



Powerlink Queensland
FINANCIAL STATEMENTS

2014/15

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 26 August 2015. The Directors have the power to amend and reissue the financial statements.

Directors' report

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries for the financial year ended 30 June 2015 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:

Julie Beeby
Kenneth Howard
Julienne Martin
Anne Barclay

Stephen Rochester was Chairman and a director from the beginning of the financial year until his resignation.

Julie Beeby was appointed Chairman effective from 11 December 2014.

David Stevens was appointed a director effective from 11 December 2014.

Principal activities

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

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

The proposed 2014/15 final dividend is based on 100% of the operating profit after income tax equivalent expense (\$155.986M) and an additional distribution of \$1,121M from retained earnings (2014: final dividend \$167.789M being 80% of the profit after income tax equivalent expense exclusive of the equity accounted associate sale price adjustment). This distribution and the increase in the dividend ratio for 2014/15 were made in response to a direction from the shareholding Ministers, dated 29 June 2015, under section 131(3)(b) of the *Government Owned Corporations Act 1993* and will be funded from borrowings to the extent necessary.

The dividends will not be franked.

Review of operations

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

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 details are either unknown and/or the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

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 Executive Committee for Environment and a Board Audit, Risk and Compliance Committee that monitors compliance with environmental regulations.

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

Emissions Reduction Fund

The Consolidated Entity does not trigger current thresholds for the proposed Emissions Reductions Fund "safeguarding emissions reduction" scheme which is due to be implemented on 1 July 2015.

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, the Consolidated Entity remained exempt from the requirements of this Act.

The National Greenhouse and Energy Reporting Act 2007 (NGER) requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act commenced from 1 July 2008. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submits its report to the Clean Energy Regulator each year before the 31 October deadline. Powerlink's NGER reporting methods and submissions were reviewed in 2013/14 by external auditors, Net Balance. Powerlink's scope 1 emissions in 2013/14 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 15,643.14 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 2015, and the numbers of meetings attended by each Director were:

| Directors | Full meetings of directors | | Meetings of committees | | | |
|-------------------|----------------------------|----|------------------------|----|--------------|----|
| | | | Audit & Risk | | Remuneration | |
| | A | B | A | B | A | B |
| Stephen Rochester | 5 | 5 | 2 | 2 | 3 | 3 |
| Julie Beeby | 11 | 11 | 2 | 2 | 7 | 7 |
| Kenneth Howard | 11 | 11 | 4 | 4 | ** | ** |
| Julienne Martin | 10 | 11 | 1 | 2 | 4 | 4 |
| Anne Barclay | 11 | 11 | ** | ** | 7 | 7 |
| David Stevens | 6 | 6 | 2 | 2 | ** | ** |

Meetings of directors (continued)

A = Number of meetings attended

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

** = Not a member of the relevant committee

Remuneration report

Principles used to determine the nature and amount of remuneration

Directors

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2015 were the Honourable Curtis Pitt, Treasurer and Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships on behalf of the State of Queensland, and the Honourable Mark Bailey, Minister for Main Roads, Road Safety and Ports and 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 28 October 2014.

Key management personnel pay

The People and Culture and 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 14.

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

- *Chief Executive*
- *Chief Financial Officer*
- *Executive Manager Infrastructure Delivery and Technical Services*
- *Executive Manager Investment and Planning*
- *Executive Manager Operations and Field Services*
- *Executive Manager People and Culture*
- *Executive Manager Stakeholder Relations and Corporate Services*

Loans to Directors and Executives

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

Indemnification and insurance of officers

The 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.

Indemnification and insurance of officers (continued)

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

The indemnity relates to any liability:

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (Queensland Audit Office) or their delegate (Deloitte Touche Tohmatsu) for audit and non-audit services provided during the year are set out in Note 15 - 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.

Julie Beeby
Chairman
Brisbane
26 August 2015



To the Directors of Queensland Electricity Transmission Corporation Limited,

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

Independence Declaration

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 30 June 2015, 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 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| | Notes | | | | |
| Revenue from continuing operations | 3 | 995,871 | 1,034,883 | 996,087 | 1,038,304 |
| Other income | 4(a) | (433) | 392 | (433) | 392 |
| Less | | | | | |
| Expenses from continuing operations excluding finance costs expense | 4(b) | (518,322) | (475,880) | (518,322) | (475,861) |
| Finance costs | 4(b) | (252,994) | (262,022) | (252,994) | (262,022) |
| Profit before income tax equivalent | | 224,122 | 297,373 | 224,338 | 300,813 |
| Income tax equivalent expense | 5 | (68,136) | (91,529) | (68,138) | (91,444) |
| Profit for the year | | 155,986 | 205,844 | 156,200 | 209,369 |
| Profit is attributable to: | | | | | |
| Owners of Powerlink Queensland | | 155,986 | 205,844 | 156,200 | 209,369 |

| | Notes | Consolidated Year ended | | Powerlink Queensland Year ended | |
|---|-------|----------------------------|---------------------------|------------------------------------|---------------------------|
| | | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Profit for the year | | 155,986 | 205,844 | 156,200 | 209,369 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Changes in the fair value of cash flow hedges | | 362 | (719) | 362 | (719) |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Gain on revaluation of property, plant and equipment net of tax | | 72,078 | 147,303 | 72,078 | 147,303 |
| Actuarial (losses)/gains on defined benefit superannuation fund net of tax | | 3,532 | 9,134 | 3,531 | 9,134 |
| Other comprehensive income for the year, net of tax | | 75,972 | 155,718 | 75,971 | 155,718 |
| Total comprehensive income for the year | | 231,958 | 361,562 | 232,171 | 365,087 |
| Total comprehensive income for the year is attributable to: | | | | | |
| Owners of Powerlink Queensland | | 231,958 | 361,562 | 232,171 | 365,087 |
| Total comprehensive income for the year attributable to owners of Powerlink Queensland arises from: | | | | | |
| Continuing operations | | 231,958 | 361,562 | 232,171 | 365,087 |

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 |
| | | 2015 | 2014 | 2015 | 2014 |
| Notes | | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | |
| Current assets | | | | | |
| | 6(a) | 113,697 | 42,498 | 113,676 | 42,277 |
| Cash and cash equivalents | | | | | |
| Trade and other receivables | 6(b) | 84,215 | 110,908 | 84,216 | 110,908 |
| Inventories | 7(a) | 44,644 | 39,606 | 44,644 | 39,606 |
| Other current assets | 6(e) | 7,404 | 7,424 | 7,404 | 7,424 |
| Total current assets | | 249,960 | 200,436 | 249,940 | 200,215 |
| Non-current assets | | | | | |
| Defined Benefit Fund Asset | 7(g) | 20,133 | 16,270 | 20,133 | 16,270 |
| Other financial assets | 7(f) | - | - | 1 | 1 |
| Property, plant and equipment | 7(b) | 7,835,220 | 7,503,713 | 7,835,220 | 7,503,713 |
| Total non-current assets | | 7,855,353 | 7,519,983 | 7,855,354 | 7,519,984 |
| Total assets | | 8,105,313 | 7,720,419 | 8,105,294 | 7,720,199 |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 6(c) | 91,502 | 80,333 | 91,508 | 80,347 |
| Current tax equivalent liabilities | | (140) | 32,782 | (140) | 32,959 |
| Provisions | 7(d) | 1,290,448 | 182,703 | 1,290,448 | 182,703 |
| Other current liabilities | 6(d) | 5,119 | 2,286 | 5,119 | 2,286 |
| Total current liabilities | | 1,386,929 | 298,104 | 1,386,935 | 298,295 |
| Non-current liabilities | | | | | |
| Interest Bearing Loans and Borrowings | 6(g) | 4,444,221 | 4,154,221 | 4,444,221 | 4,154,221 |
| Deferred Tax Equivalent Liabilities | 7(c) | 602,134 | 575,821 | 602,134 | 575,825 |
| Provisions | 7(e) | 26,018 | 25,989 | 26,018 | 25,989 |
| Other non-current liabilities | 6(f) | 110,386 | 85,454 | 110,386 | 85,454 |
| Total non-current liabilities | | 5,182,759 | 4,841,485 | 5,182,759 | 4,841,489 |
| Total liabilities | | 6,569,688 | 5,139,589 | 6,569,694 | 5,139,784 |
| Net assets | | 1,535,625 | 2,580,830 | 1,535,600 | 2,580,415 |
| EQUITY | | | | | |
| Contributed equity | 8(a) | 401,000 | 401,000 | 401,000 | 401,000 |
| Reserves | 8(b) | 1,056,680 | 984,240 | 1,056,680 | 984,240 |
| Retained earnings | 8(c) | 77,945 | 1,195,590 | 77,920 | 1,195,175 |
| Capital and reserves attributable to owners of Powerlink Queensland | | 1,535,625 | 2,580,830 | 1,535,600 | 2,580,415 |
| Total equity | | 1,535,625 | 2,580,830 | 1,535,600 | 2,580,415 |

