a new five-year regulatory period in 2017/18, our performance will be measured against a revised AER STPIS.

Delivering innovative solutions for our oil testing customers.

Network strategy and operations

Electricity demand and forecasting

Powerlink's Transmission Annual Planning Report (TAPR), published in June each year, is a key part of the planning process to ensure our network and business priorities meet the needs of electricity consumers and participants in the NEM, while meeting our obligations under the NER, Queensland's *Electricity Act 1994* and our Transmission Authority.

The TAPR provides information about the Queensland electricity transmission network to stakeholders including AEMO and Registered Participants[3], and parties with an interest in the NEM. The TAPR also provides stakeholders with an overview of Powerlink's planning processes and decision making on future investment, which offers market intelligence to a range of interested parties.

The 2017 TAPR includes information on forecast electricity requirements, the transmission network's capability, large-scale renewable electricity generation connections to the network, and future investment required to ensure the ongoing safe and reliable management of our network.

Queensland's 2016/17 summer was hot and long lasting, with two days of particularly high electricity demand on the transmission network. A new maximum demand record was set on 18 January 2017 and was subsequently exceeded on 12 February 2017.

The 2017 TAPR reports that Queensland's electricity peak demand is expected to remain relatively flat in the next five years, with moderate growth in the five years to follow. Electricity peak demand is forecast to increase at an average rate of 0.6 per cent per annum over the next 10 years. Consumer response to electricity prices is expected to have a continued dampening effect on electricity peak demand and usage.

Powerlink is committed to understanding the potential future impacts of emerging technologies to develop transmission network services in a way valued by customers. For example, future developments in battery storage technology coupled with small-scale solar photovoltaic could see significant changes to electricity usage patterns, which could reduce the need for the transmission network to cover short duration peaks in electricity demand. Feedback gained through our stakeholder engagement activities helped Powerlink to better understand these potential future impacts and informed the development of the 2017 TAPR.

Capital works program

Powerlink's strategic approach to asset investment ensures the management of our transmission infrastructure, while we safely and efficiently deliver the capital works program.

Powerlink invested $177.1 million in capital works projects throughout Queensland in 2016/17. A total of 5.9 per cent of our capital works projects comprised non-regulated customer connections, the cost of which are paid for by the customer seeking the connection.

Reinvestment associated with assets reaching end of technical life is the largest component of Powerlink's capital expenditure, comprising 85 per cent of Powerlink's total network expenditure and 91 per cent of the regulated network capital investment in 2016/17.

The forecast total regulated capital expenditure for the 2018 to 2022 regulatory period as determined in the AER's Final Decision is $835.5 million (2016/17 real). This is $476.2 million lower, in real terms, than actual regulated capital expenditure in the 2012/13 to 2016/17 regulatory period. This reduction is due to forecast relatively flat electricity demand and the efficient reinvestment in assets that are expected to reach end of life over the next five years.

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

Aerially inspecting our transmission lines and towers maintains the safety and reliability of our network.

Maintenance and materials management

Our network maintenance program is focused on ensuring the ongoing reliability of electricity supply. We track our progress against maintenance targets and monitor the efficiency of our program through international benchmarking.

In 2016/17, we successfully delivered 99 per cent of planned maintenance on our transmission lines, substations and communication sites. During the period, Powerlink invested $144 million in maintaining the transmission network to ensure we delivered safe, cost effective and reliable transmission services.

We are committed to realising efficiency improvements in our approach to maintenance. Our field mobility project has integrated the use of mobile devices for our field staff maintaining our transmission network assets. The seamless integration of this mobile application will contribute to the ongoing safety and efficiency of our maintenance work.

Powerlink adopted aerial surveillance of transmission line easements to deliver efficiencies in our vegetation management program. Using light detection and ranging methods, the program delivers improved data on vegetation impacts on our easements. We are also exploring opportunities to apply data to advance other aspects of our vegetation management program.

We delivered a materials management program to achieve efficiencies in the management of Powerlink's inventory, encompassing improvements in equipment ordering, warehousing, picking, tracking and delivery. A key aspect of the program was the application of radio-frequency identification technology to provide better access to equipment data, which informs on-site maintenance work and enables analysis of long-term equipment performance.

Contingency planning and emergency response

Powerlink works cooperatively with relevant state agencies on contingency planning and responding to extreme events that impact on the transmission network. This interaction with external agencies and our internal processes are directed by our comprehensive emergency management response plans. We test these response plans through internal exercises and annual exercises with AEMO and jurisdictional representatives from the Queensland Department of Energy and Water Supply (DEWS).

Our emergency response plans ensured Powerlink was well prepared for Severe Tropical Cyclone Debbie, which made landfall in North Queensland on 28 March 2017 and continued south causing significant damage and flooding in Central and South East Queensland. Sections of Powerlink's transmission network in Central Queensland were impacted during the cyclone and subsequent weather event, with extensive damage to 19 transmission towers along the Broadsound to Nebo 275kV transmission line. The structures of certain transmission towers were impacted by flooding, causing those towers to fall and creating a cascading effect on neighbouring towers.

Despite this significant damage, the network was configured to ensure a continued high voltage electricity supply to the area, with no impact to supply for customers. Following the cyclone, we inspected our transmission lines in the area by helicopter to check for remaining debris and potential damage. Our priority was to safely isolate and disconnect the damaged sections of transmission line. A restoration project to replace these transmission towers is expected to be completed by summer 2017/18 to ensure our transmission network continues to operate safely and reliably.

The transmission network is playing a key role in enabling the connection of renewable energy projects.

Customer focus

Connecting renewable generation

The future of energy is changing, and Powerlink is changing with it, contributing to a lower carbon future for Queenslanders. Evidence of this change is the high level of interest from renewable energy projects seeking to connect to Powerlink's electricity transmission network. We responded to more than 80 new connection enquiries from renewable generators totalling more than 15,000 megawatts. More than 20 of these enquiries progressed to application in accordance with the NER, an unprecedented level in Powerlink's history.

We are focused on supporting the delivery of successful renewable energy projects, on time and on budget. To achieve this level of service, we draw on our skills and capability as Australia's most experienced transmission network connection team and our proven proficiency in delivering more network connections on a commercial basis than any other transmission company in Australia.

Seven renewable generators committed to using Powerlink to connect to the electricity transmission network in Queensland, after completing the detailed connection process required by the NER. These new projects will deliver a total of 718 megawatts of renewable generating capacity for Queensland, comprising six solar farms and one wind farm.

Powerlink began connection works for one project in early 2017 and will deliver all six connections for solar farms during 2017/18. We will draw on our technical know-how and expertise to ensure the on-time delivery of these customer connections throughout Queensland.

We are actively negotiating multiple renewable energy connections with other proponents representing a broad customer base including international, national and local developers. Throughout these negotiations, we maintain our focus on delivering certainty and solutions for our customers.

Renewable electricity generators that finalised Connection and Access Agreements with Powerlink in 2016/17

Region	Project	Registered generation capacity
North Queensland	Mt Emerald Wind Farm	180 megawatts
	Ross River Solar Farm	125 megawatts
	Clare Solar Farm	136 megawatts
	Whitsunday Solar Farm	57 megawatts
	Hamilton Solar Farm	57 megawatts
Southern Queensland	Darling Downs Solar Farm	110 megawatts
	Teebar Solar Farm	53 megawatts

Our services

Powerlink's customers want value, certainty and solutions. As a leading provider of high voltage network services, we deliver technical advice with the right solution to meet a range of customer needs. In 2016/17, we continued the growth of our non-regulated service offering including:

- network connections for generators and large energy users
- telecommunications
- oil, insulation and SF6 testing
- asset management
- construction and project management
- easement acquisition
- ongoing maintenance and operations
- sale of high voltage equipment
- property services
- consulting services.

Stakeholder engagement

Effective engagement

Continuing to engage with stakeholders helps us understand and adapt to the changing business environment. In 2016/17, we remained focused on promoting effective and genuine engagement, based on the principles of integrity, openness, responsiveness, accountability and inclusiveness.

Our engagement approach continued to be guided by Powerlink's Stakeholder Engagement Framework, which aims to build stakeholder trust and social licence to operate.

In November 2016, we undertook our bi-annual stakeholder perception survey to gain insights into more than 100 stakeholders' perceptions of Powerlink, our social licence to operate, reputation and perceptions of overall performance. The survey findings indicated that generally stakeholders remain positive about their relationship with Powerlink and have an overall high level of acceptance of our operations. This understanding and awareness has supported and informed our ongoing engagement with stakeholders.

Based on the 2016 stakeholder survey results, we focused on improving relationships with local government representatives and landholders, as well as continuing to engage with diverse stakeholders including our customers, electricity consumers, communities, Traditional Owners, regulators, government and industry groups.

Engagement activities

We proactively created opportunities to engage with our stakeholders with the aim of seeking input into Powerlink's business focus and objectives. Feedback from these activities improved our decision making to deliver better value for customers.

In July 2016, more than 100 customer, consumer, government and industry representatives attended Powerlink's second annual Transmission Network Forum to discuss the future of Powerlink's network.

Powerlink's Customer and Consumer Panel provided an ongoing face-to-face forum for our stakeholders to give input and feedback regarding our decision making, processes and methodologies. The panel, comprising members from energy industry, resources and community advocacy groups, consumers and research organisations, met in October 2016 and May 2017. Topics explored by the panel included the AER's Draft and Final Decisions, opportunities to strengthen Powerlink's customer focus and the application of relevant key insights from the ENA and CSIRO's Electricity Network Transformation Roadmap.

In April 2017, Powerlink held a Demand and Energy Forecasting Forum attended by representatives from distribution businesses, AEMO, Queensland Government and industry experts. Among the topics examined was the potential impact of new technologies and tariff reform on electricity demand and energy forecasting on the Queensland transmission network.

Powerlink hosted a North Queensland Area Plan Forum in Townsville in April 2017. The forum provided the opportunity for Powerlink to gather strategic input from local stakeholders on factors to consider when planning reinvestment in the North Queensland transmission network. Feedback received will assist with guiding future planning and investment decisions.

