



Powerlink Queensland

Financial Statements 2012/13

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

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

Its registered office is:

Powerlink Queensland
33 Harold Street
Virginia Qld 4014

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

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

Directors' report

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries, and the Consolidated Entity's interest in associates for the financial year ended 30 June 2013 and the auditor's report thereon.

Directors

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

Stephen Rochester
Julie Beeby
Julienne Martin
Christina Sutherland

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

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

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

Principal activities

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

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

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

Dividends

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

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

The final dividend will not be franked.

Review of operations

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

Significant changes in the state of affairs

Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

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

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

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations, have not been included in these financial statements because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

In May 2012, the Queensland Government established an Interdepartmental Committee (IDC) on Electricity Sector Reform to review all aspects of the sector that impact on electricity costs, specifically, energy supply, network costs and retail competition. The IDC delivered a final report to the Queensland Government in January 2013. The Queensland Government's response to the IDC's report is publicly available and is not expected to have a material impact on the operations of the Consolidated Entity as at the date of this financial report.

Environmental regulation

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

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

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

Carbon Price Mechanism

In November 2011, the Federal Parliament passed legislation for a carbon price mechanism. The Clean Energy Future package commenced on 1 July 2012. Under the package, organisations that have facilities that emit more than 25,000 tonnes of carbon dioxide (CO₂) will be required to purchase a permit for every tonne of carbon emitted. The Consolidated Entity is not directly liable under the scheme, as it has no individual facility that emits more than the minimum threshold. Based on expected increases in the price of some inputs, such as sulfur hexafluoride (SF₆), fuel and electricity, there will be some financial impacts on the Consolidated Entity, but these are unlikely to be material.

Greenhouse gas and energy data reporting requirements

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

The *National Greenhouse and Energy Reporting Act 2007 (NGER)* requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act commenced from 1 July 2008. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submits its report to the Clean Energy Regulator each year before the 31 October deadline. Powerlink's NGER reporting methods and submissions were reviewed in 2011/12 by external auditors, Net Balance. Powerlink's scope 1 emissions in 2011/12 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 9,385 tonnes of carbon dioxide equivalent.

Information on directors

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

Company secretary

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

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each Board Committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

Directors	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Stephen Rochester	11	11	4	4	5	5
Julie Beeby	10	11	**	**	5	5
Kenneth Howard	8	8	3	3	**	**
Julienne Martin	11	11	4	4	**	**
Christina Sutherland	11	11	4	4	4	4
Walter Threlfall	3	3	**	**	2	2
Anne Barclay	5	5	**	**	2	2

A = Number of meetings attended

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

** = Not a member of the relevant committee

Retirement, election and continuation in office of directors

M/s Anne Barclay was appointed a Director effective from 20 December 2012. Mr Kenneth Howard's term as a Director finished on 30 September 2012. Mr Howard was re-appointed as a Director on 20 December 2012. Mr Walter Threlfall's term as a Director finished on 30 September 2012. There were no other changes in Directors during the financial year.

Remuneration report

Principles used to determine the nature and amount of remuneration

Directors

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2013 were the Honourable Timothy Nicholls, Treasurer and Minister for Trade on behalf of the State of Queensland, and the Honourable Mark McArdle, Minister for Energy and Water Supply on behalf of the State of Queensland.

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

Directors are not entitled to receive any performance related remuneration.

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

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2012.

Key management personnel pay

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

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the Consolidated Entity (as defined in AASB 124 Related Party Disclosures) are set out in Note 29.

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

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

Loans to Directors and Executives

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

Indemnification and insurance of officers

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

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

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

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

Indemnification and insurance of officers (continued)

The indemnity relates to any liability:

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

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of the amounts paid or payable to the auditor (Queensland Audit Office) or their delegate (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the period are set out in Note 30 - Remuneration of Auditors, of the financial statements and supporting notes.

