

Powerlink Queensland

# Annual Report and Financial Statements 2018/19



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# Corporate profile

## OUR MISSION

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



## OUR VISION

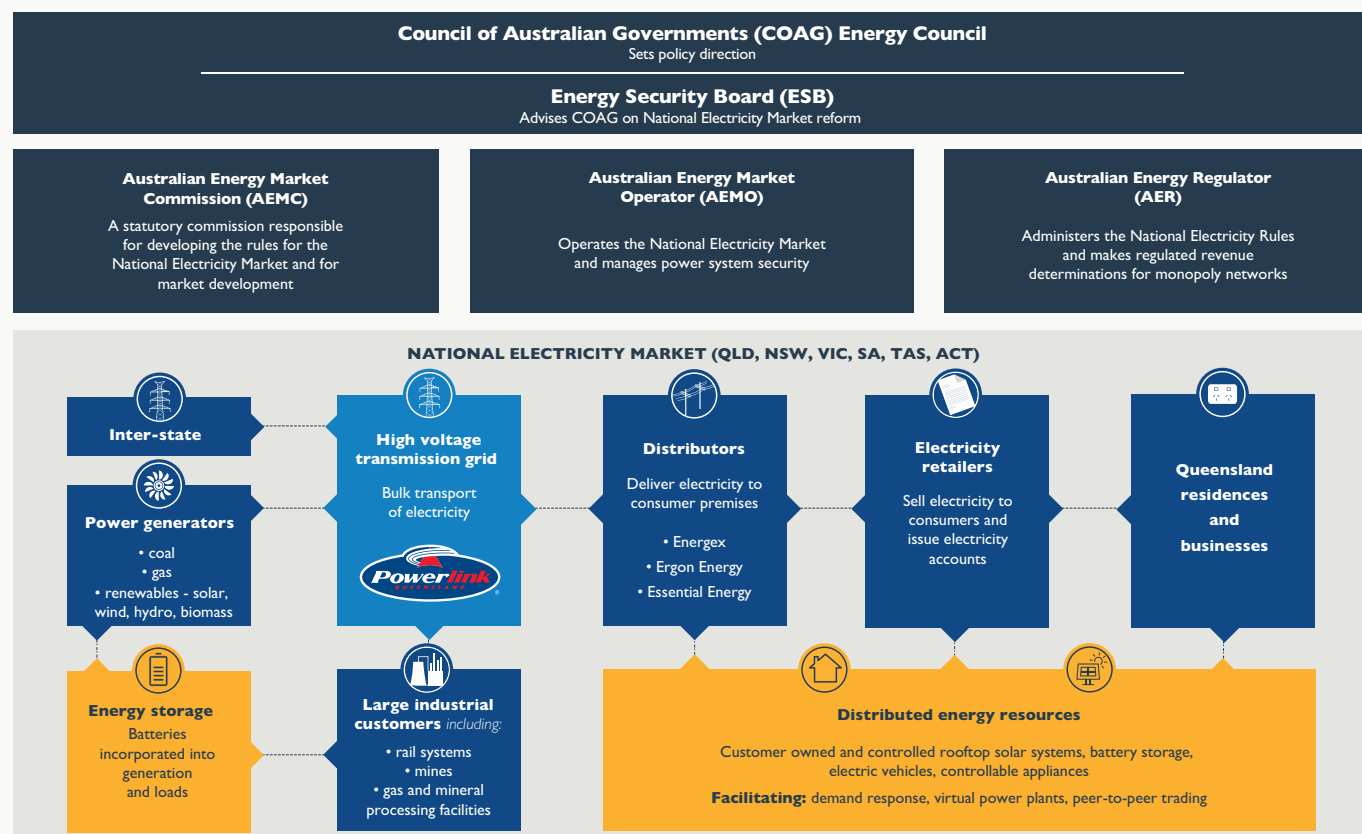
We are innovative and customer focused with a stronger business and reputation.



## OUR VALUES

Accountability • Customer • Teamwork • Safety

## Powerlink's role in the power supply industry



## Reporting

This Annual Report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* (incorporating aspects of the *Financial Accountability Act 2009*) and the *Corporations Act 2001* and is presented to the Legislative Assembly of Queensland. It contains Powerlink's Financial Report for 2018/19. Powerlink Queensland is the trading name of Queensland Electricity Transmission Corporation Limited.

## Highlights 2018/19

- We delivered a Net Profit of \$114.0 million, higher than our Statement of Corporate Intent (SCI) target, with revenue above target and controllable operating costs below target.
- We connected one of Australia's largest wind farms to our network, along with a further eight renewable energy connections, which together added 1,135 megawatts (MW) of generation capacity to the National Electricity Market.
- As a foundation signatory, we committed to the Energy Charter initiative and reported on our customer-focused activities in our first Energy Charter Disclosure Statement.
- We were the first network business in Australia to host a workshop with customers and stakeholders to co-design our engagement approach for our next Australian Energy Regulator (AER) Revenue Determination process.
- We improved our processes and tools to strengthen our work with our contractors to ensure they share our commitment to meet or exceed our health, safety and environment standards.
- With input from our employees and Customer Panel, we implemented new corporate values that better align with our business plan and future operating environment – 'Accountability, Customer, Teamwork and Safety'.

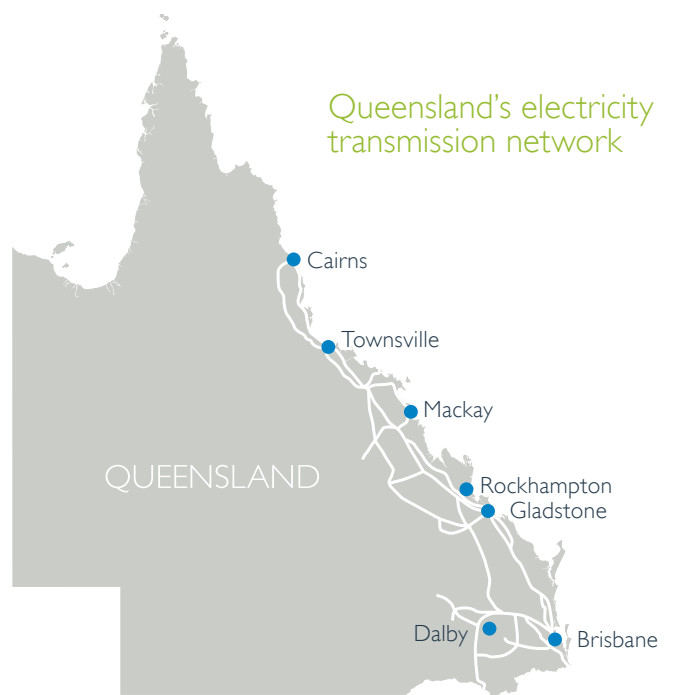
## Powerlink profile

Powerlink Queensland is a leading Australian provider of high voltage electricity transmission network services, combining innovation with insight to deliver safe, cost effective and reliable solutions. We are a Queensland Government Owned Corporation (GOC) that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. Our network extends 1,700 kilometres (km) from Cairns to the New South Wales border, and comprises 15,339 circuit km of transmission lines and 147 substations.

We deliver the transmission services supporting economic growth and enriching lifestyles across the country. We have a strong history of connecting customers with the energy they need, playing our part in providing electricity to more than four million Queenslanders. We transport high voltage electricity that is generated at major power stations, through our transmission grid to the distribution networks owned by Energex and Ergon Energy (part of the Energy Queensland Group) and Essential Energy (in northern New South Wales) to supply customers. We also transport electricity to high usage industrial customers such as rail companies, mines and mineral processing facilities, and to New South Wales via the Queensland/NSW Interconnector (QNI) transmission line.

Powerlink has one of Australia's most experienced transmission network connection teams, having delivered more than 40 network connections on a commercial basis.

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







Powerlink is proud to play a vital role in connecting renewable customers to the transmission network, including the Mt Emerald Wind Farm in Far North Queensland.

## Financial overview

The 2018/19 financial year is the second year of Powerlink's current five-year regulatory period.

In April 2017 the AER made its Revenue Determination which established Powerlink's regulated revenue for a five-year period to 30 June 2022, and allows for efficient costs to meet Powerlink's operating and investment requirements. The Revenue Determination process also establishes Powerlink's initial Weighted Average Cost of Capital (WACC) for the period, and is updated annually in accordance with the AER's Rate of Return Instrument. The revised WACC for 2018/19 financial year is 5.98 per cent.

### Powerlink business performance

Earnings Before Interest and Tax (EBIT) for 2018/19 was \$403.1 million with total revenue (regulated and non-regulated) of \$1,005.4 million. Powerlink's Net Profit After Tax (NPAT) for 2018/19 was \$114.0 million, 29.4 per cent above the SCI target. EBIT and NPAT at end of the year are favourable, predominantly due to increased Intra-Regional Settlements Residue (IRSRs) receipts. Any over-collections at year end will be offset against future regulated revenue.

Powerlink strives to provide safe, cost effective and reliable transmission services for Queenslanders, with a key focus on continuing to progress operational efficiencies. In 2018/19, controllable operating costs were \$217.5 million – 4.7 per cent below the SCI target.

Powerlink uses the 'controllable operating cost as a percentage of depreciated asset value' ratio as one of its measures of cost efficiency. Powerlink's 2018/19 performance resulted in a ratio of 2.9 per cent, outperforming the annual target of 3.0 per cent.

### Capital investment

Capital expenditure in 2018/19 was \$225.7 million, lower than the SCI target of \$232.7 million. Capital expenditure at the end of the year was lower than the SCI due primarily to a strategic review of planned operational technology projects enabling deferral of replacement expenditure, deferred investment in facilities, changes in the operating and capital mix for Business IT projects, and one of the non-regulated investments not proceeding.

Network capital works focused on refurbishment and replacement of assets, representing approximately 73.0 per cent of Powerlink's total expenditure.

### Borrowings

Powerlink did not require any additional debt funding during 2018/19, with the closing balance at \$5.3 billion.

### Dividends

Powerlink's final declared dividend for 2018/19 was \$114.0 million, based on a payout ratio of 100 per cent of NPAT.

## Summary of Statement of Corporate Intent 2018/19

Powerlink's SCI for 2018/19 details Powerlink's performance targets, priorities and strategies. The following table summarises the key financial and non-financial indicators in the SCI, as well as Powerlink's performance against these indicators. Further information on performance outcomes when these targets were not met is provided throughout the report.

Objectives	2018/19 Performance targets	2018/19 Performance outcomes	Performance favourability
<b>Meet financial targets</b>			
<b>Achieve specified financial performance</b>			
Earnings Before Interest and Tax (EBIT) (1)	\$353.6 million	\$403.1 million	●
Net Profit After Tax (NPAT)	\$88.1 million	\$114.0 million	●
Return on Assets	4.2%	4.9%	●
Net Debt/Fixed Assets Ratio (2)	65.9%	65.7%	●
Net Debt/Regulated Assets Ratio (2)	75.0%	75.0%	●
Cash Flow From Operations + Interest/Interest	>2 times	3 times	●
Cash Flow From Operations/Net Debt (2)	>7%	8.5%	●
Interest Cover Ratio (EBITDA)	3.2 times	3.4 times	●
<b>Deliver shareholder value</b>			
<b>Deliver targeted dividends and returns to shareholders</b>			
Return on Equity	4.9%	6.2%	●
Distribution Yield (1)	16.5%	15.0%	●
Distribution Cash Coverage	1.1 times	1.3 times	●
Ordinary dividend provided	\$88.1 million	\$114.0 million	●
<b>Deliver our capital works program</b>			
<b>Develop the Queensland transmission grid to maintain reliability and meet customer requirements</b>			
Total capital works expenditure	\$232.7 million	\$225.7 million	●
<b>Meet non-financial targets</b>			
<b>Achieve specified safety performance</b>			
Lost Time Injury Frequency Rate (LTIFR)	2.0	1.7	●
Total Recordable Injury Frequency Rate (TRIFR)	8.5	2.9	●
<b>Compliant with relevant environmental legislation</b>			
Environment	To be compliant with relevant legislation	Compliant	●
Environmental incidents	Nil	1	●
<b>Achieve cost efficiency performance targets</b>			
Controllable operating cost/depreciated asset value	3.0%	2.9%	●
<b>Achieve network performance targets (financial year ended 30 June 2018)</b>			
<b>System reliability parameters</b>			
- Events in excess of 0.05 system minutes	Not more than 3	0	●
- Events in excess of 0.40 system minutes	Not more than 1	0	●

(1) The impacts of AASB 15 Revenue From Contracts With Customers has not been included in the 2018/19 performance targets. The actual impact of AASB 15 on EBIT is an increase of \$10.1 million.

(2) On 8 June 2017 Powerlink's shareholding Ministers directed Powerlink to retain \$150.0 million of its then proposed dividends for the potential development of a transmission line linking potential renewable energy generators in North Queensland (Clean Energy Hub). As at 30 June 2019 Powerlink continues to retain this amount and as such removes the effects of the \$150.0 million from Net Debt position of the above ratios.

### Legend

#### General measures

- Favourable or equal to budget/target
- Within range (e.g. <5% of budget)
- Unfavourable (e.g. >5% of budget)

#### Capital expenditure measures

- On target (<2.5% under/over budget)
- Within range (>2.5% <5% under/over budget)
- Not achieving (>5% under/over budget)



## Chair's review



This year, Powerlink continues its journey to become a more customer-focused business and to encourage this, we have developed new corporate values to underpin this culture change. Employees now have a better understanding of how their work directly supports Powerlink's mission and vision. Importantly, our new value of 'Customer' is a focus

for transformational change across our business, putting the customer at the centre of all decision-making. We appreciate and acknowledge our customers who engage with us to provide insights and input through our Customer Panel, forums and customer workshops, along with other interactions.

To better understand the opportunities for transmission businesses of the future and inform our strategy, we developed a Network Vision, exploring what the next 30 years might look like and how Powerlink can continue to meet customers' needs in a range of scenarios.

Fostering innovation that delivers valued outcomes for our customers is important to Powerlink's future success. To optimise Powerlink's capability to innovate, a project was initiated to develop a customer-driven innovation framework and strategy.

Powerlink achieved its key financial targets as approved by the shareholding Ministers for 2018/19. Our focus remains on continuing to improve the cost base to ensure customer outcomes are delivered in a cost effective way.

Powerlink's underlying dividend policy is to distribute 100 per cent of the Net Profit After Tax, which was \$114.0 million for 2018/19. We were able to pay this dividend and fund the \$225.7 million of capital expenditure without any additional borrowings.

It was with great pleasure that I joined the Powerlink Board as Chair in October 2018. I would like to recognise the significant contribution made by Dr Julie Beeby as Chair and Director of Powerlink over the last 10 years. I would also like to recognise and thank Peter Hudson, who stepped down as a Director in May 2019, for his contribution to the Board and Board Committees.

On behalf of the Directors, I wish to congratulate outgoing Chief Executive, Merryn York, on her appointment as Commissioner at the Australian Energy Market Commission, where she will be involved in shaping the future of our national energy industry. Merryn leaves Powerlink well-positioned for the future. We thank Merryn for the outstanding contribution she has made to Powerlink where her deep technical and industry experience, and leadership, has seen her highly regarded by all stakeholders.

I would like to thank the Powerlink Board members and management for their support and contribution during the year. Powerlink's employees also deserve our thanks for their efforts and focus on meeting the needs of energy customers into the future.

KATHY HIRSCHFELD AM  
CHAIR

## Chief Executive's review



We are listening to our customers. They want more from our industry, and Powerlink is responding. We are proud to be a foundation signatory to the Energy Charter, which has seen businesses across the energy supply chain come together and commit to a disclosure framework to deliver a more affordable, reliable and sustainable energy system. Our first Energy

Charter Disclosure Statement, to be published in October 2019, reports on our activities, learnings and intentions against the customer-focused Principles of the charter.

Powerlink's transmission network has an evolving role in the electricity sector. Increasingly, customers and stakeholders are interested in the transformational changes that are impacting Powerlink's future function and the drive towards a renewable energy future.