Powerlink has continued to enhance processes for engaging with stakeholders for the provision of non-network services. These processes include publishing information on the need for and scope of viable non-network solutions. The first Non-Network Feasibility Study was published in August 2016 and focused on further improving consultation with non-network providers and seeking potential alternative solutions for network developments. In addition, a Future Transmission Network Webinar in May 2017 was the first in a series of webinars intended for non-network providers and other stakeholders unfamiliar with Powerlink's transmission network. By providing and exchanging information early, Powerlink hopes to generate more interactions with non-network providers during any future non-network consultation processes.

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 Cultural Heritage Framework guides the ongoing management of Cultural Heritage throughout the life of our transmission assets, including during the planning and delivery of network reinvestment projects. We also work cooperatively with customers wishing to connect to our network to achieve efficient Cultural Heritage outcomes for the benefit of commercial projects.

We continued to engage proactively with Traditional Owner groups to foster respectful and positive relationships, including through our established whole-of-claim agreement approach. This approach establishes agreed processes to manage Cultural Heritage matters in all phases of our activities and recognises the Traditional Owners' unique knowledge of the land.

Regulated network development

Focus on network reinvestment

We assess committed and future potential regulated network investments after considering the technical and economic life of transmission infrastructure and electricity demand growth.

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. We also consider a broad range of options in response, including network reconfiguration, asset retirement, non-network solutions or replacement with an asset of similar or lower capacity.

We gained stakeholder input into our network reinvestment decision making process through our ongoing stakeholder engagement activities, particularly the Transmission Network Forum and through local engagement such as the North Queensland Area Plan Forum in Townsville.

Regulated network developments

Before committing to build 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 balancing 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 costing over $6 million. Powerlink did not initiate any new RIT-T assessments during 2016/17.

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 solutions may also form part of an overall network reconfiguration strategy when a network asset has reached end-of-life to assist in achieving the right balance between reliability and the cost of transmission services.

Common types of non-network alternatives can include demand side management initiatives, which contribute to lowering peak electricity demand, and network support where additional generation is provided during times of peak demand on the electricity network.

Powerlink's Non-Network Solution Feasibility study process advances consultation with stakeholders who may have the potential to provide non-network services and have identified their interest by joining our non-network engagement stakeholder group. Our Future Transmission Network Webinar supported stakeholder engagement in the process by sharing current and historical information about our transmission network with registered non-network providers.

Powerlink's first Non-Network Solution Feasibility Study Report, published in August 2016, reported on the viability of a non-network solution as an alternative to replacing two transformers at Garbutt Substation. Through the study, we provided information to members of our Non-Network Engagement Stakeholder Register and received comments from three possible non-network solution providers. The information we received from this exchange supported the decision that the solution to address the need and deliver the lowest long-run cost to consumers was for Powerlink to replace both of the transformers at Garbutt Substation.

Major regulated network projects

Major transmission developments and reinvestments completed in 2016/17

Region	Project
North Queensland	Strathmore 275kV Substation secondary systems replacement
Southern Queensland	Blackwall 275kV Substation secondary systems replacement
	Braemar 275kV Substation secondary systems replacement
	Upper Kedron 110kV Substation secondary systems replacement

Major transmission developments and reinvestments under construction in 2016/17

Region	Project
North Queensland	Collinsville to Proserpine 132kV transmission line refit
	Garbutt to Alan Sherriff 132kV transmission line replacement
	Mackay 132kV Substation replacement
	Moranbah area 132kV capacitor banks
	Moranbah 132/66kV Substation transformer replacements
	Nebo 275/132kV Substation transformer replacements
	Nebo 275kV Substation replacement
	Proserpine 132kV Substation replacement
	Ross 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
	Gladstone to Boyne Island 132kV transmission line refit
	Stanwell 275kV Substation secondary systems replacement
Southern Queensland	Mudgeeraba 110kV Substation replacement
	Rocklea 275kV Substation secondary systems replacement
	Tennyson 110kV Substation secondary systems replacement

Major transmission developments and reinvestments approved but not yet under construction in 2016/17

Region	Project
North Queensland	Alligator Creek to Eton Tee 132kV transmission line refit
	Garbutt 132/66kV Substation transformer replacements
Central Queensland	Calvale 275/132kV Substation transformer reinvestment
	Dysart 132kV Substation replacement
	Wurdong 275kV Substation secondary systems replacement

People

Workforce strategies

Achieving our goals through teamwork and a shared focus is a key enabler for Powerlink and underpins our strategic imperative of ensuring Powerlink is a great place to work. Our success will see our people working together as one Powerlink, and collectively creating and sharing success, along with our people working productively and fostering a supportive culture that enables everyone to realise their full potential.

Our total workforce Full Time Equivalent staffing as at June 2017 was 820. We have optimised our organisation for future competitiveness through implementing efficiencies across the business that have seen a direct reduction in our workforce positively impacting both direct and indirect costs. No forced redundancies were implemented as part of these efficiency measures. A key driver of the success of these changes has been our genuine collaborative and consultative approach with our employees and their representatives.

The diversity of our workforce is a key strength in our delivery of high quality services, and we know that by harnessing different perspectives in different ways we will be better positioned to deliver the innovative thinking and solutions that will be required for the complex problems we face both now and in the future. Powerlink continues to build on the strong foundation of valuing diversity and inclusion to enhance our work environment, productivity and capability.

During 2016/17 we had two agreements in place, the Working At Powerlink Union Collective Agreement 2015 and the Powerlink Managers' Agreement 2014.

Leadership and business structure

In transforming our business to become more agile and responsive to our changing external environment, we reviewed and revised Powerlink's business and leadership structure.

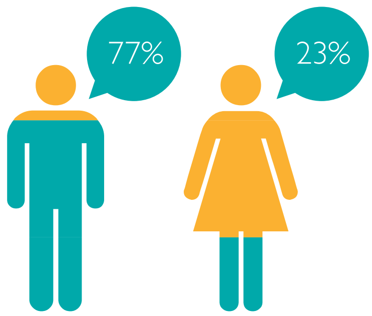
We successfully implemented a new business structure in response to our changing external environment. The new leadership structure and team will assist in driving a sustainable, high performing business that provides value to our customers, supports a constructive culture and delivers on Powerlink's mission, vision and values.

Organisational culture

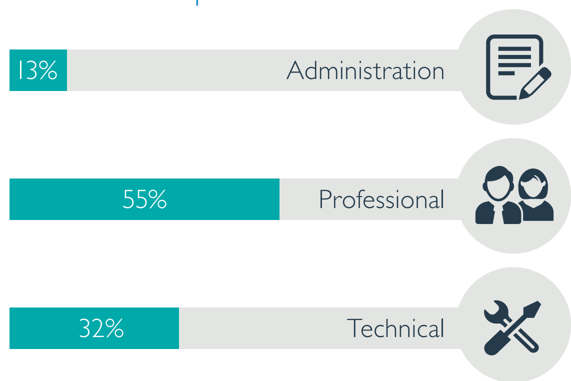
Supporting our employees and leaders through change was a key priority in 2016/17. We also focused on working with our people to continue Powerlink's culture change journey which aims to drive a productive and supportive culture that enables our employees to realise their potential.

Through extensive consultation and co-design with our employees, we identified a desired preferred culture. Complementing our desired culture is a strong focus on leadership development that fosters senior leaders that lead by example and guide employees to embody our preferred culture. We also undertook activities aimed at improving employee connection to Powerlink's mission and vision, employee involvement, upward communication and customer service.

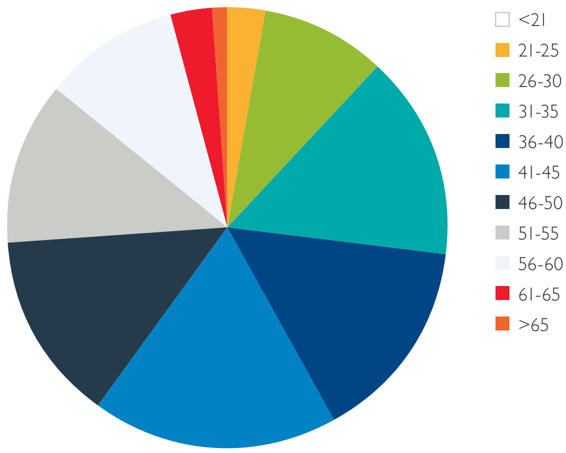
Powerlink gender composition



Powerlink occupational stream



Powerlink age profile



Joining forces with students from St Laurence's College to plant trees at the school's Runcorn Playing Fields.

Community

Corporate citizenship approach

In carrying out our business activities, Powerlink strives to act as a good corporate citizen through our operational performance, engagement with stakeholders and community relations activities. Our corporate citizenship approach in communities is a key driver of reputation and the social licence to operate granted to us by our stakeholders.

We are committed to building relationships with communities, local government and other stakeholders in the areas where we have current or planned operations.

Strategic partnerships

We seek to support community initiatives that focus on empowering communities, protecting and conserving the environment, supporting safety and wellbeing, and education.

Powerlink supported the Queensland State Emergency Service (QSES), in conjunction with Energex and Ergon Energy, by delivering an equipment program for SES groups around the state. The sponsorship funded new equipment for SES units, helping to enhance their response during emergency events. The support aligns with Powerlink's commitment to safety and emergency response, and working with local communities.

Powerlink and the Bulimba Creek Catchment Coordinating Committee (B4C) implemented an environmental rehabilitation project, planting 480 native plants in Wishart in Brisbane, near Powerlink's Runcorn to Belmont transmission line.

St Laurence's College collaborated with Powerlink and B4C to plant 300 native seedlings at the school's playing fields in Runcorn, which are traversed by Powerlink's Algester to Runcorn transmission line. Powerlink and B4C also presented a guest lecture to students about the importance of protecting waterways and environmental conservation.

To celebrate World Environment Day, Powerlink worked with students at Nashville and Geebung State Schools to complete on-ground garden maintenance activities and share environmental skills that support the school and local community.

Powerlink also partners with a number of professional and industry associations to support initiatives that progress and inform our industry.

