



Powerlink Queensland

Annual Report and Financial Statements

2020/21



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Annual Report

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Corporate profile

PURPOSE

Connecting Queenslanders to a world-class energy future.

STRATEGIC OBJECTIVES

- Be the renewable super grid
- Drive value for customers
- Guide the market
- Unleash our potential

VALUES AND BEHAVIOURS

Accountability • Customer • Teamwork • Safety

Acknowledgement of Country

Powerlink Queensland acknowledges the Traditional Owners and their custodianship of the lands and waters of Queensland and in particular, the lands on which we operate. We pay our respect to their Ancestors, Elders and knowledge holders and recognise their deep history and ongoing connection to Country.

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 2020/21. Powerlink Queensland is the trading name of Queensland Electricity Transmission Corporation Limited.

Powerlink profile

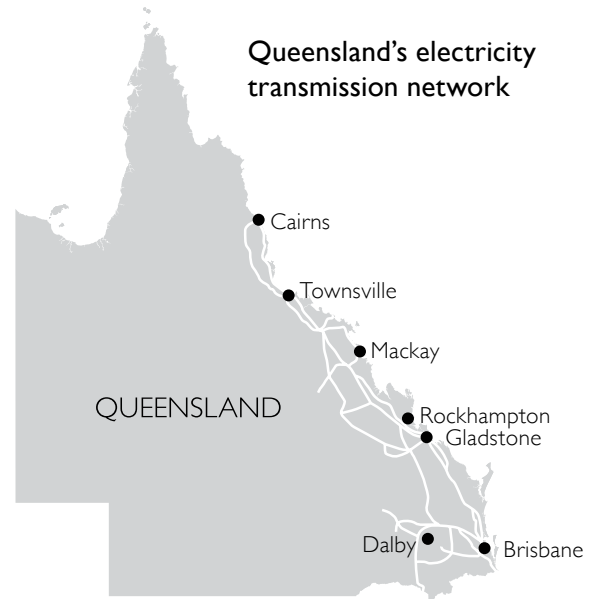
Powerlink Queensland (Powerlink) is a leading Australian provider of high voltage electricity transmission network services, combining innovation with insight to deliver safe, cost-effective and reliable solutions. We are a Government Owned Corporation (GOC) that owns, develops, operates and maintains 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 15,345 circuit km of transmission lines and 147 substations.

Our purpose is to connect Queenslanders to a world-class energy future, providing electricity to five million Queenslanders and 238,000 businesses. Through our unique central position in the power system, we are guiding the market to help influence the energy system of the future, one that effectively balances customer needs, while moving to a low carbon future comprising a diverse array of generation technologies, batteries and storage solutions, new grid technologies and demand management. Powerlink's network provides the platform to enable the provision of these and many other energy services while maintaining a sharp focus on safety, affordability and reliability of supply for our customers.

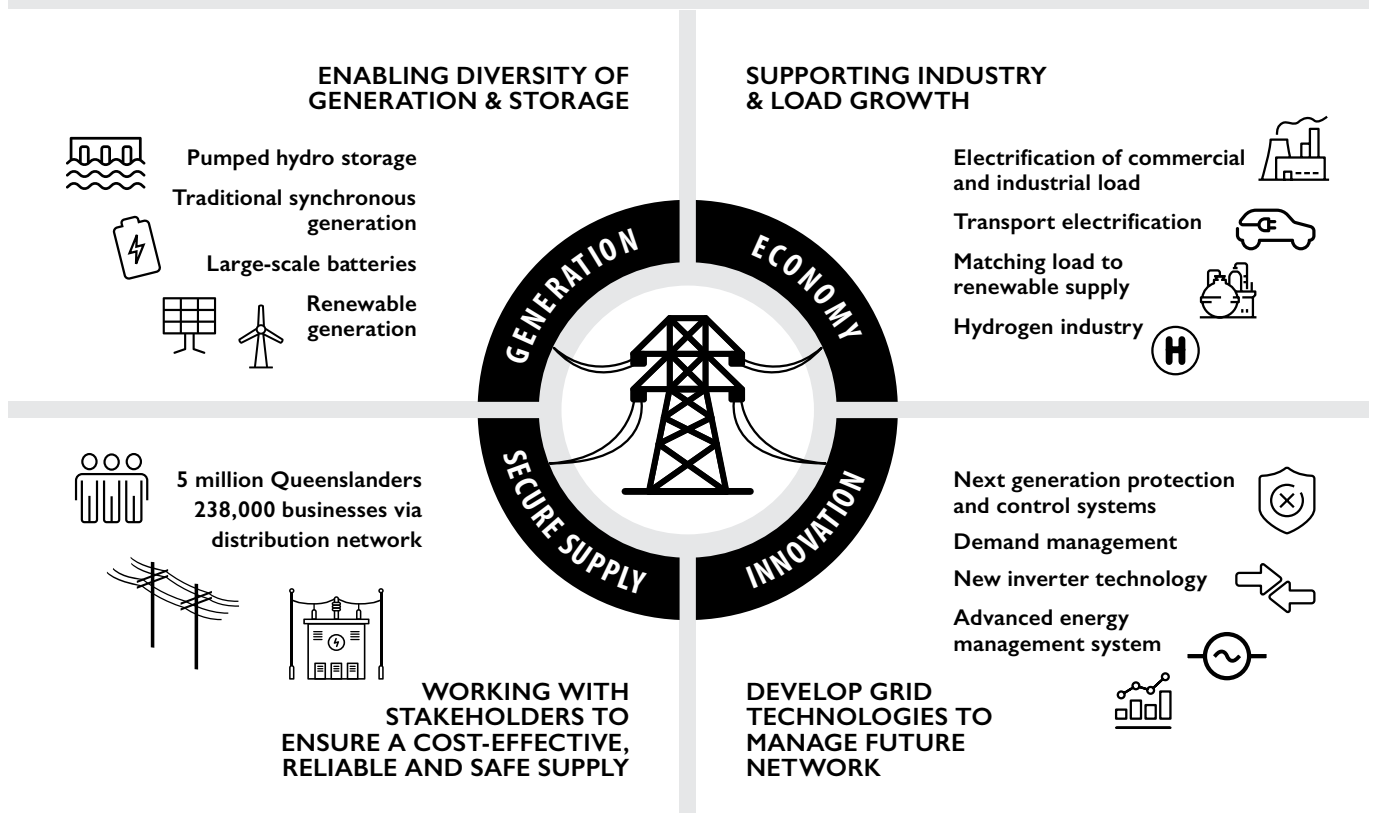
Apart from connecting large generators to end-use customers through the distribution networks owned by Energex and Ergon Energy (part of the Energy Queensland Group) and Essential Energy (in northern New South Wales), we also directly provide electricity to large industrial customers such as rail companies, mines and mineral processing facilities.

As a Transmission Network Service Provider (TNSP), we link to the National Electricity Market (NEM) via the Queensland/NSW Interconnector transmission line. The majority of Powerlink's network is regulated by the Australian Energy Regulator (AER) under the National Electricity Law and the National Electricity Rules (NER).

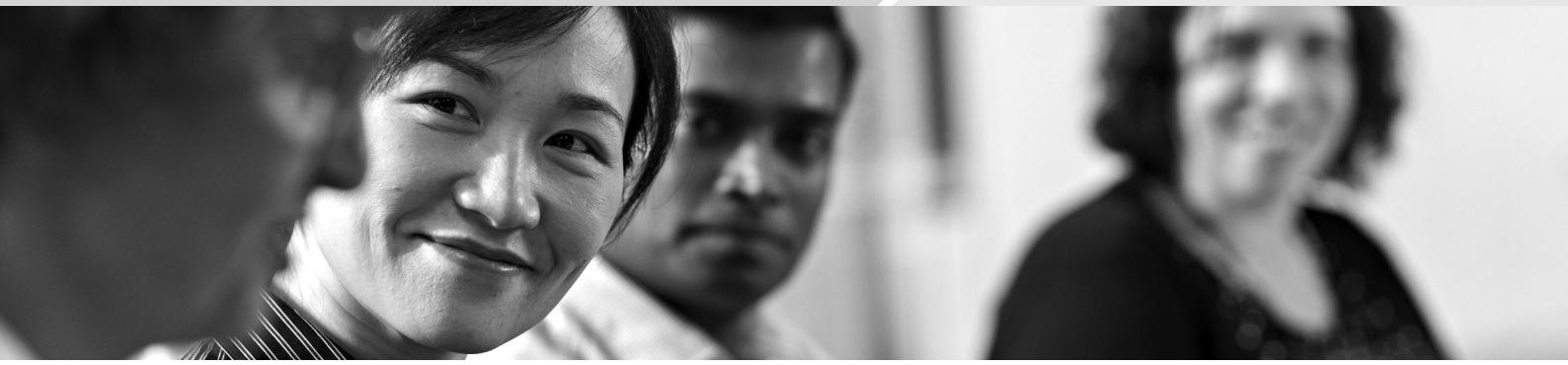
Queensland's electricity transmission network



TRANSMISSION AT THE CENTRE OF THE POWER SYSTEM



POWERLINK PLAYS A CENTRAL ROLE IN THE ENERGY TRANSFORMATION



Highlights of 2020/21

- We delivered a Net Profit of \$87 million, which was 16 per cent above target, achieved through our continued focus on productivity and sustainable cost management together with lower financing costs. Underlying revenue was in line with budget expectations.
- We maintained a steady focus on effectively managing Powerlink's ongoing response to the COVID-19 pandemic to keep our people safe and prioritise energy security for Queenslanders.
- We launched our Reconciliation Action Plan (RAP) to guide us in establishing and strengthening relationships with Aboriginal and Torres Strait Islander stakeholders and organisations.
- We lodged with the AER our Revenue Proposal for the 2023-27 regulatory period, that forecasts a reduction in average transmission prices by 11 per cent for residential and small business customers.
- We collaborated to identify an innovative solution to remediate system strength issues on the transmission network by modifying generator inverter settings, removing constraints on renewable generators at a significantly lower cost than expected.
- We committed to upgrading an existing transmission line to support development of Queensland's first Renewable Energy Zone (REZ), under a market-led model which focuses on project delivery through predominantly non-regulated and government funding. This will improve network resilience and system strength while unlocking up to 500 megawatts (MW) of new renewable energy hosting capacity in Far North Queensland.
- Powerlink completed construction works for four renewable connection projects which added 558MW of generation capacity to the NEM, including our first battery connection project for Vena Energy's Wandoan South Battery Energy Storage System (BESS). We also reached connection agreements with a further five renewable generators that will add more than 778MW of generation capacity in Queensland.
- We engaged with interested parties to actively investigate the application and benefits of large-scale batteries installed on the Powerlink network.
- We were engaged by Genex Power Limited to proceed with connection works for the 250MW Kidston Pumped Hydro Storage Project in North Queensland. This is Australia's first pumped hydro project in nearly 40 years and the largest non-regulated connection project in the NEM.
- We migrated our SAP system from an in-house managed database environment to the cloud-hosted Business Suite on HANA, a foundational step to unlock efficiencies including aligning financial models with business practices, automating processes, simplifying reporting and rationalising data sources.