We enable generation and load customers to connect to our transmission network, working collaboratively to deliver the best possible outcomes. During 2018/19, we completed connection works for nine large-scale solar and wind farm projects. We are focused on providing certainty and making the connection process as efficient as possible. We are taking significant steps to address the challenges associated with connecting to our network from renewable generators, particularly in relation to system strength, so that our network is stable and we meet our customers' expectations.

We began early preparations for the AER Revenue Determination process for the 2022/23 to 2026/27 regulatory period, with the aim to develop a Revenue Proposal that is capable of acceptance by our customers, the AER and Powerlink. We engaged our customers and stakeholders in a workshop to co-design our engagement approach, which is a first for an Australian network business.

While preparing for a dynamic future with significant transmission related reforms, we continued to deliver safe, cost effective and reliable transmission services, across a year that featured new peak electricity demand and several extreme weather events in our State.

The capital expenditure needed to manage the condition risks related to our asset base, much of which was constructed in the 1960s to the 1980s and is now reaching end of technical service life, represented the bulk of our program of capital investment. In line with customer and stakeholder expectations, emphasis is being placed on ensuring asset reinvestment considers the enduring need and most cost effective option in the context of increasing diversity of generation, a relatively flat demand growth outlook and the potential for network reconfiguration, coupled with alternative non-network solutions.

As outgoing Chief Executive, I sincerely thank our Powerlink employees for their commitment to deliver a safe, cost effective and reliable supply of electricity to more than four million Queenslanders. I also thank Powerlink's Directors for their support and strategic insights that position Powerlink for future success.

MERRYN YORK  
CHIEF EXECUTIVE



At Powerlink, the safety of our people, communities and contractors is essential.

## Health, safety and environment

### Committed and accountable

At Powerlink, safety is essential. Every individual has responsibility and accountability for health, safety and environmental management.

It is vital that we manage the potential impacts of our business activities. We are committed to ensuring the health and safety of our employees, contractors and the communities in which we operate, as well as protecting the environment.

To enable us to make the safest choices and continue to improve our practices and outcomes, our Safe for Life program remains the foundation to guide our actions in health, safety and environment (HSE), and remained an important focus area for 2018/19.

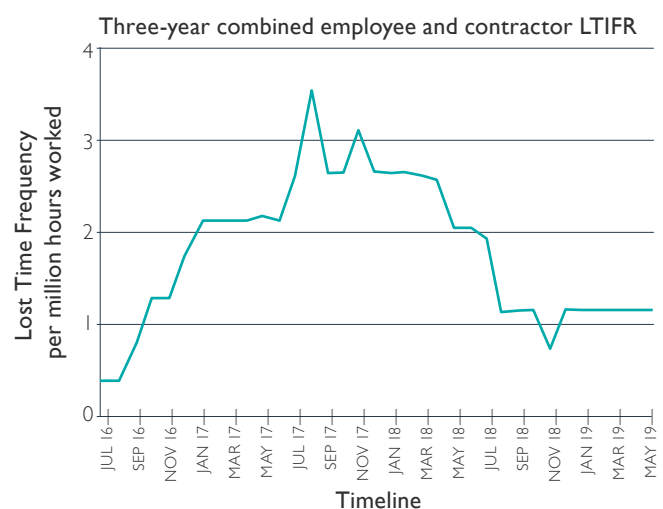
### Electrical Safety

Our Electrical Safety Management (ESM) Framework is our approach to ensuring an electrically safe transmission network and forms an important element of our HSE Management System. The ESM Framework retained certification under the *Electrical Safety Act 2002* following an annual performance audit undertaken by auditors accredited by the Electrical Safety Office.

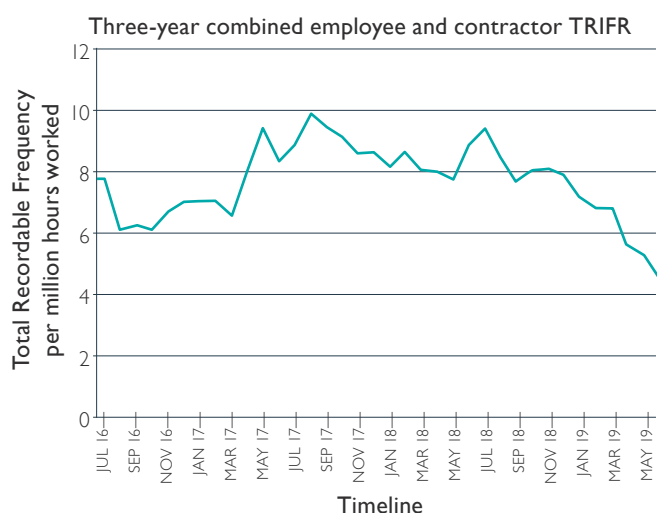
### Safety performance

We monitor and report on progress against key HSE performance indicators. Our Executive HSE Committee meets regularly to discuss safety performance including high potential incidents, patterns, trends, targets and industry best practice. Powerlink's Board has oversight of HSE and monitors workplace health and safety performance, and environmental incidents, patterns and trends.

In addition to continued reporting on Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR), we focused on improved reporting of leading indicators such as near hits<sup>1</sup>, hazards and closure rates for corrective action. Overall performance of the combined Powerlink employee and contractor TRIFR showed a continuing positive trend throughout the 2018/19 year. The significant drop in injuries in 2018/19 can be attributed to our increased focus on specific risk areas and injury prevention.



<sup>1</sup> A near hit is an unplanned occurrence that did not result in actual impact or harm, though the occurrence had the potential for impact or harm.



## HSE culture

We conducted an organisation-wide safety survey to gauge the HSE culture and attitudes of our employees. The survey results, which were shared with employees, confirmed progress in key focus areas and provide a guide for future HSE strategies.

## Health and wellbeing

We maintained our focus on the prevention, support and proactive management of mental health issues within our workforce, including implementing the Mates in Energy peer support suicide prevention program across the business. Powerlink achieved 'Accredited' status for the program, with 826 (91 per cent) employees participating in the General Awareness Training and 129 employees (14 per cent) participating in Connector Training.

## Contractor HSE management

We improved our processes and tools to strengthen our work with our contractors to ensure they share our commitment to meet or exceed our HSE standards.

Ongoing engagement with our contractors continues to drive improvements to our HSE systems and processes. Improvements include the roll-out of more rigorous contractor pre-qualification processes for our construction contractors and introduction of a revised HSE contract specification with a heightened focus on site supervision.

We undertook assurance activities on a number of our key project and maintenance contractors while continuing to develop the capability of our project delivery teams. This helped to validate the application of the HSE systems and controls applied by our contractors in the field through the introduction of HSE assurance support tools. This continues to build on our cooperative approach to further improve our HSE performance during network infrastructure delivery and maintenance activities.

## Public safety and infrastructure security

We worked with key stakeholders to develop new ways to further improve the public safety and security of our critical substation infrastructure with the intent to deter, prevent and detect potential safety and security breaches.

The 'Look up and live' campaign, supported by Powerlink and other energy industry partners, continued to deliver strong targeted messages about powerline safety through a social and traditional media campaign. We also shared powerline safety information when working with landholders and members of the community.

Working with the South East Queensland Fire and Biodiversity Consortium, we developed a property fire management planning kit. This innovative resource for landholders provides them with the knowledge and skills to identify and manage fire risk near powerlines, to ensure safety, property function and biodiversity values are maintained. The kit is the first of its kind in Australia.

## Environmental management

Powerlink strives to continually improve our environmental performance, and we acknowledge that responsible environmental management is integral to our business operations. To ensure ongoing improvements in our environmental management, we reviewed and updated environmental elements of our HSE Management System.

## Greenhouse emissions reporting

Powerlink reports annually on energy and greenhouse gas emissions to remain compliant with the *National Greenhouse and Energy Reporting Act 2007*. An independent limited assurance audit verified the accuracy of Powerlink's 2018 report.

## Regulated waste

We responsibly manage regulated waste associated with our business activities. In 2018/19, we began reprocessing Sulphur Hexafluoride (SF<sub>6</sub>) gas and storing regulated waste at our facility in Virginia, Brisbane and successfully demonstrated compliance to the Department of Environment and Science's (DES's) requirements during this establishment year. Future compliance against licencing conditions will be incorporated into our annual HSE compliance program.

## Notifiable environmental incidents

As a result of increased monitoring in response to last year's notification of 13 substation sites affected by oil containment issues, Powerlink notified the DES in October 2018 about the concentration of hydrocarbons in soil at South Pine Substation. Powerlink implemented a response plan to immediately contain discharge at the site. This incident and all previously notified incidents were closed out with the DES by March 2019.

During 2018/19, we strengthened our focus more broadly on rectifying oil containment issues by consolidating trial information and rolling out second stage filtration controls on all existing substation sites. Our standard design for oil containment for new substations was also updated. We continue to maintain and monitor controls to ensure our incident response activities are effective and meet customer, stakeholder and legislative expectations.





*We work to deliver our activities safely, efficiently and with customers top of mind.*

## Customer focus

### Our customers

Powerlink is focused on delivering value to customers. We are committed to better understanding our customers to appropriately respond to market changes and drive customer-focused outcomes across our business.

Through our structured engagement and other activities, in 2018/19 we continued to build our understanding and expand our insight of customers' needs and expectations. We also worked closely with customers who are directly connected to our network, including generators, high use industrial customers and distribution networks, to deepen our awareness of their priorities and preferences.

We developed a strategy and associated roadmap to develop Powerlink's customer-focus maturity and deliver better outcomes for customers. Our customer strategy acknowledges our important role in providing safe, cost effective and reliable electricity to more than four million Queenslanders who rely on our network and to power economic growth in Queensland. It also recognises the range of non-regulated services we provide to customers including network connections, technical and professional support services, laboratory testing and telecommunications services.



As a foundation signatory, we committed to the Energy Charter initiative and reported on our customer-focused activities in our first Energy Charter Disclosure Statement.

The Energy Charter initiative saw businesses across the energy supply chain come together and commit to a disclosure framework, which will help deliver a more affordable, reliable and sustainable energy system for all Australians.

Consistent with our commitment to delivering energy in line with customer and stakeholder expectations, we actively participated in the development and launch of the industry-wide initiative.

We continued to engage with our industry colleagues through our membership of the Energy Charter industry working group to provide input to the implementation of the initiative.

Powerlink's first Energy Charter Disclosure Statement will be published in October 2019.



Committed renewable connection projects across Queensland.

## Connecting new generation

We connected one of Australia's largest wind farms to our network, along with a further eight renewable energy connections, which together added 1,135MW of generation capacity to the NEM.

The completion of a new 275 kiloVolt (kV) substation at Cooranga North and associated transmission line to connect the 440MW Coopers Gap Wind Farm to the transmission network was a significant milestone.

During 2018/19, we responded to more than 120 connection enquiries and more than 40 applications from generators totalling about 8,000MW.

We engaged with our customers at two interactive sessions addressing topics of interest to renewable generation proponents and directly connected customers. At our Transmission Network Forum, we hosted a session on navigating the renewable connection process and 2018 rule changes, at which we sought customer and stakeholder input and provided information to improve transparency. We also hosted a workshop with renewable generation proponents and technical consultants on navigating the recent regulatory rule changes with the purpose of sharing information and seeking customer feedback.

## Genex Kidston Pumped Storage Hydro Project

Under an agreement with Genex Power Limited, Powerlink undertook a range of activities to progress Stage 2 of the 250MW Kidston Pumped Storage Hydro Project. Our role during 2018/19 included ongoing engagement with landholders and other stakeholders. We prepared a Draft Environment Assessment report for the proposed 275kV transmission line and associated substations to connect the Genex Kidston Renewable Energy Hub to the Queensland transmission network.

Renewable electricity generator connections completed 2018/19		
Region	Project	Generation capacity at the point of connection
North Queensland	Daydream Solar Farm	150MW
	Haughton Solar Farm	100MW
	Hayman Solar Farm	50MW
	Hamilton Solar Farm	57MW
	Whitsunday Solar Farm	57MW
	Ross River Solar Farm	116MW
Central Queensland	Lilyvale Solar Farm	100MW
	Rugby Run Solar Farm	65MW
Southern Queensland	Coopers Gap Wind Farm	440MW





*We are committed to engaging with customers and stakeholders to deliver mutually beneficial outcomes.*

## Operating in the National Electricity Market

### Transmission pricing

A safe, cost effective and reliable electricity transmission service supports the Queensland economy and enriches lifestyles across the State.

Within our role in the electricity supply chain, we are placing downward pressure on electricity prices by focusing on driving efficiencies for customers. Powerlink's transmission network represents about seven per cent<sup>2</sup> of the total delivered cost of electricity for typical Queensland residential electricity consumers.

Powerlink calculates regulated transmission charges in accordance with the framework set out in the NER and our AER-approved Pricing Methodology. This process incorporates recovery of Powerlink's maximum allowed revenue for the provision of regulated transmission services, which was \$786.0 million in 2018/19.

Customers directly connected to Powerlink's network are charged for using the network according to factors such as location and level of use.

We are aware that pricing and affordability remained a key concern to our customers in 2018/19. We acknowledge the value of customer input to our transmission pricing arrangements and building our understanding of how we can provide best value to customers. We began initial engagement processes with customers and stakeholders regarding transmission pricing, as part of an ongoing process to deliver better value for customers through more transparent and fit-for-purpose pricing arrangements.

### Engaging in market development

Powerlink participated in several processes, in collaboration with Energy Networks Australia (ENA), that contribute to the development of the NEM within a changing operating environment. System security and reliability were priorities, along with proposed changes to regulatory frameworks. Key processes include:

**Coordination of Generation and Transmission Investment (COGATI)** – the Australian Energy Market Commission (AEMC) report recommended a comprehensive reform package to improve the coordination of investment in generation and transmission infrastructure. Powerlink provided input to AEMC consultations on key recommendations including a review of generator access to the transmission network and transmission charging arrangements.

**Generator Technical Performance Standards Rule** – the technical performance standards for generators seeking to connect to the transmission network and the process for negotiating those standards were significantly changed.

**Reliability Frameworks review** – the AEMC looked at ways to deliver a reliable power system that has sufficient electricity available when customers need it, at the lowest cost. The final report, published in July 2018, made recommendations to implement and develop mechanisms including improved information available to the market so participants, operators, regulators and policy makers are better informed.

**Integrated System Plan (ISP)** – the Australian Energy Market Operator (AEMO) delivered its first ISP, a key recommendation from the Independent Review into the Future Security of the NEM (Finkel Review), in July 2018. Powerlink is a contributor to this plan, which sets out long-term options for the efficient development of the power system, including potential transmission network developments and renewable energy zones in the NEM.

2 2018 Residential Electricity Price Trends Report.



**Actioning the ISP** – Powerlink contributed to Energy Security Board (ESB) consultations on implementing priority projects identified in the 2018 ISP and developing appropriate governance arrangements for the next ISP.

**Rate of Return Guideline review** – the AER published its Final Decision on its Rate of Return Review in December 2018, which includes the Rate of Return instrument that sets the approach to determining the rate of return, which is a significant driver of regulated revenue.

**Proposed metrics for the Strategic Energy Plan** – in line with Finkel Review recommendations, the Council of Australian Governments (COAG) Energy Council agreed it would develop a Strategic Energy Plan in consultation with the ESB to improve clarity and direction for market bodies and participants in the transitioning energy system. Powerlink provided input on metrics for the Strategic Energy Plan through ENA.

**Regulatory Investment Test for Transmission (RIT-T)** – in response to changes in the RIT-T rules relating to asset reinvestment and the AER's new RIT-T Application Guideline, Powerlink contributed to ENA's development of a RIT-T Handbook to facilitate consistent application of the RIT-T by TNSPs.

**Electricity Network Economic Regulatory Framework Review 2019** – this annual AEMC review examines whether the economic regulatory framework supports the efficient operation of the energy market in the long-term interests of customers. It has been informed by a consultation on how formal regulatory sandbox arrangements can facilitate innovative projects offering benefits to customers while managing risks.

**Confidentiality Exclusion Rule Change Proposal** – ENA proposed changes to the rules to allow TNSPs to publish certain connection information to facilitate greater coordination of connection proposals to deliver better network outcomes at a lower cost to customers. This will be assessed by the AEMC during 2019/20.