Koala offset program

The growth of koala food and shelter trees at the Grandchester Koala Offset Project continued to outpace expectations. The continuing partnership between Powerlink, Ipswich City Council and Healthy Waterways and Catchments is delivering on-ground outcomes that protect the natural environment and wildlife.

Electric and magnetic fields

Electric and magnetic fields (EMFs) are found everywhere electricity or electrical equipment is being used. We understand some of Powerlink's community stakeholders have an interest in EMFs. Powerlink closely follows ongoing research and developments in this area, and takes advice about EMF 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 (ICNIRP).

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 a corporate governance framework which encompasses an 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 2017, were:

- The Honourable Curtis Pitt, Treasurer and Minister for Trade and Investment, holding 50 per cent 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
- monitoring financial outcomes and the integrity of reporting; in particular, approving annual budgets and longer-term strategic and business plans
- endorsing the SCI
- 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 2016/17, Powerlink held 11 formal meetings of Directors, which were supplemented with Flying Minutes. 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. The Committee also assists the Board in the oversight of financial integrity and legal compliance.

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, 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 Corporations 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.

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 GOCs. There were no revisions made to the Guidelines that required changes to Powerlink's corporate governance arrangements in 2016/17.

Corporate governance in Powerlink is managed through a framework of policies approved by the Board and supplemented by supporting standards, procedures and practices developed by management. The corporation commits to these 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 strategic direction articulated in Powerlink's 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, and senior management through regular direct reporting and via established committees.

Details relating to Powerlink Directors, Board Committee composition and meetings in 2016/17 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 2017.

Board Balance	Board Tenure		Board Diversity	
1 Non-Executive Chairman	0-2 years	3	Female	60%
	2-4 years	0	Male	40%
4 Non-Executive Directors	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, a summary of which is available on the Powerlink website, describes the Board's functions and responsibilities, which are to:

- set the corporation's values and standards of conduct and ensure that these are adhered to
- provide leadership of the corporation within a framework of prudent and effective controls which enable risks to be assessed and managed effectively
- in collaboration with management, develop and approve the corporation's direction, strategies and financial objectives, and ensure that all necessary resources are available for the business to meet its objectives
- monitor financial outcomes and the integrity of reporting
- monitor management's performance and implementation of strategy
- ensure an effective system of corporate governance exists.

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 management 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 executive against pre-agreed business and individual targets, and submitted the outcomes of the evaluation to the Board for its consideration and approval.

The Board Handbook is a key resource identifying the major reference documents that are relevant and will assist the Powerlink Directors in undertaking their roles and responsibilities. The Handbook serves as both an induction and an ongoing reference guide for Directors, and is updated annually by the Company Secretary.

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

Principle 2: Structure the Board to add value

At 30 June 2017, the Board comprised five independent non-executive Directors. All Directors are appointed by the Government in accordance with the GOC Act. There were changes to Powerlink's Directors in 2016/17:

- Director Joanna Brand resigned in August 2016.
- New Directors Paul Lucas, Sarah Zeljko and Peter Hudson were appointed in December 2016.
- Director Paul Lucas resigned in April 2017.

Details of the skills and experience of each current Director are presented separately in the Board of Directors 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, through a self-assessment by the Directors and input from the Chief Executive and Company Secretary, 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 2016/17 Board meetings, the Board held Strategic Planning and Risk Workshops.

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 having undertaken its annual self-assessment for 2016/17, 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	•		•	•	•	•
Peter Hudson	•	•	•		•	
Julie Martin				•	•	
Alan Millis		•	•	•	•	
Sarah Zeljko		•	•	•		•

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, a summary of 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 2017, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee

Chairman: Mr Alan Millis

Members: Dr Julie Beeby and Mr Peter Hudson (from December 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 Sarah Zeljko (from May 2017)

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 framework 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. 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 management. Each of these Executive Committees submits reports to the Audit, Risk and Compliance Committee, or 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 Management 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 Code of Conduct documents aim to ensure that Powerlink employees and those carrying out work for Powerlink 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, recognising the benefits of diversity, 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; and
- 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 agreed with our shareholding Ministers. 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 was one shareholding Ministers' direction in 2016/17:

- Powerlink 2016/17 Dividend.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2016/17 totalled $10,816. 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 worked in the minerals and petroleum industries in Australia for more than 25 years and her career has included work for major Australian and US resources companies, including recently as Chief Executive Officer of WestSide Corporation, an ASX-listed, Queensland-based coal seam gas company.

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

Julie is currently a non-executive director of Whitehaven Coal Ltd and OzMinerals Ltd and has previously held non-executive director positions on ASX listed companies, industry associations and research organisations.

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

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

Peter Hudson

BA, MAICD, CA

Board Member
(Appointed 2016)

Peter has extensive experience in the energy, mining, transport and telecommunications sectors. Currently Managing Director at investment business Stradbroke Capital, Peter is also a director of Youngcare Ltd and the Queensland Theatre Company.

Peter was a partner at global advisory firm KPMG and for the last 10 years specialised in assisting governments around Australia in undertaking restructuring processes.

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

Julie Martin

BE (Hons), MIEAust, GAICD

Board Member
(Appointed 2011)

Julie has more than 20 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects within Australia and internationally. She is currently the General Manager (QLD, WA, NT, PNG) at EIC Activities, the CIMIC Group's engineering and technical services business. Prior to joining EIC, Julie held the position of Power Site Manager with CPB Contractors (formerly Theiss), responsible for the delivery of QGC's Surat North Project high voltage infrastructure.

Alan Millis

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

Board Member
(Appointed 2015)

Alan has more than 40 years' experience in the energy sector with management roles covering corporatisation of the Queensland Energy 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 Queensland and national electricity sectors and the issues they face going forward.

Alan is the Chairman of the Powerlink Board's Audit, Risk and Compliance Committee.

Sarah Zeljko

LLB, GAICD

Board Member
(Appointed 2016)

Sarah has over 20 years' experience in the legal sector including extensive executive leadership experience in the infrastructure, energy, water, mining and manufacturing industries in large government and private corporations.

Sarah is currently General Counsel and Company Secretary of G8 Education, a top 200 ASX listed entity and was previously the General Counsel and Company Secretary for the Wiggins Island Coal Export Terminal and Cement Australia.

Sarah specialises in the areas of corporate governance, risk management, compliance, commercial negotiations and strategy.

Sarah is a member of the Powerlink Board's People, Culture and Remuneration Committee.

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 Powerlink Board's Audit, Risk and Compliance Committee, and the People, Culture and Remuneration Committee meetings.

Stewart Bell

BEng, PhD, MBA, CEng, FIET, RPEQ

Executive General Manager Delivery and Technical Solutions

Stewart has more than 20 years' experience in the electricity industry, including management roles in operations, project delivery and asset investment.

Stewart is responsible for Powerlink's asset management strategies and standards, all aspects of Powerlink's capital works program, and the acquisition and management of land and property including landholder relations.

Maurie Brennan

BBus, MBA, CPA, FAICD

Chief Financial Officer

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

At Powerlink, Maurie manages all finance, tax, treasury, investment analysis, contract management, internal audit, insurance, and legal, business and risk services. He is also Powerlink's Company Secretary.

Gary Edwards

BBus, AD Elec Eng

Executive General Manager Operations and Service Delivery

Gary is an experienced senior leader with more than 35 years' experience in technical and leadership roles within the energy industry.

Gary is responsible for delivering Powerlink's state-wide operations including 24/7 real time operations, all field maintenance, telecommunication services, operational technology, laboratory and warehousing services.

Cathy Heffernan

GradCertLegalSt, Qualified Workplace Investigator, Qualified Mediator

Executive General Manager People and Corporate Services

Cathy has more than 25 years' experience across human resources, change management, customer and corporate services, and health, safety and environment functions.

Prior to joining Powerlink, Cathy held the role of Assistant Director General Human Resources at the Department of Education and Training, where she led the strategic human resources agenda.

At Powerlink, Cathy leads the people and culture, business information technology, communications, and health, safety and environment functions.

Kevin Kehl

BE (Hons), GradCertElecSupplyEng, GAICD

Executive General Manager Strategy and Business Development

Kevin is an experienced senior executive with more than 30 years' involvement in the electricity industry. He joins Powerlink from Energy Queensland where he held the role of Executive General Manager Strategy, Portfolio and Innovation.

Kevin leads Powerlink's strategy, business planning, network regulation, business development, network portfolio and business resilience functions.

Statistical summary

The following tables provide an overview of Powerlink's assets and network equipment across Queensland.

Substations/switching stations and communication sites as at 30 June 2017

Voltage	Substations	Cable transitions	Communication sites
330kV	4	0	
275kV	43	1	
132kV	78	3	
110kV	14	5	
66kV	0	1	
Total	**139**	**10**	**85***

*3 communication sites decommissioned: Pingin Hill Repeater, Mt Nutt Repeater, Mt Seaview Repeater

Substations/switching stations and transformers added in 2016/17

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	0		1	250	Mudgeeraba
132kV	0		0		
110kV	0		0		
Total	**0**		**1**	**250**	

Circuit breakers as at 30 June 2017

Voltage	Total number
330kV	30
275kV	513
132kV	551
110kV	271
66kV*	24
Total	**1389**

* equal to or less than 66kV

Circuit breakers added in 2016/17

Voltage	Circuit breakers	Location
330kV	-1	Braemar
275kV	0	
132kV	-2	Rockhampton
110kV	-2	Mudgeeraba
66kV*	0	
Total	**-5**	

* equal to or less than 66kV

Capacitor banks, shunt reactors and Static VAr Compensators added in 2016/17

Voltage	Capacitor banks		Reactors		SVCs		Location
	Total	MVAr	Total	MVAr	Total	MVAr	
330kV	0	0.0	0	0.0	0	0.0	
275kV	0	0.0	0	0.0	0	0.0	
132kV	-1	-48.0	0	0.0	0	0.0	Rockhampton
110kV	-1	-37.5	0	0.0	0	0.0	Mudgeeraba
Total	**-2**	**-85.5**	**0**	**0.0**	**0**	**0.0**	