Our team inspecting underground cable trenching work at the Vena Energy Wandoan South Battery Energy Storage System connection project – the first battery project of its kind for Powerlink.

Financial overview

With a focus on productivity, network reliability and growth, Powerlink recorded a solid Net Profit After Tax (NPAT) of \$87 million as a result of a combination of increased grid revenue, and lower operating costs and financing costs. The financial result was 16 per cent ahead of the Statement of Corporate Intent (SCI) target and reflected Powerlink's commitment and dedication during the ongoing COVID-19 pandemic to maintaining a reliable network and delivering on its strategic and capital commitments.

Powerlink's financial result was accompanied by an overall strong business performance with all SCI performance metrics being achieved.

Powerlink business performance

Total revenue (excluding interest) for 2020/21 was \$981.8 million with Earnings Before Interest and Tax (EBIT) of \$331.5 million. Final EBIT was 1.8 per cent ahead of SCI target and was delivered with controllable operating expenses of \$232.5 million, which were two per cent below budget and were managed through ongoing productivity improvements.

Grid sales revenue was ahead of target due to additional renewable connections coming online during the year and the increase in prescribed charges due to timing of collections.

Capital investment

Powerlink's capital works in 2020/21 was \$243.3 million, which was higher than the SCI target of \$212.8 million, reflecting additional renewable connection projects. Capital works was 35 per cent higher than the previous financial year, partly due to recommencement of works deferred in 2019/20 as a result of the COVID-19 pandemic and additional renewable connection projects.

Borrowings

Powerlink did not require any additional debt funding during 2020/21 with the closing balance at \$5.2 billion.

Dividends

Powerlink's final declared dividend for 2020/21 was \$87 million, based on a payout ratio of 100 per cent of NPAT.

Summary of Statement of Corporate Intent 2020/21

Powerlink's SCI for 2020/21, as agreed with shareholding Ministers, details Powerlink's performance targets, priorities and strategies. The following table summarises the key financial and non-financial indicators in the SCI, as well as Powerlink's performance against these indicators.

| Objectives | 2020/21 Performance targets | 2020/21 Performance outcomes | Performance favourability |
|--|--------------------------------|---------------------------------|------------------------------|
| Meet financial targets | | | |
| Achieve specified financial performance | | | |
| Earnings Before Interest and Tax (EBIT) | \$325.7 million | \$331.5 million | ● |
| Net Profit After Tax (NPAT) | \$74.9 million | \$87.0 million | ● |
| Deliver shareholder value | | | |
| Deliver targeted dividends and returns to shareholders | | | |
| Return on Assets | 3.9% | 4.0% | ● |
| Dividend provided | \$250.9 million | \$331.1 million ¹ | ● |
| Deliver our capital works program | | | |
| Develop the Queensland transmission grid to maintain reliability and meet customer requirements | | | |
| Total capital works expenditure | \$212.8 million | \$243.2 million | ● |
| Meet non-financial targets | | | |
| Achieve specified safety performance | | | |
| Lost Time Injury Frequency Rate (LTIFR) | 2.0 | 1.1 | ● |
| Total Recordable Injury Frequency Rate (TRIFR) | 7.7 | 3.9 | ● |
| Compliant with relevant environmental legislation | | | |
| Environmental incidents | 0 | 0 | ● |
| Achieve cost efficiency performance targets | | | |
| Controllable operating cost/depreciated asset value | 3.0% | 3.0% | ● |
| Achieve network performance targets (financial year ended 30 June 2021) | | | |
| System reliability parameters | | | |
| - Events in excess of 0.05 system minutes | Not more than 3 | 2 | ● |
| - Events in excess of 0.40 system minutes | Not more than 1 | 1 | ● |
| Increase Queensland Capacity Network Pty Ltd (QCN Fibre) contracted capacity | | | |
| Increase in total contracted capacity | >0% | 13% | ● |

Legend

- Favourable to target
- Within range (e.g. 5%) of target
- Unfavourable (e.g. outside 5%) of target

¹ The dividend provided of \$331.1 million represents a special dividend of \$96 million reflecting the surplus cash flow above our investment needs; a final dividend of \$86.9 million; and a dividend of \$148.2 million related to the North Queensland Clean Energy Hub.



Chair's review

In 2020/21, Powerlink continued to embrace the opportunities presented by the energy system transformation, with our response firmly focused on delivering value for Queenslanders.

This year we remained firmly committed to meeting the electricity needs of our customers, achieving our Statement of Corporate Intent targets and creating a compelling new strategy for the future, despite the challenges COVID-19 presented.

Our new business strategy positions Powerlink to play a key role in the energy transformation with visibility of the whole energy system. With a clear purpose of connecting Queenslanders to a world-class energy future, we will drive value for customers as we deliver reliable electricity supply and connect Queensland's excellent renewable energy resources to users. The strategy was shaped through intensive engagement with our staff, our demand-side and supply-side customers, government and unions, together with key planning documents underpinning Powerlink's future approach.

We strengthened our focus on putting customers at the centre of everything we do by maintaining sustainable cost management practices and improving overall productivity. We proudly supported the delivery of renewable generation by completing works to connect five new renewable projects to the transmission network.

A significant milestone in achieving the 50 per cent Renewable Energy Target for Queensland was the announcement of the Northern Queensland Renewable Energy Zone (REZ). Powerlink played a key role in enabling this first REZ for our state, in collaboration with the Queensland Government and renewable generator Neoen. Powerlink's upgrade to its transmission network in Far North Queensland will make the region's network more resilient and enable additional renewable energy projects to connect to the grid. Understanding the potential benefits to renewable generators and Queenslanders, Powerlink continues its work to progress other REZs across the state.

Creating opportunities to engage with our customers and stakeholders is central to Powerlink's business and is becoming further integrated into our business-as-usual activities. Over the past 18 months we undertook a co-designed engagement process with our customers and stakeholders to develop our 2023-27 Revenue Proposal for submission to the Australian Energy Regulator. I would like to acknowledge members of our Customer Panel and Revenue Proposal Reference Group for their valued input to this process and thank all our customers and stakeholders for engaging with us at our forums, responding to our surveys, engaging online and in other channels, which drives Powerlink to deliver better value. The input received through our customer and stakeholder engagement activities genuinely and transparently influences our decision making.

Through Powerlink's Energy Charter commitments, we work with industry colleagues to improve customer outcomes for all Queenslanders. Demonstrating this commitment, Powerlink has supported training for financial counsellors in vulnerable and remote North Queensland communities and access to tertiary education facilities for regional and remote students in Southern Queensland.

We are investing in a culture that unleashes the potential of our people to deliver Powerlink's new business strategy, including the Powering Ahead program, a two-day program for all employees to help them understand our strategy and their role in its delivery. The Powerlink engagement survey showed that our people regarded safety and customer as high focus areas, which reinforces our commitment to our Safe for Life program which is delivering improved health and wellbeing initiatives and extending safety performance reporting.

It has been a pleasure to welcome new Directors Kevin Hegarty OAM and Wayne Collins who joined the Board in October 2020, adding their extensive and diverse experience. I would like to thank all Board members for their diligence and enthusiasm for guiding Powerlink's activities. I would also like to acknowledge former Director Julie Martin's significant contribution to the Board over a nine-year period to October 2020. I thank Julie for her passion and stewardship in this role.

Thank you to Powerlink's leadership team and employees for their agile and effective response to the ongoing challenges presented by the impacts of the COVID-19 pandemic, as they worked together to deliver for the people of Queensland now and into the future.

KATHY HIRSCHFELD AM
CHAIR



Chief Executive's review

At Powerlink, we work for Queenslanders, with a focus on delivering services to meet their expectations of a safe, reliable and affordable electricity supply.

The nature of our business places us at the centre of the energy sector transformation, with visibility of the whole energy system. This presents Powerlink with an opportunity to guide the market in order to deliver benefits for customers.

We developed a business strategy for 2021 and beyond to inspire our people and our business and create greater value for customers.

Our commitment to customer value was demonstrated when we submitted our 2023-27 Revenue Proposal. It is projected to drive down the transmission component of electricity prices for residential and small business customers by 11 per cent in the first year of the next regulatory period. Our targets of no real growth in operating expenditure and three per cent reduction in capital expenditure have created 'constructive discomfort' for us as we continually strive to be more innovative, prudent and efficient.

We connected 558MW of renewable generation through our transmission network and reached connection agreements for a further 778MW of renewable generation in Queensland. After two years of tackling the issue, working together with our customers we found a breakthrough solution to the highly complex technical challenge of system strength which has the potential to significantly benefit our renewable generation customers. The innovative solution saves time and reduces investment in our network, while facilitating the move to a low carbon future.

We continue to investigate opportunities for large-scale batteries on our network. Our engagement with customers and industry has identified innovative and commercial models that we will further explore with proponents as we seek mutually beneficial opportunities.

To support the state's economic recovery, Powerlink continues to prioritise security of energy supply for Queensland while managing the long-term impacts of the COVID-19 pandemic. We have reprioritised our work and project delivery schedules to manage the pandemic-related impacts on our supply chain and work practices, to help keep the lights on for Queenslanders.

Security of supply is important to customers. On 25 May 2021, an incident at Callide Power Station caused the most significant power outage in Queensland in more than 30 years. The incident serves as a reminder of the essential service our industry provides to five million Queenslanders and 238,000 businesses. Our transmission system responded as designed, and our people are to be congratulated for their work in safely restoring electricity to customers in a matter of hours.

Diversity at Powerlink will help us to deliver our new business strategy and we are strengthening our approach to increase and value diversity. I was honoured to launch Powerlink's Reconciliation Action Plan, a beacon to help us build greater awareness and grow relationships with Aboriginal and Torres Strait Islander stakeholders, and create genuine and lasting opportunities for their communities.