**Planning and forecasting consultation** – AEMO began consultation to inform its forecasting and planning publications, including the ISP. Powerlink provided input to proposed modelling improvements to inform the ISP and align with the broader RIT-T framework.

## Network planning

In planning our transmission network, we consider the integration and location of renewable generation, the likely progressive retirement of fossil-fuelled generation in the NEM and changing electricity demand, including growing consumer interest in adopting new technologies and taking more control of their energy use.

We plan to optimise utilisation of the transmission network to achieve lower-cost solutions that provide energy security, reliability and affordability and the need for reduced emissions. In doing this, we plan, develop and operate the transmission network to meet reliability standards set out in the NER, *Queensland's Electricity Act 1994* and Powerlink's Transmission Authority.

We undertook annual joint planning with AEMO, TNSPs and stakeholders, in accordance with the NER. This collaborative approach identified potential network and non-network solutions that deliver the lowest long-run cost to customers. Powerlink also provided input to AEMO's 2018 ISP, in line with the recommendations of the Finkel Review.

Powerlink and TransGrid have progressed joint investigations into the potential expansion of the transfer capacity between Queensland and New South Wales.

## Network stability

We collaborated with AEMO and other stakeholders to progress system strength assessments in parts of the network to allow for connection of asynchronous renewable generation projects. System strength is a measure of the stability of a power system under all reasonably possible operating conditions. It can materially impact network operation and its ability to recover quickly from sudden events.

Powerlink took significant steps to provide predictability and transparency about the connection process for renewable generators to provide greater certainty for customers.

## Network performance

The AER sets calendar year performance targets for Powerlink for the duration of each five-year regulatory period through the Service Target Performance Incentive Scheme (STPIS). For 2018, Powerlink's performance exceeded the targets set by the AER.

We did not experience any unexpected loss of supply events greater than 0.05 system minutes on our transmission network during 2018/19 and also performed better than the SCI target.

On 25 August 2018, the 330kV transmission line between Bulli Creek and Dumaresq, which is part of the QNI, tripped from service due to a lightning strike. This was followed by a sequence of unexpected events across the NEM which resulted in loss of supply to some customers in New South Wales, Victoria and Tasmania. Queensland customers were not affected.

During 2018/19, there was an increased number of planned outages on our network assets that impacted the operation of the electricity market due to scheduled works involved in asset reinvestment projects. The availability of system strength to enable the operation of new renewable generators was also impacted by planned outages on critical parts of the network between Central and North Queensland.

## Network access management

We have commissioned a new network access management solution, which has the capability to future-proof our network outage management requirements. The solution, which is an Australian first but widely used in North America, consolidates multiple existing systems and will provide improved transparency to customers and stakeholders, enhanced internal operational efficiencies and up-to-date information to AEMO to meet the requirements of the NER.

We will continue to refine the solution to further leverage operational efficiencies, increase transparency, and ensure internal and external network access and outage management requirements are effectively managed.



Our Network Control team is committed to ensuring the safe, cost effective and reliable operation of our transmission network.

## Network strategy and operations

### Network Vision

We engaged with customers, stakeholders and employees to develop a Network Vision to ensure we continue to provide value to our customers for the next 30 years.

The way our customers access and use energy will change significantly in the future. The Network Vision will provide a long-term framework for the evolution of Powerlink's services to meet the needs of our customers.

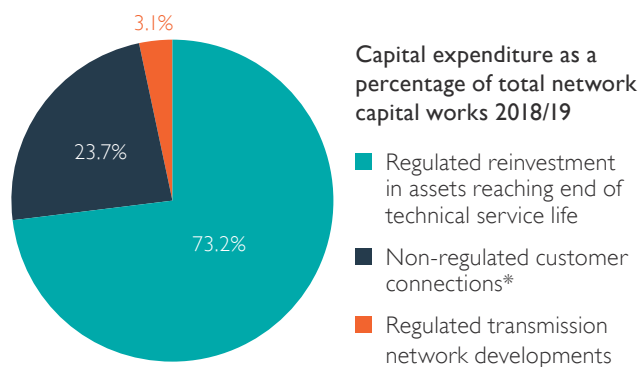
### Electricity demand and forecasting

A peak electricity demand record of 10,044MW was set at 5.30pm on 13 February 2019, when Queensland was gripped by a heatwave. This was 248MW higher than the previous peak demand set on 14 February 2018. The later peak demand timing shows the continued impact of rooftop solar PV which declines in output as the sun goes down, pushing demand peaks into the evening. Powerlink's 2019 Transmission Annual Planning Report (TAPR) forecasts summer maximum demand will increase at an average rate of 0.5 per cent per annum over the next decade.

Over the next decade, Queensland's transmission-delivered energy consumption is forecast to decrease at an average of 0.7 per cent per annum<sup>3</sup>, impacted largely by the forecast increases in the capacity of renewable generation connecting to the electricity distribution networks (including customers' rooftop solar).

### Capital works program

Powerlink's forecast total regulated capital expenditure for the 2017/18 to 2021/22 regulatory period as determined by the AER is \$835.5 million (2016/17 real), which is considerably less than undertaken in previous regulatory periods. Total capital works project expenditure in 2018/19 was \$225.7 million.



\*The cost of non-regulated customer connections is paid for by the customer seeking the connection.

Powerlink is committed to sustainable asset management practices that ensure we provide a valued transmission service to customers by managing risk, optimising performance and managing expenditure on assets through the whole of the asset life cycle.

With a focus on achieving efficiency and minimising impacts on customers and the NEM, we have adjusted work practices and expanded our processes for live work to minimise network outages.

### Next generation network operations

We developed and are implementing a roadmap for delivering the next generation of network operations including a new Advanced Energy Management System (AEMS) which will be delivered over the next three years. The new AEMS will be foundational in enabling our capability to operate the power system of the future and deliver positive customer outcomes including improved network operation and automation.

3 Powerlink's 2019 Transmission Annual Planning Report.



Crews undertaking essential refit work in the Gladstone region to deliver ongoing electricity supply reliability and support industrial growth.

## Innovation framework

We developed and implemented an organisation-wide innovation framework as a foundation for delivering innovation that aligns with Powerlink's vision.

The framework is driven by customer needs and values, and places the customer at the centre of the innovation process. Powerlink's initial focus has been on enhancing strategy, process, capability and culture to facilitate the removal of barriers to innovation.

The framework will continue to be embedded to strengthen our approach to innovation and ensure our approach is always customer focused.

In a trial of our innovation framework, we engaged our people to generate ideas for new processes, techniques and technologies to support the replacement of insulators on transmission lines.

From the shortlisted potential solutions generated by the working group, we developed a pilot project to test an innovative method to replace 4,900 insulators on 600 transmission towers on the Braemar to Bulli Creek transmission line.

We used helicopter transport to site, and aerial transfer of staff to and from each tower for work, which enabled significantly faster rates of insulator replacement, minimised customer impacts, and reduced costs by more than 10 per cent for each string of insulators replaced.

At the same time, we reduced driving by 85 per cent, which reduced risks and delivered better health and safety outcomes for our people.

## Research and development

We invested in research and development that was delivered through memberships and projects in collaboration with organisations including the University of Queensland (UQ), Queensland University of Technology and Biosecurity Queensland.

Projects investigated how technologies can be applied to gain efficiencies in Powerlink's investment decision making processes, including the management of network impacts from increased renewable energy generation. We also investigated methods to monitor the condition of galvanised steel transmission towers by automatically tracking corrosion rates using still images with researchers from UQ.

As members of the Electric Power Research Institute and other professional bodies, we accessed technical information and analysis from leading international experts which informed our asset management strategies and operational processes.

## Maintenance

Our maintenance program ensures we continue to deliver safe, cost effective and reliable transmission services to customers by maintaining our assets as fit-for-purpose over their technical service life.

### Maintenance on transmission lines, substations and communication sites 2018/19

<b>99.5%</b> Planned maintenance delivered	<b>\$143.8 million</b> Invested in maintenance
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## Contingency planning and emergency response

Our annual summer readiness program enables us to identify key risks and put in place mitigation strategies. We engaged cooperatively with AEMO in preparation for and during summer. This process ensured availability and capacity of the network over summer, while managing the delivery of our maintenance program and maintaining the physical integrity of the network.

We worked cooperatively with relevant state agencies on contingency planning and our response to prepare for the potential impacts of severe weather events including cyclones and bushfires.

Despite the massive scale and impacts of the flooding in North Queensland caused by monsoonal weather resulting from ex-Tropical Cyclone Owen during February 2019, our network was not impacted. Powerlink donated employee resources to address special needs in the flood response through Operation Energise, which provides qualified tradespeople and materials to coordinate electrical safety checks and remedial connections for people and organisations in the aftermath of natural disasters.

Our interaction with external agencies and our internal processes are guided by our emergency management response plans. We tested these response plans through internal and external exercises involving stakeholders including AEMO and jurisdictional representatives from the Queensland Department of Natural Resources, Mines and Energy.



# Regulated network development

## Network reinvestment

Our approach is to optimise reinvestment in network assets to deliver better outcomes for customers. We determine when it is appropriate to refit or replace ageing assets and how to implement these works cost effectively.

We place emphasis on ensuring asset reinvestment considers the enduring need and most cost effective option. This may result in targeted asset replacement or staged works that avoid or delay the need to establish new transmission infrastructure. We also consider alternative investment options through network reconfiguration to manage asset condition and non-network solutions where economically and technically feasible.

In the context of our dynamic operating environment, we reviewed our reinvestment criteria, which will shape our future capital expenditure program. This review will ensure we focus on holistic investment decisions that are customer focused, with increased transparency. We engaged with our Customer Panel to seek input and adapted our approach to achieve the right balance between cost and reliability.

## Regulated network developments and reinvestments

Before committing to build a new transmission line or substation, or reinvest in existing infrastructure, Powerlink thoroughly assesses potential alternatives to ensure the decision provides maximum net economic benefits. Powerlink is required to undertake the AER's RIT-T when potential solutions to replace network assets or increase the capacity of the network are over a \$6 million threshold.

The RIT-T is a transparent, formal consultation process that requests submissions and provides an opportunity for customers, stakeholders and interested parties to provide feedback and raise alternative solutions to address network needs.

### RIT-T assessments completed in 2018/19

Addressing the secondary systems condition risks at Woree Substation

Maintaining reliability of supply to Ingham

Addressing the secondary systems condition risks at Dan Gleeson Substation

Maintaining reliability of supply at Townsville South Substation

Maintaining power transfer capability and reliability of supply at Ross Substation

Maintaining reliability of supply to the Rockhampton area

Maintaining power transfer capability and reliability of supply at Bouldercombe Substation

Addressing the secondary systems condition risks at Baralaba Substation

Addressing the secondary systems condition risks at Palmwoods Substation

Addressing the secondary systems condition risks at Tarong Substation

Addressing the secondary systems condition risks at Abermain Substation

Maintaining reliability of supply to the Brisbane metropolitan area

Addressing the secondary systems condition risks at Belmont Substation

### RIT-T consultations underway as at 30 June 2019

Maintaining reliability of supply at Kamerunga Substation

Maintaining reliability of supply between Clare South and Townsville South

Addressing the secondary systems condition risks at Kemmis Substation

Maintaining reliability of supply in the Blackwater area

Maintaining power transfer capability and reliability of supply at Lilyvale

Addressing the secondary systems condition risks at Mudgeeraba Substation

Expanding transmission transfer capacity between New South Wales and Queensland

Powerlink developed and implemented a framework to enhance the value and outcomes of the RIT-T engagement process. Our RIT-T Stakeholder Engagement Matrix was developed in consultation with our Customer Panel and identifies a range of engagement activities that may be undertaken, including consideration of non-network options. The matrix was applied to all RIT-T processes initiated by Powerlink in 2018/19.

## Queensland – New South Wales transfer capacity

Powerlink and TransGrid began the RIT-T process for expanding transmission transfer capacity between Queensland and New South Wales, a consultation with a high level of stakeholder interest and being led by TransGrid.

The Project Specification Consultation Report (PSCR) was published in November 2018, which was the first step in the RIT-T process. The PSCR investigated and compared a range of options to expand transfer capacity on the QNI including projects already identified in AEMO's ISP.

It also set out the requirements for any non-network solutions to address the need and called for interested parties who may be able to provide these services to come forward with options. A webinar hosted by Powerlink and TransGrid provided further information on the PSCR and sought input from customers and stakeholders.

TransGrid and Powerlink also published an accompanying input and methodology consultation paper and assumptions workbook in December 2018 to provide greater detail about the RIT-T analysis and provide an opportunity for customer and stakeholder feedback earlier in the process. Powerlink held an interactive engagement session with our Customer Panel to gain feedback on the options presented in the PSCR.

Submissions on the PSCR closed in February 2019 and those approved for publication were published on Powerlink's website.



Delivery of a new transformer at the Belmont Substation to help secure electricity supply to the Brisbane region.

## Non-network solutions

We consider non-network solutions alongside network options for both network reinvestment and any network augmentation that may be required.

We worked productively with non-network providers that made submissions to the RIT-T processes underway during 2018/19, and continued to engage with non-network providers through opportunities such as the Transmission Network Forum and webinars. We also proactively maintain a register of non-network providers to facilitate engagement and provide timely information to those providers.

## Major regulated network projects

### Major transmission developments and reinvestments (over \$10 million) completed in 2018/19

Region	Project
North Queensland	Moranbah 132/66kV Substation transformer replacements
	Nebo 275/132kV Substation transformer replacements
	Ross 275kV Substation secondary systems replacement
	Tully 132kV Substation secondary systems replacement
Central Queensland	Broadsound 275kV Substation secondary systems replacement
	Gladstone to Boyne Island 132kV transmission line refit
	Stanwell 275kV Substation secondary systems replacement
Southern Queensland	Tennyson 110kV Substation secondary systems replacement

### Major transmission developments and reinvestments (over \$10 million) under construction in 2018/19

Region	Project
North Queensland	Collinsville to Proserpine 132kV transmission line refit
	Eton to Alligator Creek 132kV transmission line refit
	Mackay 132kV Substation replacement
	Nebo 275kV Substation replacement
	Ross 275kV and 132kV Substation primary plant replacement
Central Queensland	Bouldercombe 275kV Substation replacement
	Bouldercombe 275/132kV Substation transformer replacement
	Calvale 275/132kV transformer reinvestment
	Calvale and Callide B 275kV Substation secondary systems replacement
	Dysart Substation replacement
	Egans Hill to Rockhampton 132kV transmission line refit
	Moura 132kV Substation replacement
Southern Queensland	Wurdong 275kV Substation secondary systems replacement
	Ashgrove West 110/33kV Substation replacement
	Belmont 275kV Substation secondary systems replacement
	Gin Gin 275/132kV Substation rebuild
	Rocklea 275kV Substation secondary systems replacement
	Tarong 275kV Substation secondary systems replacement





We value open and transparent engagement with our customers and stakeholders.

## Community and stakeholder engagement

### Corporate citizenship and communication

We work closely with landholders, communities, local government and other stakeholders to meet our commitment to being a good corporate citizen in carrying out our business activities.

We seek to share information about our activities in ways that are accessible and communicate the benefits to customers and stakeholders. We produced a range of targeted communication materials including videos, website updates, project newsletters and community notices to help customers and stakeholders better understand our business and how they can engage with us.

### Engagement intent and activities

We were the first network business in Australia to host a workshop with customers and stakeholders to co-design our engagement approach for our next AER Revenue Determination process. Customer input generated through the engagement approach will inform the upcoming 2022/23 to 2026/27 AER Revenue Determination process which will set Powerlink's maximum allowable revenue for the five-year regulatory period. Our interactions with individuals and organisations are guided by our Stakeholder Engagement Framework which commits us to genuine and timely engagement that leads to improved decision making and better outcomes for our stakeholders. In 2018/19, we updated the framework to reflect customer expectations and our changing operating environment.

We undertook a comprehensive Stakeholder Perception Survey using in-depth interviews to provide insights to our Social Licence to Operate (SLO) and reputation scores, key stakeholder issues and customer service perceptions. The results of this survey inform our stakeholder engagement planning.