Capacitor banks, shunt reactors and Static Var Compensators as at 30 June 2017

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	35	1555.0	0		15	1881.0
110kV	33	1825.2	0		0	
66kV*	5	96.0	2	42.4	0	
Total	**104**	**7796.2**	**24**	**1032.4**	**23**	**4391.0**

* equal to or less than 66kV

Transmission lines and underground cables added in 2016/17

Voltage	Transmission line		Underground cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0	0	0
275kV	0	0	0	0
132kV	-98	-196	0	0
110kV	0	0	0	0
66kV	0	0	0	0
Total	**-98***	**-196***	**0**	**0**

* Proserpine to Mackay transmission line decommissioned

Five-year history of transmission lines and underground cables as at 30 June 2017										
Voltage^	2013		2014		2015		2016		2017	
	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	6293	8981	6512	9419	6557	9509	6693	9781	6693	9781
132kV	2820	4521	2841	4564	2787	4458	2867	4616	2769	4420
110kV	222	420	215	413	215	413	215	413	215	413
66kV*	4	4	4	4	4	4	4	4	4	4
Total lines	**9687**	**14622**	**9920**	**15096**	**9911**	**15080**	**10127**	**15510**	**10029**	**15314**
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	**9710**	**14645**	**9943**	**15119**	**9934**	**15103**	**10150**	**15533**	**10052**	**15337**

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

Index and abbreviations

Powerlink Queensland

Financial Statements

2016/17

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:
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 24 August 2017. 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 2017 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
Mr Alan Millis

Ms Joanna Brand was a director from the beginning of the financial year until her resignation effective from 30 September 2016.

Mr Peter Hudson was appointed as a director effective from 20 December 2016 and continues in office as at the date of this report.

Hon. Paul Lucas was appointed as a director effective from 20 December 2016 and resigned effective from 21 April 2017.

Ms Sarah Zeljko was appointed as a director effective from 20 December 2016 and continues in office as at the date of this report.

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 2016/17 final dividend ($201.166M) is based on 100% of the operating profit after income tax equivalent expense less an amount of $150M in terms of a direction from Powerlink's shareholding Ministers (2016: final dividend $218.300M being 100% of the profit after income tax equivalent expense).
During the year the Consolidated Entity paid a special/interim dividend of $160M.
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, is 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

On 28 April 2017 the Australian Energy Regulator (AER) published its final decision on Powerlink's regulated transmission determination for the 2017-22 regulatory control period. The AER determination applies only to Powerlink's prescribed (regulated) services.

Powerlink's regulatory determination delivers value to consumers and customers while maintaining reliable prescribed transmission services. The AER has determined that Powerlink's average annual revenues for the 2017/18 to 2021/22 regulatory period will be 24.7% lower than those in the prior 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 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 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 for 2015/16 were independently reviewed. Powerlink's scope 1 emissions in 2015/16 (greenhouse gases emitted into the tmosphere as a result of the Consolidated Entity's activities) were 16,977.73 tonnes of carbon dioxide equivalent.

Information on directors

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

Company secretary

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

Mr Paul Reynolds (Financial Controller) and Ms Desley G Briggs (General Manager Governance and Business Services) were both appointed to the position of Alternative Company Secretary in December 2016. Mr Michael W Boylson's appointment as Alternative Company Secretary was revoked in December 2016 upon Mr Boylson's departure from the Company.

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 2017, and the numbers of meetings attended by each Director were:

Directors' report

Meetings of directors (continued)

Directors	Full meetings of directors		Meetings of Committees			
			Audit, Risk & Compliance		People, Culture & Remuneration	
	A	B	A	B	A	B
Dr Julie Beeby	11	11	4	4	5	5
Ms Joanna Brand	3	3	1	1	3	3
Mr Peter Hudson	6	6	2	2	**	**
Hon. Paul Lucas	3	3	**	**	1	1
Ms Julienne Martin	11	11	**	**	5	5
Mr Alan Millis	11	11	4	4	**	**
Ms Sarah Zeljko	6	6	1	1	1	1

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 2017 were the Honourable Curtis Pitt, Treasurer and Minister for Trade and Investment 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 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.

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 and shareholding Ministers shown above, and the following executive officers at 30 June 2017 who have authority and responsibility for planning, directing and controlling the activities of the entity:

- *Chief Executive*
- *Chief Financial Officer*
- *Executive General Manager Delivery and Technical Solutions*
- *Executive General Manager Operations and Service Delivery*
- *Executive General Manager People and Corporate Services*
- *Executive General Manager Strategy and Business Development*

Loans to Directors and Executives

There are no loans to any Director or any key management personnel of the Consolidated Entity.

Directors' report

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) 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.

Rounding of amounts

The Company is of a kind referred to in Australian Securities and Investments Commission Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument 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
24 August 2017

Directors' report

Auditor's independence declaration

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

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

Independence declaration

As lead auditor for the audit of Powerlink Queensland for the financial year ended 30 June 2017, 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

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

QUEENSLAND
21 AUG 2017
AUDIT OFFICE

Rachel Vagg
(as delegate of the Auditor-General)

Queensland Audit Office
Brisbane

Contents

Income statements

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Revenue from continuing operations	2	**1,370,406**	1,166,680	**1,370,406**	1,166,680
Other gains/(losses)	3(a)	**(5,385)**	1,091	**(5,385)**	1,091
Less					
Expenses from continuing operations excluding finance costs expense	3(b)	**(548,730)**	(544,305)	**(548,730)**	(544,305)
Finance costs	3(b)	**(315,162)**	(310,255)	**(315,162)**	(310,255)
Profit before income tax equivalent		**501,129**	313,211	**501,129**	313,211
Income tax equivalent expense	4	**(149,963)**	(94,911)	**(149,963)**	(94,911)
Profit for the period		**351,166**	218,300	**351,166**	218,300
Profit is attributable to:					
Owners of Powerlink Queensland		**351,166**	218,300	**351,166**	218,300

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

Statements of comprehensive income

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Profit for the period		**351,166**	218,300	**351,166**	218,300
Other comprehensive income					
Items that may be reclassified to profit or loss					
Cash flow hedges		**(26)**	(54)	**(26)**	(54)
Items that will not be reclassified to profit or loss					
Gain on revaluation of property, plant and equipment, net of tax		**115,862**	69,833	**115,862**	69,833
Actuarial (losses)/gains on defined benefit superannuation fund, net of tax		**5,491**	(2,575)	**5,491**	(2,575)
Other comprehensive income for the period, net of tax		**121,327**	67,204	**121,327**	67,204
Total comprehensive income for the period		**472,493**	285,504	**472,493**	285,504
Total comprehensive income for the period is attributable to:					
Owners of Powerlink Queensland		**472,493**	285,504	**472,493**	285,504
Total comprehensive income for the period attributable to owners of Powerlink Queensland arises from:					
Continuing operations		**472,493**	285,504	**472,493**	285,504

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

Balance sheets

	Notes	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000	Powerlink Queensland 30 June 2017 $'000	Powerlink Queensland 30 June 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	5(c)	**(62)**	119,656	**(86)**	119,632
Advances	1(i)	**264,055**	-	**264,055**	-
Trade and other receivables	5(a)	**113,476**	91,108	**113,476**	91,108
Inventories		**39,309**	43,396	**39,309**	43,396
Other current assets	5(e)	**3,286**	4,555	**3,286**	4,555
Total current assets		**420,064**	258,715	**420,040**	258,691
Non-current assets					
Defined benefit fund asset	6(f)	**19,373**	13,951	**19,373**	13,951
Other non-financial assets	6(e)	**-**	-	**1**	1
Property, plant and equipment	6(a)	**7,857,069**	7,831,890	**7,857,069**	7,831,890
Total non-current assets		**7,876,442**	7,845,841	**7,876,443**	7,845,842
Total assets		**8,296,506**	8,104,556	**8,296,483**	8,104,533
LIABILITIES					
Current liabilities					
Trade and other payables	5(b)	**88,358**	85,378	**88,361**	85,380
Current tax equivalent liabilities		**57,937**	12,201	**57,937**	12,201
Provisions	6(c)	**217,597**	233,911	**217,597**	233,911
Other current liabilities	5(d)	**10,926**	9,127	**10,926**	9,127
Total current liabilities		**374,818**	340,617	**374,821**	340,619
Non-current liabilities					
Interest bearing loans and borrowings	5(g)	**5,265,221**	5,265,221	**5,265,221**	5,265,221
Deferred tax equivalent liabilities	6(b)	**662,245**	620,483	**662,245**	620,483
Provisions	6(d)	**25,379**	26,974	**25,379**	26,974
Other non-current liabilities	5(f)	**254,687**	248,432	**254,687**	248,432
Total non-current liabilities		**6,207,532**	6,161,110	**6,207,532**	6,161,110
Total liabilities		**6,582,350**	6,501,727	**6,582,353**	6,501,729
Net assets		**1,714,156**	1,602,829	**1,714,130**	1,602,804
EQUITY					
Contributed equity	7(a)	**401,000**	401,000	**401,000**	401,000
Reserves	7(b)	**1,242,295**	1,126,459	**1,242,295**	1,126,459
Retained earnings	7(c)	**70,861**	75,370	**70,835**	75,345
Capital and reserves attributable to owners of Powerlink Queensland		**1,714,156**	1,602,829	**1,714,130**	1,602,804
Total equity		**1,714,156**	1,602,829	**1,714,130**	1,602,804

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: Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
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**
Balance at 1 July 2016		401,000	1,126,459	75,370	1,602,829
Profit for the period		-	-	351,166	351,166
Other comprehensive income		-	115,836	5,491	121,327
Total comprehensive income for the period		**-**	**115,836**	**356,657**	**472,493**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(361,166)	(361,166)
Balance at 30 June 2017		**401,000**	**1,242,295**	**70,861**	**1,714,156**

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 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**
Balance at 1 July 2016		401,000	1,126,459	75,345	1,602,804
Profit for the period		-	-	351,166	351,166
Other comprehensive income		-	115,836	5,490	121,326
Total comprehensive income for the period		**-**	**115,836**	**356,656**	**472,492**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(361,166)	(361,166)
Balance at 30 June 2017		**401,000**	**1,242,295**	**70,835**	**1,714,130**