I sincerely thank our people who are committed to connecting Queenslanders to a world-class energy future.

PROF. PAUL SIMSHAUSER AM
CHIEF EXECUTIVE

Health, safety and environment

COVID-19 pandemic response

Powerlink's response to the continuing impacts of the COVID-19 pandemic was refined through our experience to become more efficient and effective. We adapted and matured the initiatives that were introduced in 2019/20 as an acute response to COVID-19, including flexible work arrangements, working from home, and 'work families' for our critical workers.

We responded to lockdowns and changes in restrictions as directed by the Queensland Government, and maintained our focus on protecting the health, safety and wellbeing of our people, contractors and the communities in which we operate. Throughout this period, Powerlink maintained a broad view on external factors affecting our operations, including the continuing impact of the pandemic on the changing needs of our customers and the challenges encountered by our suppliers. We took specific precautions to proactively separate specialist resources, where these resources were critical to the delivery of our essential work.

Committed and accountable

Safety is essential at Powerlink. We are committed to ensuring the safety and wellbeing of our people and to the Queensland communities and environment in which we work every day.

We finalised a comprehensive renewal of our Health, Safety and Environment (HSE) Management System, which subsequently moved to a phase of continuous improvement. This system supports us to meet our legal and compliance obligations, as well as respond to the changing nature of our work and risk profile. It is important this system operates as a living, learning system that remains fit-for-purpose for our people and end-users.

We progressed the development of Powerlink's new HSE Strategy which will be launched in 2021/22. Our strategy realigns our Safe for Life program, providing a framework for activities to strengthen our proactive approach to caring for the safety and wellbeing of our people, and creating opportunities for their engagement in developing improved solutions to their work.

Progressive HSE maturity

We investigated insights into HSE culture through our 2021 Employee Engagement Survey, with results informing the development of Powerlink's HSE strategy. The development of our HSE Strategy enabled us to explore and initiate contemporary approaches to safety and the interactions between our people, systems and leadership to make it easier for our people to consistently deliver safe work outcomes.

Under our Safe for Life brand, HSE is a key component of the Powering Ahead program. This program promotes a learning and continuous improvement mindset with our people, as well as helping them connect with their personal reasons for staying safe and well. It also develops employees' skills to converse with team mates about safety and work. We also initiated a business project enabling our people to re-design their pre-work risk assessment process.

A continuing focus on maturing our risk identification and management practices resulted in improvements in how we monitor and assess our key HSE risks, which were well-received by employees.

Electrical safety

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

Powerlink also engaged in the current review of the *Electrical Safety Act 2002*. The review aims to ensure Queensland's electrical safety legislation continues to provide high standards of safety for workers and communities while recognising that new and emerging technologies have led to significant changes for electricity generation, storage and supply. Guiding the market must take many forms, and consequently Powerlink chose to play a leading role in the review, engaging with industry partners and stakeholders as part of the process, given the importance of the Act to the broader energy market in Queensland.

Safety performance

Our focus on HSE performance improvement is driven by a commitment across the whole of Powerlink, with our Board, executive and senior leadership teams, and our people. Through our robust system, we monitor and report on progress towards our HSE targets. We take action on incidents and hazards, and monitor emerging patterns and trends.

We continued to monitor our HSE performance improvement through a range of indicators, including Powerlink's combined employee and contractor Total Recordable Injury Frequency Rate (TRIFR), which continues to reflect a positive downward trend as at 30 June 2021. HSE and work activities focused on building the capacity for safe work outcomes remain an ongoing organisational focus.



HSE conversations were given targeted attention with leaders demonstrating genuine care for their people through discussions that balanced safety and work outcomes, and individual and team wellbeing. Building capability to lead effective coaching conversations will be a focus in 2021/22.

A 'lessons learnt' process was progressed and we identified the focus for 2021/22 to expand the range of channels through which our employees receive learning information.

As part of our new HSE Strategy we will introduce and monitor two new HSE performance indicators in 2021/22:

- a leading indicator to provide increased visibility and maturity in relation to identifying key controls and verifying effectiveness
- finding better ergonomic methods for our employees to deliver their work, as part of our proactive injury prevention program.

Health and wellbeing

We continued to implement our Health and Wellbeing Strategy which directs our activities to address the health and wellbeing of our workforce. The strategy focuses on four pillars: physical health, mental health, organisational health and social health.

Our expanded program of initiatives included seminars focused on financial wellbeing for employees and health promotions advocating the benefits of physical activity, access to ergo-analyst advice and our annual flu vaccination program. We delivered heat stress training for at-risk employees in parallel with broader awareness raising and consideration for work planning for all employees.

The mental health of our people continues to be a priority which we support with resources and tools to build a stronger and more resilient workforce. Since 2019 we have retained our accreditation with Mates in Energy, an integrated program of training and support, raising awareness and building the capability of our workforce to connect people with support networks available.

Community safety

We implemented the first full year of our Community Electrical Safety Plan which details actions to all aspects and phases of our operations. The plan is driven and delivered by a Powerlink-wide action group.

Reaching diverse community segments with our safety messages is a priority. To help raise awareness of electrical hazards we improved the safety information available to landholders, plant operators and farmers who burn sugar cane via our brochures, newsletters and website.

Powerlink continued to support and promote the 'Look up and Live' campaign, an industry-focused community safety interface by Powerlink and other energy industry partners.

Bushfire mitigation

In Queensland, the incidence of fire starting from our high voltage transmission circuits is low. However, due to the high consequences of these incidents, we continued to make improvements to our Bushfire Mitigation Plan. The plan provides a coordinated and integrated approach to managing the risk associated with Powerlink's network igniting a bushfire.

We continued our participation in state and federal fire mitigation programs, including providing input into the Electricity Sector Climate Information Project to improve climate and extreme weather information for the electricity industry.

We engaged with the Rural Fire Service to consider pertinent information on electrical risks when fighting fires around the high voltage transmission network. We continue to work with landholders and the community to inform them about the associated risks and the benefits of effective coordination with our maintenance providers.

Environmental management

We manage environmental risks through a clear risk identification process followed by the implementation of appropriate control measures. Powerlink had no reportable environmental incidents during 2020/21.

While we continued to provide direct on-ground environmental support to work delivery, we refocused our environmental management activities in preparation for navigating the requirements associated with an expected increase in greenfield work in the near future.

Greenhouse gas 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 2020 report.

Contractor HSE management

We worked with our contractors to drive improvements to HSE systems and processes at all phases of work engagement and management.

We continued our work in maturing our HSE Contractor Management System, building on prior improvements in contractor pre-qualification processes. We commenced a trial targeting greater in-field communication and assurance processes with our contractors. This change aims to confirm competency through in-field contractor verification rather than contractor competency verification through system document assessment.

Customer focus

Customers are our priority

A central focus of Powerlink's strategy is delivering value to customers and providing them with a greater voice in the energy system transformation. Our customers are increasing in diversity and numbers, ranging from large loads and generators directly connected to our network, to five million Queenslanders and 238,000 businesses who rely on us for a reliable supply of electricity.

Our customer engagement approach is based on five principles of integrity, transparency, responsiveness, accountability and inclusiveness. The insights we gained from our customer engagement activities directly inform our planning and decision-making.

A key focus of our engagement activities in 2020/21 was with our Customer Panel and Revenue Proposal Reference Group (RPRG) in preparing our 2023-27 Revenue Proposal. Our co-designed engagement approach for Powerlink's Revenue Proposal has been widely recognised by customer advocates and industry representatives as best-practice.

Our Customer Panel met in July and November 2020, and March, May and June 2021, to discuss a range of topics including the 2023-27 Revenue Proposal, Australian Energy Market Operator's (AEMO) 2022 Integrated System Plan (ISP), Powerlink's corporate strategy, Integrated Electricity Pathways, Regulatory Investment Test for Transmission (RIT-T) projects and the Energy Charter Disclosure Statement. Presentations to the panel and minutes from meetings are available on Powerlink's website.

In response to the impacts of the COVID-19 pandemic, we reformatted a number of our customer and stakeholder forums and events to be held online or via a 'hybrid' approach to ensure they were accessible and enabled customer input. Our annual stakeholder survey was also a source of valuable customer insights.

The Energy Charter

As a foundation signatory of the Energy Charter, we play an ongoing role in supporting its principles and associated actions to deliver improved customer outcomes.

Powerlink took an active lead in several Energy Charter #BetterTogether initiatives in partnership with other signatories across the energy supply chain. Powerlink's Chair led an initiative to improve the customer voice at the board level, which included preparing a practical resource for board members in association with the Australian Institute of Company Directors. We also contributed to developing the new Landholder and Community Better Practice Engagement Guide to identify greater opportunities to deliver enhanced outcomes for farmers and rural communities. We commenced work on a project to better support consumer advocates to be involved in engagement activities. Through this involvement, we aim to help diverse customer and community voices to be heard at all levels across the energy sector.

We partnered with other signatories to provide support for people and businesses impacted by the COVID-19 pandemic, through the #BetterTogether and 'We've got you' campaigns.

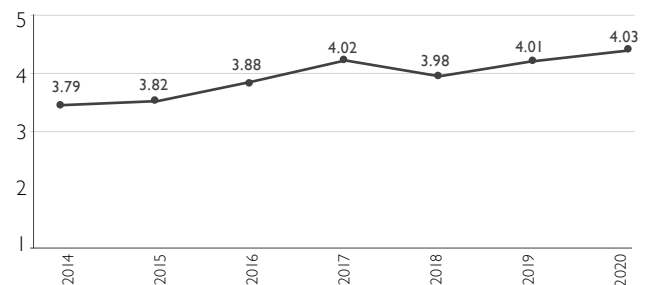
Powerlink published its 2019/20 Energy Charter Disclosure Statement, providing insights into our work to ensure we are placing customers at the centre of everything we do and identifying opportunities for further improvement. Our Disclosure Statement was submitted to the Energy Charter Independent Accountability Panel, which constructively assessed the outcomes we delivered.

Stakeholder Perception Survey

Our annual Stakeholder Perception Survey helps us better understand how Powerlink's performance, systems and stakeholder engagement capabilities are perceived, and identify matters of interest to our stakeholders.