2018 Stakeholder perception survey				
	Maximum score achievable	2018 Actual	2016 Actual	2014 Actual
Social licence to operate	5 full trust	3.98 high approval	3.88 low approval	3.79 low approval
Reputation	5 very high	3.66 medium	3.47 medium	3.43 medium

Our Customer Panel continued to provide a face-to-face forum for customers and stakeholders to provide input into our decision making, processes and methodologies. The panel met in September and December 2018, and March 2019, and engaged on important topics including the Energy Charter, RIT-Ts, reinvestment criteria, regulatory consultations, transmission pricing, Network Vision and expanding the transfer capacity between Queensland and New South Wales.

Our engagement activities also included hosting webinars to share information and engage with our customers and stakeholders on topics including updates on NER changes and RIT-Ts.

### Household Energy Survey

The Queensland Household Energy Survey, conducted in conjunction with Energex and Ergon Energy, provides feedback from more than 5,000 Queenslanders to help Powerlink plan the network and forecast electricity usage now and in the future.

The 2018 survey results indicated that while bill concern remained high, negativity towards electricity prices had declined since 2017. It also found almost a third of Queensland households had a long-term goal to install battery storage in the next 10 years, driven by bill concern and opportunities from solar PV. It found most households were not interested in going off-grid in the near term, with safety, reliability and convenience being drivers to stay connected to the grid.





Powerlink, Ipswich City Council and Healthy Land and Water representatives mark the completion of our five-year koala habitat rehabilitation project at Grandchester.

## Landholder relations

We engage proactively with landholders and made process improvements to ensure we continue to safely and reliably operate and maintain our network across more than 19,000 properties in Queensland.

We expanded our process for notifying landholders and enhanced our response capability to ensure we communicate openly with landholders about our activities. These initiatives were supported by training programs for our people.

## Cultural Heritage

We recognise Aboriginal and Torres Strait Islander peoples as important stakeholders in the development of Queensland's transmission network. We value our relationships with Traditional Owners and meet our obligations under the *Queensland Aboriginal Cultural Heritage Act 2003* and the *Queensland Torres Strait Islander Cultural Heritage Act 2003* by working cooperatively to agree on processes to manage significant Cultural Heritage, recognising Traditional Owners' unique knowledge of the land.

We also recognise community interest in Historical Heritage and maintain procedures to meet the requirements of the *Queensland Heritage Act 1992*.

Our Cultural Heritage Framework guides the ongoing management of Cultural Heritage throughout the life of our transmission assets, including during the planning and delivery of network reinvestment projects and new network connections.

We work cooperatively and innovatively with customers connecting to the network to achieve efficient Cultural Heritage outcomes for the benefit of commercial projects.

## Strategic partnerships

Through our community relations activities, we seek to support projects with a strong focus on empowering communities, protecting and conserving the environment, and supporting safety and wellbeing.

We successfully completed a five-year project to plant and establish 12,500 koala habitat trees at Grandchester, near Ipswich. Delivered in partnership with Ipswich City Council and Healthy Land and Water, the project resulted in significant environmental, biodiversity and community benefits by rehabilitating 26 hectares of cleared grazing farmland to strengthen koala habitat connectivity and protect the environmental values of the Mt Grandchester Conservation Estate.

We built on our previous support to the Queensland State Emergency Service (QSES) by providing additional funding for new equipment that enhances the capability of QSES groups around the State to respond to community emergencies. This support, provided in conjunction with Energex and Ergon Energy, aligns with our commitment to the safety and wellbeing of communities and employees, and our focus on emergency response.

We continued our relationship with the Bulimba Creek Catchment Coordinating Committee (B4C) by delivering ongoing maintenance of completed joint environmental rehabilitation projects in Wishart in Brisbane, near our Runcorn to Belmont and Algeester to Runcorn transmission lines.

We entered the maintenance phase of our partnership with Townsville City Council that has seen the delivery of a greening program to increase vegetation density and improve wildlife habitat. The program was delivered in response to our Garbutt to Alan Sherriff Transmission Line Replacement project.

# People

## Workforce strategy

We are committed to ensuring Powerlink is a great place to work, and to collectively creating and sharing success so our culture is productive and supportive. We continued to implement people strategies to support these commitments.

Our workforce was 881 Fulltime Equivalent Staffing as at 30 June 2019. Our workforce strategy ensures Powerlink has the right people, in the right place, as needed to position the organisation to achieve success. Within the context of our changing business environment, we began a project to develop a strategic five-year view of workforce planning.

We value the diversity of our people and recognise the importance of inclusion to build our capacity for innovation and productivity, and deliver opportunities for creative thinking and solutions. We increased awareness of diversity and inclusion by partnering with specialist employers, sharing information with our people and hosting events including NAIDOC week, International Women's Day and International Day of People with Disability.

## Values and culture

With input from our employees and Customer Panel, we implemented new corporate values that better align with our business plan and future operating environment – 'Accountability, Customer, Teamwork and Safety'. Our corporate values and behaviours guide our decision making and underpin the way we deliver our services.



Our Culture Roadmap also provided direction on improving our culture by focusing on engaging, empowering and enabling our people.

## Leadership

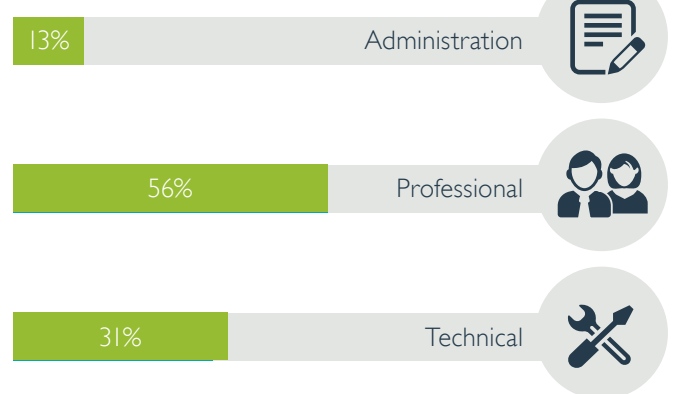
We continued to implement our leadership strategy through cohort-specific leadership programs, with the aim of developing leadership capability to meet the demands of the changing context in which we operate, ensuring alignment with our corporate values and strategy, and improving our culture.

## Workforce demographics

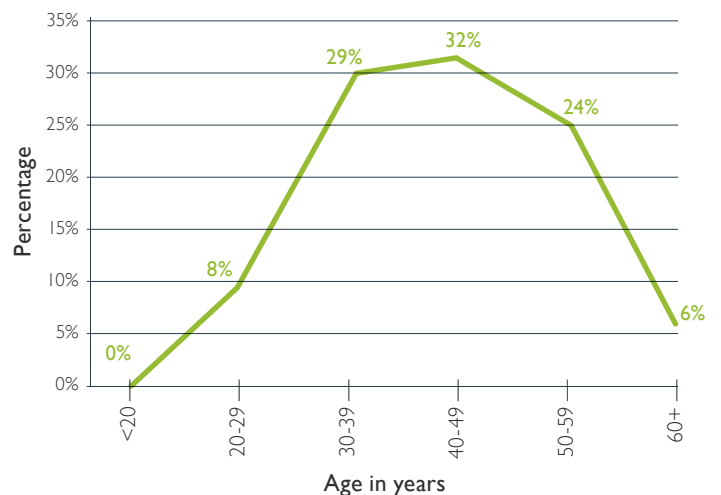
### Gender profile

FEMALE	
POWERLINK WIDE	25%
MANAGEMENT	22%
EXECUTIVE	33%
BOARD	80%
MALE	
POWERLINK WIDE	75%
MANAGEMENT	78%
EXECUTIVE	67%
BOARD	20%

### Role profile



### Age profile







We are focused on meeting our customers' needs and expectations.

## Corporate governance

Powerlink Queensland and its wholly-owned subsidiaries operate and are managed within a corporate governance framework which encompasses accountability and transparency to all stakeholders.

### Corporate governance in Powerlink

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

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

- Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
- Minister for Natural Resources, Mines and Energy.

The Queensland Government has published its *Corporate Governance Guidelines for Government Owned Corporations* (Guidelines) which includes a *Code of Conduct and Conflicts of Interest Best Practice Guide for Government Owned Corporations*. The Guidelines outline the expectations of shareholding Ministers and describe a set of comprehensive corporate governance principles, and proper disclosure and reporting arrangements that are appropriate to GOCs. There were no revisions made to the Guidelines that required changes to Powerlink's corporate governance arrangements in 2018/19.

Corporate governance in Powerlink is managed through a framework of policies approved by the Board and supplemented by supporting standards, procedures and practices developed by management. The corporation commits to these to ensure appropriate accountability and control systems are in place to achieve business outcomes, and encourage and enhance sustainable business performance. This section of the Annual Report outlines Powerlink's corporate governance arrangements and describes its reporting and disclosure practices.

### The Board

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

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

Details relating to Powerlink Directors, Board Committee composition and meetings in 2018/19 are set out in the Directors' Report.

The table below sets out the balance and tenure of Board members at Powerlink as at 30 June 2019.

Board balance	Board tenure		Board diversity	
1 Non-Executive Chair	0–2 years	2	Female	80%
4 Non-Executive Directors	2–4 years	2	Male	20%
	4–6 years	0		
	6–8 years	1		



## Powerlink corporate governance framework

### Shareholding Ministers

#### Our shareholders

Powerlink has two shareholders who hold the shares on behalf of the State of Queensland.

Our shareholding Ministers, as at 30 June 2019, were:

- The Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares.
- The Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy, holding 50 per cent of the A class voting shares.

### Powerlink Queensland Board

#### Key accountabilities of the Board

The Powerlink Board establishes the overall corporate governance of the corporation and is responsible for:

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

#### Membership and meetings

- All Directors, including the Chair, are independent, non-executive Directors appointed by the Queensland Government in accordance with the GOC Act.
- In 2018/19, Powerlink held 11 formal meetings of Directors, which were supplemented with Flying Minutes. The attendance record of the Directors at meetings of the Board is presented in the Directors' Report section in the Annual Report.

### Board Committees

#### Audit, Risk and Compliance Committee

The Committee endorses the corporation's internal audit program and risk management profile, and provides a link between the corporation's auditors (internal and external) and the Board. The Committee meets with, and receives reports from, both the internal and external auditors. The Committee also assists the Board in the oversight of financial integrity and legal compliance.

#### People, Culture and Remuneration Committee

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

### Chief Executive

#### Executive Team

#### Executive Committees

Executive Committee for Health, Safety and Environment

Executive Committee for Corporate Resilience

## Corporate Governance Guidelines for GOCs – Queensland Government

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

### Principle 1: Foundations of management and oversight

The Board Charter, a summary of which is available on the Powerlink website (visit [www.powerlink.com.au/committees-charter-and-code-conduct](http://www.powerlink.com.au/committees-charter-and-code-conduct)), describes the Board's functions and responsibilities, which are to:

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

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

Day-to-day management of the consolidated entity's affairs and the implementation of the corporate strategy and business initiatives are formally delegated by the Board to the Chief Executive and senior management, as set out in the delegations policy. These delegations are reviewed as considered necessary.

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

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

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

### Principle 2: Structure the Board to add value

At 30 June 2019, the Board comprised five independent non-executive Directors. All Directors are appointed by the Government in accordance with the GOC Act. There were changes to Powerlink's Directors in 2018/19:

- The previous Chair, Dr Julie Beeby, retired from the Board in September 2018

- The new Chair, Kathy Hirschfeld AM, was appointed in October 2018
- Director, Peter Hudson, resigned in May 2019.

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

	Finance and commercial	Government and stakeholder relations	Business strategy development	Corporate governance and risk management	Industry knowledge	Human resources and industrial relations
Kathy Hirschfeld AM	•	•	•	•	•	•
Julie Martin				•	•	
Alan Millis		•	•	•	•	
Sarah Zeljko		•	•	•		•
Dr Lorraine Stephenson		•	•	•	•	

The Directors' Report includes a listing of the terms of office and appointment date for each Director.

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

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

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

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

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

In addition to the 2018/19 Board meetings, the Board held Strategic Planning and Risk Workshops.

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

The Board having undertaken its annual self-assessment for 2018/19, concluded that it is fulfilling its role with no obvious gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

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

### Principle 3: Promote ethical and responsible decision making

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

The Board provides input to a Share Trading Standard, a summary of which is also available on the Powerlink website (visit [www.powerlink.com.au/our-publication-scheme](http://www.powerlink.com.au/our-publication-scheme) > Our policies). The primary purpose of this standard is to mitigate the risk of inappropriate trading of shares by Powerlink employees, managers and Directors.

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

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

### Principle 4: Safeguard integrity in financial reporting

The Board has established two Board Committees to assist in fulfilling its corporate governance responsibilities:

- the Powerlink Audit, Risk and Compliance Committee
- the Powerlink People, Culture and Remuneration Committee.

These Committees have documented mandates that are reviewed on a regular basis, at least every two years. The membership of both committees consists of non-executive Directors. Details of Committee members at 30 June 2019 are presented below. The number of Committee meetings held during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee	
Chair:	Alan Millis
Members:	Dr Lorraine Stephenson and Kathy Hirschfeld AM (from June 2019)

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

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

and the Chief Financial Officer have in place to support their certifications to the Board are also considered by the Committee.

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

People, Culture and Remuneration Committee	
Chair:	Sarah Zeljko (from March 2019)
Members:	Julie Martin and Kathy Hirschfeld AM (from November 2018)

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

### Principle 5: Make timely and balanced disclosures

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

### Principle 6: Respect the rights of shareholders

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

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

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

### Principle 7: Recognise and manage risk

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

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

The Executive Committee for Health, Safety and Environment develops and directs Powerlink's health, safety and environmental management practices. The Committee develops appropriate strategic responses to health, safety and environmental issues, ensures compliance with Powerlink policies, and with relevant health and safety and environmental legislation.



The Executive Committee for Corporate Resilience has governance over the development, approval and improvement of Powerlink's approaches to security management and the management of significant emergencies.

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

Powerlink's Code of Conduct documents aim to ensure that Powerlink employees and those carrying out work for Powerlink perform their work cost effectively, efficiently, cooperatively, honestly, ethically and with respect and consideration for others.

#### Principle 8: Remunerate fairly and responsibly

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

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

Powerlink's Remuneration Procedure is designed to:

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

The *Working at Powerlink 2018 Union Collective Agreement* was effective from 1 March 2018, and the *Powerlink Managers Enterprise Agreement 2018* was effective from 22 January 2018.

The Agreements allow for Powerlink and its employees to respond to targets agreed with our shareholding Ministers. They continue to focus Powerlink on developing a competitive and efficient workplace. They recognise that the economic health of the corporation and the wellbeing of all employees depend upon the success of a shared commitment by all parties to these Agreements.

The Remuneration Procedure provides performance-based payments for all eligible employees, with the payments directly linked to the performance of the individual against pre-agreed performance targets and the performance of the business.

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

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

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

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

#### Shareholding Ministers' direction

There was one shareholding Ministers' direction in 2018/19:

- FibreCo Queensland Pty Ltd – Direction under the *Government Owned Corporations Act 1993* requiring Powerlink to provide full cooperation and assistance to the State and its advisors, and the Project Entity Steering Committee, to implement the establishment of FibreCo Queensland Pty Ltd. FibreCo Queensland Pty Ltd was formally registered as a company on 17 June 2019.

#### Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2018/19 totalled \$9,717. There were no events above the individual reporting threshold of \$5,000.

# Board of Directors



## Kathy Hirschfeld AM

BE (Chem), HonFIEAust, FTSE, FIChemE, FAICD

Chair of the Board (Appointed 2018)

Kathy has extensive experience on ASX, NYSE, private company and government boards and brings to her board roles corporate and commercial experience as a CEO of a complex manufacturing business. In addition, Kathy has expertise in operational risk management, safety and corporate governance.

Kathy is a chemical engineer with 20 years' experience with BP in oil refining, logistics and exploration in Australia, the UK and Turkey. Kathy was also a Logistics Officer in the Australian Army Reserve.

Kathy is passionate about improving the representation of women in leadership and engineering and in 2015 was named one of Australia's AFR/Westpac 100 Women of Influence. In 2014, she was the ninth woman recognised by Engineers Australia as an Honorary Fellow.