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

Statements of cash flows

	Notes	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Cash flows from operating activities					
Receipts from customers		**1,342,814**	1,274,552	**1,342,814**	1,274,552
Payments to suppliers and employees		**(235,409)**	(230,757)	**(235,409)**	(230,757)
Other operating receipts		**8,352**	24,369	**8,352**	24,369
Finance costs paid		**(317,015)**	(302,682)	**(317,015)**	(302,682)
Income tax equivalent paid		**(114,462)**	(94,085)	**(114,462)**	(94,085)
Interest received		**4,462**	2,909	**4,462**	2,906
Net Goods and services tax received/(paid)		**(61)**	4,701	**(61)**	4,701
Other operating payments		**(288)**	(167)	**(288)**	(167)
Net cash inflow from operating activities	8(a)	**688,393**	678,840	**688,393**	678,837
Cash flows from investing activities					
Payments for property, plant and equipment		**(171,814)**	(219,173)	**(171,814)**	(219,173)
Proceeds from sale of property, plant and equipment		**6,058**	2,278	**6,058**	2,278
Advances to Queensland Treasury		**(264,055)**	-	**(264,055)**	-
Net cash (outflow) from investing activities		**(429,811)**	(216,895)	**(429,811)**	(216,895)
Cash flows from financing activities					
Proceeds from borrowings		**-**	821,000	**-**	821,000
Dividends paid to company's shareholders	11(b)	**(378,300)**	(1,276,986)	**(378,300)**	(1,276,986)
Net cash (outflow) from financing activities		**(378,300)**	(455,986)	**(378,300)**	(455,986)
Net (decrease) increase in cash and cash equivalents		**(119,718)**	5,959	**(119,718)**	5,956
Cash and cash equivalents at the beginning of the financial year		**119,656**	113,697	**119,632**	113,676
Cash and cash equivalents at end of period	5(c)	**(62)**	119,656	**(86)**	119,632

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 (GOC Act)*.

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

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	The standard will affect primarily the Consolidated Entity's accounting for operating leases. For the leases in place at 30 June 2017, the impact of the standard is immaterial.	Must be applied for financial years commencing on or after 1 January 2019. At this stage the Consolidated Entity does not intend to adopt the standard before its effective date.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(i) 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 Consolidated Entity's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Consolidated Entity does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The 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 Consolidated Entity'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 does not intend to adopt AASB 9 before its mandatory date.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(i) 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. At this stage, the Consolidated Entity is not able to fully estimate the effect of the new rules on the Consolidated Entity's financial statements. However the results of the assessment completed to date has indicated that the effects are expected to be immaterial and limited in application.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption The Consolidated Entity does not intend to adopt AASB 15 before its mandatory date.

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.

(ii) 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 2016:

- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- 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.*

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.

(iii) 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 derivative instruments, and
- revaluation of certain classes of property, plant and equipment.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 9.

Summary of significant accounting policies

(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 2017 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 and measurement

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.

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

Summary of significant accounting policies

(d) Revenue recognition and measurement (continued)

(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 regulated revenue allowance determined for the Company. Transmission Use of System (TUOS) prices are initially set to recover the annual regulated revenue allowance.

While the regulated revenue billed in a period may vary from the annual regulated revenue allowance, the regulated grid sales 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 equivalent expense or credit 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 equivalent 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 adopted 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 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) Advances

Under the Queensland Government's cash management regime which became effective in the 2016/17 financial year, Government Owned Entities (GOC's) advance surplus cash to Queensland Treasury. Queensland Treasury pays interest on these advances at the Queensland Treasury Corporation (QTC) Cash Fund rate.

GOC access to the advances is generally subject to notification periods of 24 to 48 hours.

Because of the short term nature of the advances, their carrying amount is assumed to represent fair value.

(j) 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.

(k) 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.

(l) 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.

Summary of significant accounting policies

(l) Derivatives and hedging activities (continued)

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.

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 expense.

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 may enter 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.

(m) 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.

Summary of significant accounting policies

(m) Fair value estimation (continued)

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 sheet 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.

(n) 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 CPI movements.

Summary of significant accounting policies

(n) Property, plant and equipment (continued)

(vi) Revaluation (continued)

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 CPI 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.

The revalued amount is compared to an income based approach valuation to ensure the revalued asset amounts do not differ materially from fair value.

(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 - 60 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.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured. 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.

(p) 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.

Summary of significant accounting policies

(p) Borrowings (continued)

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.

(q) 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.

(r) Provisions

All provisions, exclusive of employee entitlements, 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.

These 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.

(s) 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)).

(t) 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 sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) 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.

(iv) 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.

Summary of significant accounting policies

(t) Employee benefits (continued)

(v) 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.

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.

(u) 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.

(v) 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.

(w) 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.

Summary of significant accounting policies

(x) 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 instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) Electricity market operations

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

Pursuant to the Rules, IRSR is received by Powerlink Queensland and is applied to offset regulated transmission network charges.

(z) 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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Revenues from continuing operations				
Grid sales revenue	**1,346,784**	1,145,507	**1,346,784**	1,145,507
Total Grid sales revenue	**1,346,784**	1,145,507	**1,346,784**	1,145,507
Other revenue				
Interest	**4,445**	2,927	**4,445**	2,927
Other items	**19,177**	18,246	**19,177**	18,246
Total Other Revenue	**23,622**	21,173	**23,622**	21,173
Total Revenues from Continuing Operations	**1,370,406**	1,166,680	**1,370,406**	1,166,680

3 Other income and expense items

(a) Other gains/(losses)

	Consolidated		Powerlink Queensland	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Net gain/(loss) on disposal of property, plant and equipment	**(5,385)**	1,091	**(5,385)**	1,091
Total Other gains/(losses)	**(5,385)**	1,091	**(5,385)**	1,091

Other income and expense items

(b) Expenses from Continuing Operations

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Finance costs				
Interest Expense	**262,309**	261,546	**262,309**	261,546
Other	**52,853**	48,709	**52,853**	48,709
Total finance costs expensed	**315,162**	310,255	**315,162**	310,255

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Profit before income tax equivalent includes the following specific expenses:				
Continuing operating expenses				
Network operations	**15,676**	15,809	**15,676**	15,809
Network maintenance	**128,703**	119,282	**128,703**	119,282
Grid support	**1,770**	3,532	**1,770**	3,532
Corporate/Business support	**89,000**	93,965	**89,000**	93,965
Other	**6,521**	5,091	**6,521**	5,091
Depreciation	**307,060**	306,626	**307,060**	306,626
Total Expenses from Continuing Operations excluding Finance Costs Expensed	**548,730**	544,305	**548,730**	544,305
Employee benefits expenses				
Defined Contribution Superannuation expense through profit or loss	**5,803**	5,996	**5,803**	5,996
Employee Benefit expense through profit or loss	**126,175**	121,991	**126,175**	121,991

4 Income tax equivalent expense

(a) Income tax equivalent expense

	Consolidated		Powerlink Queensland	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current tax on profits for the year	**160,198**	104,571	**160,198**	104,571
Deferred tax	**(10,235)**	(9,660)	**(10,235)**	(9,660)
Total Income Tax Equivalent Expense	**149,963**	94,911	**149,963**	94,911
Deferred income tax (revenue)/ equivalent included in income tax equivalent expense comprises:				
(Increase)/decrease in deferred tax equivalent assets (Note 6(b)(i))	**251**	(1,529)	**251**	(1,529)
(Decrease)/increase in deferred tax equivalent liabilities (Note 6(b)(ii))	**(10,486)**	(8,131)	**(10,486)**	(8,131)
	(10,235)	(9,660)	**(10,235)**	(9,660)

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

	Consolidated		Powerlink Queensland	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Profit from continuing operations before income tax equivalent expense	**501,129**	313,211	**501,129**	313,211
	501,129	313,211	**501,129**	313,211
Tax equivalent at the Australian tax rate of 30.0% (2016 - 30.0%)	**150,339**	93,963	**150,339**	93,963
Increase in income tax equivalent expense due to:				
Prior year adjustment	**-**	51	**-**	51
Other differences	**559**	1,584	**559**	1,584
	150,898	95,598	**150,898**	95,598
Decrease in income tax equivalent expense due to:				
Building capital allowances	**(831)**	(687)	**(831)**	(687)
Prior year adjustments	**(104)**	-	**(104)**	-
	(935)	(687)	**(935)**	(687)
Total income tax equivalent expense	**149,963**	94,911	**149,963**	94,911

(c) Amounts recognised directly in equity

	Consolidated		Powerlink Queensland	
	2017	2016	**2017**	2016
	$'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	**51,997**	28,008	**51,997**	28,008

4 Income tax equivalent expense (continued)

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

		Consolidated		Powerlink Queensland	
	Notes	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Gains on revaluation of property, plant and equipment	7(b)	**49,655**	29,928	**49,655**	29,928
Cash flow hedges	7(b)	**(11)**	(65)	**(11)**	(65)
Remeasurement of Defined Benefit Fund Asset		**2,353**	(1,855)	**2,353**	(1,855)
		51,997	28,008	**51,997**	28,008

(e) Tax consolidation legislation

Powerlink Queensland and its wholly owned Australian controlled entities have adopted the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note1(e).

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

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

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

5 Financial assets and financial liabilities

(a) Current assets - Trade and other receivables

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Net trade receivables				
Trade receivables	**111,881**	90,489	**111,881**	90,489
	111,881	90,489	**111,881**	90,489
Prepayments	**1,595**	619	**1,595**	619
	113,476	91,108	**113,476**	91,108

(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.

Financial assets and financial liabilities

(a) Current assets - Trade and other receivables (continued)

(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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Current liabilities				
Trade payables	**46,839**	50,085	**46,841**	50,087
Deposits	**1,703**	63	**1,703**	63
Other payables	**39,816**	35,230	**39,817**	35,230
	88,358	85,378	**88,361**	85,380

Trade payables are unsecured.

(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.