Auditor's independence declaration

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

Rounding of amounts

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

Parent Entity Disclosures

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

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



Stephen Rochester
Chairman
Brisbane
30 August 2013

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

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

Independence Declaration

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited (Powerlink Queensland) and its controlled entities for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been –

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



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



Queensland Audit Office
Brisbane

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

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

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

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

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

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

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

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

Powerlink Queensland
Statements of changes in equity
For the year ended 30 June 2013
continued...

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

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

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

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

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1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Going Concern

The financial statements have been prepared on a going concern basis. As at 30 June 2013, the current liabilities exceed current assets for the Consolidated Entity by \$57.8 million (Parent Entity \$61.7 million). Powerlink has received approval from the State of Queensland for additional borrowings to support operational and capital expenditure requirements. The Directors believe that the strong operational cash flows and the funding available support the preparation of the financial statements under the going concern assumption.

(i) New and amended standards adopted by the Consolidated Entity

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

(ii) Early adoption of standards

The Consolidated Entity has elected to apply the pronouncements to the annual reporting period beginning 1 July 2012:

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

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

(iii) Historical cost convention

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

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

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ('Company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the period then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

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

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

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

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

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

(ii) Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the holding entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting. The Consolidated Entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 35).

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

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

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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) *Associates (continued)*

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

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(d) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) *Grid sales revenue*

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

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

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

(ii) *Other revenue*

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

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(iii) Interest income

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

(iv) Dividends

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

(e) Income tax equivalents

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

These payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 1993* and are based on rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* (Note 7).

Income tax equivalent

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Income tax equivalents (continued)

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity (Refer to Note 7).

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

(f) Leases

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

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases (Note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

(g) Impairment of assets

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

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

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

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

1 Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

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

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

(j) Inventories

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

(k) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 2. Movements in the hedging reserve in shareholder's equity are shown in Note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

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

1 Summary of significant accounting policies (continued)

(k) Derivatives and hedging activities (continued)

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Forward Starting Loans

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

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

(l) Fair value estimation

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

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

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

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

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment

Supply System Assets

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

Freehold Land and Buildings and Easements

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

Other Property, Plant and Equipment

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

Acquisition of Assets

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

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

Subsequent Costs

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

Revaluation

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

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

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

The valuation of the asset category other property, plant and equipment (refer Note 14) does not take into account price index movements.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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

Depreciation

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

- | | |
|---------------------------------------|---------------|
| - Supply system assets | 12 - 50 years |
| - Buildings | 7- 40 years |
| - Other Property, plant and equipment | 3 -10 years |

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

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

Derecognition and Disposal of Assets

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

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

(n) Trade and other payables

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

(o) Borrowings

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

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

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

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

1 Summary of significant accounting policies (continued)

(p) Borrowing costs

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

(q) Provisions

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

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

(r) Other liabilities

Other liabilities include amounts for unearned revenues, which represent moneys received by the Consolidated Entity for which the Consolidated Entity has not provided the corresponding goods and services (refer Notes 21 and 25).

(s) Employee benefits

(i) *"Wages and salaries, annual leave and "time-off-in-lieu" leave"*

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

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

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

(ii) *Other long-term employee benefit obligations*

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

(iii) *Superannuation benefit obligations*

All employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's superannuation plan on retirement, disability or death or can direct the group to make contributions to a defined contribution plan of their choice. The Consolidated Entity's superannuation plan has a defined benefit section and a defined contribution section. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Consolidated Entity companies and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

1 Summary of significant accounting policies (continued)

(s) Employee benefits (continued)

(iii) Superannuation benefit obligations (continued)

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

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

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

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

Contributions to the defined contribution contribution section of the group's superannuation plan and other independent defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) At-risk performance remuneration

Employees of the Consolidated Entity are eligible for performance payments based on individual and/or small team performance during the year. In addition, award employees are eligible for a gainsharing payment based on corporate results (refer Note 16).