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

Powerlink Queensland
Statements of changes in equity
For the year ended 30 June 2015

| | Notes | Attributable to owners of Powerlink Queensland | | | Total equity \$'000 |
|--|-------|---|-----------------------------|--------------------------------|---------------------------|
| | | Contributed equity \$'000 | Other reserves \$'000 | Retained earnings \$'000 | |
| Consolidated Entity | | | | | |
| Balance at 1 July 2013 | | 401,000 | 837,656 | 1,148,401 | 2,387,057 |
| Profit for the period | | - | - | 205,844 | 205,844 |
| Other comprehensive income | | - | 146,584 | 9,134 | 155,718 |
| Total comprehensive income for the year | | - | 146,584 | 214,978 | 361,562 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 12(b) | - | - | (167,789) | (167,789) |
| Balance at 30 June 2014 | | 401,000 | 984,240 | 1,195,590 | 2,580,830 |
| Balance at 1 July 2014 | | 401,000 | 984,240 | 1,195,590 | 2,580,830 |
| Profit for the period | | - | - | 155,986 | 155,986 |
| Other comprehensive income | | - | 72,440 | 3,532 | 75,972 |
| Total comprehensive income for the year | | - | 72,440 | 159,518 | 231,958 |
| Transactions with owners in their capacity as owners: | | | | | |
| Prior year adjustment intercompany tax consolidation | | - | - | (177) | (177) |
| Dividends provided for or paid | 12(b) | - | - | (1,276,986) | (1,276,986) |
| | | - | - | (1,277,163) | (1,277,163) |
| Balance at 30 June 2015 | | 401,000 | 1,056,680 | 77,945 | 1,535,625 |

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

| Powerlink Queensland | Notes | Contributed equity \$'000 | Other reserves \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|--|-------|---------------------------------|-----------------------------|--------------------------------|---------------------------|
| Balance at 1 July 2013 | | 401,000 | 837,656 | 1,144,460 | 2,383,116 |
| Profit for the period | | - | - | 209,369 | 209,369 |
| Other comprehensive income | | - | 146,584 | 9,135 | 155,719 |
| Total comprehensive income for the year | | - | 146,584 | 218,504 | 365,088 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 12(b) | - | - | (167,789) | (167,789) |
| Balance at 30 June 2014 | | 401,000 | 984,240 | 1,195,175 | 2,580,415 |
| Balance at 1 July 2014 | | 401,000 | 984,240 | 1,195,175 | 2,580,415 |
| Profit for the period | | - | - | 156,200 | 156,200 |
| Other comprehensive income | | - | 72,440 | 3,531 | 75,971 |
| Total comprehensive income for the year | | - | 72,440 | 159,731 | 232,171 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 12(b) | - | - | (1,276,986) | (1,276,986) |
| Balance at 30 June 2015 | | 401,000 | 1,056,680 | 77,920 | 1,535,600 |

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

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|------------------------------------|------------------|--|------------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flows from operating activities | | | | |
| Receipts from customers | 1,027,210 | 1,060,616 | 1,027,210 | 1,060,616 |
| Payments to suppliers and employees | (231,426) | (210,333) | (231,415) | (205,874) |
| Other operating receipts | 23,201 | 25,569 | 23,201 | 25,569 |
| Finance Costs Paid | (252,036) | (261,601) | (252,036) | (261,601) |
| Income tax equivalent paid | (105,834) | (98,741) | (106,040) | (90,147) |
| Interest received | 2,748 | 6,259 | 2,746 | 5,958 |
| Dividends received | - | - | 218 | 3,722 |
| Goods and Services Tax Received/(Paid) | (2,187) | 2,479 | (2,187) | 2,479 |
| Other operating payments | (2,796) | (445) | (2,796) | (445) |
| Net cash inflow from operating activities | 458,880 | 523,803 | 458,901 | 540,277 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment | (511,192) | (434,739) | (511,013) | (434,738) |
| Proceeds from sale of property, plant and equipment | 1,300 | 938 | 1,300 | 938 |
| Net cash (outflow) from investing activities | (509,892) | (433,801) | (509,713) | (433,800) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 290,000 | 290,000 | 290,000 | 290,000 |
| Repayment of borrowings | - | (290,000) | - | (290,000) |
| Dividends paid to company's shareholders 12(b) | (167,789) | (177,402) | (167,789) | (177,402) |
| Net cash inflow (outflow) from financing activities | 122,211 | (177,402) | 122,211 | (177,402) |
| Net increase (decrease) in cash and cash equivalents | 71,199 | (87,400) | 71,399 | (70,925) |
| Cash and cash equivalents at the beginning of the financial year | 42,498 | 129,898 | 42,277 | 113,202 |
| Cash and cash equivalents at end of year | 113,697 | 42,498 | 113,676 | 42,277 |
| 6(a) | | | | |

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 and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, and Interpretations issued by the Australian Accounting Standards Board, the *Corporations Act 2001*, and the *Queensland Government Owned Corporations Act 1993*.

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

(i) *Going concern*

The financial statements have been prepared on a going concern basis. As at 30 June 2015, the current liabilities exceed current assets for the Consolidated Entity by \$1,136.969M (2014:\$97.668M) (Parent Entity \$1,136.995M (2014:\$98.080M)). The excess of current liabilities to current assets primarily resulting from the provision for a special dividend of \$1,121M in terms of a directive from the Consolidated Entity's shareholding Ministers. The State of Queensland has provided support to Powerlink for additional borrowings to fund operational and capital 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

Summary of significant accounting policies

(a) Basis of preparation (continued)

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

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by group |
|--|--|---|---|
| AASB 9 <i>Financial Instruments</i> | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. | <p>Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. While the Consolidated Entity has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.</p> <p>There will also be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.</p> <p>The new hedging rules apply a more principles based approach and aligns hedge accounting more closely with the group's risk management practices. The new standard also introduces expanded disclosure requirements and changes in presentation.</p> <p>The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.</p> <p>The group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.</p> | <p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.</p> |

Summary of significant accounting policies

(a) Basis of preparation (continued)

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

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by group |
|---|--|---|---|
| AASB 15 <i>Revenue from Contracts with Customers</i> | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. | Management is currently assessing the impact of the new rules. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact. | Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the group: 1 July 2018. |

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

(iii) New and amended standards adopted by the group

The Consolidated Entity has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

The adoption of AASB 13-3 had a minor impact on the impairment disclosures. Other than that, the adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

Summary of significant accounting policies

(a) Basis of preparation (continued)

(iv) *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.

(v) *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 10.

(b) Principles of consolidation

(i) *Subsidiaries*

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

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

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ('Company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

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

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

Summary of significant accounting policies

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

(d) Revenue recognition

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

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

(i) Grid sales revenue

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

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

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

(ii) Other revenue

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

(iii) Interest income

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

(iv) Dividends

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

(e) Income tax equivalents

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

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

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

Summary of significant accounting policies

(e) Income tax equivalents (continued)

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

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

(i) Investment allowances and similar tax incentives

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

(f) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases (Note 17). 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.

Summary of significant accounting policies

(g) Impairment of assets (continued)

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. See note for further information about the group's accounting for trade receivables and Note 11(c) for a description of the Consolidated Entity's impairment policies.

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

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

(j) Inventories

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

(k) Derivatives and hedging activities

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

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

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

Summary of significant accounting policies

(k) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 11(a). Movements in the hedging reserve in shareholder's equity are shown in Note 8(b)(ii). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

Summary of significant accounting policies

(l) Fair value estimation (continued)

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

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

(m) Property, plant and equipment

(i) 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.

(ii) 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.

(iii) Other Property Plant and Equipment

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

(iv) Acquisition of Assets

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

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

(v) Subsequent Costs

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

(vi) Revaluation

Within the freehold land and easements 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.

Summary of significant accounting policies

(m) Property, plant and equipment (continued)

(vi) Revaluation (continued)

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 7(b)) does not take into account price index movements.

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

(vii) 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.

(viii) Derecognition and Disposal of Assets

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

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

(n) Trade and other payables

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

(o) Borrowings

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

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

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

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

Summary of significant accounting policies

(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 6(d) and 6(f)).

(s) Employee benefits

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

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

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

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Superannuation benefit obligations

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

Summary of significant accounting policies

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

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

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

Past service costs are recognised immediately in profit or loss.

(iv) At-risk performance remuneration

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

(v) Termination benefits

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

(t) Contributed equity

Ordinary shares are classified as equity. Refer Note 8(a).

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

(u) Dividends

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

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

(v) Goods and Services Tax (GST)

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

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

Summary of significant accounting policies

(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 21).

2 Significant changes in the current reporting period

The financial position and performance of the Consolidated Entity was particularly affected by a change in the method of recognition of deferred under and over recoveries of regulated grid revenues.

With effect from 1 July 2014, Powerlink Queensland changed its accounting methodology with respect to regulated revenue under and over recoveries -refer Note 1(d)(i). Previously, Powerlink Queensland accrued or deferred allowed regulated revenues through recognising the full amount of revenue allowed under its revenue determination and recognising any under (or over) recovery of this amount as an asset (or liability) to be adjusted in future revenues to be received from customers.

Under the National Electricity Rules, Powerlink Queensland is entitled to include any under/over recovery of regulated grid service revenue when setting the charges for future periods.

There is no definitive guidance on the accounting treatment for regulatory receivables or provisions within existing accounting standards. However the Australian Accounting Standards Board (AASB) has commented, in response to the International Accounting Standards Board's (IASB) Invitation to Comment ITC32 Reporting the Financial Effects of Rate Regulation; that it has a view that, in most cases, regulatory deferral account balances do not meet the asset and liability recognition criteria as contained in the Conceptual Framework. To date, consensus has not been achieved and divergent views continue to be debated by the IASB.