(c) Cash and cash equivalents

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Cash balance comprises:				
Cash on hand	**1**	1	**1**	1
Bank balances	**192**	868	**190**	866
Cash on deposit with Qld Treasury Corporation (QTC)	**(255)**	118,787	**(277)**	118,765
Closing Cash Balance	**(62)**	119,656	**(86)**	119,632

(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.

Financial assets and financial liabilities

(c) Cash and cash equivalents (continued)

(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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Unearned revenue	**10,888**	9,127	**10,888**	9,127
Derivative financial instruments	**38**	-	**38**	-
Total other current liabilities	**10,926**	9,127	**10,926**	9,127

(e) Current assets - Other current assets

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Work in progress - Customer Works	**464**	1,243	**464**	1,243
Prepayments	**2,820**	3,310	**2,820**	3,310
Other	**2**	2	**2**	2
	3,286	4,555	**3,286**	4,555

(f) Other non-current liabilities

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Unearned revenue	**253,509**	247,203	**253,509**	247,203
Other	**1,178**	1,229	**1,178**	1,229
Total other non-current liabilities	**254,687**	248,432	**254,687**	248,432

(g) Interest Bearing Loans and Borrowings

		Consolidated					
		30 June 2017			30 June 2016		
	Notes	**Current $'000**	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured							
Queensland Treasury Corporation		**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221
Total unsecured borrowings		**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221

Financial assets and financial liabilities

(g) Interest Bearing Loans and Borrowings (continued)

		Powerlink Queensland					
		30 June 2017			30 June 2016		
	Notes	**Current $'000**	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured							
Queensland Treasury Corporation		**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221
Total unsecured borrowings		**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221

* 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 2017 and 2016 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:

Consolidated Entity	**At 30 June 2017**		At 30 June 2016	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (iii)				
QTC Loans	**5,265,221**	**5,370,264**	5,265,221	5,524,226
	5,265,221	**5,370,264**	5,265,221	5,524,226

Powerlink Queensland	**At 30 June 2017**		At 30 June 2016	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On-balance sheet (iii)				
QTC Loans	**5,265,221**	**5,370,264**	5,265,221	5,524,226
	5,265,221	**5,370,264**	5,265,221	5,524,226

(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.

QTC loans are classified as Level 2 in the fair value hierarchy.

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.

Financial assets and financial liabilities

(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 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
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
Disposals	-	(477)	-	(377)	(466)	(1,320)
Depreciation charge	-	(1,221)	(2,767)	(284,943)	(17,695)	(306,626)
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

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 2017						
Opening net book amount	281,006	650,540	76,756	6,790,300	33,288	7,831,890
Revaluation surplus	-	14,031	1,874	149,612	-	165,517
Additions	177,070	-	-	-	-	177,070
Transfers	(1,069)	-	-	-	-	(1,069)
Disposals	-	(5,096)	-	(4,060)	(123)	(9,279)
Depreciation charge	-	-	(2,876)	(287,216)	(16,968)	(307,060)
Transfers from work in progress	(161,610)	11,778	5,671	124,067	20,094	-
Closing net book amount	**295,397**	**671,253**	**81,425**	**6,772,703**	**36,291**	**7,857,069**
At 30 June 2017						
Cost or fair value	295,397	672,474	108,642	9,480,588	170,314	10,727,415
Accumulated depreciation	-	(1,221)	(27,217)	(2,707,885)	(134,023)	(2,870,346)
Net book amount	**295,397**	**671,253**	**81,425**	**6,772,703**	**36,291**	**7,857,069**

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 2017 using the following key assumptions and approach:

Regulated Assets

- 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 post-tax forecasts consistent with existing regulatory determinations and methodologies; and
- application of a regulatory post-tax discount rate to convert future cash flows into present day values.

Non-regulated assets

- cash flows have been estimated over the life of non-regulated contracts;
- cash flow projections are based on tax-adjusted contract terms and conditions including both operating and capital expenditures to maintain the assets at required service levels; and
- discount rate used was the Consolidated Entity's target rate for non-regulated assets.

(b) Deferred tax balances

(i) Deferred tax equivalent assets

		Consolidated		Powerlink Queensland	
	Notes	**30 June 2017 $'000**	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
The balance comprises temporary differences attributable to:					
Accruals		**219**	203	**219**	203
Provisions		**16,949**	17,216	**16,949**	17,216
Cash flow hedges		**11**	-	**11**	-
Total deferred tax equivalent assets		**17,179**	17,419	**17,179**	17,419
Set-off of deferred tax equivalent liabilities pursuant to set-off provisions	6(b)(ii)	**(17,179)**	(17,419)	**(17,179)**	(17,419)
Net deferred tax equivalent assets		**-**	-	**-**	-

Non-financial assets and liabilities

(b) Deferred tax balances (continued)

(i) Deferred tax equivalent assets (continued)

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Movements:				
Opening balance at 1 July 2016	**17,419**	15,929	**17,419**	15,929
Credited/(charged) to profit or loss	**(251)**	1,529	**(251)**	1,529
Credited/(charged) to equity	**11**	(39)	**11**	(39)
Closing balance at 30 June 2017	**17,179**	17,419	**17,179**	17,419
Deferred tax assets expected to be recovered within 12 months	**9,059**	8,942	**9,059**	8,942
Deferred tax assets expected to be recovered after more than 12 months	**8,120**	8,477	**8,120**	8,477
	17,179	17,419	**17,179**	17,419

(ii) Deferred tax equivalent liabilities

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**663,228**	624,975	**663,228**	624,975
Receivables	**139**	373	**139**	373
Prepayments	**32**	36	**32**	36
	663,399	625,384	**663,399**	625,384
Other				
Defined Benefit Fund Surplus	**5,812**	4,185	**5,812**	4,185
Inventories	**10,213**	8,333	**10,213**	8,333
Sub-total other	**16,025**	12,518	**16,025**	12,518
Total deferred tax equivalent liabilities	**679,424**	637,902	**679,424**	637,902
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 6(b)(i))	**(17,179)**	(17,419)	**(17,179)**	(17,419)
Net deferred tax equivalent liabilities	**662,245**	620,483	**662,245**	620,483

	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Movements:				
Opening balance at 1 July 2016	**637,902**	618,063	**637,902**	618,063
Charged/(credited) to profit or loss	**(10,487)**	(8,130)	**(10,487)**	(8,130)
Charged/(credited) to equity	**52,009**	27,969	**52,009**	27,969
Closing balance at 30 June 2017	**679,424**	637,902	**679,424**	637,902
Deferred tax liabilities expected to be settled within 12 months	**10,383**	8,741	**10,383**	8,741
Deferred tax liabilities expected to be settled after more than 12 months	**669,041**	629,161	**669,041**	629,161
	679,424	637,902	**679,424**	637,902

Non-financial assets and liabilities

(c) Current liabilities - Provisions

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Dividends	**201,166**	218,300	**201,166**	218,300
Onerous contracts	**159**	157	**159**	157
Restructuring costs	**1,024**	2,518	**1,024**	2,518
Other	**388**	438	**388**	438
Employee benefits	**11,631**	12,498	**11,631**	12,498
Unresolved Easement Compensation	**3,229**	-	**3,229**	-
	217,597	233,911	**217,597**	233,911

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 2017	**Dividends $'000**	**Onerous contracts $'000**	**Restructuring obligations $'000**	**Other $'000**	**Unresolved Easement Compensation $'000**
Carrying amount at the start of the year	218,300	157	2,518	438	-
- additional provisions recognised	361,166	159	1,024	-	3,229
- unused amounts reversed	-	-	-	(50)	-
- unwinding of discount	-	14	-	-	-
Amounts used during the year	(378,300)	(171)	(2,518)	-	-
Carrying amount at end of period	**201,166**	**159**	**1,024**	**388**	**3,229**

(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 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 2017.

(v) Unresolved Easement Compensation

The Consolidated Entity has a number of easement compensation liability obligations currently unresolved with the relevant landowners. Easements have been placed over the land in question however negotiations with landowners as to agreement on the amount of compensation and the timing of the compensation payments are still unresolved.

Non-financial assets and liabilities

(c) Current liabilities - Provisions (continued)

(vi) 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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Current leave obligations expected to be settled after 12 months	**511**	54	**511**	54

(d) Non-current liabilities - Provisions

	Consolidated		**Powerlink Queensland**	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Employee benefits	**24,268**	25,805	**24,268**	25,805
Onerous contracts	**1,111**	1,169	**1,111**	1,169
	25,379	26,974	**25,379**	26,974

(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 2017	**Onerous contracts $'000**
Carrying amount at start of year	1,169
- unwinding of discount	101
Amounts used during the year	(159)
Carrying amount at end of period	**1,111**

(e) Other non-financial assets

	Consolidated		**Powerlink Queensland**	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Shares in subsidiaries* (Note 18)	**-**	-	**1**	1
	-	-	**1**	1

* Represents investments in unlisted controlled entities at cost.