(v) Termination benefits

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

(t) Contributed equity

Ordinary shares are classified as equity. Refer Note 26.

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

(u) Dividends

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

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

(v) Goods and Services Tax (GST)

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

1 Summary of significant accounting policies (continued)

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

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

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

(w) Rounding of amounts

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

(x) Electricity market operations

National Electricity Market

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

Pursuant to the Rules, the IRSR balance is received by Powerlink Queensland and is applied to offset transmission network charges (refer Note 39).

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not yet been applied in the financial statements. The Consolidated Entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Consolidated Entity did not recognise any such gains in other comprehensive income.

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

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

- (ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* (effective 1 January 2013).

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

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

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

The Consolidated Entity does not have any investments in joint venture partnerships which will be required to be classified as a joint venture under the new rules. AASB 11 will not have any impact on the amounts recognised in its financial statements.

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. The Consolidated Entity is still assessing the impact of these amendments but does not expect any impact as no relevant investments are currently held.

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

1 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations (continued)

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

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

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

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

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

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

2 Financial risk management

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

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

2 Financial risk management (continued)

The Consolidated Entity holds the following financial instruments:

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

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

All the forward foreign exchange contracts are hedging forecast purchases.

2 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Consolidated Entity and Company Sensitivity

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the hedged currencies, with all other variables held constant, the Consolidated Entity's post tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of the Consolidated Entity's supply system assets. Equity would have been \$0.695M higher/\$0.569M lower (2012 \$2.7M higher/\$2.2M lower) had the Australian dollar weakened/strengthened by 10% against the hedged currencies.

(ii) Other Price risk

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

(iii) Interest rate risk

Consolidated Entity and Company sensitivity

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

The Consolidated Entity and the Company borrow exclusively from QTC, a Queensland Government owned corporation. QTC manages the borrowings on behalf of the Consolidated Entity and the Company within agreed pre determined benchmarks. The composition of the QTC debt instruments are managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take affect from 1 July 2013. During 2013 and 2012, all the Consolidated Entity's borrowings were denominated in Australian dollars.

(b) Credit risk

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

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

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

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

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

Details of any impairment of financial assets are contained in Note 9.

2 Financial risk management (continued)

(c) Liquidity risk

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

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

Financing arrangements

Under the funding arrangements entered into between the Company and the Company's shareholding Ministers, any undrawn approved funding lapses at the end of each financial year. The Company seeks approval from the shareholding Ministers for funding requirements for the forthcoming year on an annual basis, and these approved borrowings form part of the State of Queensland's borrowing program. For the 2013/14 year, the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be required to maintain liquidity and/or meet operational requirements, approval for the additional funds must be sought from the Queensland Treasurer.

Maturities of financial liabilities

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

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

Derivatives

Gross settled (forward
foreign exchange contracts -
cash flow hedges)

- (inflow)	(587)	-	-	(587)	(587)
Total Derivatives	(587)	-	-	(587)	(587)

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Consolidated Entity - at 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000

Non-derivatives

Trade payables	135,880	-	-	135,880	135,880
Borrowings (excluding finance leases)	232,627	931,096	4,107,126	5,270,849	3,854,221
Total non-derivatives	368,507	931,096	4,107,126	5,406,729	3,990,101

Derivatives

Gross settled (forward foreign exchange contracts - cash flow hedges)

- (inflow)	(154)	-	-	(154)	(154)
- (outflow)	285	-	-	285	285
Total Derivatives	131	-	-	131	131

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Powerlink Queensland - at 30 June 2013	\$'000	\$'000	\$'000	\$'000	\$'000

Non-derivatives

Trade payables	89,368	-	-	89,368	89,368
Borrowings (excluding finance leases)	238,784	955,742	4,377,381	5,571,907	4,154,221
Total non-derivatives	328,152	955,742	4,377,381	5,661,275	4,243,589