Powerlink Queensland has not applied the change in accounting methodology retrospectively and has not restated the comparative period as it does not consider the receivable for regulated revenue under recoveries previously recognised at 30 June 2014 to be material in order to require a retrospective restatement of the comparative period.

Effects of the change in methodology for current and comparative years are:

| | 2014/2015 Year | 2013/2014 Year |
|---|-------------------|-------------------|
| Over/(under) recovery of regulated revenue cap - effect on profit after income tax equivalent expense | (\$61.5M) | (\$17.4M) |

3 Revenue

| | Consolidated Year ended 30 June 2015 \$'000 | | Powerlink Queensland Year ended 30 June 2015 \$'000 | |
|--|---|---------------------------|---|---------------------------|
| | | 30 June 2014 \$'000 | | 30 June 2014 \$'000 |
| Revenues from continuing operations | | | | |
| Grid Sales Revenue | 973,151 | 1,000,726 | 973,151 | 1,000,726 |
| Total Grid Sales Revenue | 973,151 | 1,000,726 | 973,151 | 1,000,726 |
| <i>Other revenue</i> | | | | |
| Interest | 2,748 | 6,259 | 2,746 | 5,958 |
| Dividends | - | - | 218 | 3,722 |
| Other | 19,972 | 27,898 | 19,972 | 27,898 |
| Total Other Revenue | 22,720 | 34,157 | 22,936 | 37,578 |
| Total Revenues from Continuing Operations | 995,871 | 1,034,883 | 996,087 | 1,038,304 |

4 Other income and expense items

(a) Other income

| | Consolidated Year ended 30 June 2015 \$'000 | | Powerlink Queensland Year ended 30 June 2015 \$'000 | |
|--|---|---------------------------|---|---------------------------|
| | | 30 June 2014 \$'000 | | 30 June 2014 \$'000 |
| Net gain/(loss) on disposal of property, plant and equipment | (433) | 392 | (433) | 392 |
| Total Other Income | (433) | 392 | (433) | 392 |

(b) Expenses from Continuing Operations

| | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| <i>Finance costs</i> | | | | |
| Interest Expense | 210,473 | 220,055 | 210,473 | 220,055 |
| Other | 42,521 | 41,967 | 42,521 | 41,967 |
| Total Finance Costs Expensed | 252,994 | 262,022 | 252,994 | 262,022 |

Other income and expense items

(b) Expenses from Continuing Operations (continued)

| | Consolidated | | Powerlink Queensland | |
|--|----------------|----------------|----------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit before income tax equivalent includes the following specific expenses: | | | | |
| <i>Continuing Operating Expenses</i> | | | | |
| Network Operations | 16,300 | 13,943 | 16,300 | 13,943 |
| Network Maintenance | 118,791 | 111,163 | 118,791 | 111,163 |
| Grid Support | 2,644 | - | 2,644 | - |
| Corporate/Business Support | 84,686 | 71,104 | 84,686 | 71,085 |
| Other | 5,416 | 2,740 | 5,416 | 2,740 |
| Depreciation | 290,485 | 276,930 | 290,485 | 276,930 |
| Total Expenses from Continuing Operations excluding Finance Costs Expensed | 518,322 | 475,880 | 518,322 | 475,861 |
| <i>Employee benefits expenses</i> | | | | |
| Defined Contribution Superannuation expense through profit or loss | 5,312 | 3,911 | 5,312 | 3,911 |
| Employee Benefit expense through profit or loss | 110,289 | 106,999 | 110,289 | 106,999 |
| Total employee benefits expenses | 115,601 | 110,910 | 115,601 | 110,910 |

5 Income tax equivalent expense

(a) Income tax equivalent expense

| | Consolidated | | Powerlink Queensland | |
|--------------|---------------|---------------|----------------------|---------------|
| | Year ended | | Year ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current tax | 74,074 | 98,900 | 74,076 | 98,815 |
| Deferred tax | (5,938) | (7,371) | (5,938) | (7,371) |
| | 68,136 | 91,529 | 68,138 | 91,444 |

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

| | | | | |
|--|----------------|--------------|----------------|--------------|
| (Increase)/decrease in deferred tax equivalent assets (Note 7(c)(i)) | 312 | 248 | 312 | 248 |
| (Decrease)/increase in deferred tax equivalent liabilities (Note 7(c)(ii)) | (6,250) | 7,123 | (6,250) | 7,123 |
| | (5,938) | 7,371 | (5,938) | 7,371 |

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

| | Consolidated | | Powerlink Queensland | |
|--|----------------|----------------|----------------------|----------------|
| | Year ended | | Year ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit from continuing operations before income tax equivalent expense | 224,122 | 297,373 | 224,338 | 300,813 |
| | 224,122 | 297,373 | 224,338 | 300,813 |

5 Income tax equivalent expense (continued)

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

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Tax equivalent at the Australian tax rate of 30.0% (2014 - 30.0%) | 67,237 | 89,212 | 67,301 | 90,244 |
| <i>Increase in income tax equivalent expense due to:</i> | | | | |
| Prior year adjustment | (41) | (22) | (41) | (22) |
| Other differences | 1,564 | 2,978 | 1,567 | 2,978 |
| | 68,760 | 92,168 | 68,827 | 93,200 |
| <i>Decrease in income tax equivalent expense due to:</i> | | | | |
| Tax exempt revenues | - | - | (65) | (1,117) |
| Building capital allowances | (624) | (639) | (624) | (639) |
| | (624) | (639) | (689) | (1,756) |
| Total income tax equivalent expense | 68,136 | 91,529 | 68,138 | 91,444 |

(c) Amounts recognised directly in equity

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|---|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Aggregate current and deferred tax equivalent arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: | | | | |
| Net deferred tax equivalent - debited (credited) directly to equity | 32,246 | 66,188 | 32,246 | 66,188 |

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

| | | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|------|----------------------------|---------------------------|------------------------------------|---------------------------|
| | | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Notes | | | | | |
| Gains on revaluation of property, plant and equipment | 8(b) | 30,890 | 63,136 | 30,890 | 63,136 |
| Cash flow hedges | 8(b) | 197 | (308) | 197 | (308) |
| Actuarial gains/(losses) on retirement/resignation benefit obligation | | 1,159 | 3,360 | 1,159 | 3,360 |
| | | 32,246 | 66,188 | 32,246 | 66,188 |

(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).

5 Income tax equivalent expense (continued)

(e) Tax consolidation legislation (continued)

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.

6 Financial assets and financial liabilities

(a) Cash and cash equivalents

| | Consolidated | | Powerlink Queensland | |
|---|----------------|---------------|----------------------|---------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash balance comprises: | | | | |
| Cash on hand | 2 | 2 | 2 | 2 |
| Bank balances | 424 | 2,242 | 424 | 2,240 |
| Cash on deposit with Qld Treasury Corporation (QTC) | 113,271 | 40,254 | 113,250 | 40,035 |
| Closing Cash Balance | 113,697 | 42,498 | 113,676 | 42,277 |

(i) Reconciliation to cash flow statement

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

(ii) Classification as cash equivalents

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

(iii) Deposits at call

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

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

(iv) Fair value

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

(v) Risk exposure

The Consolidated Entity's exposure to interest rate risk is discussed in Note 11. 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.

Financial assets and financial liabilities

(b) Current assets - Trade and other receivables

| | Consolidated | | Powerlink Queensland | |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Net trade receivables | | | | |
| Trade receivables | 83,493 | 110,934 | 83,491 | 110,908 |
| Other | (3) | (26) | - | - |
| | 83,490 | 110,908 | 83,491 | 110,908 |
| Prepayments | 725 | - | 725 | - |
| | 84,215 | 110,908 | 84,216 | 110,908 |

(i) Classification as trade and other receivables

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

(ii) Provision for Impairment of Receivables

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

(iii) Foreign exchange and interest rate risk

Information about the Consolidated Entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 11.