Non-financial assets and liabilities

(f) 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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Fair value of defined benefit plan assets	**70,727**	74,427	**70,727**	74,427
Present value of the defined benefit obligation	**(51,354)**	(60,476)	**(51,354)**	(60,476)
Net surplus/(deficit) in the balance sheets	**19,373**	13,951	**19,373**	13,951

(iii) Significant estimate: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	Consolidated		**Powerlink Queensland**	
	2017	2016	**2017**	2016
Discount rate - Australia	3.4%	2.8%	3.4%	2.8%
Expected return on plan assets	3.4%	2.8%	3.4%	2.8%
Future salary increases	4.0%	4.0%	4.0%	4.0%

Non-financial assets and liabilities

(f) Superannuation commitments (continued)

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

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

	Change in assumption		Impact on defined benefit obligation Increase in assumption		Decrease in assumption	
	2017	2016	**2017**	2016	**2017**	2016
Discount rate	**0.5%**	0.5%	**Decrease by 5.4%**	Decrease by 5.1%	**Increase by 5.8%**	Increase by 5.5%
Salary growth rate	**0.5%**	0.5%	**Increase by 5.8%**	Increase by 5.5%	**Decrease by 5.4%**	Decrease by 5.2%

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 2017 %	30 June 2016 %	**30 June 2017 %**	30 June 2016 %
Cash	**5.0**	5.0	**5.0**	5.0
Property	**10.0**	10.0	**10.0**	10.0
Equity instruments	**50.0**	50.0	**50.0**	50.0
Debt instruments	**10.0**	10.0	**10.0**	10.0
Alternative assets	**25.0**	25.0	**25.0**	25.0
	100.0	100.0	**100.0**	100.0

(v) Risk exposure

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 (2016 - 9 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

Non-financial assets and liabilities

(f) 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 2017	**4,103**	**3,376**	**11,647**	**86,944**	**106,070**
Defined benefit obligation - 30 June 2016	4,241	4,171	15,108	93,192	116,712

(vii) Reconciliations

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at the beginning of the year	**(60,476)**	(63,294)	**(60,476)**	(63,294)
Current service cost	**(2,460)**	(2,524)	**(2,460)**	(2,524)
Interest cost	**(1,634)**	(2,188)	**(1,634)**	(2,188)
Actuarial gains and (losses)	**3,273**	(3,847)	**3,273**	(3,847)
Benefits paid	**11,461**	10,924	**11,461**	10,924
Contributions by members	**(561)**	(638)	**(561)**	(638)
Provisions for contributions tax	**(957)**	1,091	**(957)**	1,091
Balance at the end of the period	**(51,354)**	(60,476)	**(51,354)**	(60,476)
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**74,427**	83,427	**74,427**	83,427
Expected return on plan assets	**2,033**	2,924	**2,033**	2,924
Actuarial gains and (losses)	**5,527**	190	**5,527**	190
Contributions by Company	**-**	36	**-**	36
Contributions by members	**561**	638	**561**	638
Benefits paid	**(11,461)**	(10,924)	**(11,461)**	(10,924)
Other Cash Flow	**(360)**	(1,864)	**(360)**	(1,864)
Balance at the end of the period	**70,727**	74,427	**70,727**	74,427

(viii) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

	Consolidated		Powerlink Queensland	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current service cost	**2,460**	2,524	**2,460**	2,524
Interest cost	**1,634**	2,188	**1,634**	2,188
Expected return on plan assets	**(2,033)**	(2,924)	**(2,033)**	(2,924)
Other cost	**360**	-	**360**	-
Total included in employee benefits expense	**2,421**	1,788	**2,421**	1,788

(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 2016.

(f) 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**	
	Notes	**30 June 2017 Shares**	30 June 2016 Shares	**30 June 2017 $'000**	30 June 2016 $'000
Ordinary shares					
Fully paid		**401,000,000**	401,000,000	**401,000**	401,000
Total Contributed Equity		**401,000,000**	401,000,000	**401,000**	401,000

Issued and Paid Up Capital - Ordinary Shares

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 concepts 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 2017

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(n). 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(l). 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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Revaluation surplus - property, plant and equipment	**1,242,321**	1,126,459	**1,242,321**	1,126,459
Cash flow hedges	**(26)**	-	**(26)**	-
	1,242,295	1,126,459	**1,242,295**	1,126,459

	Notes	Consolidated		Powerlink Queensland	
		30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Movements:					
Revaluation surplus - Property, plant and equipment					
Opening balance at 1 July 2016		**1,126,459**	1,056,626	**1,126,459**	1,056,626
Revaluation - gross	6(a)	**165,517**	99,761	**165,517**	99,761
Deferred tax		**(49,655)**	(29,928)	**(49,655)**	(29,928)
Balance 30 June 2017		**1,242,321**	1,126,459	**1,242,321**	1,126,459
Cash flow hedges					
Opening balance at 1 July 2016		**-**	54	**-**	54
Revaluation - gross		**(38)**	(120)	**(38)**	(120)
Deferred tax		**12**	66	**12**	66
Balance 30 June 2017		**(26)**	-	**(26)**	-

(c) Retained earnings

Movements in retained earnings were as follows:

	Notes	Consolidated		Powerlink Queensland	
		30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Balance 1 July 2016		**75,370**	77,945	**75,345**	77,920
Net profit for the period		**351,166**	218,300	**351,166**	218,300
Dividends	11(b)	**(361,166)**	(218,300)	**(361,166)**	(218,300)
Actuarial gains/(losses) and tax on remeasurement of defined benefit plan assets		**6,448**	(1,802)	**6,447**	(1,802)
Defined benefit fund contributions tax		**(957)**	(773)	**(957)**	(773)
Balance 30 June 2017		**70,861**	75,370	**70,835**	75,345

8 Cash flow information

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

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Profit for the year from continuing operations after income tax equivalent	**351,166**	218,300	**351,166**	218,300
Depreciation	**307,060**	306,626	**307,060**	306,626
Net (gain)/loss on sale of non-current assets	**5,385**	(1,091)	**5,385**	(1,091)
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	**(20,613)**	(7,216)	**(20,613)**	(7,216)
(Increase)/decrease in inventories	**4,086**	1,248	**4,086**	1,248
(Increase)/decrease in deferred tax equivalent assets	**251**	(1,529)	**251**	(1,529)
(Decrease)/increase in creditors	**10,347**	154,042	**10,347**	154,039
(Decrease)/increase in provision for income taxes equivalent payable	**45,736**	12,341	**45,736**	12,341
(Decrease)/increase in deferred tax equivalent liabilities	**(10,487)**	(9,986)	**(10,487)**	(9,986)
(Decrease)/increase in other provisions	**(4,052)**	3,222	**(4,052)**	3,222
(Increase)/decrease in prepayments	**(486)**	2,883	**(486)**	2,883
Net cash inflow/(outflow) from operating activities	**688,393**	678,840	**688,393**	678,837

(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 and may affect the financial results or the financial position reported in future periods.

Management has identified the following critical accounting matters for which significant judgements, estimates and assumptions are made.

(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(f).

(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) Depreciation of property, plant and equipment

The calculation of depreciation expense requires estimates about the remaining useful lives of the significant parts of property, plant and equipment assets. Note 1(m)(vii) provides details of these estimates.

(d) 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.

(e) Fair Value 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.

Due to the absence of an active market, the Consolidated Entity measures the fair value of the supply system assets, work in progress, freehold land and buildings and easements using an income based approach. If carrying values differ materially from fair value, a revaluation adjustment is recorded. 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 under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks in close co-operation between 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 has an immaterial number and amount of 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(l). 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 generally 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.

10 Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk and commodity risk (continued)

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

(ii) Exposure

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

Any forward foreign exchange contracts in place during the year were/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 are fixed and are 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 are issued by the AER every 5 years. 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.

(i) Trade receivables past due but not impaired

As of 30 June 2017, trade receivables of $3,142 thousand (2016: $720 thousand) were past due. These relate to a number of independent customers for whom there is no previous history of default. One trade receivable of $365 thousand has been identified as having a probability to become impaired, however any impairment assessment is subject to ongoing legal action. The ageing analysis of these trade receivables is as follows:

10 Financial risk management (continued)

(c) Credit risk (continued)

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

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Up to 3 months	**2,697**	310	**2,697**	310
3 to 6 months	**27**	358	**27**	358
Greater than 6 months	**418**	52	**418**	52
	3,142	720	**3,142**	720

Details of any impairment of financial assets are contained in Note 5(a).

(ii) Impaired Trade Receivables

The Consolidated Entity has recognised a loss of $NIL (2016: $1,720) in respect of impaired trade receivables during the year ended 30 June 2017.

(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 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 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade and other payables	**88,358**	**-**	**-**	**88,358**	**88,358**
Interest bearing loans and borrowings	**175,386**	**646,031**	**5,265,221**	**6,086,638**	**5,265,221**
Total non-derivatives	**263,744**	**646,031**	**5,265,221**	**6,174,996**	**5,353,579**

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 2016	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade and other payables	85,378	-	-	85,378	85,378
Interest bearing loans and borrowings	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

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 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade and other payables	**88,361**	**-**	**-**	**88,361**	**88,361**
Interest bearing loans and borrowings	**175,386**	**646,031**	**5,265,221**	**6,086,638**	**5,265,221**
Total non-derivatives	**263,747**	**646,031**	**5,265,221**	**6,174,999**	**5,353,582**

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 and other payables	85,380	-	-	85,380	85,380
Interest bearing loans and borrowings	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

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 2017/18 financial year will be sufficient to meet operational requirements including the payment of the dividend for the 2016/17 year.

There have not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2016.

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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Total debt	**5,265,221**	5,265,221	**5,265,221**	5,265,221
Property, plant and equipment	**7,857,069**	7,831,890	**7,857,069**	7,831,890
Gearing ratio	**67.0%**	67.2%	**67.0%**	67.2%

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2017 and 2016 reporting periods.

The minor decrease in the gearing ratio for the year ended 30 June 2017 resulted primarily from an increase in the value of property, plant and equipment with no additional borrowings required to finance the operations of the Consolidated Entity.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2017, the Consolidated Entity had only long term borrowings.

(b) Dividends

(i) Ordinary shares

	Consolidated		**Powerlink Queensland**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Ordinary shares				
Unfranked interim dividend	**160,000**	-	**160,000**	-
Unfranked final dividend proposed	**201,166**	218,300	**201,166**	218,300
	361,166	218,300	**361,166**	218,300

The 2016/17 final dividend is based on 100% of operating profit after income tax equivalent expense less an amount of $150 million in terms of a direction from Powerlink's shareholding Ministers (2016: 100% of the operating profit after income tax equivalent expense). A special/interim dividend of $160 million was paid during the financial year in accordance with shareholder expectations.