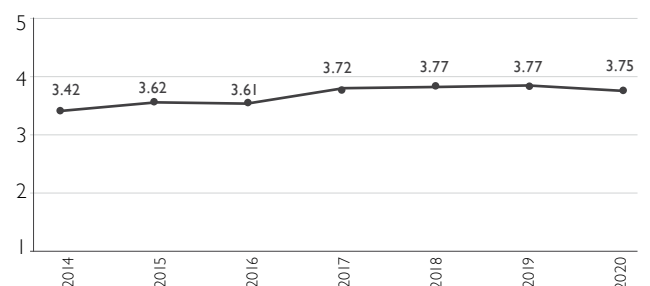
The insights from our 2020 survey of 115 stakeholders guided our engagement planning and informed our decision making. Key insights included the need for Powerlink to be adaptive to a changing external environment and support new generation. Key issues identified by our stakeholders were pricing and affordability, network reliability, and clear and transparent communication. Social licence to operate (SLO), the level of acceptance or approval granted to Powerlink by its stakeholders, has shown a consistent upward trend since the first survey in 2012. Our overall reputation, measured by level of stakeholder agreement with reputation statements, shows a slight variation since the most recent full survey in 2018.

Social licence to operate



* Scores are measured from 1 (lowest) to 5 (highest).

Reputation



* Scores are measured from 1 (lowest) to 5 (highest).

Household Energy Survey

We undertook the annual Queensland Household Energy Survey 2020 in conjunction with Energy Queensland to help Powerlink plan and operate the network for the future. The survey of more than 4,000 Queenslanders provided insights into what matters most to them and what they are doing differently as part of the energy transformation, and identifies trends with annual data from a period of more than a decade.

The 2020 survey showed Queenslanders continued to be interested in new and alternative technologies including solar photovoltaic (PV), home battery storage and electric vehicles. While 75 per cent of respondents had consciously tried to reduce their energy consumption, this figure was lower than in previous years. Queenslanders were less concerned with taking steps to reduce their electricity usage, which reflected their interest in using smart technology home energy management systems as a way to manage usage. Concern about electricity bills was at a nine-year low, however keeping downward pressure on prices was still identified as a priority.

Connecting new generation

Powerlink completed construction work for four connection projects, adding 558MW of generation capacity to the NEM. We reached connection agreements with a further five renewable generators that will add more than 778MW of generation capacity to Queensland.

Our work focused on delivering connections for customers, while working cooperatively with project proponents with an interest in connecting to the transmission network. We experienced strong interest from wind farm and battery proponents. As at 30 June 2021, we were progressing 27 renewable project applications representing some 6,770MW of generation capacity.

Renewable electricity generator connections completed in 2020/21

| Region | Project | Generation capacity at the point of connection |
|---------------------|---|--|
| Southern Queensland | Gangarri Solar Farm | 120MW |
| | Wandoan South Battery Energy Storage System | 100MW |
| | Woolooga Energy Park Solar Farm | 176MW |
| | Columboola Solar Farm | 162MW |

Renewable electricity generator connections committed in 2020/21

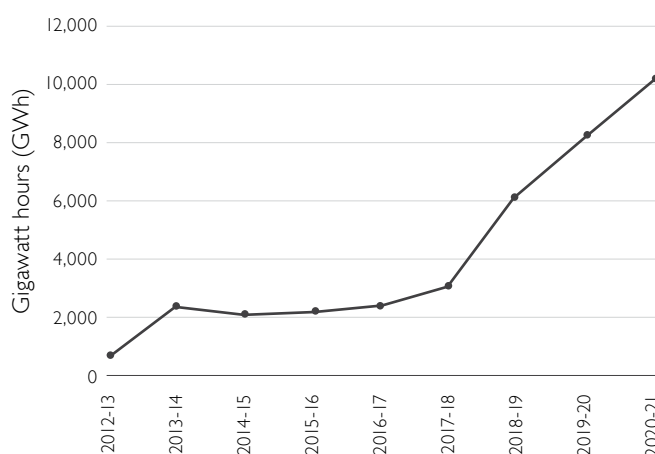
| Region | Project | Generation capacity at the point of connection |
|---------------------|------------------------------|--|
| North Queensland | Kidston Pumped Storage Hydro | 250MW |
| | Kaban Green Power Hub | 152MW |
| Central Queensland | Moura Solar Farm | 82MW |
| Southern Queensland | Edenvale Solar Park | 146MW |
| | Blue Grass Solar Farm | 148MW |

We expanded our connection approach and processes to ensure we meet the diverse needs of our customers and provide a flexible and transparent service. As our understanding of customer needs and values has matured, we have developed an open and transparent process for development of capital and operational project costs for connection customers.

We completed works for Vena Energy to connect its battery storage project at Wandoan South in the Western Downs region. The 100MW capacity battery will be the largest in Queensland, with an energy storage potential of 150 megawatt hours (MWh). Powerlink completed construction of the underground cable and associated connection works in June 2021.

Powerlink was engaged by Genex Power Limited to proceed with connection works for the 250MW capacity Kidston Pumped Hydro Storage Project in North Queensland. The connection project includes a 275 kilovolt (kV) transmission line and associated switching station. Powerlink's focus to date has included working with landholders and other stakeholders to progress a range of planning approval processes for the required transmission infrastructure.

Growth in Queensland's renewable energy



* Includes both transmission and distribution connected renewables, including rooftop PV.

Managing system strength

Managing system strength of the transmission network is a key challenge in connecting asynchronous renewable generators and moving to a low carbon future. System strength is a measure of the ability of a power system to remain stable under normal conditions and to return to a steady state following a system disturbance. A lack of system strength can materially impact network operations and the ability of the network to recover quickly from sudden events.

The need to maintain adequate system strength across the network can, under certain conditions, limit the amount of inverter-based renewable generation that can be supported at a given time.

Powerlink works closely with stakeholders to address system strength issues on its network, in particular the AEMO, inverter-based renewable generation customers and their respective equipment manufacturers.

In April 2020, AEMO declared a system strength shortfall at the Ross node in North Queensland, which triggered a regulatory requirement for Powerlink to address the system strength shortfall by 31 August 2021. Powerlink commenced an Expression of Interest (EOI) process in April 2020 to address this shortfall, which attracted a very strong response, presenting a range of solutions from the market.

Our collaboration with renewable energy generators, equipment manufacturers and AEMO identified an innovative solution to modify inverter tuning and generator control settings at various locations. Inverter retuning solutions were implemented at the Daydream, Hamilton, Hayman and Whitsunday solar farms, as well as an update of the control settings at Mt Emerald Wind Farm. As a result, from June 2021, the system strength requirements at the Ross node have changed and Powerlink's obligations in relation to the notice have been fulfilled.

Through consultation and active collaboration with all parties, this EOI has delivered positive outcomes to customers by identifying innovative cost-effective technical solutions which remove the need for long-term network or non-network investment to resolve the issue.

The Powerlink Cost-Effective System Strength Study undertaken with the support of the Australian Renewable Energy Agency (ARENA), continued to investigate technical, commercial and regulatory solutions to address system strength issues. Powerlink's study explored the merits of several technical options, as well as business and regulatory models, to facilitate lower cost solutions and remove commercial barriers. Three reports outlining a range of approaches to manage system strength, including inverter tuning, installation of a scale-efficient synchronous condenser and use of grid forming Battery Energy Storage Systems (BESS) were published as part of this study.

Powerlink published an updated Generation Capacity Guide in August 2020, which provides generation project proponents with preliminary information including a description of the system strength environment and examines challenges and opportunities for future investment in inverter-based renewable generation.

Battery energy storage system investigations

As part of Powerlink's role in the energy industry transformation, we actively investigated the application and benefits of large-scale BESS installed in the Powerlink network.

We published an EOI in March 2021, with the intent to engage with external developers, investors and stakeholders in BESS to generate innovative commercial and technical models that will meet both Powerlink's technical parameters and investors' requirements for commercial returns. The EOI proposed that Powerlink would offer BESS project proponents the opportunity to construct and install their BESS at optimal locations in the transmission network that will enable system services to be provided in the future. It was also proposed that Powerlink would facilitate these projects through various technical and commercial support mechanisms, including access to Powerlink land and substation connection points, in exchange for network support services from the battery.

The response to the EOI indicated significant interest in the next stage of the process, which is to issue a Request for Proposal to short-listed BESS project proponents.

Renewable energy zones (REZs)

Powerlink investigated opportunities for REZs in Southern, Central and Northern Queensland, with a view to enabling more cost-effective network connections for renewable generators. The development of a REZ aims to bring together coordinated investment in transmission and generation infrastructure in a way that benefits Queensland electricity customers. Powerlink's investigations included network planning, market modelling and property analysis to inform REZ options, while engaging with our customers and stakeholders.

As an outcome of our investigations, Powerlink will upgrade an existing 132kV transmission circuit between Townsville to Cairns to 275kV with funding from the Queensland Government to support development of the Northern Queensland REZ and make electricity supply to Cairns more storm and cyclone resilient. The foundation customer for the Northern Queensland REZ, Neoen's Kaban Green Power Hub, will also invest in the creation of the REZ.

Powerlink has taken a market-led approach to REZs, with a focus on facilitating cost-effective, secure and reliable connections for customers.

Delivering innovation

Our Innovation Framework was successfully applied by multidisciplinary teams to promote employee-led innovation that is customer focused and aligns with Powerlink's business strategy. To further support and complement the innovation process, we upskilled our people in customer journey mapping to build capability for innovation that provides greater value for customers.

Powerlink participated in EnergyLab, Australia's largest cleantech start-up accelerator, bringing scale-ups and incumbents together to accelerate new solutions. We partnered with two scale-up energy technology businesses to identify innovative technical and maintenance solutions for Powerlink.

Operating in the National Electricity Market

Transmission pricing

Powerlink's transmission network represents about nine per cent of the total delivered cost of electricity for a typical Queensland residential electricity customer. Powerlink considers that all parts of the power system, including transmission, have a role in addressing customers' affordability concerns and putting downward pressure on electricity prices.

Powerlink calculates its transmission prices consistent with the framework set out in the NER and our AER approved Pricing Methodology. Powerlink recovered revenue of \$741 million in 2020/21.

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

To help respond to customer expectations on affordability and service at the lowest long run cost, Powerlink undertook a review of its transmission pricing arrangements. Powerlink's Transmission Pricing Consultation Final Position Paper, published in November 2020, concluded an extensive engagement process which involved input from our Customer Panel, directly-connected customers, other TNSPs, and Energy Queensland, including some of their large customers. Information and consultation documents were shared on Powerlink's website.