Derivatives

Gross settled (forward foreign exchange contracts - cash flow hedges)

- (inflow)	(587)	-	-	(587)	(587)
Total Derivatives	(587)	-	-	(587)	(587)

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Powerlink Queensland - at 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000

Non-derivatives

Trade payables	135,871	-	-	135,871	135,871
Borrowings (excluding finance leases)	232,627	931,096	4,107,126	5,270,849	3,854,221
Total non-derivatives	368,498	931,096	4,107,126	5,406,720	3,990,092

Derivatives

Gross settled (forward foreign exchange contracts - cash flow hedges)

- (inflow)	(154)	-	-	(154)	(154)
- (outflow)	285	-	-	285	285
Total Derivatives	131	-	-	131	131

(d) Fair value measurements

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

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

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

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

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

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

2 Financial risk management (continued)

(d) Fair value measurements (continued)

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

3 Critical accounting judgements, estimates and assumptions

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

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

Defined Benefit Plans

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relative carrying amounts are discussed in Note 17.

Employee Entitlements

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

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

Change in accounting estimates - Discount Rates

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

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

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

Recovery of Deferred Tax Equivalent Assets

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

3 Critical accounting judgements, estimates and assumptions (continued)

Revaluation of Property, Plant and Equipment

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

Fair Value of Property, Plant and Equipment

Due to the absence of an active market, supply system assets, work in progress, freehold land and buildings and easements are carried at fair value where fair value is estimated using an income based approach. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 14.

4 Revenue

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

5 Other income

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

(a) Divestment of Equity Accounted Associate

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

6 Expenses from Continuing Operations

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

7 Income tax equivalent expense

(a) Income tax equivalent expense

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

7 Income tax equivalent expense (continued)

(a) Income tax equivalent expense (continued)

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

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

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

7 Income tax equivalent expense (continued)

(c) Amounts recognised directly in equity

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:				
Net deferred tax - debited (credited) directly to equity	21,875	27,869	54,060	24,946

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

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

(e) Tax consolidation legislation

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

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

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

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

8 Current assets - Cash and cash equivalents

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

(a) Risk exposure

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

(b) Deposits at call

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

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

(c) Fair Value

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

9 Current assets - Trade and other receivables

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

(a) Provision for Impairment of Receivables

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

(b) Impaired Trade Receivables

The Consolidated Entity has recognised a loss of \$1.2 thousand (2012: \$0.15 thousand) in respect of impaired trade receivables during the year ended 30 June 2013.

(c) Trade receivables past due but not impaired

As of 30 June 2013, trade receivables of \$1,131 thousand (2012: \$154 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

9 Current assets - Trade and other receivables (continued)

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

	Consolidated		Powerlink Queensland	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Up to 3 months	1,102	80	1,102	80
3 to 6 months	29	74	29	74
	<u>1,131</u>	<u>154</u>	<u>1,131</u>	<u>154</u>

(d) Other receivables

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

(e) Foreign exchange and interest rate risk

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

(f) Fair value and credit risk

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

10 Current assets - Inventories

	Consolidated		Powerlink Queensland	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Maintenance and Construction Stock	36,715	22,132	36,715	22,132
	<u>36,715</u>	<u>22,132</u>	<u>36,715</u>	<u>22,132</u>

11 Current assets - Other current assets

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

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

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

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the subsidiary entities holding the investments (refer to Note 13).