(iv) Fair value and credit risk

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

(c) Current liabilities - Trade and other payables

| | Consolidated | | Powerlink Queensland | |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Current liabilities | | | | |
| Trade payables | 64,949 | 52,764 | 64,952 | 52,780 |
| Deposits | 3 | 3 | 3 | 3 |
| Other payables | 26,550 | 27,566 | 26,553 | 27,564 |
| | 91,502 | 80,333 | 91,508 | 80,347 |

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

(i) Fair Value

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

Financial assets and financial liabilities

(d) Current liabilities - Other current liabilities

| | Consolidated | | Powerlink Queensland | |
|--|--------------|--------------|----------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unearned Revenue | 4,988 | 1,787 | 4,988 | 1,787 |
| Derivative Financial Instruments | 131 | 499 | 131 | 499 |
| Total other current liabilities | 5,119 | 2,286 | 5,119 | 2,286 |

(e) Current assets - Other current assets

| | Consolidated | | Powerlink Queensland | |
|-----------------------------------|--------------|--------------|----------------------|--------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Work in progress - Customer Works | 965 | 1,301 | 965 | 1,301 |
| Prepayments | 6,078 | 6,032 | 6,078 | 6,032 |
| Other | 361 | 91 | 361 | 91 |
| | 7,404 | 7,424 | 7,404 | 7,424 |

(f) Other non-current liabilities

| | Consolidated | | Powerlink Queensland | |
|--|----------------|---------------|----------------------|---------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unearned revenue | 109,204 | 84,225 | 109,204 | 84,225 |
| Other | 1,182 | 1,229 | 1,182 | 1,229 |
| Total other non-current liabilities | 110,386 | 85,454 | 110,386 | 85,454 |

(g) Interest Bearing Loans and Borrowings

| | Consolidated | | | | | |
|-----------------------------------|--------------|------------------|------------------|--------------|------------------|------------------|
| | 30 June 2015 | | | 30 June 2014 | | |
| | Current | Non-current | Total | Current | Non-current | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Unsecured | | | | | | |
| Queensland Treasury Corporation | - | 4,444,221 | 4,444,221 | - | 4,154,221 | 4,154,221 |
| Total unsecured borrowings | - | 4,444,221 | 4,444,221 | - | 4,154,221 | 4,154,221 |

Financial assets and financial liabilities

(g) Interest Bearing Loans and Borrowings (continued)

| | Powerlink Queensland | | | | | |
|---------------------------------|----------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
| | 30 June 2015 | | | 30 June 2014 | | |
| | Current \$'000 | Non- current \$'000 | Total \$'000 | Current \$'000 | Non- current \$'000 | Total \$'000 |
| Unsecured | | | | | | |
| Queensland Treasury Corporation | - | 4,444,221 | 4,444,221 | - | 4,154,221 | 4,154,221 |
| Total unsecured borrowings | - | 4,444,221 | 4,444,221 | - | 4,154,221 | 4,154,221 |

* Further information relating to loans from related parties is set out in Note 18.

(i) Compliance with loan covenants

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods, see Note 12 for details.

(ii) Fair value

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

| Consolidated Entity | At 30 June 2015 | | At 30 June 2014 | |
|-------------------------------|------------------------------|----------------------|------------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| On-balance sheet (iii) | | | | |
| QTC Loans | 4,444,221 | 4,761,669 | 4,154,221 | 4,422,729 |
| | 4,444,221 | 4,761,669 | 4,154,221 | 4,422,729 |
| Powerlink Queensland | | | | |
| | | | | |
| | | | | |
| | | | | |
| On-balance sheet (iii) | | | | |
| QTC Loans | 4,444,221 | 4,761,669 | 4,154,221 | 4,422,729 |
| | 4,444,221 | 4,761,669 | 4,154,221 | 4,422,729 |

(iii) On-balance sheets

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

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

(iv) Risk exposures

Information about the Consolidated Entity's exposure to interest rate and foreign exchange risk is provided in Note 11.

Financial assets and financial liabilities

(h) Fair value measurements

(i) Fair value hierarchy

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

Recurring fair value measurements

| Consolidated Entity - at 30 June 2015 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|-------|-------------------|-------------------|-------------------|-----------------|
|---------------------------------------|-------|-------------------|-------------------|-------------------|-----------------|

Financial assets

| | | | | | |
|---|--|-----|---|---|-----|
| Derivatives used for hedging - foreign exchange contracts | | 349 | - | - | 349 |
|---|--|-----|---|---|-----|

| | | | | | |
|-------------------------------|--|------------|----------|----------|------------|
| Total financial assets | | 349 | - | - | 349 |
|-------------------------------|--|------------|----------|----------|------------|

Financial Liabilities

| | | | | | |
|---|-------|-----|---|---|-----|
| Derivatives used for hedging - foreign exchange contracts | 11(a) | 131 | - | - | 131 |
|---|-------|-----|---|---|-----|

| | | | | | |
|------------------------------------|--|------------|----------|----------|------------|
| Total financial liabilities | | 131 | - | - | 131 |
|------------------------------------|--|------------|----------|----------|------------|

| Consolidated Entity - at 30 June 2014 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---------------------------------------|-------|-------------------|-------------------|-------------------|-----------------|
|---------------------------------------|-------|-------------------|-------------------|-------------------|-----------------|

Financial assets

| | | | | | |
|---|--|----|---|---|----|
| Derivatives used for hedging - foreign exchange contracts | | 59 | - | - | 59 |
|---|--|----|---|---|----|

| | | | | | |
|-------------------------------|--|-----------|----------|----------|-----------|
| Total financial assets | | 59 | - | - | 59 |
|-------------------------------|--|-----------|----------|----------|-----------|

Financial liabilities

| | | | | | |
|---|-------|-----|---|---|-----|
| Derivatives used for hedging - foreign exchange contracts | 11(a) | 499 | - | - | 499 |
|---|-------|-----|---|---|-----|

| | | | | | |
|------------------------------------|--|------------|----------|----------|------------|
| Total financial liabilities | | 499 | - | - | 499 |
|------------------------------------|--|------------|----------|----------|------------|

Recurring fair value measurements

| Powerlink Queensland - at 30 June 2015 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|-------|-------------------|-------------------|-------------------|-----------------|
|--|-------|-------------------|-------------------|-------------------|-----------------|

Financial assets

| | | | | | |
|---|--|-----|---|---|-----|
| Derivatives used for hedging - foreign exchange contracts | | 349 | - | - | 349 |
|---|--|-----|---|---|-----|

| | | | | | |
|-------------------------------|--|------------|----------|----------|------------|
| Total financial assets | | 349 | - | - | 349 |
|-------------------------------|--|------------|----------|----------|------------|

Financial Liabilities

| | | | | | |
|---|-------|-----|---|---|-----|
| Derivatives used for hedging - foreign exchange contracts | 11(a) | 131 | - | - | 131 |
|---|-------|-----|---|---|-----|

| | | | | | |
|------------------------------------|--|------------|----------|----------|------------|
| Total financial liabilities | | 131 | - | - | 131 |
|------------------------------------|--|------------|----------|----------|------------|

Financial assets and financial liabilities

(h) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

| Powerlink Queensland - at 30 June 2014 | Notes | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|---|-------|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | | |
| Derivatives used for hedging - foreign exchange contracts | | 59 | - | - | 59 |
| Total financial assets | | 59 | - | - | 59 |
| Financial liabilities | | | | | |
| Derivatives used for hedging - foreign exchange contracts | 11(a) | 499 | - | - | 499 |
| Total financial liabilities | | 499 | - | - | 499 |

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

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

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

7 Non-financial assets and liabilities

(a) Inventories

| | Consolidated | | Powerlink Queensland | |
|------------------------------------|---------------------|--------------|-----------------------------|--------------|
| | 30 June 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | |
| Maintenance and Construction Stock | 44,644 | 39,606 | 44,644 | 39,606 |
| | 44,644 | 39,606 | 44,644 | 39,606 |

Non-financial assets and liabilities

(b) 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 2013 | | | | | | |
| Cost or fair value | 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 |

Year ended 30 June 2014

| | | | | | | |
|---------------------------------|-----------|---------|---------|-----------|----------|-----------|
| Opening net book amount | 704,774 | 532,503 | 77,523 | 5,782,707 | 49,654 | 7,147,161 |
| Revaluation surplus | - | 16,345 | 2,276 | 191,818 | - | 210,439 |
| Additions | 423,727 | - | - | - | - | 423,727 |
| Depreciation charge | - | - | (2,879) | (253,547) | (20,504) | (276,930) |
| Disposals | - | (475) | - | - | (209) | (684) |
| Transfers from work in progress | (684,943) | 19,122 | 110 | 649,975 | 15,736 | - |
| Closing net book amount | 443,558 | 567,495 | 77,030 | 6,370,953 | 44,677 | 7,503,713 |

At 30 June 2014

| | | | | | | |
|--------------------------|---------|---------|----------|-------------|-----------|-------------|
| Cost or fair value | 443,558 | 567,495 | 94,396 | 8,171,618 | 151,520 | 9,428,587 |
| Accumulated depreciation | - | - | (17,366) | (1,800,665) | (106,843) | (1,924,874) |
| Net book amount | 443,558 | 567,495 | 77,030 | 6,370,953 | 44,677 | 7,503,713 |

| 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 2015

| | | | | | | |
|---------------------------------|----------------|----------------|---------------|------------------|---------------|------------------|
| Opening net book amount | 443,558 | 567,495 | 77,030 | 6,370,953 | 44,677 | 7,503,713 |
| Revaluation surplus | - | 7,853 | 1,029 | 94,086 | - | 102,968 |
| Additions | 520,945 | - | - | - | - | 520,945 |
| Depreciation charge | - | - | (3,304) | (268,978) | (18,203) | (290,485) |
| Disposals | - | (1,448) | - | (185) | (288) | (1,921) |
| Transfers from work in progress | (453,799) | 8,686 | 128 | 436,260 | 8,725 | - |
| Closing net book amount | 510,704 | 582,586 | 74,883 | 6,632,136 | 34,911 | 7,835,220 |

At 30 June 2015

| | | | | | | |
|--------------------------|---------|---------|----------|-------------|-----------|-------------|
| Cost or fair value | 510,704 | 582,586 | 95,743 | 8,709,760 | 153,436 | 10,052,229 |
| Accumulated depreciation | - | - | (20,860) | (2,077,624) | (118,525) | (2,217,009) |
| Net book amount | 510,704 | 582,586 | 74,883 | 6,632,136 | 34,911 | 7,835,220 |

Non-financial assets and liabilities

(b) Property, plant and equipment (continued)

(i) Valuation of Property, Plant and Equipment

Powerlink's supply system assets, work in progress, freehold land and building and easements are carried at fair value.