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 2016/17 year were granted/approved by the Board on 19 September 2016. 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 2016/17 year were granted/approved by the Board on 19 September 2016. 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 2016/17 was granted/approved by the Board on 19 September 2016. 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 as follows:

	2016/17	2015/16
Aggregate at-risk performance remuneration paid	**$3.441m**	$3.428m
Total salaries and Wages paid	**$139.6M**	$141.5m
Number of employees receiving performance payments	**846**	936

(v) Number of Employees

Number of employees (full time equivalents) at year end: 815 (2016: 917)

13 Key management personnel disclosures

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

(a) Shareholding Ministers

Powerlink Queensland is a Queensland government owned corporation (GOC) established under the GOC Act 1993 . The GOC's shareholding Ministers are identified as part of the GOC's key management personnel (KMP). Two Queensland Government Ministers (shareholding Ministers) hold shares in Powerlink Queensland on behalf of the people of Queensland. At 30 June 2017 they were:

• The Hon Curtis Pitt MP, Treasurer, Minister for Trade and Investment;
• The Hon Mark Bailey MP, Minister for Main Roads, Road Safety and Ports, and Minister for Energy, Biofuels and Water Supply.

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members Remuneration Handbook. Powerlink Queensland does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses of all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Key management personnel disclosures

(b) 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

Joanna Brand (resigned effective from 30 September 2016)
Peter Hudson (from 20 December 2016)
Paul Lucas (from 20 December 2016- resigned effective from 21 April 2017)
Julienne Martin
Alan Millis
Sarah Zeljko (from 20 December 2016)

(c) 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:

2016/17 Financial Year

- Chief Executive - M E York
- Chief Financial Officer - M D Brennan
- Executive General Manager Delivery and Technical Solutions - S C Bell (from 23 January 2017)
- Executive General Manager Operations and Service Delivery - G Edwards (from 1 December 2016)
- Executive General Manager People and Corporate Services - C A Heffernan (from 18 January 2017)
- Executive General Manager Strategy and Business Development - K S Kehl (from 3 January 2017)
- Executive Manager Infrastructure Delivery and Technical Services - G Rice (to 20 January 2017)
- Executive Manager Investment and Planning - K G Mulherin (to 16 December 2016)
- Executive Manager Operations and Field Services - G Edwards (from 1 October 2016 to 30 November 2016)
- Executive Manager People and Culture - J K Smith (to 14 January 2017)
- Executive Manager Stakeholder Relations and Corporate Services - M Palmer (to 20 January 2017)

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

(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.

Key management personnel disclosures

(d) Details of remuneration

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

2017	Short term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Julie Beeby	99	9	108
Joanna Brand	14	1	15
Peter Hudson	29	3	32
Paul Lucas	20	2	22
Julienne Martin	51	5	56
Alan Millis	52	5	57
Sarah Zeljko	29	3	32
Total	**294**	**28**	**322**

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

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.

Key management personnel disclosures

(d) Details of remuneration (continued)

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

2017	Short term		Post employment	Long term benefits%		
Position	Fixed Remuneration $'000	At Risk Payments $'000	Superannuation# $'000	Annual and Long service leave $'000	Termi-nation benefits $'000	Total $'000
Chief Executive	645	75	116	29	-	865
Chief Financial Officer	342	28	60	10	-	440
Executive Manager Investment and Planning*	599	34	29	-	602	1,264
Executive Manager Stakeholder Relations and Corporate Services*	211	23	24	-	300	558
Executive Manager People and Culture*	207	28	18	-	75	328
Executive Manager Infrastructure Delivery and Technical Services	195	33	21	-	140	389
Executive General Manager Strategy and Business Development	172	-	29	8	-	209
Executive General Manager Delivery and Technical Solutions ##	119	-	23	3	-	145
Executive General Manager Operations and Service Delivery ##	186	-	33	6	-	225
Executive General Manager People & Corporate Services	128	-	22	15	-	165
Total	**2,804**	**221**	**375**	**71**	**1,117**	**4,588**

Includes both employee and employer superannuation contributions.

Prior to their appointment to KMP positions, incumbents held non-KMP positions within the Consolidated Entity. Amounts shown represent their total remuneration applicable to their appointments to KMP positions in the reporting period.

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

* Positions were made redundant during the 2016/17 financial year.
Fixed Remuneration includes payout of leave entitlements on termination.
Total remuneration disclosed reflects earnings and termination entitlements of incumbent up to the date of termination.

Key management personnel disclosures

(d) Details of remuneration (continued)

(ii) Other key management personnel (continued)

2016	Short term		Post employment	Long term benefits%		
Position	Fixed Remuneration $'000	At Risk Payments $'000	Superannuation# $'000	Annual and Long service leave $'000	Termination benefits $	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 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.

* 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.

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

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.

(e) Director term and appointment

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

Peter Hudson
Current term 2 years 9 months commencing December 2016. First appointed December 2016.

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.

Sarah Zeljko
Current term 2 years 9 months commencing December 2016. First appointed December 2016.

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 2017 $	30 June 2016 $	**30 June 2017 $**	30 June 2016 $
Queensland Audit Office				
Audit and review of financial statements	**211,000**	211,000	**211,000**	211,000
Total remuneration for audit and other services	**211,000**	211,000	**211,000**	211,000

15 Contingencies

(a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2017 (2016:NIL).

(b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2017 (2016: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 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Property, plant and equipment	**18,554**	66,926	**18,554**	66,926
	18,554	66,926	**18,554**	66,926

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 2017 owned 100% (2016: 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, the Consolidated Entity or their Director related entities.

17 Related party transactions (continued)

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 18.

(d) Transactions with related parties

Disclosures relating to other key management personnel are set out in Note 13.

The following transactions occurred with related parties:

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Sales of goods and services (includes GST)				
Entities controlled by the State of Queensland	**1,171,609**	1,022,874	**1,171,609**	1,022,874
	1,171,609	1,022,874	**1,171,609**	1,022,874

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Purchases of goods and services (includes GST)				
Entities controlled by the State of Queensland	**79,744**	71,163	**79,744**	71,163
	79,744	71,163	**79,744**	71,163

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Interest revenue				
Entities controlled by the State of Queensland	**3,921**	2,896	**3,921**	2,895

	Consolidated 2017 $'000	Consolidated 2016 $'000	Powerlink Queensland 2017 $'000	Powerlink Queensland 2016 $'000
Other Transactions				
Dividend paid to ultimate parent entity	**378,300**	1,276,986	**378,300**	1,276,986
Borrowing Costs - Entities controlled by the State of Queensland	**315,013**	310,136	**315,013**	310,136
	693,313	1,587,122	**693,313**	1,587,122

Refer to Note 4 for details of income tax transactions with the ultimate parent entity.

(e) Outstanding balances

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

17 Related party transactions (continued)

(e) Outstanding balances (continued)

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Entities controlled by the State of Queensland				
Current receivables (sales of goods and services)	**71,184**	72,294	**71,184**	72,294
Current payables (purchases of goods and services)	**-**	-	**-**	-
Cash and cash equivalents	**(255)**	118,787	**(277)**	118,765
Total	**70,929**	191,081	**70,907**	191,059

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.

Refer to Notes 6(b) and 6(c) for details of outstanding balances with the ultimate parent entity relating to current tax equivalent liabilities, deferred tax equivalent assets, deferred tax equivalent liabilities and provision for dividends.

(f) Cash Advances to related parties

	Consolidated		Powerlink Queensland	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'000
Cash Advances to the ultimate parent entity				
Advances	**264,055**	-	**264,055**	-
End of period	**264,055**	-	**264,055**	-

(g) Loans to/from related parties

	Consolidated		Powerlink Queensland	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Loans from ultimate parent entity				
Beginning of the year	**5,265,221**	4,444,221	**5,265,221**	4,444,221
Loans Advanced	**-**	821,000	**-**	821,000
Finance costs charged	**315,162**	310,136	**315,162**	310,136
Finance costs expensed	**(315,162)**	(310,136)	**(315,162)**	(310,136)
End of period	**5,265,221**	5,265,221	**5,265,221**	5,265,221

(h) Terms and conditions

All transactions were made on normal commercial terms and conditions, except there are no fixed terms for the repayment of loans from the ultimate parent entity (Queensland Treasury Corporation loans). Outstanding balances are unsecured.

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 **	
			2017 %	2016 %
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 (2016:NIL).

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 2017 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 2001*.

Dr Julie Beeby
Chairman
Brisbane
24 August 2017

Independent auditor's report

To the Members of Queensland Electricity Transmission Corporation Limited (trading as Powerlink Queensland)

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Powerlink Queensland (the parent) and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2017, and their financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the balance sheets as at 30 June 2017, 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 summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the parent and group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the parent and group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of property, plant and equipment ($7.9 billion)

Refer to note 6(a)(i) in the financial report.

Key audit matter	How my audit addressed the key audit matter
Powerlink used a complex discounted cash flow model to ensure that the carrying value of property plant and equipment does not differ materially from its fair value. The model involved significant judgements for: • estimating future cash flows and terminal values • setting discount rates.	With the assistance of an independent expert, my procedures included, but were not limited to: • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. • Performing a sensitivity analysis for cash flows, terminal values and discount rates to develop a reasonable range for fair value. • Back testing the previous year's cash flow forecasts against subsequent actual results to identify potential deficiencies in the forecasting methodology. • Assessing the reasonableness of cash flow forecasts relative to the regulator-approved determination, board approved budgets, non-regulated revenue contracts, historical growth trends, and other relevant internal and external evidence. • Evaluating whether discount rates were within a reasonable range, with reference to market data and industry research. • Verifying the mathematical accuracy of net present value calculations.

Useful lives estimated for depreciation expense ($307 million)

Refer to note 1(n)(vii) in the financial report.

Key audit matter	How my audit addressed the key audit matter
The straight-line depreciation method used by Powerlink requires significant judgements for: • identifying the significant parts of the supply system that have different useful lives • estimating the remaining useful lives of those significant parts.	My procedures included, but were not limited to: • Evaluating management's approach for componentising supply system assets into parts with different useful lives for reasonableness, having regard to recent replacement projects and long-term asset management plans. • Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Other information

Other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

The company's directors are responsible for the other information.

At the date of this auditor's report, the other information that the company's directors had approved was the directors' report.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information approved by the company's directors and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

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

The company's directors are also responsible for assessing the parent's and group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the parent or group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.

- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

QUEENSLAND
24 AUG 2017
AUDIT OFFICE

Rachel Vagg
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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