13 Non-current assets - Other financial assets

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

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

* Represents investments in unlisted controlled entities at cost

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

14 Non-current assets - Property, plant and equipment

Consolidated Entity and Powerlink Queensland	Work in Progress \$'000	Freehold Land and Easements \$'000	Buildings \$'000	Supply System Assets \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
At 1 July 2011						
Directors' Valuation	539,975	467,793	75,254	6,007,255	111,320	7,201,597
Accumulated depreciation	-	-	(9,570)	(1,054,853)	(63,059)	(1,127,482)
Net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115

Year ended 30 June 2012

Opening net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
Revaluation increment/(decrements)	-	8,581	1,178	96,935	-	106,694
Additions	752,860	-	-	-	-	752,860
Depreciation charge	-	-	(2,090)	(220,257)	(18,427)	(240,774)
Disposals	-	(4,246)	-	(5,514)	(289)	(10,049)
Transfers from work in progress	(540,966)	27,836	3,262	488,788	21,080	-
Closing net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846

At 30 June 2012

Directors' Valuation	751,869	499,964	79,851	6,588,737	127,519	8,047,940
Accumulated depreciation	-	-	(11,817)	(1,276,383)	(76,894)	(1,365,094)
Net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846

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

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

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

(a) Valuation of Property, Plant and Equipment

Powerlink's supply system assets, work in progress, freehold land and building and easements are carried at fair value. An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2013 using the following key assumptions and approach:

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

15 Non-current assets - Deferred tax equivalent assets

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

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

Movements:

Opening balance at 1 July 2012	15,423	11,145	15,421	11,143
Credited/(charged) to profit or loss	3,058	(1,613)	3,058	(1,613)
Credited/(charged) to equity	(2,522)	5,891	(2,524)	5,891
Closing balance at 30 June 2013	15,959	15,423	15,955	15,421

Deferred tax assets expected to be recovered within 12 months	7,769	7,110	7,764	7,108
Deferred tax assets expected to be recovered after more than 12 months	8,190	8,313	8,190	8,313
	15,959	15,423	15,954	15,421

16 Employee Benefits

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

(i) Performance payments - Other Key Management Personnel

Performance payments to other key management personnel are dependent on the performance of individual key management personnel against pre-agreed business and individual targets. The performance payments made in the 2012/13 year were granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(ii) Performance payments - All Other Employees

Performance payments to all other employees are dependent on the performance of employees against individual/team pre-agreed performance targets. The performance payments made in the 2012/13 year were granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iii) Gainsharing Payments

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2012/13 was granted/approved by the Board on 26 September 2012. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iv) At-Risk Performance Remuneration

The aggregate at-risk performance remuneration is at follows:

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

(v) Number of Employees

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

17 Superannuation Commitments

(a) Superannuation plan

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

17 Superannuation Commitments (continued)

(a) Superannuation plan (continued)

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

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

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

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

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

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in Note 6.

(b) Defined Benefit Plan Balance Sheet Amounts

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

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

(c) Categories of plan assets

The major categories of plan assets are as follows:

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

17 Superannuation Commitments (continued)

(d) Reconciliations

	Consolidated		Powerlink Queensland	
	30 June	30 June	30 June	30 June
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</i>				
Opening balance	(79,892)	(67,575)	(79,892)	(67,575)
Current service cost	(3,494)	(2,771)	(3,494)	(2,771)
Interest cost	(1,954)	(2,717)	(1,954)	(2,717)
Actuarial gains and (losses)	9,062	(16,210)	9,062	(16,210)
Benefits paid	4,084	7,224	4,084	7,224
Contributions by members	(802)	(808)	(802)	(808)
Provisions for contributions tax	(2,329)	2,965	(2,329)	2,965
Balance at the end of the period	(75,325)	(79,892)	(75,325)	(79,892)

Reconciliation of the fair value of plan assets:

Opening balance	71,764	76,248	71,764	76,248
Expected return on plan assets	4,081	4,283	4,081	4,283
Actuarial (gains) and losses	6,178	(3,985)	6,178	(3,985)
Contributions by Company	1,655	1,634	1,655	1,634
Benefits paid	(4,084)	(7,224)	(4,084)	(7,224)
Contributions by members	802	808	802	808
Balance at the end of the period	80,396	71,764	80,396	71,764