The Consolidated Entity has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is contained in Note 6(h). Property, Plant and Equipment has been classified under Level 3 in determining fair value.

An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2015 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.

(c) Deferred tax balances

(i) Deferred tax equivalent assets

| Notes | Consolidated | | Powerlink Queensland | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| The balance comprises temporary differences attributable to: | | | | |
| Accruals | 223 | 249 | 223 | 245 |
| Provisions | 15,667 | 15,958 | 15,667 | 15,958 |
| Cash flow hedges | 39 | 150 | 39 | 150 |
| Total deferred tax equivalent assets | 15,929 | 16,357 | 15,929 | 16,353 |
| Set-off of deferred tax equivalent liabilities pursuant to set-off provisions | 7(c)(ii) (15,929) | (16,357) | (15,929) | (16,353) |
| Net deferred tax equivalent assets | - | - | - | - |

Non-financial assets and liabilities

(c) Deferred tax balances (continued)

(i) Deferred tax equivalent assets (continued)

| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Movements: | | | | |
| Opening balance at 1 July 2014 | 16,357 | 15,959 | 16,353 | 15,955 |
| Credited/(charged) to profit or loss | (318) | 150 | (314) | 150 |
| Credited/(charged) to equity | (110) | 248 | (110) | 248 |
| Closing balance at 30 June 2015 | 15,929 | 16,357 | 15,929 | 16,353 |
| Deferred tax assets expected to be recovered within 12 months | 7,748 | 7,852 | 7,748 | 7,848 |
| Deferred tax assets expected to be recovered after more than 12 months | 8,181 | 8,505 | 8,181 | 8,505 |
| | 15,929 | 16,357 | 15,929 | 16,353 |

(ii) Deferred tax equivalent liabilities

| | Consolidated 30 June 2015 \$'000 | 30 June 2014 \$'000 | Powerlink Queensland 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|---|---|---------------------------|---|---------------------------|
| The balance comprises temporary differences attributable to: | | | | |
| Property, plant and equipment | 605,932 | 582,826 | 605,932 | 582,826 |
| Receivables | 290 | 390 | 290 | 390 |
| Prepayments | 31 | 35 | 31 | 35 |
| | 606,253 | 583,251 | 606,253 | 583,251 |
| Other | | | | |
| Defined Benefit Fund Surplus | 6,040 | 4,881 | 6,040 | 4,881 |
| Inventories | 5,665 | 4,028 | 5,665 | 4,028 |
| Cash flow hedges | 105 | 18 | 105 | 18 |
| Sub-total other | 11,810 | 8,927 | 11,810 | 8,927 |
| Total deferred tax equivalent liabilities | 618,063 | 592,178 | 618,063 | 592,178 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (Note 7(c)(i)) | (15,929) | (16,357) | (15,929) | (16,353) |
| Net deferred tax equivalent liabilities | 602,134 | 575,821 | 602,134 | 575,825 |
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Movements: | | | | |
| Opening balance at 1 July 2014 | 592,178 | 532,968 | 592,178 | 532,967 |
| Charged/(credited) to profit or loss | (6,250) | (7,123) | (6,250) | (7,122) |
| Charged/(credited) to equity | 32,135 | 66,333 | 32,135 | 66,333 |
| Closing balance at 30 June 2015 | 618,063 | 592,178 | 618,063 | 592,178 |
| Deferred tax liabilities expected to be settled within 12 months | 6,091 | 4,471 | 6,091 | 4,471 |
| Deferred tax liabilities expected to be settled after more than 12 months | 611,972 | 587,707 | 611,972 | 587,707 |
| | 618,063 | 592,178 | 618,063 | 592,178 |

Non-financial assets and liabilities

(d) Current liabilities - Provisions

| | Consolidated | | Powerlink Queensland | |
|---------------------|---------------------|---------|-----------------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Dividends | 1,276,986 | 167,789 | 1,276,986 | 167,789 |
| Onerous contracts | 155 | 153 | 155 | 153 |
| Restructuring costs | 178 | 991 | 178 | 991 |
| Employee benefits | 13,129 | 13,770 | 13,129 | 13,770 |
| | 1,290,448 | 182,703 | 1,290,448 | 182,703 |

Information about individual provisions:

(i) *Movements in provisions*

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

| Consolidated Entity and Powerlink Queensland 2015 | Dividends \$'000 | Onerous contracts \$'000 | Restructuring obligations \$'000 |
|--|-----------------------------|---|---|
| Carrying amount at the start of the year | 167,789 | 153 | 991 |
| - additional provisions recognised | 1,276,986 | 155 | 178 |
| Amounts used during the year | (167,789) | (166) | (991) |
| - unwinding of discount | - | 13 | - |
| Carrying amount at end of year | 1,276,986 | 155 | 178 |

(ii) *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.

(iii) *Restructuring costs*

The Consolidated Entity is currently undertaking a review of its organisational structure and organisational responsibilities. As part of this review, a number of positions have been identified as surplus to requirements and negotiations are being undertaken with affected staff as to voluntary redundancy compensation arrangements. The provision reflects the estimated staff restructuring costs identified as at 30 June 2015.

(iv) *Leave obligations*

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

Non-financial assets and liabilities

(d) Current liabilities - Provisions (continued)

(iv) Leave obligations (continued)

| | Consolidated | | Powerlink Queensland | |
|--|---------------------|----------------|-----------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current leave obligations expected to be settled after 12 months | 70 | 1,132 | 70 | 1,132 |

(e) Non-current liabilities - Provisions

| | Consolidated | | Powerlink Queensland | |
|-------------------|---------------------|----------------|-----------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee benefits | 24,798 | 24,723 | 24,798 | 24,723 |
| Onerous contracts | 1,220 | 1,266 | 1,220 | 1,266 |
| | 26,018 | 25,989 | 26,018 | 25,989 |

(i) Movements in provisions

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

| Consolidated and Powerlink Queensland 2015 | Onerous contracts \$'000 | Total \$'000 |
|---|---------------------------------|---------------------|
| Carrying amount at start of year | 1,266 | 1,266 |
| - unwinding of discount | 109 | 109 |
| Amounts used during the year | (155) | (155) |
| Carrying amount at end of year | 1,220 | 1,220 |

(f) Other financial assets

| | Consolidated | | Powerlink Queensland | |
|-----------------------------------|---------------------|----------------|-----------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Shares in subsidiaries* (Note 19) | - | - | 1 | 1 |
| | - | - | 1 | 1 |

* Represents investments in unlisted controlled entities at cost

(g) Superannuation Commitments

(i) Superannuation plan

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

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

Non-financial assets and liabilities

(g) Superannuation Commitments (continued)

(i) Superannuation plan (continued)

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 4(b)

(ii) Defined Benefit Plan Balance Sheet Amounts

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

| | Consolidated | | Powerlink Queensland | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Fair value of defined benefit plan assets | 83,427 | 83,976 | 83,427 | 83,976 |
| Present value of the defined benefit obligation | (63,294) | (67,706) | (63,294) | (67,706) |
| Net surplus/(deficit) in the balance sheets | 20,133 | 16,270 | 20,133 | 16,270 |

(iii) Categories of plan assets

The major categories of plan assets are as follows:

| | Consolidated | | Powerlink Queensland | |
|--------------------|----------------------|----------------------|----------------------|----------------------|
| | 30 June 2015 % | 30 June 2014 % | 30 June 2015 % | 30 June 2014 % |
| Cash | 12.0 | 10.0 | 12.0 | 10.0 |
| Property | 10.0 | 10.0 | 10.0 | 10.0 |
| Equity instruments | 52.0 | 50.0 | 52.0 | 50.0 |
| Debt instruments | 7.0 | 10.0 | 7.0 | 10.0 |
| Alternative assets | 19.0 | 20.0 | 19.0 | 20.0 |
| | 100.0 | 100.0 | 100.0 | 100.0 |

(iv) Significant estimate: actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

| | Consolidated | | Powerlink Queensland | |
|--------------------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | Year ended 30 June 2015 | 30 June 2014 | Year ended 30 June 2015 | 30 June 2014 |
| Discount rate - Australia | 3.6% | 3.0% | 3.6% | 3.0% |
| Expected return on plan assets | 3.6% | 3.0% | 3.6% | 3.0% |
| Future salary increases | 4.0% | 4.0% | 4.0% | 4.0% |

Non-financial assets and liabilities

(g) Superannuation Commitments (continued)

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

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

| | Change in assumption | | Impact on defined benefit obligation | | | |
|--------------------|----------------------|------|--------------------------------------|------------------|-------------------------|------------------|
| | 2015 | 2014 | Increase in assumption | | Decrease in assumption | |
| | | | 2015 | 2014 | 2015 | 2014 |
| Discount rate | 0.5 | 0.5 | Decrease by 4.8% | Decrease by 5.2% | Increase by 5.2% | Increase by 5.6% |
| Salary growth rate | 0.5 | 0.5 | Increase by 5.2% | Increase by 5.2% | Decrease by 4.9% | Decrease by 4.9% |