The Final Position Paper includes one proposed amendment to our Proposed Pricing Methodology, which is to progressively transition customers to locational charges based on peak demand only. This transition will occur over the next two regulatory periods (or 10 years) and was submitted to the AER as part of our 2023-27 Revenue Proposal.

Revenue determination

Powerlink must lodge its Revenue Proposal with the AER every five years as part of our revenue determination process. This process sets about 80 per cent of Powerlink's annual revenue, which funds the capital and operating expenditure we need to deliver a safe, secure, reliable and cost-effective transmission network. Our Revenue Proposal was lodged with the AER in January 2021 for the 2023-27 regulatory period.

We set a clear objective from the outset to deliver a Revenue Proposal that was capable of acceptance by our customers, the AER and ourselves. To achieve this objective, we engaged extensively with customers, stakeholders, the AER and the AER's Consumer Challenge Panel (CCP23) throughout the preparation of the Proposal. Customers were able to influence key elements of our Revenue Proposal, such as our capital and operating expenditure forecasts.

The Revenue Proposal helps drive electricity affordability for customers by forecasting a three per cent decrease in capital expenditure and no real growth in operating expenditure when compared to the current regulatory period. These forecast positions represent Powerlink's commitment to create a culture of constructive discomfort within the business as a catalyst for innovation, to improve service performance, reduce costs and appropriately manage risk.

Our prudent and efficient asset management approach has also led to a forecast decline in our Regulatory Asset Base over the 2023-27 regulatory period, which also contributes to a reduction in electricity prices.

These forecasts, combined with a significant reduction in our rate of return, result in a forecast 15 per cent decline in our Maximum Allowed Revenue, an 11 per cent reduction in average transmission prices in the first year of the next regulatory period (2022/23), and price growth in line with inflation over the remainder of the regulatory period.

Feedback from customers on our Revenue Proposal was broadly positive. Customers indicated that our engagement represented best practice, our forecasts were reasonable and, subject to AER review, the Revenue Proposal is capable of support. The CCP23 commented that with certain conditions being met, they anticipate that the AER would be able to find the proposal capable of acceptance. The AER is expected to publish its Draft Decision on our Revenue Proposal by 30 September 2021 and its Final Decision in April 2022.

Engaging in market development

Powerlink participated in numerous processes, often in collaboration with Energy Networks Australia (ENA), that contributed to the development of the NEM within a changing market environment. Our key activities included engaging in:

Post 2025 Market Design

The Energy Security Board (ESB) in April 2021 published its Post 2025 Market Design Options paper which contained four reform directions, including Transmission and Access. Powerlink provided its input in a submission intended to effect positive change in the evolution of the market design and regulatory framework, including in relation to system strength.

System Strength Frameworks Review

Powerlink engaged with the Australian Energy Market Commission (AEMC) to share its experience, modelling and proposed ideas. The AEMC published its Final Report in October 2020, recommending reforms to the frameworks for managing system strength. These reforms are part of a Draft Determination amending the NER to ensure the efficient management of system strength on the power system. As a result, Powerlink and other TNSPs will proactively plan and develop system strength provision.

Regulation of Large Transmission Projects

The AER's Final Guidance Note, published in March 2021, sets out how it intends to regulate large transmission projects identified as actionable in AEMO's ISPs. Powerlink will apply this guidance to projects actionable under the ISP.

Connection to Dedicated Connection Assets

Powerlink made a submission on the AEMC Draft Determination proposing NER changes to facilitate sharing of transmission assets by connecting parties. In response to submissions received, the AEMC conducted additional targeted consultation with stakeholders, including Powerlink and the ENA, regarding the proposed access arrangements.

REZ Implementation

The ESB published a Consultation Paper in January 2021 that outlines options for the implementation of REZs. This paper envisages a role for a body to be a REZ coordinator.

Network planning

Powerlink plans its network to manage the energy system transformation, including the integration of new generation. Network planning also considers changes in electricity demand, including the challenges of minimum demand, and growing consumer interest in adopting new technologies and taking more control of their energy use. Powerlink will consider these potential issues holistically with emerging condition-based drivers as part of the planning process and in conjunction with the 2020 ISP.

Our planning processes optimise utilisation of the network to achieve lower-cost solutions, and meet reliability standards set out in the NER, Queensland's *Electricity Act 1994* and Powerlink's Transmission Authority.

Powerlink undertook joint planning with AEMO and other network service providers in accordance with the NER. Powerlink also provided input to AEMO's 2020 ISP, which contributed to the national agenda. The 2020 ISP identifies a number of REZ development opportunities in Queensland. Powerlink has progressed planning and preparatory works for future transmission projects, including integrated modelling to ensure the development of the network is fit-for-purpose as the energy system transformation proceeds.

Network performance

Performance targets are established for Powerlink as part of the AER's determination of regulated revenue for each five-year regulatory period through the Service Target Performance Incentive Scheme (STPIS). Powerlink's 2020 performance was measured against targets set for the 2018-22 regulatory period.

For 2020, Powerlink outperformed the targets set by the AER, which is an improvement on overall performance in 2019. A significant negative influence on Powerlink's overall performance in 2020 and 2019 was the Market Impact Component of the scheme, which measures transmission network constraint impacts on customers. These constraints on Powerlink's network were a direct consequence of system strength limitations caused by the rapid connection and location of inverter-based renewable generation in Queensland. Powerlink's performance against the Service Component and Network Capability Component elements of the STPIS was strong.

Through the ENA, Powerlink and other TNSPs continued to advocate to the AER for a review of the STPIS in light of the significant and rapid changes in the energy market.

Powerlink's transmission network performed better than our SCI target during 2020/21 and did not experience any unexpected loss of supply events greater than the thresholds specified by the AER for the current regulatory period.

Network access management

We enhanced our efficiency in planning access to the network for maintenance and capital works by improving the functionality of our network access management system. The system enables Powerlink to coordinate outage management over the full outage planning horizon and provide automatic outage updates to AEMO. These refinements will drive improvements in our transparency to stakeholders and market participants.

We provided additional on-boarding support to streamline access and provide support to our new customers as they navigate the network access management system.

Network strategy and operations

Electricity demand and forecasting

Planning and development of the transmission network is integral to Powerlink meeting its obligations under the NER, Queensland's *Electricity Act 1994* and its Transmission Authority. As a key part of the planning process, Powerlink produces a Transmission Annual Planning Report (TAPR) which provides customers and stakeholders with important information about the existing and future transmission network requirements in Queensland.

The TAPR includes information on energy and demand forecasts, committed generation and network developments. It also provides estimates of transmission grid capability and potential network and non-network developments required in the future to continue to meet electricity demand in a timely manner and provide a valued service to our customers.

The 2020 TAPR, published in October 2020, identified the changing profile of transmission-delivered electricity demand. Queensland's transmission-delivered summer maximum demand is forecast to increase at an average rate of 0.7 per cent per annum over the next 10 years. Winter minimum transmission delivered demands are expected to decrease at an average rate of 10.5 per cent per annum.

The progressive installation of rooftop PV and distribution-connected solar farms has resulted in a decrease of Queensland transmission-delivered electricity demand during the daytime. The 2020 Queensland minimum delivered demand occurred at 12.30pm on 27 September 2020, when only 3,003MW was delivered from the transmission network. Directly connected loads made up about two-thirds of the demand, with Distribution Network Service Provider customers only making up one-third. Mild weather conditions during a weekend (Sunday), in combination with a strong contribution from rooftop PV, were contributors to this record minimum demand.

The TAPR also reported that the continued uptake of embedded solar PV installations is expected to further decrease minimum demand, presenting additional challenges to the energy system. There may be opportunities for innovative technologies and storage solutions to assist with smoothing the daily electricity load profile.

Contingency planning and emergency response

On 25 May 2021, a small fire occurred in the turbine hall at the Callide 'C' Power Station. Two units that were generating at the time tripped offline. The sudden trip and loss of generation subsequently impacted a number of other generators in Queensland and Powerlink's transmission network, as well as distribution networks in Queensland. At its peak, the outage impacted approximately 470,000 customers, including more than 380,000 in South East Queensland and a further 90,000 in regional Queensland. In total, there was a loss of 3,100MW of generation in Queensland, the largest electricity supply event in Queensland for more than 30 years. Activating our established emergency response plans, Powerlink, Energex and Ergon Energy worked to progressively restore power supply as soon as it was safe to do so, with customers resupplied in under three hours.

Powerlink has worked with our industry counterparts to investigate the incident and its impacts on Queensland's power system.

Consistent with our annual contingency planning program, we delivered our summer readiness program to ensure availability and capacity of the network over the 2020/21 summer, while managing delivery of maintenance and maintaining the physical integrity of the network. There were no impacts to our transmission network caused by natural disasters in 2020/21.

Integrated Electricity Pathways

Our planning process has involved a comprehensive examination of Integrated Electricity Pathways (IEP), considering the challenges facing the developing power system and the strategic drivers that influence Powerlink's future.

The IEP frames the potential development options for Queensland's power system over a 30-year outlook. It informs Powerlink's corporate strategy and decision making when considering the long-term, lowest cost development pathways for Queensland.

Next Generation Network Operations

We are transforming Powerlink's transmission network operations to expand its future-ready capability to support the transmission network to meet the challenges of the changing energy environment.

A key component is the replacement of Powerlink's existing Energy Management System - the system that allows us to operate and manage our network in real time. We completed the second year of implementation of the Advanced Energy Management System (AEMS), with core vendor software installed on specialised Powerlink hosted hardware. The AEMS will deliver positive customer outcomes including improved network operation and automation, and associated advancements.

We began a customer engagement process to ensure our customers are aware of the changes to our operations systems.

Telecommunications

Powerlink's fibre optic telecommunications network connects to infrastructure across Queensland, providing functions for the safe and reliable operation of our transmission network.

QCN Fibre, a telecommunications carrier jointly owned by Powerlink and Energy Queensland, leverages Powerlink's supplementary telecommunications network capacity to improve digital capacity for customers in regional Queensland communities.

Under the Regional Connectivity Program, through QCN Fibre, Powerlink delivered data services for the regional townships of Duaringa, Dingo and Bluff, providing increased coverage and broadband speeds to schools and the wider community. Powerlink provided expertise to QCN Fibre including operation and maintenance services for all QCN Fibre customers.

Research and development

Our investment in research and development is delivered through projects, memberships and collaboration with leading research partners, which augments our ability to deliver safe, cost-effective and reliable transmission services in a transforming energy system.