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



## Julie Martin

BE (Hons), MIEAust, CPEng NER, GAICD

Director (Appointed 2011)

Julie has over 20 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects within Australia and internationally. She is currently the General Manager (QLD, WA, NT, PNG) at EIC Activities, the CIMIC Group's engineering and technical services business. Previously Julie held senior roles responsible for delivering high voltage infrastructure and traction substations. Julie's extensive experience includes key design, project engineering, management and commissioning roles on rail projects.

Julie was recognised with the Queensland NAWIC 2016 Award for Achievement in Construction (General Building).

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



## Alan Millis

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

Director (Appointed 2015)

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

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

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

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



## Dr Lorraine Stephenson

BSc (Hons), MBA, PhD, FTSE, GAICD

Director (Appointed 2017)

Lorraine is an experienced company director and board advisor with a focus on energy and climate change strategy. Owner of Lightning Consulting Services, Lorraine draws on her 35 years' corporate experience to advise clients on options to mitigate risks and create opportunities from the transition to a low carbon economy, including investments in low emission technologies and abatement options.

Lorraine held senior executive roles at Origin Energy, and was formerly a Partner at EY, the Chief Clean Energy Advisor to the Queensland Government and a Member of the Victorian Government's Interim Targets Expert Panel.

Lorraine is a non-executive director of Good Environmental Choice Australia and a Member of the NSW Climate Change Council.

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



## Sarah Zeljko

LLB, GAICD

Director (Appointed 2016)

Sarah has extensive executive, legal and company secretary experience across large government, ASX listed and private corporations, in the infrastructure, energy, water, mining, manufacturing and education industries. In particular, Sarah has led a range of Boards and Board Committees through events of significant strategic and operational change.

Sarah specialises in the areas of corporate governance, risk management, compliance, commercial negotiations and strategy, and has been involved in significant merger and acquisition work. Sarah is currently a director with Energy Super and volunteers on two not-for-profit boards.

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

# Executive Team



## Merryn York

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

### Chief Executive

Merryn has more than 25 years' experience in the Queensland electricity industry.

Her career encompasses experience in strategic business development and asset management to optimise the long-term return on investment, network planning, regulatory affairs, customer management and strategic development of the transmission network.

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



## Cathy Heffernan

GradCertLegalSt, Qualified Workplace Investigator, Qualified Mediator

### Executive General Manager People and Corporate Services

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

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



## Darryl Rowell

BCA, MBA, FCPA

### Chief Financial Officer

Darryl is an experienced executive in both Australia and New Zealand with a background in both private and public sectors, including the energy industry. Prior to joining Powerlink, Darryl was the Chief Financial Officer at Queensland Urban Utilities. At Powerlink, Darryl manages all finance, tax, treasury, investment analysis, contract management, internal audit, insurance, and legal, business and risk services. He is also Powerlink's Company Secretary.



## Kevin Kehl

BE (Hons), GradCertElecSupplyEng

### Executive General Manager Strategy and Business Development

Kevin is an experienced senior executive with more than 30 years' involvement in the electricity industry, across the networks sector.

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



## Dr Stewart Bell

BEng, PhD (Electrical), MBA, CEng, FIET, RPEQ

### Executive General Manager Delivery and Technical Solutions

Stewart has more than 25 years' experience in the electricity industry, including management roles in operations, project delivery and asset investment.

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



## Gary Edwards

BBus, AssocDipElecEng

### Executive General Manager Operations and Service Delivery

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

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



## Statistical summary

### Substations/switching stations and transformers added in 2018/19

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	4	Crush Creek, Coopers Gap, Houghton River, Walkamin	4	1040	Crush Creek, Coopers Gap x2, Calvale
132kV	3	Lake Ross, Bundoora, Moranbah Plains	2	345	Lake Ross, Bundoora
110kV	0		0		
<b>Total</b>	<b>7</b>		<b>6</b>	<b>1385</b>	

Two transformers replaced: Belmont (275kV/375MVA), Garbutt (132kV/100MVA)

### Substations/switching stations and communication sites as at 30 June 2019

Voltage	Substations	Cable transitions	Communication sites
330kV	4	0	
275kV	47	1	
132kV	82	3	
110kV	14	5	
66kV*	0	0	
<b>Total</b>	<b>147</b>	<b>9</b>	<b>62^</b>

\* equal to or less than 66kV

^ 23 communication sites were decommissioned or transferred to third parties

### Capacitor banks, shunt reactors and Static VAR Compensators added in 2018/19

Voltage	Capacitor banks		Reactors		SVCs		Location
	Total	MVAR	Total	MVAR	Total	MVAR	
330kV	0	0.0	0	0.0	0	0.0	
275kV	0	0.0	0	0.0	0	0.0	
132kV	0	0.0	1	24.0	0	0.0	Bundoora #1 Reactor
110kV	0	0.0	0	0.0	0	0.0	
66kV*	-1	-20.0	0	0.0	0	0.0	Ashgrove West #1 Capacitor
<b>Total</b>	<b>-1</b>	<b>-20.0</b>	<b>1</b>	<b>24.0</b>	<b>0</b>	<b>0.0</b>	

\* equal to or less than 66kV

### Capacitor banks, shunt reactors and Static VAR Compensators as at 30 June 2019

Voltage	Capacitor banks		Reactors		SVCs	
	Total	MVAR	Total	MVAR	Total	MVAR
330kV	3	440.0	4	144.0		
275kV	28	3880.0	18	846.0	8	2510.0
132kV	35	1555.0	1	24.0	15	1881.0
110kV	32	1775.2	0	0	0	0
66kV*	4	76.0	2	42.4	0	0
<b>Total</b>	<b>102</b>	<b>7726.2</b>	<b>25</b>	<b>1056.4</b>	<b>23</b>	<b>4391.0</b>

\* equal to or less than 66kV

Circuit breakers as at 30 June 2019	
Voltage	Total number
330kV	30
275kV	520
132kV	553 †
110kV	268 †
66kV*	23
<b>Total</b>	<b>1394</b>

\* equal to or less than 66kV

Circuit breakers added in 2018/19		
Voltage	Circuit breakers	Location
330kV	0	
275kV	7	Strathmore (+1), Walkamin (+5), Coopers Gap (+4), Haughton River (+4), Gin Gin (-6), Nebo (-1)
132kV	-1	Calvale (+2), Bundoora (+1), Moranbah Plains (+1), Gin Gin (-1), Nebo (-3), Dysart (-1)
110kV	-2	Murarrie (-1), Ashgrove West (-1)
66kV*	-1	Ashgrove West (-1)
<b>Total</b>	<b>3</b>	

\* equal to or less than 66kV

Transmission lines and underground cables added in 2018/19				
Voltage	Transmission line		Underground cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0.0	0.0	0.0	0.0
275kV	3.7	3.7	0.0	0.0
132kV	1.0	1.0	1.3	1.3
110kV	0.0	0.0	0.0	0.0
66kV	0.7	1.5	-1.3	-1.3
<b>Total</b>	<b>5.4</b>	<b>6.2</b>	<b>0.0</b>	<b>0.0</b>

\* equal to or less than 66kV

Five-year history of transmission lines and underground cables as at 30 June 2018										
Voltage <sup>^</sup>	2015		2016		2017		2018		2019 <sup>†</sup>	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission lines										
330kV	348	696	348	696	348	696	348	696	354	695
275kV	6557	9509	6693	9781	6693	9781	6693	9799	6724	9800
132kV	2787	4458	2867	4616	2769	4420	2760	4402	2773	4399
110kV	215	413	215	413	215	413	215	413	222	417
66kV*	4	4	4	4	4	4	4	4	5	5
<b>Total lines</b>	<b>9911</b>	<b>15080</b>	<b>10127</b>	<b>15510</b>	<b>10029</b>	<b>15314</b>	<b>10020</b>	<b>15314</b>	<b>10078</b>	<b>15316</b>
Underground cables										
275kV	10	10	10	10	10	10	10	10	10	10
132kV	4	4	4	4	4	4	4	4	5	5
110kV	8	8	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	0	0
<b>Total cables</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
<b>Total lines &amp; cables</b>	<b>9934</b>	<b>15103</b>	<b>10150</b>	<b>15533</b>	<b>10052</b>	<b>15337</b>	<b>10043</b>	<b>15337</b>	<b>10101</b>	<b>15339</b>

\* equal to or less than 66kV

<sup>^</sup> as constructed voltages

<sup>†</sup> data rectifications in source system have resulted in new calculated values for overhead transmission lines

## Index and abbreviations

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Energy Queensland		1
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*Powerlink strives to deliver safe, cost effective and reliable transmission services.*

TERM	ABBREVIATION	PAGE
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Powerlink Queensland

# Financial Statements

## 2018/19

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

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

Its registered office is:  
33 Harold Street  
Virginia Qld 4014

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 28/08/19. 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 2019 and the auditor's report thereon.

### Directors

The names of Directors in office at any time during or since the end of the last financial year end are:

Directors of Powerlink Queensland	Date first appointed	Date ceased
Kathy Hirschfeld AM (Chair)	1 October 2018	n/a
Dr Julie Beeby (Prior Chair)	1 October 2008	30 September 2018
Peter Hudson	20 December 2016	1 May 2019
Julienne Martin	1 October 2011	n/a
Alan Millis	1 October 2015	n/a
Dr Lorraine Stephenson	12 October 2017	n/a
Sarah Zeljko	20 December 2016	n/a

Please refer to the 'Board of Directors' section of the Company's annual report 2018/19 for details of Directors' qualifications, experience and special responsibilities.

### Principal activities

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

- (a) Delivery of a transmission service to electricity market participants via open, non-discriminatory access to the Queensland transmission grid which connects generating sites with customer/distribution connection points, and
- (b) Provision of metering services to measure electricity generation and use at connection points to the transmission network.

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

### Dividends - Powerlink Queensland

The proposed 2018/19 final dividend (\$114.0M) is based on 100% of the operating profit after income tax equivalent expense (2017/18: final dividend \$167.3M). During the year the Consolidated Entity paid a special/interim dividend of nil (2017/18: special/interim dividend of \$50.0M). The dividends will not be franked.

### Review of operations

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

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year, other than the Queensland Government established FibreCo Queensland Pty Ltd (FibreCo), a telecommunications company jointly owned by Powerlink Queensland and Energy Queensland, to provide backhaul services to regional Queensland.

### Matters subsequent to the end of the financial year

The Chief Executive Officer left the business on Friday 16 August 2019 to take up a role as Commissioner at the Australian Energy Market Commission. The Executive General Manager Strategy and Business Development has assumed the role of Acting Chief Executive Officer in the interim. No other significant events occurred between the financial year end and the date of this report.

## Directors' report

### 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 this annual report because 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 and other sites.

The Consolidated Entity has an executive committee for Health, Safety and Environment and a Board Audit, Risk and Compliance Committee that monitors compliance with environmental regulations.

During the period covered by this report there were some minor non compliance breaches for which corrective action is being taken. 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 commenced on 1 July 2016.

### Greenhouse gas and energy data reporting requirements

*The National Greenhouse and Energy Reporting Act 2007 (NGER)* requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act commenced from 1 July 2008. The Consolidated Entity has systems and processes for the collection and calculation of the data required and submits its report to the Clean Energy Regulator each year before the 31 October deadline. Powerlink's NGER reporting methods and submissions for 2017/18 were independently reviewed.

### Information on Directors

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

### Company secretary

Mr Darryl Rowell was appointed to the position of Company Secretary in February 2018. Full details of Mr Rowell's qualifications, experience and special responsibilities are provided in the 'Executive Team' section of the Company's annual report.

Mr Paul Reynolds (Financial Controller) and Ms Desley G Briggs (General Manager Governance and Business Services) were both appointed to the position of Alternative Company Secretary in December 2016.

### 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 2019, and the numbers of meetings attended by each Director were:

Directors	Full meetings of directors		Meetings of Committees			
			Audit, Risk & Compliance		People, Culture & Remuneration	
	A	B	A	B	A	B
Dr Julie Beeby	3	3	1	1	2	2
Kathy Hirschfeld AM	8	8	1	1	2	2
Peter Hudson	9	9	3	3	2	2
Julienne Martin	9	11	1	1	5	5
Alan Millis	11	11	5	5	**	**
Dr Lorraine Stephenson	11	11	5	5	**	**
Sarah Zeljko	11	11	3	3	2	2

A = Number of meetings attended.

## Meetings of Directors (continued)

B = Number of meetings held during the time the Director held office and 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 2019 were the Honourable Jacklyn Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy, on behalf of the State of Queensland.

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

Directors are not entitled to receive any performance related remuneration.

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

#### *Directors' fees*

Directors' remuneration was last reviewed with effect from 28 October 2014.

#### *Key management personnel pay*

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

### *Details of remuneration*

#### *Amounts of remuneration*

Details of the remuneration of the key management personnel of the Consolidated Entity (as defined in AASB 124 Related Party Disclosures) are set out in Note 13.

The key management personnel of the Company includes the Directors and shareholding Ministers shown above, and the following executive officers at 30 June 2019 who have authority and responsibility for planning, directing and controlling the activities of the entity:

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

## Loans to Directors and Executives

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

## Indemnification and insurance of Directors and Officers

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

The indemnity relates to any liability:

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

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



## Directors' report

### Indemnification and insurance of Directors and Officers (continued)

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

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

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

### Non-audit services

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

Details of the amounts paid or payable to the auditor (Queensland Audit Office) for completing their statutory audit duties during the year are set out in Note 14 - Remuneration of Auditors - of the financial statements and supporting notes. The auditor provided no non-audit services during the year.

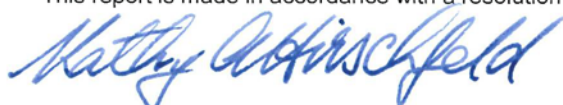
### Auditor's independence declaration

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 amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the options available to the Company under the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

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



Kathy Hirschfeld AM  
Chair  
Brisbane

## AUDITOR'S INDEPENDENCE DECLARATION

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

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

### Independence declaration

As lead auditor for the audit of Powerlink Queensland for the financial year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Damon Olive  
as delegate of the Auditor-General

28 August 2019  
Queensland Audit Office  
Brisbane

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## Income statement

	Notes	Consolidated 2019 \$'000	2018 \$'000
Revenue from contracts with customers	2	1,005,395	1,025,803
Other gains/(losses)	3(a)	442	306
Less			
Expenses from continuing operations excluding finance costs expense	3(b)	(602,735)	(558,105)
Finance costs	3(c)	(240,034)	(224,898)
<b>Profit before income tax equivalent</b>		<b>163,068</b>	<b>243,106</b>
Income tax equivalent expense	4	(49,029)	(75,781)
<b>Profit for the period</b>		<b>114,039</b>	<b>167,325</b>
Profit is attributable to:			
Owners of Powerlink Queensland		114,039	167,325

## Statement of comprehensive income

	Notes	Consolidated 2019 \$'000	2018 \$'000
<b>Profit for the period</b>		<b>114,039</b>	<b>167,325</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges, net of tax		(32)	58
<i>Items that will not be reclassified to profit or loss</i>			
Gain on revaluation of property, plant and equipment, net of tax		96,298	102,182
Actuarial (losses)/gains on defined benefit superannuation fund, net of tax		(1,440)	3,531
Deferred tax on prior year depreciation over claim		-	20,245
<b>Other comprehensive income for the period, net of tax</b>		<b>94,826</b>	<b>126,016</b>
<b>Total comprehensive income for the period</b>		<b>208,865</b>	<b>293,341</b>