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

(v) Risk exposure

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

| | |
|------------------|---|
| Asset volatility | The plan liabilities are calculated using a discount rate with reference to high quality corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities which are expected to outperform high quality corporate bonds in the long term while providing volatility and risk in the short term. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long term nature of the plan liabilities, it is considered appropriate that a reasonable portion of plan assets should be invested in equity securities and real estate to leverage the return generated by the fund. |
| Interest risk | A decrease in the bond interest rate will increase the plan liability; however this will be partially offset by an increase in the value on the plan's debt investments |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

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

(vi) Defined benefit liability employer contributions

The weighted average duration of the defined benefit obligation is 9 years (2014 - 9 years). The expected maturity analysis of undiscounted defined benefit obligations is as follows:

| Consolidated Entity and Parent Entity | Less than a year \$'000 | Between 1 - 2 years \$'000 | Between 2 - 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|----------------------------|-------------------------------|-------------------------------|------------------------|-----------------|
| Defined benefit obligation - 30 June 2015 | 5,042 | 4,236 | 18,407 | 102,862 | 130,547 |
| Defined benefit obligation - 30 June 2014 | 6,358 | 4,291 | 16,447 | 109,068 | 136,164 |

Non-financial assets and liabilities

(g) Superannuation Commitments (continued)

(vii) Reconciliations

| | Consolidated | | Powerlink Queensland | |
|--|-----------------|-----------------|----------------------|-----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</i> | | | | |
| Balance at the beginning of the year | (67,706) | (75,325) | (67,706) | (75,325) |
| Current service cost | (2,763) | (3,071) | (2,763) | (3,071) |
| Interest cost | (1,936) | (2,269) | (1,936) | (2,269) |
| Actuarial gains and (losses) | 635 | 6,652 | 635 | 6,652 |
| Benefits paid | 9,843 | 9,050 | 9,843 | 9,050 |
| Contributions by members | (685) | (767) | (685) | (767) |
| Provisions for contributions tax | (682) | (1,976) | (682) | (1,976) |
| Balance at the end of the year | (63,294) | (67,706) | (63,294) | (67,706) |
| <i>Reconciliation of the fair value of plan assets:</i> | | | | |
| Balance at the beginning of the year | 83,976 | 80,396 | 83,976 | 80,396 |
| Expected return on plan assets | 2,451 | 2,463 | 2,451 | 2,463 |
| Actuarial gains and (losses) | 4,739 | 7,821 | 4,739 | 7,821 |
| Contributions by Company | 1,419 | 1,579 | 1,419 | 1,579 |
| Benefits paid | (9,843) | (9,050) | (9,843) | (9,050) |
| Contributions by members | 685 | 767 | 685 | 767 |
| Balance at the end of the year | 83,427 | 83,976 | 83,427 | 83,976 |

(viii) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

| | Consolidated | | Powerlink Queensland | |
|--|--------------|--------------|----------------------|--------------|
| | Year ended | 30 June | Year ended | 30 June |
| | 30 June | 2014 | 30 June | 2014 |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current service cost | 2,763 | 3,071 | 2,763 | 3,071 |
| Interest cost | 1,936 | 2,269 | 1,936 | 2,269 |
| Expected return on plan assets | (2,451) | (2,463) | (2,451) | (2,463) |
| Total included in employee benefits expense | 2,248 | 2,877 | 2,248 | 2,877 |

(ix) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2013.

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.

Non-financial assets and liabilities

(g) Superannuation Commitments (continued)

(ix) Employer contributions (continued)

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

8 Equity

(a) Contributed equity

(i) Share capital

| | | Powerlink Queensland | | Powerlink Queensland | |
|---------------------------------|----------|----------------------|--------------------|----------------------|----------------|
| | | 30 June | 30 June | 30 June | 30 June |
| | | 2015 | 2014 | 2015 | 2014 |
| Notes | Shares | Shares | \$'000 | \$'000 | |
| Ordinary shares | | | | | |
| Fully paid | 8(a)(ii) | 401,000,000 | 401,000,000 | 401,000 | 401,000 |
| Total Contributed Equity | | 401,000,000 | 401,000,000 | 401,000 | 401,000 |

(ii) Ordinary shares

Issued and Paid Up Capital

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

There was no movement in the issued and paid up capital during the financial year ended 30 June 2015.

Terms and Conditions of Contributed Equity - Ordinary Shares

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

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

(b) Reserves

Nature and purpose of other reserves

(i) Revaluation surplus - property, plant and equipment

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

(ii) Cash flow hedges

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

Equity

(b) Reserves (continued)

| | Consolidated | | Powerlink Queensland | |
|---|------------------|----------------|----------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revaluation surplus - property, plant and equipment | 1,056,626 | 984,548 | 1,056,626 | 984,548 |
| Cash flow hedges | 54 | (308) | 54 | (308) |
| | 1,056,680 | 984,240 | 1,056,680 | 984,240 |

| | Consolidated | | Powerlink Queensland | |
|-------|--------------|---------|----------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Notes | | | | |

Movements:

Revaluation surplus - Property, plant and equipment

| | | | | | |
|--------------------------------|------|------------------|----------------|------------------|----------------|
| Opening balance at 1 July 2014 | 7(b) | 984,548 | 837,245 | 984,548 | 837,245 |
| Revaluation - gross | | 102,968 | 210,439 | 102,968 | 210,439 |
| Deferred tax | | (30,890) | (63,136) | (30,890) | (63,136) |
| Balance 30 June 2015 | | 1,056,626 | 984,548 | 1,056,626 | 984,548 |

Cash flow hedges

| | | | | | |
|--------------------------------|--|-----------|--------------|-----------|--------------|
| Opening balance at 1 July 2014 | | (308) | 411 | (308) | 411 |
| Revaluation - gross | | 560 | (1,028) | 560 | (1,028) |
| Deferred tax | | (198) | 309 | (198) | 309 |
| Balance 30 June 2015 | | 54 | (308) | 54 | (308) |

(c) Retained earnings

Movements in retained earnings were as follows:

| | Consolidated | | Powerlink Queensland | |
|---|---------------|------------------|----------------------|------------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Notes | | | | |
| Balance 1 July 2014 | 1,195,590 | 1,148,401 | 1,195,175 | 1,144,460 |
| Net profit for the year | 155,986 | 205,844 | 156,200 | 209,369 |
| Dividends | (1,276,986) | (167,789) | (1,276,986) | (167,789) |
| Actuarial gains/(losses) on defined benefit plans net of tax recognised directly in retained earnings | 4,214 | 10,131 | 4,213 | 10,131 |
| Defined benefit fund contributions tax | (682) | (997) | (682) | (996) |
| Prior Year adjustment intercompany tax consolidation | (177) | - | - | - |
| Balance 30 June 2015 | 77,945 | 1,195,590 | 77,920 | 1,195,175 |

9 Cash flow information

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

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Profit for the year from continuing operations after income tax equivalent | 155,986 | 205,844 | 156,200 | 209,369 |
| Depreciation | 290,485 | 276,930 | 290,485 | 276,930 |
| Net (gain)/loss on sale of non-current assets | 433 | (392) | 433 | (392) |
| <i>Change in operating assets and liabilities:</i> | | | | |
| (Increase)/decrease in trade debtors | 27,761 | (18,222) | 27,761 | (18,224) |
| (Increase)/decrease in inventories | (5,037) | (2,892) | (5,037) | (2,892) |
| (Increase)/ decrease in deferred tax equivalent assets | 316 | (248) | 313 | (248) |
| (Decrease)/ increase in creditors | 29,123 | 76,408 | 29,133 | 76,408 |
| (Decrease)/ increase in provision for income taxes equivalent payable | (32,923) | 158 | (33,123) | 8,668 |
| (Decrease)/ increase in deferred tax equivalent liabilities | (5,091) | (7,122) | (5,091) | (7,122) |
| (Decrease)/ increase in other provisions | (1,423) | (3,830) | (1,423) | 611 |
| (Increase)/decrease in prepayments | (750) | (2,831) | (750) | (2,831) |
| Net cash inflow/(outflow) from operating activities | 458,880 | 523,803 | 458,901 | 540,277 |

(b) Non-cash investing and financing activities

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

10 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.

(a) 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 7.

(b) Employee Entitlements

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

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

10 Critical accounting judgements, estimates and assumptions (continued)

(c) Recovery of Deferred Tax Equivalent Assets

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

(d) Revaluation of Property, Plant and Equipment

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

(e) Fair Value of Property, Plant and Equipment

Due to the absence of an active market, supply system assets, work in progress, freehold land and buildings and easements are carried at fair value where fair value is estimated using an income based approach. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 7(b)

11 Financial risk management

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

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 to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. 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.

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The group has the following derivative financial instruments:

| | Consolidated | | Powerlink Queensland | |
|---|---------------------|----------------|-----------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current assets | | | | |
| Forward foreign exchange contracts - cash flow hedges | 349 | 59 | 349 | 59 |
| Total current derivative financial instruments assets | 349 | 59 | 349 | 59 |
| Current liabilities | | | | |
| Forward foreign exchange contracts - cash flow hedges | 52 | 499 | 52 | 499 |
| Forward Commodity Exchange Contracts - Aluminium Hedges | 80 | - | 80 | - |
| Total current derivative financial instruments liabilities | 132 | 499 | 132 | 499 |

11 Financial risk management (continued)

(a) Derivatives (continued)

(i) Classification of derivatives

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

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

(ii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to Note 6(h).