In an industry first, Powerlink partnered with the Bureau of Meteorology to access specialised knowledge and data, and deliver targeted research, with the aim to deliver better weather-based planning and decision making on the transmission network. Building on a long-term relationship, the partnership outcomes will contribute to efficiencies in our network operation and asset management strategies. It also builds Powerlink's understanding of current and potential impacts from domestic solar PV units and large-scale renewables across the electricity network.

We strengthened our engagement with the Electric Power Research Institute (EPRI), including an executive leadership engagement focused on world-class performance, and improved access to experts, technical information and analysis which informs our network management strategies and operational processes.

Powerlink collaborated with industry, academic and government partners to support and participate in RACE (Reliable, Affordable, Clean Energy) for 2030, a Cooperative Research Centre which aims to lower energy costs and substantially reduce carbon emissions. Our involvement with RACE reference groups improved Powerlink's understanding of energy consumers' values and behaviours.

Maintenance

Our targeted maintenance program ensures we continue to deliver safe, cost-effective and reliable transmission services to customers. We apply a value-driven maintenance approach so our assets remain fit-for-purpose over their technical service life.

We undertake ongoing reviews of maintenance activities and ensure we operate the network in an efficient way, working on the right part of our network at the right time.

Maintenance on transmission lines, substations and communication sites 2020/21

| | |
|--|---|
| 100% Planned maintenance delivered | \$149.4 million Invested in maintenance |
|--|---|

Upgrading to Business Suite on HANA

Powerlink completed the migration of its on-premise SAP ECC6 on Oracle to a cloud-hosted Business Suite on HANA hosted in Microsoft Azure to drive greater efficiencies and deliver a better user experience. The migration was delivered over an eight-month period, while operating remotely in various locations due to the impacts of COVID-19.

As the first step in a wider business transformation journey, the migration better positions Powerlink to run projects, drive procurement and implement greater efficiencies for field delivery teams. The solution offers opportunities to rationalise functionality and greater flexibility to support the ongoing delivery of secure, reliable and affordable electricity.

Regulated network development

Capital works program

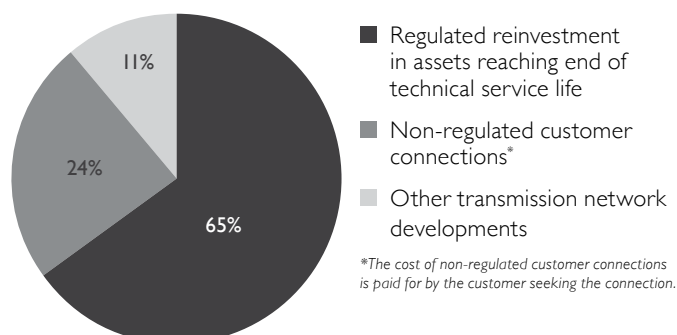
Powerlink's approach to asset management is prudent and efficient, to ensure we deliver cost-effective services for customers, optimising whole-of-lifecycle costs, benefits and risks, while complying with Powerlink's obligations.

Powerlink's forecast total regulated capital expenditure allowance for the 2018-2022 regulatory period as determined by the AER is \$835.5 million (2016/17 real), which is considerably less than was undertaken in previous regulatory periods.

Total capital works project expenditure in 2020/21 was \$243.3 million, which was above our SCI target of \$212.8 million. Capital works expenditure was \$29.8 million higher than forecast due to five additional connection projects which were commenced during the year. Total regulated capital works expenditure of \$181.3 million was in line with the forecast.

The COVID-19 pandemic resulted in some delays in the delivery of planned capital expenditure in 2020/21, caused by supply chain disruption and necessary changes to work practices. In response to these delays, the remaining capital program of works was re-prioritised to ensure energy security for Queensland. This enabled projects with high asset risk be completed within acceptable timeframes while also providing for the advancement of planned expenditure on a range of capital projects less exposed to COVID-19 delay risk.

Capital expenditure as a percentage of total network capital works 2020/21



Network reinvestment

Our approach to optimise reinvestment in network assets is aimed at delivering better outcomes for customers.

We place emphasis on ensuring asset reinvestment considers the enduring need for assets reaching end of life and the most cost-effective investment option. This may result in targeted asset replacement or staged works to delay new transmission infrastructure, alternative investment options through network reconfiguration, or non-network solutions where economically and technically feasible.

Reinvestment projects in 2020/21 included a refit of 190 transmission towers on the existing 76km transmission lines between Collinsville and Proserpine substations, which had been in service for more than 50 years. The refit was required to ensure ongoing safety, reliability and cost-effective supply of electricity to the Whitsunday region. Undertaken over a number of years, the project was completed in July 2020.

We began trials of a customised hybrid mobile substation bay to materially reduce outage times of substation equipment during reinvestment projects. The Queensland-built bay was first used as part of a project to replace equipment at Bouldercombe Substation near Rockhampton. Using the transportable 132kV mobile bay aims to reduce outage times from 12 weeks to two, resulting in significant time and cost efficiencies and reduced customer impacts during replacement works.

Network developments

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, as defined in the NER.

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.

Powerlink applies a RIT-T Stakeholder Engagement Matrix to all RIT-T processes, which directs the engagement activities undertaken for each RIT-T to enhance the value and outcomes of engagement.

RIT-T assessments completed in 2020/21

- Addressing the secondary systems condition risks at Cairns
- Managing voltage control in Central Queensland
- Addressing the secondary systems condition risks in the Gladstone South area

RIT-T consultations underway as at 30 June 2021

- Addressing the secondary systems condition risks at Innisfail
- Maintaining reliability of supply in the Cairns region – Stage 1

Other regulated consultation processes completed in 2020/21

- Request for system strength services in Queensland to address fault level shortfall at Ross

Other regulated consultation processes underway as at 30 June 2021

- Developing the Northern Queensland Renewable Energy Zone



Crews undertaking essential work to refit the Egans Hill to Rockhampton transmission line, ensuring the ongoing safe, cost-effective and reliable supply of electricity to the Rockhampton area.

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 under way in 2020/21 and continued to engage with non-network providers through opportunities such as the 2020 Transmission Network Forum.

We also proactively maintain a register of non-network providers to facilitate engagement and share information with those providers.

Major regulated network projects

Major transmission developments and reinvestments (over \$10 million) completed in 2020/21

| Region | Project name |
|---------------------|--|
| North Queensland | Collinsville to Proserpine 132kV transmission line refit |
| Southern Queensland | Rocklea 275kV Substation secondary systems replacement |

Major transmission developments and reinvestments (over \$10 million) under construction in 2020/21

| Region | Project name |
|------------------|---|
| North Queensland | Eton to Alligator Creek 132kV transmission line refit |
| | Mackay 132kV Substation replacement |
| | Nebo 275kV Substation replacement |
| | Ross 275kV and 132kV Substation primary plant replacement |
| | Strathmore 2nd 275/132kV transformer establishment |
| | Townsville South to Clare South 132kV transmission line refit |

Major transmission developments and reinvestments (over \$10 million) under construction in 2020/21

| | |
|---------------------|--|
| Central Queensland | Bouldercombe 275kV Substation replacement |
| | Bouldercombe 275/132kV Substation transformer replacement |
| | Callide A to Calvale 132kV network reinvestment |
| | Calvale and Callide B 275kV Substation secondary systems replacement |
| | Egans Hill to Rockhampton 132kV transmission line refit |
| | Gladstone South 132kV Substation secondary systems replacement |
| | Lilyvale 132/66kV Substation transformer replacement |
| | Lilyvale 132kV Substation replacement |
| Southern Queensland | Wurdong 275kV Substation secondary systems replacement |
| | Abermain 110kV Substation secondary systems replacement |
| | Ashgrove West 110/33kV Substation replacement |
| | Belmont 275kV Substation secondary system replacement |
| | Gin Gin 275/132kV Substation rebuild |
| | Mudgeeraba 275kV Substation secondary systems replacement |
| | Next Generation Network Operations Advanced Energy Management System |
| | Palmwoods 275kV Substation secondary systems replacement |
| | Tarong 275kV Substation secondary systems replacement - stage 2 |



Powerlink volunteers lending a hand at a Gibson Island working bee in partnership with the Bulimba Creek Catchment Coordinating Committee.

Community and stakeholder engagement

Corporate citizenship and communication

We seek to establish and maintain positive relationships with landholders, communities, local governments and other stakeholders, underpinned by our focus on being a good corporate citizen.

We demonstrate this commitment by being an active and accessible community member, engaging openly with our stakeholders, and delivering positive benefits to our communities, which supports Powerlink to achieve its purpose of connecting Queenslanders to a world-class energy future.

We seek to share information about our activities in ways that are accessible and communicate the benefits of our activities to customers and stakeholders. Responding to the impacts of the COVID-19 pandemic, we sought to ensure our stakeholders continued to have access to important information via online and hybrid events, and multiple communication channels.

Landholder engagement and relationships

Landholders are important stakeholders, and our Land Access Protocol describes to landholders our standards and commitments when entering and using land.

We implemented a pilot cooperative model for land maintenance, which enables Powerlink to reach agreements with landholders for undertaking selective work on easements, such as biosecurity management activities.

We developed a suite of brochures to assist landholders to access information about our processes and activities on their properties, and property management topics, and share these proactively as well making them available on our website. The updated information is presented in tailored topics, to enable landholders to access the information they want at the appropriate time.

We also reviewed our landholder engagement strategy and developed our first corporate-level Community Engagement Strategy, to help guide our approach to working with local communities to deliver our works and capital programs.

Strategic partnerships

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

We are foundation sponsors of the Country Universities Centre (CUC) Maranoa, which opened in Roma in March 2021 and provides free access to a high-tech campus-like facility for local students enrolled in any university. The centre offers students a central 'hub' where they can undertake their studies with the same support available to a student based in a metropolitan centre. The CUC is the first of its kind in Queensland and will help to keep students in their communities for the long term, contributing to the sustainability of the region.

We continued our long-term partnership with the Queensland State Emergency Service (SES) and Energy Queensland, providing vital equipment to assist first responders to face disasters and emergencies, and make a positive difference to Queensland communities. Powerlink has been an SES Supporting Partner since 2015, which helps volunteers and the communities they support.

We provided seven fully-paid financial counselling scholarships, in partnership with Ergon Energy Retail (part of Energy Queensland) and Cairns-based registered training organisation ICAN Learn (the Indigenous Consumer Assistance Network). Training was accessed by scholarship recipients from the North Queensland towns of Cooktown, Weipa, Bowen and Mt Isa, who will provide financial counselling to communities that have previously not had access to these services.