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

## Balance sheet

		<b>Consolidated</b>	
		<b>30 June</b>	30 June
		<b>2019</b>	2018
	Notes	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5(a)	2,324	1,798
Advances		297,457	230,157
Trade and other receivables	5(b)	84,653	77,102
Inventories		43,747	40,850
Other current assets		3,074	3,220
<b>Total current assets</b>		<b>431,255</b>	<b>353,127</b>
<b>Non-current assets</b>			
Defined benefit fund asset	6(g)	18,975	22,701
Property, plant and equipment	6(a)	7,900,755	7,906,958
<b>Total non-current assets</b>		<b>7,919,730</b>	<b>7,929,659</b>
<b>Total assets</b>		<b>8,350,985</b>	<b>8,282,786</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5(c)	84,834	72,287
Current tax equivalent liabilities		(9,709)	1,344
Provisions	6(e)	155,805	205,568
Other current liabilities	6(c)	7,017	13,258
<b>Total current liabilities</b>		<b>237,947</b>	<b>292,457</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	5(d)	5,265,221	5,265,221
Deferred tax equivalent liabilities	6(b)	678,765	668,022
Provisions	6(f)	2,393	3,312
Other non-current liabilities	6(d)	294,698	263,601
<b>Total non-current liabilities</b>		<b>6,241,077</b>	<b>6,200,156</b>
<b>Total liabilities</b>		<b>6,479,024</b>	<b>6,492,613</b>
<b>Net assets</b>		<b>1,871,961</b>	<b>1,790,173</b>
<b>EQUITY</b>			
Contributed equity	7(a)	401,000	401,000
Reserves	7(b)	1,440,801	1,344,535
Retained earnings	7(c)	30,160	44,638
Capital and reserves attributable to owners of Powerlink Queensland		<b>1,871,961</b>	<b>1,790,173</b>
<b>Total equity</b>		<b>1,871,961</b>	<b>1,790,173</b>

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

## Statement of changes in equity

Consolidated Entity	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2017</b>		401,000	1,242,295	70,862	1,714,157
Profit for the period		-	-	167,325	167,325
Other comprehensive income		-	102,240	23,776	126,016
Total comprehensive income for the period			<b>102,240</b>	<b>191,101</b>	<b>293,341</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	11(b)	-	-	(217,325)	(217,325)
Balance at 30 June 2018		<b>401,000</b>	<b>1,344,535</b>	<b>44,638</b>	<b>1,790,173</b>
<b>Balance at 1 July 2018</b>		401,000	1,344,535	44,638	1,790,173
Adjustment on adoption of AASB 15		-	-	(13,038)	(13,038)
<b>Adjusted balance at 1 July 2018</b>		<b>401,000</b>	<b>1,344,535</b>	<b>31,600</b>	<b>1,777,135</b>
Profit for the period		-	-	114,039	114,039
Other comprehensive income		-	96,266	(1,440)	94,826
Total comprehensive income for the period		-	<b>96,266</b>	<b>112,599</b>	<b>208,865</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	11(b)	-	-	(114,039)	(114,039)
Balance at 30 June 2019		<b>401,000</b>	<b>1,440,801</b>	<b>30,160</b>	<b>1,871,961</b>

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



## Statement of cash flows

	Consolidated	
	2019	2018
Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	947,411	1,040,790
Payments to suppliers and employees	(228,264)	(228,693)
Finance costs paid	(225,051)	(235,302)
Income tax equivalent paid	(89,980)	(151,681)
Interest received	6,802	7,439
Net Goods and services tax received/(paid)	1,876	(3,939)
Other operating receipts	41,077	25,580
<b>Net cash inflow from operating activities</b>	8(a) <b>453,871</b>	454,194
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(219,559)	(237,403)
Proceeds from sale of property, plant and equipment	800	2,376
Advances from/(to) Queensland Treasury	(67,261)	33,859
<b>Net cash (outflow) from investing activities</b>	<b>(286,020)</b>	(201,168)
<b>Cash flows from financing activities</b>		
Dividends paid to company's shareholders	(167,325)	(251,166)
<b>Net cash (outflow) from financing activities</b>	<b>(167,325)</b>	(251,166)
<b>Net increase in cash and cash equivalents</b>	<b>526</b>	1,860
Cash and cash equivalents at the beginning of the financial year	1,798	(62)
<b>Cash and cash equivalents at end of period</b>	5(a) <b>2,324</b>	1,798

*The above statement 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.

### (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 (AASB), the *Corporations Act 2001*, and the *Queensland Government Owned Corporations Act 1993* (GOC Act).

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

#### (i) Historical cost convention

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

- revaluation at fair value, through the Income Statement and the Statement of Comprehensive Income, of derivative instruments, and
- revaluation of certain classes of property, plant and equipment.

#### (ii) Critical accounting estimates

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

During the year the Consolidated entity adopted the new mandatory standards AASB 9 Financial Instruments, and AASB 15 Revenue from Contracts with Customers.

- AASB 9 - Financial Instruments. In adopting AASB 9 the impact was identified to be minimal, with the primary change impacting the consolidated entity being related to the impairment of provisions which are now required to be based on expected credit losses rather than only incurred credit losses. The Consolidated Entity does not expect any credit losses as historically credit losses have only been experienced in exceptional circumstances.
- AASB 15 - Revenue from Contracts with Customers. In adopting AASB 15 the Consolidated Entity has not identified any significant changes in judgements, other than an adjustment to the promised amount of consideration associated with unearned income where contracts have been identified to include a significant financing component (refer note 6(c)/(d)).

### (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 2019 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. Refer to Note 18 for details.

## Summary of significant accounting policies

### (b) Principles of consolidation (continued)

#### (i) *Subsidiaries (continued)*

Investments in subsidiaries are accounted for at cost by Powerlink Queensland.

### (c) Foreign currency translation

#### *Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars, which is Powerlink Queensland's functional and presentation currency.

### (d) Revenue recognition and measurement

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

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

#### (i) *Grid sales revenue*

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

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

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

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

Pursuant to the Rules, IRSR is received by Powerlink Queensland and is a component of regulated transmission network charges. Historically IRSR payments received have been treated as revenue in the year in which they were received. During the year, Powerlink revised its approach for the recognition of IRSR with these receivables now being accrued for in the year to which they relate (June 2019 IRSR accrual \$4.5M). This has resulted in 13 months worth of IRSR being recorded during the 2019 financial year.

#### (ii) *Significant Financing Component*

In adopting AASB 15 Revenue from Contracts with Customers, Powerlink has identified the existence of significant financing components associated with upfront payments of revenue received from a number of non-regulated customers for the provision of transmission connection services. These upfront payments for services have now been reclassified as contract liabilities (refer note 6 (c)/(d)). In applying AASB 15, the transaction price for these contracts has been discounted using a rate that would be reflected in a separate financing transaction between Powerlink and its customers at contract inception, to take into consideration the significant financing component.

#### (iii) *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.

#### (iv) *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.



## Summary of significant accounting policies

### (e) Income tax equivalents

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

#### (i) *Investment allowances and similar tax incentives*

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

### (f) 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.

### (g) Advances

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

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

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

### (h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 5(b) for further information about the group's accounting for trade receivables and Note 10(c) for a description of the Consolidated Entity's impairment policies.

## Summary of significant accounting policies

### (h) Trade receivables (continued)

The Consolidated Entity has not had a history of bad debts, other than in exceptional circumstances - refer note 10(c). As such the Consolidated Entity does not consider it necessary to raise a provision for the impairment of receivables as all receivables are considered recoverable.

### (i) 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.

### (j) Fair value measurements

To provide an indication about the reliability of the inputs used in determining fair value, the Consolidated Entity classifies its assets and liabilities measured at fair value, into the three levels prescribed under the accounting standards.

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.

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

### (k) Property, plant and equipment

#### (i) *Supply system assets, freehold land and buildings, and easements*

Supply system assets, freehold land and buildings, and easements are measured at fair value. Work in progress is valued at historical cost. The carrying values of the assets are supported through the income based approach based on expected future cash flows. Accumulated depreciation at the date of revaluation together with the gross carrying amount of the assets are restated to the revalued amount of the asset. Revaluations are made with sufficient regularity to ensure that the carrying amount of the supply system assets, 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.

#### (ii) *Other property plant and equipment*

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

#### (iii) *Acquisition of assets*

The cost 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.

## Summary of significant accounting policies

### (k) Property, plant and equipment (continued)

#### (iv) 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.

#### (v) Revaluation

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

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

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

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

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

#### (vi) Depreciation

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

- |                                       |               |
|---------------------------------------|---------------|
| - Supply system assets                | 12 - 60 years |
| - Buildings                           | 7- 40 years   |
| - Other Property, plant and equipment | 3 -10 years   |

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

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

#### (vii) 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.

### (l) Trade and other payables

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

## Summary of significant accounting policies

### **(m) 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.

### **(n) 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 supply system assets 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.

### **(o) Provisions**

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

These provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **(p) Other liabilities**

Other liabilities include amounts for unearned revenues, which represent moneys received by the Consolidated Entity (predominantly for non-regulated grid services revenue) for which the Consolidated Entity has not provided the corresponding goods and services (refer Notes 6(c) and 6(d)).

### **(q) 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.



## Summary of significant accounting policies

### (q) Employee benefits (continued)

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

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

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

#### *(iii) At-risk performance remuneration*

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

#### *(iv) Termination benefits*

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

#### *(v) Superannuation benefit obligations*

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

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

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

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

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

Past service costs are recognised immediately in profit or loss.

### (r) Contributed equity

Ordinary shares are classified as equity. Refer Note 7(a).

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

## Summary of significant accounting policies

### (s) 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. No dividends are franked.

### (t) Goods and Services Tax (GST)

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

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

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

### (u) Rounding of amounts

The Company is of a kind referred to in Rounding Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### (v) Comparatives

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

### (w) First time adoption of accounting standards

- AASB 9 - Financial Instruments. AASB 9 has been adopted as at the required date of 1 July 2018. There were no material changes for Powerlink associated with the adoption of this standard.
- AASB 15 - Revenue from Contracts with Customers. AASB 15 has been adopted as at the required date of 1 July 2018 on a cumulative effect method and therefore the comparative figures have not been restated. In adopting AASB 15 Powerlink identified the existence of significant financing components associated with upfront payments of revenue received from a number of non-regulated customers for the provision of transmission connection services. In accordance with AASB 15 these upfront payments of current and non-current revenue have now been reclassified from unearned revenue to contract liabilities with an adjustment of \$4.7M and \$13.9M respectively, having been made to the opening position, with a related decrease in Retained Earnings and Deferred Tax, to reflect the impact of the time value of money based on a discount rate reflective of a separate financing transaction between Powerlink and its customer.
- AASB 16 - Leases. AASB 16 has not been adopted early, with the required adoption date for Powerlink being 1 July 2019. Management have assessed the impact of AASB 16 and consider the impact to be immaterial.

## 2 Revenue

	Consolidated 2019 \$'000	2018 \$'000
<b>Revenues from contracts with customers</b>		
Grid sales revenue	965,264	987,706
<b>Other revenue</b>		
Interest	6,830	8,052
Other items	33,301	30,045
<b>Total revenues from continuing operations</b>	<b>1,005,395</b>	<b>1,025,803</b>

## 3 Other income and expense items

### (a) Other gains/(losses)

	Consolidated 2019 \$'000	2018 \$'000
<b>Other gains/(losses)</b>		
Net gain/(loss) on disposal of property, plant and equipment	442	306
<b>Total other gains/(losses)</b>	<b>442</b>	<b>306</b>

### (b) Expenses from continuing operations excluding finance costs expense

	Consolidated 2019 \$'000	2018 \$'000
<b>Profit before income tax equivalent includes the following specific expenses:</b>		
<b>Continuing operating expenses</b>		
Network operations	17,368	16,424
Network maintenance	126,435	119,236
Corporate/business support	73,702	76,707
Other	16,789	10,980
Depreciation and amortisation expense	368,441	334,758
<b>Total expenses from continuing operations excluding finance costs expensed</b>	<b>602,735</b>	<b>558,105</b>
<b>Employee benefits expenses</b>		
Employee benefit expense through profit or loss	120,194	108,837

### (c) Finance costs

	Consolidated 2019 \$'000	2018 \$'000
<b>Finance costs</b>		
Interest expense	160,598	159,270
Other	79,436	65,628
<b>Total finance costs expensed</b>	<b>240,034</b>	<b>224,898</b>

#### 4 Income tax equivalent expense

##### (a) Income tax equivalent expense

	Notes	Consolidated 2019 \$'000	2018 \$'000
<b>Income tax equivalent expense</b>			
Current tax on profits for the year		73,338	90,930
Deferred tax		(24,309)	(15,149)
<b>Total income tax equivalent expense</b>		<b>49,029</b>	<b>75,781</b>

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

(Increase)/decrease in deferred tax equivalent assets	6(b)(i)	(2,082)	2,477
(Decrease)/increase in deferred tax equivalent liabilities	6(b)(ii)	(22,227)	(17,626)
		<b>(24,309)</b>	<b>(15,149)</b>

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

		Consolidated 2019 \$'000	2018 \$'000
Profit from continuing operations before income tax equivalent expense		163,068	243,106
Tax equivalent at the Australian tax rate of 30.0% (2017 - 30.0%)		48,920	72,932
<i>Increase in income tax equivalent expense due to:</i>			
Deferred tax asset on capital losses not recognised		198	-
Other differences		(89)	2
Fixed assets and WIP reinstatement		-	3,604
		<b>49,029</b>	<b>76,538</b>
<i>Increase in income tax equivalent expense due to:</i>			
Prior year adjustments		-	(757)
<b>Total income tax equivalent expense</b>		<b>49,029</b>	<b>75,781</b>

##### (c) Amounts recognised directly in equity

	Notes	Consolidated 2019 \$'000	2018 \$'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		35,052	45,330
Deferred tax on prior year depreciation over claim		-	(20,245)
		<b>35,052</b>	<b>25,085</b>



## Income tax equivalent expense

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

	Notes	Consolidated 2019 \$'000	2018 \$'000
Gains on revaluation of property, plant and equipment	7(b)	41,271	43,792
Cash flow hedges	7(b)	(14)	25
Remeasurement of defined benefit fund asset		(617)	1,513
Deferred tax on prior year depreciation over claim		-	(20,245)
Initial recognition of AASB 15		(5,588)	-
		<b>35,052</b>	<b>25,085</b>

### (e) Tax consolidation legislation

Powerlink Queensland and its wholly owned Australian controlled entities have adopted the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(e).

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

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

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

## 5 Financial assets and financial liabilities

### (a) Cash and cash equivalents

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
<b>Cash balance comprises:</b>		
Cash on hand	-	1
Bank balances	984	573
Cash on deposit with Qld Treasury Corporation (QTC)	1,340	1,224
<b>Closing cash balance</b>	<b>2,324</b>	<b>1,798</b>

#### (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(f) for the Consolidated Entity's accounting policies on cash and cash equivalents.

#### (iii) Deposits at call

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

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

## Financial assets and financial liabilities

### (a) Cash and cash equivalents (continued)

#### (iv) Fair value

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

#### (v) Risk exposure

The Consolidated Entity's exposure to interest rate risk is discussed in Note 10. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above other than Cash on Hand.

### (b) Current assets - Trade and other receivables

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Trade and other receivables</b>		
Trade receivables	82,718	74,714
Prepayments	1,294	1,775
Other	641	613
<b>Total trade and other receivables</b>	<b>84,653</b>	<b>77,102</b>

#### (i) Classification as trade and other receivables

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

#### (ii) Provision for Impairment of Receivables

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

#### (iii) Foreign exchange and interest rate risk

Information about the Consolidated Entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 10.

#### (iv) Fair value and credit risk

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

### (c) Current liabilities - trade and other payables

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Trade and other payables</b>		
Trade payables	49,288	40,531
Deposits	5,079	3,097
Other payables	30,467	28,659
<b>Total trade and other payables</b>	<b>84,834</b>	<b>72,287</b>

Trade payables are unsecured.

#### (i) Fair value

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

## Financial assets and financial liabilities

### (d) Interest bearing loans and borrowings

	30 June 2019			Consolidated		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
<b>Unsecured borrowings</b>						
Queensland Treasury Corporation	-	5,265,221	5,265,221	-	5,265,221	5,265,221
<b>Total unsecured borrowings</b>	-	5,265,221	5,265,221	-	5,265,221	5,265,221

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

#### (i) Compliance with loan covenants

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods, see Note 11 for details.