(e) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

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

17 Superannuation Commitments (continued)

(f) Amounts recognised in other comprehensive income

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

(g) Principal actuarial assumptions

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

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

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

(h) Employer contributions

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

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

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

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

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

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

17 Superannuation Commitments (continued)

(i) Historic summary

	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Plan assets	80,396	71,764	76,248	74,782	69,138
Defined benefit plan obligation	(75,325)	(79,892)	(67,575)	(69,363)	(63,729)
Surplus/(deficit)	5,071	(8,128)	8,673	5,419	5,409
Experience adjustments arising on plan assets	6,178	(3,985)	2,493	3,558	(5,069)
Experience adjustments arising on plan liabilities	664	(2,339)	750	(867)	(544)

18 Current liabilities - Trade and other payables

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

(a) Fair Value

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

19 Current liabilities - Provisions

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

19 Current liabilities - Provisions (continued)

(a) Onerous Contracts

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

(b) Restructuring costs

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

(c) Other Provisions

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

(d) Movements in provisions

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

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

20 Current liabilities - Current tax equivalent liabilities

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

21 Current liabilities - Other current liabilities

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

22 Non-current liabilities - Interest Bearing Loans and Borrowings

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

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

(a) Fair value

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

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

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

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

(a) Fair value (continued)

(i) On-balance sheets

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

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

(b) Risk exposures

Information about the Consolidated Entity's exposure to interest rate and foreign exchange risk is provided in note 2.

23 Non-current liabilities - Deferred tax equivalent liabilities

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

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

	Consolidated		Powerlink Queensland	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Movements:				
Opening balance	519,858	488,611	483,394	458,005
Charged/(credited) to profit or loss	(2,784)	3,043	(1,962)	(5,448)
Charged/(credited) to equity	15,894	31,588	51,535	30,837
Prior year adjustment	-	(3,384)	-	-
Closing balance at 30 June	532,968	519,858	532,967	483,394
Deferred tax liabilities expected to be settled within 12 months	6,039	3,377	6,038	(2,554)
Deferred tax liabilities expected to be settled after more than 12 months	526,929	516,481	526,929	(480,840)
	532,968	519,858	532,967	(483,394)

24 Non-current liabilities - Provisions

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

(a) Movements in provisions

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

25 Non-current liabilities - Other non-current liabilities

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

26 Contributed equity

(a) Share capital

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

(b) Ordinary shares

Issued and Paid Up Capital

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

There was no movement in the issued and paid up capital during the financial year ended 30 June 2013.

Terms and Conditions of Contributed Equity - Ordinary Shares

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

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

(c) Capital risk management

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

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

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Note 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 26 and 27 respectively.

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

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

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

There has not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2012.

26 Contributed equity (continued)

(c) Capital risk management (continued)

Gearing ratio

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

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

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

The increase in the gearing ratio for the year ended 30 June 2013 resulted primarily from the level of borrowings required to finance the Consolidated Entity's capital expenditure program.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2013 the Consolidated Entity had only long term borrowings.

27 Reserves and retained earnings

(a) Reserves

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

27 Reserves and retained earnings (continued)

(a) Reserves (continued)

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

(b) Retained earnings

Movements in retained earnings were as follows:

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

(c) Nature and purpose of other reserves

(i) Revaluation surplus - property, plant and equipment

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

27 Reserves and retained earnings (continued)

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

(ii) Cash flow hedges

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

28 Dividends

(a) Ordinary shares

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

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

In consultation with the shareholding Ministers, a final dividend has been recommended at 90% of the operating profit after tax, excluding contributions from equity accounted associates and excluding the items recognised in the income statement on the divestment of the investment in the associates which comprised the interim dividend paid during the financial year (2012: 80% of the operating profit after income tax equivalents excluding the contributions from equity accounted associates).