(b) Market risk

(i) Foreign exchange risk and commodity risk

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

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

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

(ii) Exposure

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 2015 | | | 30 June 2014 | | |
|---|---------------|----------------|---------------|---------------|----------------|---------------|
| | USD \$'000 | EURO \$'000 | OTH \$'000 | USD \$'000 | EURO \$'000 | OTH \$'000 |
| Forward exchange contracts | | | | | | |
| - buy foreign currency (cash flow hedges) | 4,411 | 182 | - | 27,561 | 1,118 | 483 |
| Net exposure | 4,411 | 182 | - | 27,561 | 1,118 | 483 |

All the forward foreign exchange contracts are hedging forecast purchases.

(iii) Other Price risk

Consolidated Entity and Company Sensitivity

Based on the financial instruments held at 30 June 2015, 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 \$0.540M higher/\$0.4441 lower (2014: \$3.151M higher/\$2.578M lower) had the Australian dollar weakened/strengthened by 10% against the hedged currencies.

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

11 Financial risk management (continued)

(b) Market risk (continued)

(iv) Interest rate risk

Consolidated Entity and Company sensitivity

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

The Consolidated Entity and the Company borrow exclusively from QTC, a Queensland Government owned corporation. QTC manages the borrowings on behalf of the Consolidated Entity and the Company within agreed pre-determined benchmarks. The composition of the QTC debt instruments are managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take effect from 1 July 2015. During 2015 and 2014, all the Consolidated Entity's borrowings were denominated in Australian dollars.

(c) Credit risk

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

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

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

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

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

Details of any impairment of financial assets are contained in Note 6(b).

(i) Impaired Trade Receivables

The Consolidated Entity has recognised a loss of \$NIL (2014: \$275.8 thousand) in respect of impaired trade receivables during the year ended 30 June 2015.

(ii) Trade receivables past due but not impaired

As of 30 June 2015, trade receivables of \$392 thousand (2014: \$1,650 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | Consolidated 30 June 2015 \$'000 | 30 June 2014 \$'000 | Powerlink Queensland 30 June 2015 \$'000 | 30 June 2014 \$'000 |
|----------------|---|---------------------------|---|---------------------------|
| Up to 3 months | 333 | 1,649 | 333 | 1,649 |
| 3 to 6 months | 59 | 1 | 59 | 1 |
| | 392 | 1,650 | 392 | 1,650 |

11 Financial risk management (continued)

(d) 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 2015/16 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.

Maturities of financial liabilities

| Contractual maturities of financial liabilities | 0 - 12 months | Between 1 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|----------------|-----------------------|------------------|------------------------------|---------------------------------------|
| Consolidated Entity - at 30 June 2015 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-derivatives | | | | | |
| Trade payables | 91,502 | - | - | 91,502 | 91,502 |
| Borrowings (excluding finance leases) | 277,516 | 1,107,964 | 4,383,712 | 5,769,192 | 4,444,221 |
| Total non-derivatives | 369,018 | 1,107,964 | 4,383,712 | 5,860,694 | 4,535,723 |

Derivatives

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

| | | | | | |
|--------------------------|--------------|----------|----------|--------------|--------------|
| - (inflow) | (349) | - | - | (349) | (349) |
| - outflow | 132 | - | - | 132 | 132 |
| Total Derivatives | (217) | - | - | (217) | (217) |

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities of financial liabilities (continued)

| Contractual maturities of financial liabilities | 0 - 12 months | Between 1 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|---------------|-----------------------|--------------|------------------------------|---------------------------------------|
| Consolidated Entity - at 30 June 2014 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Non-derivatives

| | | | | | |
|---------------------------------------|----------------|----------------|------------------|------------------|------------------|
| Trade payables | 80,333 | - | - | 80,333 | 80,333 |
| Borrowings (excluding finance leases) | 243,296 | 973,791 | 4,323,510 | 5,540,597 | 4,154,221 |
| Total non-derivatives | 323,629 | 973,791 | 4,323,510 | 5,620,930 | 4,234,554 |

Derivatives

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

| | | | | | |
|--------------------------|------------|----------|----------|------------|------------|
| - (inflow) | (59) | - | - | (59) | (59) |
| - outflow | 499 | - | - | 499 | 499 |
| Total Derivatives | 440 | - | - | 440 | 440 |

| Contractual maturities of financial liabilities | 0 - 12 months | Between 1 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|---------------|-----------------------|--------------|------------------------------|---------------------------------------|
| Powerlink Queensland - at 30 June 2015 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Non-derivatives

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

Derivatives

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

| | | | | | |
|--------------------------|--------------|----------|----------|--------------|--------------|
| - (inflow) | (349) | - | - | (349) | (349) |
| - outflow | 132 | - | - | 132 | 132 |
| Total Derivatives | (217) | - | - | (217) | (217) |

11 Financial risk management (continued)

(d) Liquidity risk (continued)

Maturities of financial liabilities (continued)

| | 0 - 12 months | Between 1 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|--|------------------|-----------------------------|-----------------|---------------------------------------|--|
| Powerlink Queensland - at 30 June 2014 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |

Non-derivatives

| | | | | | |
|---------------------------------------|---------|---------|-----------|-----------|-----------|
| Trade payables | 80,347 | - | - | 80,347 | 80,347 |
| Borrowings (excluding finance leases) | 243,296 | 973,791 | 4,323,510 | 5,540,597 | 4,154,221 |
| Total non-derivatives | 323,643 | 973,791 | 4,323,510 | 5,620,944 | 4,234,568 |

Derivatives

| | | | | | |
|---|------|---|---|------|------|
| Gross settled (forward foreign exchange contracts - cash flow hedges) | | | | | |
| - (inflow) | (59) | - | - | (59) | (59) |
| - outflow | 499 | - | - | 499 | 499 |
| Total Derivatives | 440 | - | - | 440 | 440 |

12 Capital management

(a) Capital risk management

The Consolidated Entity's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns 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 6(g) cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 8(a), 8(b) and 8(c) 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.

Powerlink Queensland has approval under the State Borrowing Program for the 2015/16 year of \$1,220M, which Powerlink Queensland believes is sufficient to meet operational requirements including the payment of the dividend for the 2014/15 year.

In response to a direction from the shareholding Ministers dated 29 June 2015, under section 131(3)(b) of the Government Owned Corporations Act 1993, an additional dividend was declared as discussed in Note 12(b) to facilitate the regearing of the Company.

There has not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2014.

Capital management

(a) 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 |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total debt | 4,444,221 | 4,154,221 | 4,444,221 | 4,154,221 |
| Property, plant & equipment | 7,835,220 | 7,503,713 | 7,835,220 | 7,503,713 |
| Gearing ratio | 56.7% | 55.4% | 56.7% | 55.4% |

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2015 and 2014 reporting periods.

The increase in the gearing ratio for the year ended 30 June 2015 resulted primarily from the level of borrowings (\$290M) (2014:NIL) 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 2015 the Consolidated Entity had only long term borrowings.

(b) Dividends

(i) Ordinary shares

| | Consolidated | | Powerlink Queensland | |
|-----------------------------------|---------------------|---------------|-----------------------------|---------------|
| | Year ended | 30 June | Year ended | 30 June |
| | 30 June | 2014 | 30 June | 2014 |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Ordinary shares | | | | |
| Unfranked final dividend proposed | 1,276,986 | 167,789 | 1,276,986 | 167,789 |
| | 1,276,986 | 167,789 | 1,276,986 | 167,789 |

The 2014/15 final dividend is based on 100% of operating profit after income tax equivalent expense and an additional distribution of \$1,121M from retained earnings (2014: 80% of the operating profit after income tax equivalent expense exclusive of the effect of the equity accounted associate sale price adjustment). This distribution and the increase in the dividend ratio for 2014/15 were made in response to a direction from the shareholding Ministers, dated 29 June 2015, under section 131(3)(b) of the *Government Owned Corporations Act 1993* and will be funded from borrowings to the extent necessary.

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

13 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 2014/15 year were granted/approved by the Board on 17 September 2014. 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 2014/15 year were granted/approved by the Board on 17 September 2014. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

13 Employee Benefits (continued)

(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 2014/15 was granted/approved by the Board on 17 September 2014. 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:

| | 2014/15 | 2013/14 |
|--|-------------------|------------|
| Aggregate at -risk performance remuneration | \$6.346m | \$6.002m |
| Total salaries and Wages paid | \$150.138m | \$148.626m |
| Number of employees receiving performance payments | 1,006 | 1,029 |

(v) Number of Employees

Number of employees (full time equivalents) at year end: 1,049 (2014: 1,024)

14 Key management personnel disclosures

The Directors of Powerlink Queensland during the financial year were:.

(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 - Until his resignation.