#### (ii) Fair value

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

Consolidated Entity	At 30 June 2019		At 30 June 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On balance sheet</b>				
Queensland Treasury Corporation	5,265,221	5,647,067	5,265,221	5,354,926
<b>Total on balance sheet</b>	5,265,221	5,647,067	5,265,221	5,354,926

#### (iii) On-balance sheets

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

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

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

#### (iv) Risk exposures

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

## 6 Non-financial assets and liabilities

### (a) Property, plant and equipment

Consolidated Entity	Work in Progress \$'000	Freehold Land and Easements \$'000	Buildings \$'000	Supply System Assets \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
<b>At 1 July 2017</b>						
Cost or fair value	295,397	672,474	108,642	9,480,588	170,314	10,727,415
Accumulated depreciation	-	(1,221)	(27,217)	(2,707,885)	(134,023)	(2,870,346)
<b>Net book amount</b>	<b>295,397</b>	<b>671,253</b>	<b>81,425</b>	<b>6,772,703</b>	<b>36,291</b>	<b>7,857,069</b>
<b>Year ended 30 June 2018</b>						
Opening net book amount	295,397	671,253	81,425	6,772,703	36,291	7,857,069
Revaluation surplus	-	12,919	1,558	131,500	-	145,977
Additions	243,878	-	-	-	-	243,878
Transfers	23	-	-	-	-	23
Disposals	(3,051)	(364)	-	(1,805)	(11)	(5,231)
Depreciation charge	-	-	(3,623)	(311,813)	(19,322)	(334,758)
Transfers from work in progress	(125,491)	3,556	140	83,596	38,199	-
<b>Closing net book amount</b>	<b>410,756</b>	<b>687,364</b>	<b>79,500</b>	<b>6,674,181</b>	<b>55,157</b>	<b>7,906,958</b>
<b>At 1 July 2018</b>						
Cost or fair value	410,756	688,585	110,787	9,744,456	161,660	11,116,244
Accumulated depreciation	-	(1,221)	(31,287)	(3,070,275)	(106,503)	(3,209,286)
<b>Net book amount</b>	<b>410,756</b>	<b>687,364</b>	<b>79,500</b>	<b>6,674,181</b>	<b>55,157</b>	<b>7,906,958</b>
<b>Year ended 30 June 2019</b>						
Opening net book amount	410,756	687,364	79,500	6,674,181	55,157	7,906,958
Revaluation surplus	-	12,255	1,414	123,900	-	137,569
Additions	226,321	-	-	-	-	226,321
Transfers	(267)	-	-	-	-	(267)
Disposals	(640)	(514)	-	(205)	(26)	(1,385)
Depreciation charge	-	-	(3,230)	(343,356)	(21,855)	(368,441)
Transfers from work in progress	(352,088)	1,011	-	320,054	31,023	-
<b>Closing net book amount</b>	<b>284,082</b>	<b>700,116</b>	<b>77,684</b>	<b>6,774,574</b>	<b>64,299</b>	<b>7,900,755</b>
<b>At 30 June 2019</b>						
Cost or fair value	284,082	700,116	114,011	10,233,688	190,109	11,522,006
Accumulated depreciation	-	-	(36,327)	(3,459,114)	(125,810)	(3,621,251)
<b>Net book amount</b>	<b>284,082</b>	<b>700,116</b>	<b>77,684</b>	<b>6,774,574</b>	<b>64,299</b>	<b>7,900,755</b>



## Non-financial assets and liabilities

### (a) Property, plant and equipment (continued)

#### (i) Historical cost of property, plant and equipment

If property, plant and equipment were stated on a historical cost basis, the carrying amount would have been:

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	<b>\$'000</b>
Freehold land and easements	<b>465,136</b>	464,538
Buildings	<b>64,046</b>	66,718
Supply system assets	<b>5,266,052</b>	5,211,850

#### (ii) 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 1(j). 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 2019 using the following key assumptions and approach:

#### Regulated Assets

- a major proportion of Powerlink's assets are subject to regulation in the form of a regulated revenue allowance and it is assumed that they will continue to be subject to regulation in the future;
- cash flows have been projected over a 26 year period based on post-tax forecasts consistent with existing regulatory determinations and methodologies and assuming an average growth rate within the Reserve Bank of Australia's (RBA) target inflation range for years beyond the current determination period;
- inclusion of a terminal value calculated using the Gordon growth model and assuming an annual growth rate within the RBA's target inflation range; and
- application of a regulatory discount rate ranging between 5.5% and 6.5%.

#### Non-regulated assets

- cash flows have been estimated over the life of non-regulated contracts;
- cash flow projections are based on tax-adjusted contract terms and conditions including both operating and capital expenditures to maintain the assets at required service levels; and
- application of a +/- 0.5% sensitivity around a post-tax nominal discount rate that reflects the higher risks associated with non-regulated assets.

Asset carrying values are within the valuation range developed using these assumptions and approach. An increase/(decrease) in the discount rate can result in a significantly lower/(higher) valuation.

## Non-financial assets and liabilities

### (b) Deferred tax balances

#### (i) Deferred tax equivalent assets

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
Notes		
<b>The balance comprises temporary differences attributable to:</b>		
Accruals	244	200
Provisions	15,007	14,491
Cash flow hedges	-	3
Contract liabilities	7,110	-
<b>Total deferred tax equivalent assets</b>	<b>22,361</b>	<b>14,694</b>

Set-off of deferred tax equivalent liabilities pursuant to set-off provisions	6(b)(ii)	(22,361)	(14,694)
<b>Net deferred tax equivalent assets</b>		<b>-</b>	<b>-</b>

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
<b>Movements:</b>		
Opening balance	14,694	17,179
Credited/(charged) to profit or loss	2,082	(2,477)
Credited/(charged) to equity	(3)	(8)
Credited(charged) to retained earnings	5,588	-
<b>Closing balance</b>	<b>22,361</b>	<b>14,694</b>

Deferred tax assets expected to be recovered within 12 months	14,502	13,668
Deferred tax assets expected to be recovered after more than 12 months	7,859	1,026
<b>Closing Balance</b>	<b>22,361</b>	<b>14,694</b>

#### (ii) Deferred tax equivalent liabilities

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
Notes		
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	685,873	669,533
Receivables	-	164
Prepayments	32	28
	<b>685,905</b>	<b>669,725</b>

<b>Other</b>		
Defined benefit fund surplus	5,693	6,810
Inventories	9,528	6,164
Cash flow hedges	-	17
<b>Sub-total other</b>	<b>15,221</b>	<b>12,991</b>

<b>Total deferred tax equivalent liabilities</b>	<b>701,126</b>	<b>682,716</b>
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Set-off of deferred tax liabilities pursuant to set-off provisions	6(b)(i)	(22,361)	(14,694)
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## Non-financial assets and liabilities

### (b) Deferred tax balances (continued)

#### (ii) Deferred tax equivalent liabilities (continued)

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Net deferred tax equivalent liabilities</b>	<b>678,765</b>	<b>668,022</b>

### (c) Current liabilities - other

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other current liabilities</b>		
Unearned revenue	1,134	13,246
Contract Liability	5,883	-
Other	-	12
<b>Total other current liabilities</b>	<b>7,017</b>	<b>13,258</b>

### (d) Non-current liabilities - other

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other non-current liabilities</b>		
Unearned revenue	-	263,493
Contract Liability	294,596	-
Other	102	108
<b>Total other non-current liabilities</b>	<b>294,698</b>	<b>263,601</b>

## Non-financial assets and liabilities

### (e) Current liabilities - provisions

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current provisions</b>		
Dividends	<b>114,039</b>	167,325
Employee benefits	<b>38,461</b>	34,470
Onerous contracts	<b>798</b>	161
Restructuring costs	<b>197</b>	1,047
Unresolved Easement Compensation	<b>2,230</b>	2,336
Other	<b>80</b>	229
<b>Total current provisions</b>	<b>155,805</b>	205,568

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:

	<b>Dividends</b>	<b>Onerous</b>	<b>Restructuring</b>		<b>Unresolved</b>
	<b>\$'000</b>	<b>Contracts</b>	<b>Obligations</b>		<b>Easement</b>
<b>Consolidated Entity</b>		<b>\$'000</b>	<b>\$'000</b>	<b>Other</b>	<b>Compensation</b>
				<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the start of the year	167,325	161	1,047	229	2,336
- additional provisions recognised	114,039	798	-	-	-
- unused amounts reversed	-	-	(397)	(72)	(106)
- unwinding of discount	-	14	-	-	-
Amounts used during the year	(167,325)	(175)	(453)	(77)	-
<b>Carrying amount at end of period</b>	<b>114,039</b>	<b>798</b>	<b>197</b>	<b>80</b>	<b>2,230</b>

#### (ii) Employee benefits

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 estimates that \$23.273M (2018: \$22.938M) of the current provision for employee entitlements will be settled more than 12 months after the reporting date.

#### (iii) Onerous contracts

In 2012 the Consolidated Entity entered into a non-cancellable lease for office accommodation. Due to changes in its activities and office accommodation requirements, the leased 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 have meant that the rental income from the sub-lease is lower than the rental expense. The obligation for the discounted future payments, net of expected sub-lease income, has been provided for.

#### (iv) Restructuring costs

The Consolidated Entity undertook a review of its organisational structure and organisational responsibilities. As part of this review, a number of positions were identified as surplus to requirements and negotiations are ongoing with affected staff as to voluntary redundancy compensation arrangements. The provision reflects the estimated staff restructuring costs identified as at 30 June 2019.



## Non-financial assets and liabilities

### (e) Current liabilities - Provisions (continued)

#### (v) Unresolved easement compensation

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

#### (vi) Other

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

### (f) Non-current liabilities - Provisions

	<b>Consolidated 30 June 2019 \$'000</b>	30 June 2018 \$'000
<b>Non-current provisions</b>		
Employee benefits	2,055	2,266
Onerous contracts	338	1,046
<b>Total non-current provisions</b>	<b>2,393</b>	<b>3,312</b>

#### (i) Movements in provisions

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

<b>Consolidated Entity</b>	<b>Onerous contracts \$'000</b>
Carrying amount at start of year	1,046
- unwinding of discount	90
Amounts used during the year	(798)
<b>Carrying amount at end of period</b>	<b>338</b>

### (g) Superannuation commitments

#### (i) Superannuation plan

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

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

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

#### (ii) Defined benefit plan balance sheet amounts

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

## Non-financial assets and liabilities

### (g) Superannuation commitments (continued)

#### (ii) Defined benefit plan balance sheet amounts (continued)

	<b>Consolidated</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Fair value of defined benefit plan assets	<b>69,373</b>	70,290
Present value of the defined benefit obligation	<b>(50,398)</b>	(47,589)
<b>Net surplus/(deficit) in the balance sheet</b>	<b>18,975</b>	22,701

#### (iii) 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 in October 2016 for the period ending 30 June 2016.

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

## 7 Equity

### (a) Contributed equity

	<b>Powerlink Queensland</b>		<b>Powerlink Queensland</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2019</b>	2018	<b>2019</b>	2018
Notes	<b>Shares</b>	Shares	<b>\$'000</b>	\$'000
<b>Ordinary shares</b>				
Fully paid	<b>401,000,000</b>	401,000,000	<b>401,000</b>	401,000
<b>Total Contributed Equity</b>	<b>401,000,000</b>	401,000,000	<b>401,000</b>	401,000

#### *Issued and paid up capital - ordinary shares*

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

There was no movement in the issued and paid up capital during the financial year ended 30 June 2019.

#### *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 reserves*

#### (i) *Revaluation surplus - property, plant and equipment*

The property, plant and equipment revaluation surplus reserve 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(k). 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.

## Equity

### (b) Reserves (continued)

#### *Nature and purpose of reserves (continued)*

##### (ii) *Cash flow hedges*

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

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Reserves</b>		
Revaluation surplus - property, plant and equipment	1,440,801	1,344,503
Cash flow hedges	-	32
<b>Total reserves</b>	<b>1,440,801</b>	<b>1,344,535</b>

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Notes		

#### **Movements:**

##### ***Revaluation surplus - property, plant and equipment***

Opening balance	1,344,503	1,242,321
Revaluation - gross	6(a) 137,569	145,974
Deferred tax	4(d) (41,271)	(43,792)
<b>Closing balance</b>	<b>1,440,801</b>	<b>1,344,503</b>

##### ***Cash flow hedges***

Opening balance	32	(26)
Revaluation - gross	(46)	83
Deferred tax	4(d) 14	(25)
<b>Closing balance</b>	<b>-</b>	<b>32</b>

### (c) Retained earnings

Movements in retained earnings were as follows:

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Notes		
Opening balance	44,638	70,862
Adjustment for transition to new accounting standards AASB 15	(13,038)	-
Adjusted opening balance	(31,600)	(70,862)
Net profit for the period	114,039	167,325
Dividends	11(b) (114,039)	(217,325)
Actuarial gains/(losses) and tax on remeasurement of defined benefit plan assets	(2,097)	4,118
Defined benefit fund contributions tax	657	(587)
Deferred tax on prior year depreciation over claim	-	20,245
<b>Closing balance</b>	<b>30,160</b>	<b>44,638</b>

## 8 Cash flow information

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

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Profit for the year from continuing operations after income tax equivalent	<b>114,039</b>	167,325
Depreciation	<b>368,441</b>	334,758
Net (gain)/loss on sale of non-current assets	<b>(442)</b>	(306)
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in trade receivables	<b>(7,442)</b>	36,388
(Increase)/decrease in inventories	<b>(2,897)</b>	(1,540)
(Increase)/decrease in deferred tax equivalent assets	<b>(7,670)</b>	2,477
(Decrease)/increase in trade and other payables	<b>20,480</b>	(7,212)
(Decrease)/increase in provision for income taxes equivalent payable	<b>(11,053)</b>	(56,593)
(Decrease)/increase in deferred tax equivalent liabilities	<b>(22,228)</b>	(21,783)
(Decrease)/increase in other provisions	<b>2,618</b>	656
(Increase)/decrease in prepayments	<b>25</b>	24
<b>Net cash inflow/(outflow) from operating activities</b>	<b>453,871</b>	454,194

### (b) Non-cash investing and financing activities

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

## 9 Critical accounting judgements, estimates and assumptions

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

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

### (a) Defined benefit plan

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relevant carrying amounts are discussed in Note 6(g).

### (b) Employee entitlements

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

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

### (c) Depreciation of property, plant and equipment

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

### (d) Recovery of deferred tax equivalent assets

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

## Critical accounting judgements, estimates and assumptions

### (e) Fair value of property, plant and equipment

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

Due to the absence of an active market, the Consolidated Entity measures the fair value of the supply system assets, work in progress, freehold land and buildings and easements using an income based approach. If carrying values differ materially from fair value, a revaluation adjustment is recorded. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 6(a).

## 10 Financial risk management

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

### (a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Consolidated Entity has no derivatives existing at the end of the financial period.

Derivatives are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

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.

### (b) Market risk

#### (i) Foreign exchange 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 standard is to generally hedge between 50% and 100% of anticipated transactions (material purchases) in the foreign currency where a firm commitment has been entered into and the amount exceeds a Board approved threshold. All projected purchases qualify as "highly probable" forecast transactions for hedge accounting purposes.

The carrying amounts of the Consolidated Entity's financial assets and liabilities are all denominated in Australian dollars. The Consolidated Entity did not have any material exposure to foreign currency risk at the end of the financial period.

#### (ii) Other Price risk

The Consolidated Entity does not have any exposure to equity securities price risk. The Consolidated Entity is not exposed to material commodity price risk.



## Financial risk management

### (b) Market risk (continued)

#### (iii) Interest rate risk

##### *Consolidated Entity sensitivity*

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

The Consolidated Entity borrows exclusively from QTC, an entity controlled by the Queensland Government. QTC manages the borrowings on behalf of the Consolidated Entity within agreed pre-determined benchmarks. The composition of the QTC debt instruments is managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which are issued by the AER every 5 years. All 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 QTC, all of whom have high credit ratings assigned by international credit rating agencies.

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

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

As of 30 June 2019, trade receivables of \$1.5M (2018: \$6.0M) were past due. These relate to a number of independent customers for whom there is no previous history of default. The ageing analysis of these trade receivables is as follows:

	<b>Consolidated</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Up to 3 months	1,174	6,005
3 to 6 months	347	6
Greater than 6 months	-	26
	<b>1,521</b>	<b>6,037</b>

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

#### (ii) Impaired trade receivables

The Consolidated Entity has recognised a loss of nil (2018: \$273k) in respect of impaired trade receivables during the year ended 30 June 2019.