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

29 Key management personnel disclosures

(a) Directors

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

(i) Chairman

Stephen Rochester

(ii) Directors

Anne Barclay (from 20/12/2012)

Julie Beeby

Kenneth Howard (from 1/7/2012 to 30/9/2012; reappointed 20/12/2012)

Julienne Martin

Christina Sutherland

Walter Threlfall (term finished 30/9/12)

29 Key management personnel disclosures (continued)

(b) Other key management personnel

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

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

(i) Remuneration of other key management personnel

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

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

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

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

(c) Details of remuneration

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

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

29 Key management personnel disclosures (continued)

(c) Details of remuneration (continued)

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

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

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

(ii) Other key management personnel

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

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

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

29 Key management personnel disclosures (continued)

(c) Details of remuneration (continued)

(ii) Other key management personnel (continued)

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

Includes both employee and employer superannuation contributions.

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

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

(d) Director term and appointment

Stephen Rochester (*Chairman*)

Current Term 3 years 4 months First appointed May 2012

Anne Barclay

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

Julie Beeby

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

Kenneth Howard

Current term 2 years and 9 months commencing 20 December 2012. First appointed January 2007.

Julienne Martin

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

Christina Sutherland

Current term 2 years commencing October 2011. First appointed July 2001.

30 Remuneration of auditors

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

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

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$	\$	\$	\$
<i>Queensland Audit Office</i>				
Audit and review of financial statements	224,000	222,000	213,000	213,000
Total remuneration for audit and other services	224,000	222,000	213,000	213,000

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

31 Contingencies

(a) Contingent assets

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

(b) Contingent liabilities

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

32 Commitments

(a) Capital Expenditure Commitments

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

	Consolidated		Powerlink Queensland	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	\$'000	\$'000	\$'000	\$'000
<i>Property, plant and equipment</i>				
Within one year	207,703	73,630	207,703	73,630
	207,703	73,630	207,703	73,630

(b) Non-cancellable operating leases

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

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

32 Commitments (continued)

(b) Non-cancellable operating leases (continued)

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

(c) Lease commitments: Consolidated Entity as lessor

(i) Non-cancellable operating leases

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

Sub-lease receipts

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

33 Related party transactions

(a) Parent entities

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2013 owned 100% (2012: 100%) of the issued ordinary shares of Powerlink Queensland.

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

(b) Directors

Directors' Shareholdings

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

Loans to Directors

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

33 Related party transactions (continued)

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 34.

Interests in Associates are set out in Note 35.

(d) Key management personnel

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

(e) Transactions with other related parties

The following transactions occurred with related parties:

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

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

	Consolidated Year ended		Powerlink Queensland Year ended	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
<i>Dividend revenue</i>				
Subsidiaries	-	-	350,135	11,656
Associates	-	42	-	-
	-	42	350,135	11,656

33 Related party transactions (continued)

(e) Transactions with other related parties (continued)

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

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

(f) Outstanding balances

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

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

33 Related party transactions (continued)

(g) Loans to/from related parties

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

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

(h) Terms and conditions

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

34 Subsidiaries

Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2013	2012
			%	%
Harold Street Holdings Pty Ltd *	Australia	Ordinary	100	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	100	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

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

35 Investments in associates

(a) Movements in carrying amounts

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

(b) Summarised financial information of associates

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

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

Investment in associate divested on 18 December 2012.

The above associate is incorporated in Australia.

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

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

36 Events occurring after the reporting period

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

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

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

38 Non-cash investing and financing activities

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


39 Settlements Residue

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

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

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Stephen Rochester
Chairman
Brisbane
30 August 2013

To the Members of Queensland Electricity Transmission Corporation Limited

Report on the Financial Report

I have audited the accompanying financial report of Queensland Electricity Transmission Corporation Limited ("the company"), which comprises the balance sheets as at 30 June 2013, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

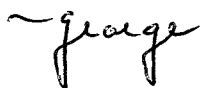
Opinion

In my opinion –

- (a) the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including –
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

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



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



Queensland Audit Office
Brisbane



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