We continued our positive relationship with the Bulimba Creek Catchment Coordinating Committee (B4C) including supporting the delivery of B4C's operations centre at Carindale, and ongoing agreement for B4C to deliver vegetation management works at Powerlink sites. Our partnership supported tree plantings and installation of nesting boxes to boost the biodiversity corridor connecting Minnipi Parklands in Tingalpa to other nearby green spaces. The work builds on previous activities by Powerlink and B4C undertaken in conjunction with construction of our Belmont to Murarrie Transmission line.



Our people at work delivering on our purpose – to connect Queenslanders to a world-class energy future.

Our unusable first aid kit items were donated to Australia Zoo Wildlife Hospital and Wilvos to benefit local wildlife. These items, that are past their use-by date, can be used to support efforts to save injured wildlife.

Powerlink joined the Thriving Communities Partnership, a collaborative initiative to create deeper awareness and connections across communities, organisations and government by building networks and platforms for collective learning and action. We provided input to research into improving support for communities following natural disasters.

Cultural Heritage

Powerlink recognises Aboriginal and Torres Strait Islander peoples as important stakeholders for Queensland's transmission network.

We value our relationships with Traditional Owners and apply our Cultural Heritage Framework to guide the ongoing protection and management of their Cultural Heritage throughout the life of our transmission assets, including during the planning and delivery of new network connections as well as reinvestment projects.

Under this framework, we also worked cooperatively with customers connecting to the transmission network to achieve efficient Cultural Heritage outcomes for the benefit of commercial projects.

Reconciliation action

Powerlink acknowledges that the Aboriginal and Torres Strait Islander peoples of this country are entitled to recognition, respect and the opportunity to participate fully in Australian society.

In March 2021 we launched our first Reconciliation Action Plan (RAP), which commits Powerlink to identifying new opportunities for greater engagement and relationship building within our business and areas of operation.

The document identifies our planned actions to establish and strengthen mutually beneficial relationships with Aboriginal and Torres Strait Islander stakeholders and organisations. It also commits Powerlink to actions to increase understanding and recognition, and to value Aboriginal and Torres Strait Islander peoples' cultures, histories, knowledge and rights through cultural learning.

Leaseholder relationships

We managed the conclusion of negotiated rent deferral agreements reached with organisations and individuals who lease land or property from us. We previously offered rent relief to our leaseholders who were experiencing financial hardship as a result of the COVID-19 pandemic.

People

Workforce strategy

We aim to ensure Powerlink is a great place to work, collectively creating and sharing successes so our culture is productive and supportive.

Strategic Workforce Planning is essential to building the talent and capability to meet Powerlink's future needs. With the goal to deliver a quality rolling Strategic Workforce Plan, Powerlink partnered with stakeholders to explore the future of work and understand how external and internal changes will influence the composition of skills, capabilities and competencies needed at Powerlink. Predicted gaps and risks have informed the development of workforce strategies, tactics and initiatives to ensure Powerlink's future success. This is an iterative and ongoing activity, part of Powerlink's ongoing cyclical planning processes to ensure agile, responsive and fit-for-purpose assets.

Our workforce was 954 Fulltime Equivalent Staffing as at 30 June 2021.

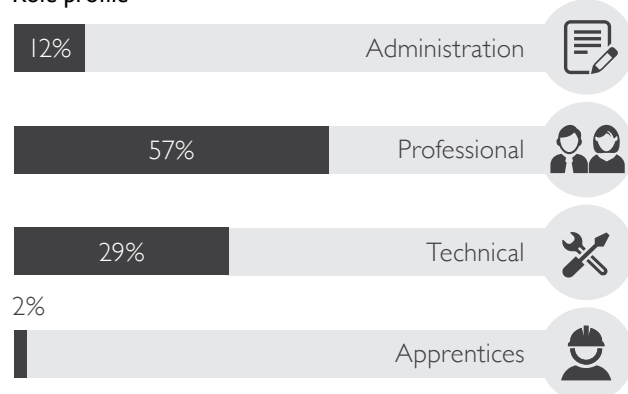
Powerlink successfully renegotiated new Enterprise Agreements with Employee Representatives during 2020/21. The new Working at Powerlink Union Collective Agreement 2020, which covers most employees at Powerlink, was approved by the Fair Work Commission and commenced on 28 October 2020, to remain in place for three years. The new Powerlink Managers Agreement 2021 commenced on 21 January 2021, also for a term of three years. Both agreements reflect the wage deferral requirement of the Queensland Government with no wage increases to occur until 2022. The Working At Powerlink Union Collective Agreement 2020 is supported by productivity initiatives including commitments to new technology and efficiencies in work practices.

Workforce demographics

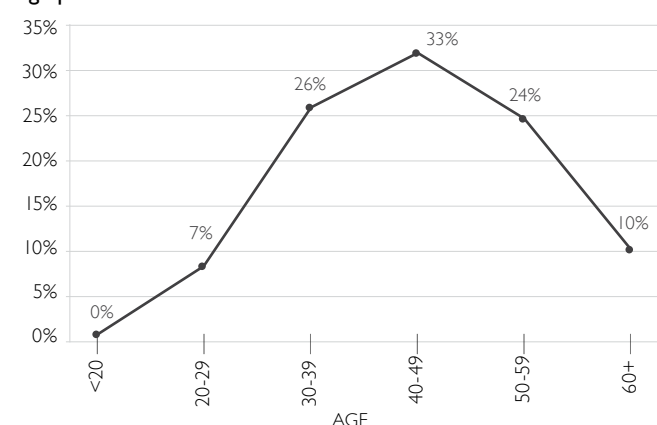
Gender profile

| FEMALE | Percentage of employees |
|----------------|-------------------------|
| Powerlink wide | 24% |
| Apprentices | 13% |
| Management | 21% |
| Executive | 14% |
| Board | 50% |
| MALE | Percentage of employees |
| Powerlink wide | 76% |
| Apprentices | 87% |
| Management | 79% |
| Executive | 86% |
| Board | 50% |

Role profile



Age profile



Culture and engagement

Powerlink's business strategy supports a commitment to a diverse, inclusive and a high-performance workplace culture to unleash the potential of our people.

Our cultural journey map is focused on world-class aspirations, engaging employees, providing clarity on future directions and expectations, and empowering employees to collaborate and innovate to deliver Powerlink's purpose – safely, reliably and together. It is guided by our values, while understanding trade-offs for the power system transformation.

This culture is brought to life through Powering Ahead, a two-day immersive workshop for all employees. Developed and delivered by Powerlink leaders, the program brings focus to the pillars of our business strategy. As at 30 June 2021, 398 employees have participated in the full program, including all leaders.

Powerlink's bespoke leadership development programs continue to build capability for leaders and high-potential employees, supported by a focus on talent, succession and women in leadership. We have also introduced a new People Capability Framework to support development and succession.

We took the opportunities created by the COVID-19 pandemic to mature Powerlink's flexible work options, by providing support for employees, and additional training and help to leaders to lead remotely and inclusively.

Seventy-five per cent of employees participated in an employee engagement survey that aimed to measure the level of motivation, pride, connection and commitment to the company and its goals. Our employees shared how they feel, and identified opportunities to make improvements across Powerlink. The top line survey results showed an overall engagement score of 66 per cent, and detailed insights were shared with teams as a foundation for the focus of ongoing improvements.

Diversity and inclusion

Powerlink's commitment to a diverse and inclusive culture aligns with our intent to be innovative and agile. We understand that a diverse workforce reflects the communities we serve and enables us to better understand and support our customers. Inclusion builds our capacity for innovation and productivity.

Our Diversity and Inclusion Committee was established to provide strategic oversight, monitoring and championing of the organisation's diversity and inclusion, cultural aspirations, initiatives and associated trends. The committee also provides oversight on diversity and inclusion efforts and activities of the associated communities of practice. Increased participation in diversity and inclusion activities from our employees and leaders has also supported improved awareness in diversity, inclusion and gender equality.

More than 60 Powerlink people are members of a 'Pride in Power' online group that aims to empower, raise awareness and provide a visible network of support for the LGBTIQ+ community within Powerlink. This employee-led group celebrates diversity and encourages people to be their true selves at work, which delivers better outcomes for our work teams and business.

Our 2021 International Women's Day (IWD) event in March 2021 was attended by more than 120 Powerlink people who explored this year's IWD theme of #choosetochallenge. The event involved a panel discussion with external stakeholders and examined unconscious bias and the economic benefits of diversity and inclusion.

The collaborative efforts of employees who identify as Aboriginal and/or Torres Strait Islander people and their colleagues who feel passionate about contributing to change developed our RAP, which has been endorsed by Reconciliation Australia as a Reflect RAP. The RAP sets out clear actions for Powerlink to support diversity by promoting and measuring actions to improve employment outcomes, including increasing Aboriginal and Torres Strait Islander recruitment, retention and professional development, and promoting positive relations through inclusive strategies.

Corporate governance

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

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 shareholding Ministers during 2020/21 included:

- Treasurer, Minister for Investment
- Minister for Natural Resources, Mines and Energy (ceased 11 November 2020)
- Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement (commenced 12 November 2020)

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 2020/21.

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 and regularly reviews 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.

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 2021, were:

- The Honourable Cameron Dick MP, Treasurer and Minister for Investment, holding 50 per cent of the A class voting shares and 100 per cent of the B class non-voting shares.
- The Honourable Mick de Brenni, Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement, holding 50 per cent of the A class voting shares.

Powerlink Queensland Board

Key accountabilities of the Board

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

- setting the corporation's values and standards of conduct and ensuring that these are observed
- providing leadership of the corporation within a framework of prudent and effective controls
- setting the corporation's direction, strategies and financial objectives, and ensuring that all necessary resources are available for the business to meet its objectives
- endorsing the Statement of Corporate Intent (SCI)
- monitoring financial outcomes and the integrity of reporting, in particular approving annual budgets and longer-term strategic and business plans
- monitoring management's performance and implementation of strategy, and ensuring appropriate processes for risk assessment, management and internal controls are in place
- ensuring an effective system of corporate governance exists
- disclosing to shareholding Ministers relevant information on the operations, financial performance and financial position of the corporation and its subsidiaries
- recruitment of the Chief Executive
- 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 2020/21, the Powerlink Board held 12 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 and Safety Committee

The Committee assists the Board in fulfilling its governance responsibilities and due diligence in relation to people, health and safety (which includes both personal and process safety) and the environment. This is to be achieved by reviewing and reporting to the Board on the People Policy and Health, Safety and Environment Policy and their application relating to organisational strategies, obligations, performance and culture.