## Financial risk management

### (d) Liquidity risk

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

#### *Financing arrangements*

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

#### *Maturities of financial liabilities*

The tables below analyse the Consolidated Entity's financial liabilities, in relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which represent interest payments for the first five years for both the client specific pool debt and other long term debt held with QTC. The "Over 5 years" category represents the repayment for the principal component only.

#### *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
At 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>					
Trade and other payables	84,834	-	-	84,834	84,834
Interest bearing loans and borrowings	165,364	661,246	5,265,221	6,091,831	5,265,221
<b>Total non-derivatives</b>	<b>250,198</b>	<b>661,246</b>	<b>5,265,221</b>	<b>6,176,665</b>	<b>5,350,055</b>

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>					
Trade and other payables	72,287	-	-	72,287	72,287
Interest bearing loans and borrowings	163,853	655,272	5,265,221	6,084,346	5,265,221
<b>Total non-derivatives</b>	<b>236,140</b>	<b>655,272</b>	<b>5,265,221</b>	<b>6,156,633</b>	<b>5,337,508</b>

## 11 Capital management

### (a) Capital risk management

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

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

## Capital management

### (a) Capital risk management (continued)

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Note 5(d), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 7(a), 7(b) and 7(c) respectively.

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 QTC to meet anticipated funding requirements.

The Consolidated Entity believes its forecast cash flows for the 2019/20 financial year will be sufficient to meet operational requirements including the payment of the dividend for the 2018/19 year.

There have not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2018.

#### *Gearing ratio*

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

	<b>Consolidated 30 June 2019 \$'000</b>	30 June 2018 \$'000
Total debt	<b>5,265,221</b>	5,265,221
Property, plant and equipment	<b>7,900,755</b>	7,906,958
<b>Gearing ratio</b>	<b>66.6 %</b>	66.6 %

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2019, the Consolidated Entity had only long term borrowings.

### (b) Dividends

#### (i) *Ordinary shares*

	<b>Consolidated 2019 \$'000</b>	2018 \$'000
<b>Ordinary shares</b>		
Unfranked interim dividend	-	50,000
Unfranked final dividend proposed	<b>114,039</b>	167,325
	<b>114,039</b>	217,325

The 2018/19 final dividend is based on 100% of operating profit after income tax equivalent expense (2018: 100%). A special/interim dividend of nil (2018: \$50.0M) was paid during the financial year in accordance with shareholder expectations.

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

## 12 Employee benefits

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

### (i) Performance payments - other key management personnel

Other Key Management Personnel are eligible for an "at-risk" or variable salary component that is linked to both the overall performance of the Consolidated Entity and their individual efforts against a range of key performance behaviours and performance objectives contained in individual performance agreements. Actual performance payments are based on performance against the predetermined key indicators as detailed in the individual's performance agreement and the annual Statement of Corporate Intent which is approved by the shareholding Ministers. Performance payments may not exceed 15% of the individual's total employment contract remuneration.

The performance payments made in the 2018/19 year were granted/approved by the Board on 25 September 2018. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

### (ii) Performance payments - all other employees

Performance payments to all other employees are dependent on the performance of employees against individual/team pre-agreed performance targets and behaviours. Actual performance payments are based on performance against the predetermined indicators and take into consideration the overall performance of the Consolidated Entity.

The performance payments made in the 2018/19 year were granted/approved by the Board on 25 September 2018. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

### (iii) Gainsharing payments

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2018/19 was granted/approved by the Board on 25 September 2018. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

### (iv) At-Risk performance remuneration

The aggregate at-risk performance remuneration is as follows:

	2018/19	2017/18
Aggregate at-risk performance remuneration paid	<b>\$3.448m</b>	\$3.268m
Total salaries and wages paid	<b>\$137.5m</b>	\$131.6m
Number of employees receiving performance payments	<b>779</b>	736

### (v) Number of employees

Number of employees (full time equivalents) at year end: 875 (2018: 863)

## 13 Key management personnel disclosures

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

### (a) Shareholding Ministers

Powerlink Queensland is a Queensland government owned corporation (GOC) established under the GOC Act. The GOC's Shareholding Ministers are identified as part of the GOC's key management personnel (KMP). Two Queensland Government Ministers (Shareholding Ministers) hold shares in Powerlink Queensland on behalf of the people of Queensland. During the financial year they were:

- The Honourable Jacklyn Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
- The Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy

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

## Key management personnel disclosures

### (b) Directors

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

Directors of Powerlink Queensland		First appointed	Appointment expiry date
Kathy Hirschfeld AM	Chair	1 October 2018	30 September 2021
Dr Julie Beeby	Prior Chair	1 October 2008	30 September 2018
Peter Hudson	Non-Executive Director	20 December 2016	1 May 2019
Julienne Martin	Non-Executive Director	1 October 2011	30 September 2020
Alan Millis	Non-Executive Director	1 October 2015	30 September 2021
Dr Lorraine Stephenson	Non-Executive Director	12 October 2017	30 September 2020
Sarah Zeljko	Non-Executive Director	20 December 2016	30 September 2019

### (c) Other key management personnel

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

2018/19 Key management personnel	
Chief Executive	M E York
Chief Financial Officer	D Rowell
Executive General Manager Delivery and Technical Solutions	S C Bell
Executive General Manager Operations and Service Delivery	G Edwards
Executive General Manager People and Corporate Services	C A Heffernan
Executive General Manager Strategy and Business Development	K S Kehl

2017/18 Key management personnel	
Chief Executive	M E York
Chief Financial Officer	M D Brennan (to 23 January 2018)
Chief Financial Officer	D Rowell (from 23 January 2018)
Executive General Manager Delivery and Technical Solutions	S C Bell
Executive General Manager Operations and Service Delivery	G Edwards
Executive General Manager People and Corporate Services	C A Heffernan
Executive General Manager Strategy and Business Development	K S Kehl

#### (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 weeks to six months depending on the particular contract and provision for a severance payment should the Company elect to terminate the agreement. The severance payment is in accordance with the employment agreement.



## Key management personnel disclosures

### (d) Details of remuneration

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

	Short term	Post employment	
<b>2019</b>			
Name	Fixed Remuneration \$'000	Superannuation \$'000	Total \$'000
Dr Julie Beeby	24	2	26
Kathy Hirschfeld AM	70	7	77
Peter Hudson	42	4	46
Julienne Martin	51	5	56
Alan Millis	51	5	56
Dr Lorraine Stephenson	50	5	55
Sarah Zeljko	50	5	55
<b>Total</b>	<b>338</b>	<b>33</b>	<b>371</b>

	Short term	Post employment	
<b>2018</b>			
Name	Fixed Remuneration \$'000	Superannuation \$'000	Total \$'000
Dr Julie Beeby	96	9	105
Peter Hudson	50	5	55
Julienne Martin	51	5	56
Alan Millis	51	5	56
Dr Lorraine Stephenson	37	3	40
Sarah Zeljko	50	5	55
<b>Total</b>	<b>335</b>	<b>32</b>	<b>367</b>

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

	Short term	Post employment	Long term benefits <sup>2</sup>	
<b>2019</b>				
Position	Fixed Remuneration \$'000	At Risk Payments \$'000	Superannuation <sup>1</sup> \$'000	Annual and Long service leave \$'000
Chief Executive	697	43	106	(4)
Chief Financial Officer <sup>3</sup>	373	9	35	12
Executive General Manager Strategy and Business Development	372	23	62	33
Executive General Manager Delivery and Technical Solutions	276	17	46	1
Executive General Manager People & Corporate Services	300	18	50	31
Executive General Manager Operations and Service Delivery	306	17	29	24
<b>Total</b>	<b>2,324</b>	<b>127</b>	<b>328</b>	<b>97</b>

## Key management personnel disclosures

### (d) Details of remuneration (continued)

#### (ii) Other key management personnel (continued)

Position	Short term		Post employment	Long term benefits <sup>2</sup>	Total
	Fixed Remuneration \$'000	At Risk Payments \$'000	Superannuation <sup>1</sup> \$'000	Annual and Long service leave \$'000	
2018					
Chief Executive	669	65	113	(32)	815
Chief Financial Officer <sup>3</sup>	346	36	47	6	435
Executive General Manager Strategy and Business Development	356	8	60	4	428
Executive General Manager Delivery and Technical Solutions	264	19	45	1	329
Executive General Manager People & Corporate Services	287	6	48	11	352
Executive General Manager Operations and Service Delivery	287	31	28	(6)	340
<b>Total</b>	<b>2,209</b>	<b>165</b>	<b>341</b>	<b>(16)</b>	<b>2,699</b>

<sup>1</sup> Includes both employee and employer superannuation contributions.

<sup>2</sup> Long term benefits represents the net increase/(decrease) in the balance accrued during the year. Amounts paid in the year are included in Fixed Remuneration.

<sup>3</sup> During the 2018 year a new Chief Financial Officer was appointed. Amounts shown represent the remuneration paid to the active KMP during the year.

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.

## 14 Remuneration of auditors

Remuneration for audit 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	
	30 June 2019	30 June 2018
	\$	\$
Queensland Audit Office		
Audit of financial statements	224,750	216,000
<b>Total remuneration for audit and other services</b>	<b>224,750</b>	<b>216,000</b>

## 15 Contingencies

### (a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2019 (2018: NIL)

### (b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2019 (2018: NIL)

## 16 Commitments

### Capital expenditure commitments

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

	<b>Consolidated</b>	
	<b>30 June</b>	30 June
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Capital expenditure commitments</b>		
Property, plant and equipment	<b>9,685</b>	24,952
<b>Total capital expenditure commitments</b>	<b>9,685</b>	24,952

## 17 Related party transactions

### (a) Parent entities

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2019 owned 100% (2018: 100%) of the issued ordinary shares of Powerlink Queensland.

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

### (b) Directors

#### *Directors' Shareholdings*

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

#### *Loans to Directors*

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

### (c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 18.

### (d) Transactions with related parties

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

The following transactions occurred with related parties, with terms equivalent to those that prevail in arm's length transactions:

## Related party transactions

### (d) Transactions with related parties (continued)

	Consolidated 2019 \$'000	2018 \$'000
<i>Sales of goods and services (includes GST)</i>		
Entities controlled by the State of Queensland	<b>679,964</b>	747,689
<i>Purchases of goods and services (includes GST)</i>		
Entities controlled by the State of Queensland	<b>88,442</b>	98,844
<i>Interest revenue</i>		
Entities controlled by the State of Queensland	<b>6,821</b>	8,044
<i>Other Transactions</i>		
Dividend paid to ultimate parent entity	<b>167,325</b>	251,166
Borrowing costs - entities controlled by the State of Queensland	<b>224,745</b>	224,534
	<b>392,070</b>	475,700

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

### (e) Outstanding balances

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

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
<i>Entities controlled by the State of Queensland</i>		
Trade and other receivables (sales of goods and services)	<b>46,905</b>	51,075
Trade and other payables (purchases of goods and services)	<b>(819)</b>	(831)
Cash and cash equivalents	<b>1,340</b>	1,224
	<b>47,426</b>	51,468

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

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

### (f) Cash Advances to related parties

	Consolidated 30 June 2019 \$'000	30 June 2018 \$'000
<i>Cash Advances to the ultimate parent entity</i>		
Advances	<b>298,098</b>	230,770

## Related party transactions

### (g) Loans to/from related parties

	Consolidated 2019 \$'000	2018 \$'000
<i>Loans from ultimate parent entity</i>		
Beginning of the year	5,265,221	5,265,221
Finance costs charged	224,745	224,534
Finance costs expensed	(224,745)	(224,534)
	<u>5,265,221</u>	<u>5,265,221</u>

### (h) Terms and conditions

All transactions were made on normal commercial terms and conditions, except there are no fixed terms for the repayment of loans from QTC. Outstanding balances are unsecured.

## 18 Subsidiaries

### Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b). The country of incorporation is also their principal place of business.

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2019 %	2018 %
Harold Street Holdings Pty Ltd *	Australia	Ordinary	100	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	100	100
FibreCo Queensland Pty Ltd*	Australia	Ordinary	50	-

\* These subsidiaries are small proprietary companies and are therefore relieved from the requirement for the preparation, audit and lodgement of annual financial statements.

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

Principal activities of both Harold Street Holdings Pty Ltd and Powerlink Transmission Services Pty Ltd are to act as holding companies for investments made by the parent company, Powerlink Queensland.

On 19 June 2019, in accordance with a ministerial direction, Powerlink acquired 50% of the issued shares in the newly established FibreCo Queensland Pty Ltd (FibreCo), a telecommunications company set up for the purpose of enabling faster and more reliable internet services in regional Queensland. FibreCo will be owned by Powerlink and Energy Queensland, however as at 30 June 2019 negotiations remain ongoing in relation to key arrangements associated with the final commercial structure and agreements.

## 19 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years (2018:NIL).



## 20 Parent entity (Powerlink Queensland) financial information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30 June 2019 \$'000	30 June 2018 \$'000
<b>Balance sheet</b>		
Current assets	431,230	353,142
Non-current assets	7,919,730	7,929,658
<b>Total assets</b>	<b>8,350,960</b>	<b>8,282,800</b>
Current liabilities	237,949	292,496
Non-current liabilities	6,241,076	6,200,156
<b>Total liabilities</b>	<b>6,479,025</b>	<b>6,492,652</b>
<b>Shareholders' equity</b>		
Issued capital	401,000	401,000
Revaluation surplus - property, plant and equipment	1,440,801	1,344,503
Cash flow hedges	-	32
Retained earnings	30,134	44,612
<b>Total equity</b>	<b>1,871,935</b>	<b>1,790,147</b>
<b>Profit or loss for the period</b>	<b>114,039</b>	<b>167,325</b>
<b>Total comprehensive income</b>	<b>208,865</b>	<b>293,341</b>

### (b) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

### 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 financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Directors' report is signed in accordance with a resolution of the Directors.



Kathy Hirschfeld AM  
Chair  
Brisbane



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Powerlink Queensland.

In my opinion, the financial report:

- a) gives a true and fair view of the parent's and group's financial position as at 30 June 2019, and their financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the balance sheet as at 30 June 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

#### Basis for opinion

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

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

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

#### Key audit matters

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



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

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

Key audit matter	How my audit addressed the key audit matter
<p>Powerlink used a complex discounted cash flow model to ensure that the carrying value of property plant and equipment did not differ materially from its fair value.</p> <p>The model involved significant judgements for:</p> <ul style="list-style-type: none"> <li>estimating future cash flows and terminal values</li> <li>setting discount rates.</li> </ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices.</li> <li>Performing a sensitivity analysis for discount rates to develop a reasonable range for fair value.</li> <li>Back testing the previous year's cash flow forecasts against subsequent actual results to identify potential deficiencies in the forecasting methodology.</li> <li>Assessing the reasonableness of cash flow forecasts relative to the regulator-approved determination, board approved budgets, non-regulated revenue contracts, historical growth trends, and other relevant internal and external evidence.</li> <li>Evaluating whether discount rates were within a reasonable range, with reference to market data and industry research.</li> <li>Verifying the mathematical accuracy of net present value calculations.</li> </ul>

### **Useful lives estimated for depreciation expense (\$368 million)**

Refer to note 1(k)(vi) in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used by Powerlink requires significant judgements for:</p> <ul style="list-style-type: none"> <li>identifying the significant parts of the supply system that have different useful lives</li> <li>estimating the remaining useful lives of those significant parts.</li> </ul>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Evaluating management's approach for componentising supply system assets into parts with different useful lives for reasonableness, having regard to recent replacement projects and long-term asset management plans.</li> <li>Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.</li> </ul>





## **Other information**

Other information comprises the information included in the company's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

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

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

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

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

## **Responsibilities of the company for the financial report**

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

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

## **Auditor's responsibilities for the audit of the financial report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the parent's and group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the parent's and group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent's or group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the parent or group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

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

A handwritten signature in dark ink, appearing to read 'Damon Olive', written over a light blue circular stamp.

Damon Olive  
as delegate of the Auditor-General

28 August 2019  
Queensland Audit Office  
Brisbane



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