Julie Beeby - Effective from 11 December 2014

(ii) Directors

Julie Beeby

Anne Barclay

Kenneth Howard

Julienne Martin

David Stevens - Director from 11 December 2014

(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:

2014/15 Financial Year

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

2013/14 Financial Year

- Chief Executive - M E York
- Chief Financial Officer - M D Brennan
- Executive Manager Infrastructure Delivery and Technical Services - G Rice (from 7/4/14); R Vitelli (1/7/13 to 17/1/14)
- Executive Manager Investment and Planning - K G Mulherin
- Executive Manager Operations and Field Services - C D Hazzard
- Executive Manager People and Culture - J K Smith
- Executive Manager Stakeholder Relations and Corporate Services - M Palmer

Key management personnel disclosures

(b) Other key management personnel (continued)

(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:

| | Short term | Post employment | |
|----------------------|--------------|-----------------|------------|
| 2015 | | | |
| | Fixed | | |
| Name | Remuneration | Superannuation | Total |
| | \$'000 | \$'000 | \$'000 |
| Stephen Rochester | 45 | 4 | 49 |
| Julie Beeby | 72 | 7 | 79 |
| Anne Barclay | 45 | 4 | 49 |
| Kenneth Howard | 43 | 9 | 52 |
| Julienne Martin | 45 | 4 | 49 |
| David Stevens | 29 | 3 | 32 |
| Total | 279 | 31 | 310 |
| 2014 | | | |
| | Fixed | | |
| Name | Remuneration | Superannuation | Total |
| | \$'000 | \$'000 | \$'000 |
| Stephen Rochester | 86 | 8 | 94 |
| Julie Beeby | 41 | 4 | 45 |
| Anne Barclay | 34 | 3 | 37 |
| Kenneth Howard | 30 | 9 | 39 |
| Julienne Martin | 34 | 3 | 37 |
| Christina Sutherland | 10 | 1 | 11 |
| Total | 235 | 28 | 263 |

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

(ii) Other key management personnel

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

Key management personnel disclosures

(c) Details of remuneration (continued)

(ii) Other key management personnel (continued)

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

Includes both employee and employer superannuation contributions.

| | Short term | | Post employment | Long term benefits | |
|--|--------------|------------|-----------------|-------------------------|--------------|
| | Fixed | At Risk | | Annual and Long service | Total |
| Position | Remuneration | Payments | Superannuation# | leave | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Chief Executive | 544 | 54 | 97 | 16 | 711 |
| Chief Financial Officer | 309 | 32 | 55 | 9 | 405 |
| Executive Manager Investment and Planning | 277 | 16 | 48 | 12 | 353 |
| Executive Manager Operations and Field Services | 231 | 18 | 23 | 6 | 278 |
| Executive Manager Stakeholder Relations and Corporate Services | 201 | 12 | 35 | 6 | 254 |
| Executive Manager People and Culture | 247 | 19 | 25 | 7 | 298 |
| Executive Manager Infrastructure Delivery and Technical Services + * | 268 | 21 | 33 | 8 | 330 |
| Total | 2,077 | 172 | 316 | 64 | 2,629 |

+ Remuneration disclosed reflects a change in incumbents during the financial year.

* "At-risk" payment reflects remuneration to outgoing incumbent.

Includes both employee and employer superannuation contributions.

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

Key management personnel disclosures

(d) Director term and appointment

Julie Beeby (Chairman)

Current term 3 years commencing October 2014. First appointed October 2008.

Anne Barclay

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

Kenneth Howard

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

Julienne Martin

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

David Stevens

Current term 2 years 9 months commencing December 2014. First appointed December 2014.

15 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 2015 | 30 June 2014 | 30 June 2015 | 30 June 2014 |
| | \$ | \$ | \$ | \$ |
| <i>Queensland Audit Office</i> | | | | |
| Audit and review of financial statements | 201,700 | 222,500 | 201,700 | 212,500 |
| Total remuneration for audit and other services | 201,700 | 222,500 | 201,700 | 212,500 |

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.

16 Contingencies

(a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2015 (2014:NIL).

(b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2015 (2014:NIL)

17 Commitments

(a) Capital Expenditure Commitments

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

| | Consolidated | | Powerlink Queensland | |
|--------------------------------------|---------------------|---------|-----------------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Property, plant and equipment</i> | | | | |
| | 147,080 | 301,208 | 147,080 | 301,208 |
| | 147,080 | 301,208 | 147,080 | 301,208 |

(b) Non-cancellable operating leases

The Consolidated Entity leases property primarily for the placement of communication equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess office space is sub-let to third parties also under non-cancellable operating leases.

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

| | Consolidated | | Powerlink Queensland | |
|---|---------------------|---------|-----------------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'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 | 2,867 | 2,847 | 2,867 | 2,847 |
| Later than one year but not later than five years | 5,904 | 5,442 | 5,904 | 5,442 |
| Later than five years | 2,962 | 3,193 | 2,962 | 3,193 |
| | 11,733 | 11,482 | 11,733 | 11,482 |

17 Commitments (continued)

(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 |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 761 | 732 | 761 | 732 |
| Later than one year but not later than five years | 3,361 | 3,231 | 3,361 | 3,231 |
| Later than five years | 2,306 | 3,196 | 2,306 | 3,196 |
| | 6,428 | 7,159 | 6,428 | 7,159 |

18 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 2015 owned 100% (2014: 100%) of the issued ordinary shares of Powerlink Queensland.

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

(b) Directors

Directors' Shareholdings

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

Loans to Directors

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

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 19.

18 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|------------------------------------|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| <i>Sales of goods and services</i> | | | | |
| Parent Entity | 868,986 | 957,193 | 868,986 | 957,193 |
| | 868,986 | 957,193 | 868,986 | 957,193 |

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| <i>Purchases of goods and services</i> | | | | |
| Parent Entity | 72,999 | 79,158 | 72,999 | 79,158 |
| | 72,999 | 79,158 | 72,999 | 79,158 |

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|-------------------------|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| <i>Dividend revenue</i> | | | | |
| Subsidiaries | - | - | 218 | 3,722 |
| | - | - | 218 | 3,722 |

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|-------------------------|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| <i>Interest revenue</i> | | | | |
| Parent Entity | 2,727 | 5,753 | 2,725 | 5,452 |

| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|---|----------------------------|---------------------------|------------------------------------|---------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| <i>Other Transactions</i> | | | | |
| Dividend paid to ultimate parent entity | 167,789 | 177,402 | 167,789 | 177,402 |
| Borrowing Costs - Parent Entity | 252,871 | 261,936 | 252,871 | 261,936 |
| | 420,660 | 439,338 | 420,660 | 439,338 |

18 Related party transactions (continued)

(e) Outstanding balances

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

| | Consolidated | | Powerlink Queensland | |
|---|---------------------|----------------|-----------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Current receivables (sales of goods and services)</i> | | | | |
| Parent Entity | 59,299 | 62,772 | 59,299 | 62,772 |
| | 59,299 | 62,772 | 59,299 | 62,772 |
| <i>Current payables (purchases of goods and services)</i> | | | | |
| | - | - | - | - |

(f) Loans to/from related parties

| | Consolidated | | Powerlink Queensland | |
|---|---------------------|---------------|-----------------------------|---------------|
| | 2015 | 2014 | 2015 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Loans from ultimate Australian parent entity</i> | | | | |
| Beginning of the year | 4,154,221 | 4,154,221 | 4,154,221 | 4,154,221 |
| Loans advanced | 290,000 | 290,000 | 290,000 | 290,000 |
| Loans repayments made | - | (290,000) | - | (290,000) |
| Interest charged | 252,871 | 261,936 | 252,871 | 261,936 |
| Interest paid | (252,871) | (261,936) | (252,871) | (261,936) |
| End of year | 4,444,221 | 4,154,221 | 4,444,221 | 4,154,221 |

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

(g) Terms and conditions

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

19 Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 1(b). The country of incorporation is also their principal place of business. Principal activities of both subsidiaries are to act as holding companies for investments made by the parent company, Powerlink Queensland.

| Name of entity | Country of incorporation | Class of shares | Equity holding ** | |
|---|--------------------------|-----------------|-------------------|-----------|
| | | | 2015 % | 2014 % |
| 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.

19 Subsidiaries (continued)

Significant investments in subsidiaries (continued)

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

20 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year 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 (2014:NIL).

21 Settlements Residue

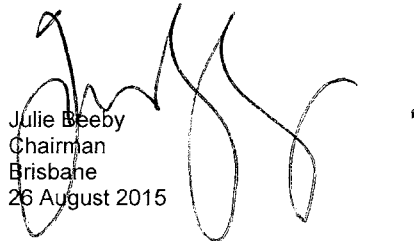
| | Consolidated Year ended | | Powerlink Queensland Year ended | |
|--|------------------------------------|------------------------------------|--|------------------------------------|
| | 30 June 2015 \$'000 | 30 June 2014 \$'000 | 30 June 2015 \$'000 | 30 June 2014 \$'000 |
| Opening balance | - | - | - | - |
| Residue transferred from AEMO | 74,292 | 71,321 | 74,292 | 71,321 |
| Interest earned | - | - | - | - |
| Transfer to Powerlink Queensland to offset network charges | (74,292) | (71,321) | (74,292) | (71,321) |
| Balance at end of year | - | - | - | - |

Directors' declaration

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

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's and the company's financial positions as at 30 June 2015 and of their performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This Directors' report is signed in accordance with a resolution of directors made pursuant to S.298(2) of the *Corporations Act 2001*.


Julie Beeby
Chairman
Brisbane
26 August 2015

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 2015 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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