Chief Executive

Executive Team

Executive Committees

Executive Committee for Health, Safety and Environment

Executive Committee for Corporate Resilience

The Board

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

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

Details relating to Powerlink Directors, Board Committee composition and meetings in 2020/21 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 2021.

| Board balance | Board tenure | | Board diversity | |
|---------------------------|--------------|---|-----------------|-----|
| 1 Non-Executive Chair | 0-2 years | 2 | Female | 50% |
| 5 Non-Executive Directors | 2-4 years | 2 | Male | 50% |
| | 4-6 years | 2 | | |

Corporate Governance Guidelines for GOCs – Queensland Government

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

Principle 1: Foundations of management and oversight

The Board Charter, a summary of which is available on the Powerlink [website](#), describes the Board's functions and responsibilities, which are to:

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

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

Day-to-day management of the corporation'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 Delegation of Authority. These delegations are reviewed as considered necessary.

The Powerlink Board undertakes an annual evaluation of the performance of the Chief Executive against pre-agreed business and individual targets. The Chief Executive evaluates the annual performance of each executive against pre-agreed business and individual targets, and submits 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 2021, the Board comprised six 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 2020/21:

- Director Julie Martin's tenure ended on 30 September 2020.
- New Directors Kevin Hegarty OAM and Wayne Collins were appointed in October 2020.

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.

| | Appointed to Powerlink Board | 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 | 1 October 2018 | • | • | • | • | • | • |
| Alan Millis | 1 October 2015 | | • | • | • | • | |
| Lorraine Stephenson | 12 October 2017 | | • | • | • | • | |
| Sarah Zeljko | 20 December 2016 | | • | • | • | | • |
| Kevin Hegarty OAM | 1 October 2020 | • | • | • | • | | • |
| Wayne Collins | 1 October 2020 | • | • | • | • | • | • |

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, either through a self-assessment by the Directors and input from the Chief Executive and Company Secretary, or through an external expert review, 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 2020/21, a self-assessment was undertaken.

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

In addition to the 2020/21 Board meetings, the Board held a Strategic Planning and Risk Workshop.

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 2020/21, 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 on 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. 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 matters related to 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
- Powerlink People and Safety 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 2021 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 (appointed to Committee on 1 November 2015, appointed to Committee Chair on 1 July 2016) |
| Members: | Lorraine Stephenson (appointed 1 December 2017) Kathy Hirschfeld AM (appointed 1 June 2019) Kevin Hegarty OAM (appointed 1 November 2020) |

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 and Safety Committee | |
|-----------------------------|--|
| Chair: | Sarah Zeljko (appointed to Committee on 1 December 2018, appointed to Committee Chair on 1 April 2019) |
| Members: | Kathy Hirschfeld AM (appointed 1 December 2018) Wayne Collins (appointed 1 October 2020) |

The Committee assists the Board in fulfilling its governance responsibilities and due diligence in relation to people, health and safety (which includes both personal and process safety) and the environment. This is to be achieved by reviewing and reporting to the Board on the People Policy and Health, Safety and Environment Policy and their application relating to organisational strategies, obligations, performance and culture.

Information on the numbers and attendees of Board and Committee meetings held during 2020/21 appears below.

| Directors | Full meetings of Directors | | Meetings of Committees | | | |
|---|----------------------------|----|----------------------------|---|-------------------|---|
| | | | Audit, Risk and Compliance | | People and Safety | |
| | A | B | A | B | A | B |
| Kathy Hirschfeld AM | 12 | 12 | 5 | 5 | 5 | 5 |
| Alan Millis | 12 | 12 | 5 | 5 | * | * |
| Lorraine Stephenson | 12 | 12 | 5 | 5 | * | * |
| Sarah Zeljko | 12 | 12 | * | * | 5 | 5 |
| Kevin Hegarty OAM | 9 | 9 | 3 | 3 | * | * |
| Wayne Collins | 9 | 9 | * | * | 2 | 2 |
| Julie Martin (tenure expired 30 September 2020) | 3 | 3 | * | * | 3 | 3 |

Legend:

A = Number of meetings attended.

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

* Not a member of the relevant Committee.

Information on 2020/21 meeting dates has also been included below.

| Full meetings of Directors | Meetings of Committees | |
|----------------------------|----------------------------|-------------------|
| | Audit, Risk and Compliance | People and Safety |
| 29 July 2020 | 19 August 2020 | 17 July 2020 |
| 26-27 August 2020 | 27 August 2020 | 29 July 2020 |
| 23 September 2020 | 24 November 2020 | 14 September 2020 |
| 28-29 October 2020 | 30 March 2021 | 25 February 2021 |
| 25 November 2020 | 29 June 2021 | 28 April 2021 |
| 16 December 2020 | 19 August 2020 | |
| 27 January 2021 | 17 July 2020 | |
| 24-25 February 2021 | | |
| 31 March 2021 | | |
| 28 April 2021 | | |
| 26-27 May 2021 | | |
| 30 June 2021 | | |

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 and supporting Risk Appetite Statements that provide 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 and Safety 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, and 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 provides an effective integrity, fraud and corruption control framework that is 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 and Safety Committee are presented in Principle 4.

Powerlink's Remuneration Policy is designed to:

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

The *Working at Powerlink Union Collective Agreement 2020* was effective from 28 October 2020, and the *Powerlink Managers Enterprise Agreement 2021* was effective from 21 January 2021. 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 policy provides the opportunity for performance-based payments for all employees engaged on a Total Employment Cost (TEC) contract, with the payments directly linked to the performance of the individual against pre-agreed performance targets and the performance of the business. Powerlink's Chief Executive and Senior Executives also have their performance payments governed by the requirements of the *Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements*.

Employees engaged under the *Working at Powerlink Union Collective Agreement 2020* may be eligible for performance-based payments that are delivered as gainsharing. 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.

Managers and senior staff are engaged on individual contracts. Powerlink's remuneration policy for contract employees uses the concept of TEC, which includes employer superannuation contributions. 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 2020/21 requiring Powerlink to provide full cooperation and assistance to support the Queensland Government's contribution to the Kidston Pumped Hydro Storage project. The project reached a positive Final Investment Decision in May 2021.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2020/21 totalled \$5,024. There were no events above the individual reporting threshold of \$5,000.

Human Rights Act reporting

Following the commencement of the *Human Rights Act* in July 2019, Powerlink undertook a review of the possible areas where its operations may impact on protected human rights. Powerlink identified 10 areas of its operations where protected human rights may be affected. Operational areas identified included:

- ensuring property rights are respected when seeking to acquire property compulsorily
- respecting Indigenous rights when acquiring Native Title or affecting Indigenous Cultural Heritage
- allowing peaceful assembly on Powerlink's property.

A decision making framework compatible with human rights is in place, with specific officers appointed as contacts and advisors.

There have been no human rights complaints during the reporting period.

Board of Directors



Kathy Hirschfeld AM

*BE (Chem), HonFIEAust, FTSE, FICHEM, 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 was awarded the Member (AM) in the General Division of the Order of Australia for her significant service to engineering, women and business.

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



Wayne Collins

*BEng (Hons), BBus, MIEAust, GAICD, MICD (Canada)
Director (Appointed 2020)*

Wayne has almost 40 years' experience in the power and mining industries, including more than 20 years in associated energy commodity markets (power, coal, gas and liquid fuel). He also has extensive experience in climate policy development and response in both North America and Australia.

Prior to his retirement in June 2020, Wayne led TransAlta Corporation's mining and international power generation operations (>8,000MW capacity) across all generation types.

In his previous role as Chief Operating Officer for Stanwell Corporation Ltd (Queensland), he was responsible for a fleet comprising coal, gas and hydro power generation and a large open cut coal mine.

Wayne's career also included a period developing and building new utility scale renewable power plants.

Wayne is a member of the Powerlink Board's People and Safety Committee.



Kevin Hegarty OAM

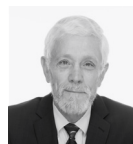
*B Bus (Dist), AFCHSM, FAICD
Director (Appointed 2020)*

Kevin's career included more than 20 years with Queensland Health, mostly as a Health Service Chief Executive. This was preceded by 14 years in the electricity supply sector, primarily within the transmission area.

Currently, Kevin heads a consultancy practice with clients in the health, education and infrastructure sectors. He is also an adjunct associate professor at the University of the Sunshine Coast and a board member of its mind and neuroscience initiative, the Thompson Institute Pty Ltd. He also served on the Board of the Queensland Government's former infrastructure body, Building Queensland.

Kevin was awarded the Medal (OAM) of the Order of Australia in the General Division in the Australia Day 2019 Honours List for service to public health administration.

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



Alan Millis

*BE (Hons), MEngSc, BEcon, DipCompSc, GAICD
Director (Appointed 2015)*

Alan has more than 45 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 has more than 35 years of technical, policy and executive experience with a strong strategic focus on the energy sector.

Owner of Lightning Consulting Services, Lorraine works with clients to mitigate risks and create opportunities to respond to climate change challenges, including options to drive investments in low emission technologies in line with Net Zero Emissions goals. Lorraine is a non-executive director of Good Environmental Choice Australia and a member of the Research Advisory Committee of the Tyre Stewardship Australia Board. She is a Fellow of the Australian Academy of Technology and Engineering. She was formerly the Chief Clean Energy Advisor to the Queensland Government, a member of the NSW Climate Change Council, held executive roles at Origin Energy and was a Partner at EY.

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



Sarah Zeljko

LLB, GAICD, GAIST

Director (Appointed 2016)

Sarah brings to Powerlink extensive executive, operational, legal, governance and advisory experience. She has a record of delivering revenue growth in large corporations through developing and executing corporate strategy, negotiating commercial agreements, capital raising, mergers and acquisitions, construction, infrastructure and project management across complex multi-million dollar transactions.

She is a professional non-executive director and governance consultant who is also on the Boards of Energy Super, Millovate, Stockyard Beef, LogiCamms and Unity Water. She previously held roles as General Counsel and Company Secretary for G8 Education, the Wiggins Island Coal Export Terminal, and Cement Australia.

Sarah is the Chair of the Powerlink Board's People and Safety Committee.

Executive Team



Prof. Paul Simshauser AM

BEcon, BCom, MCom, PhD (Econ.), FAICD, FCPA

Chief Executive

Paul brings to Powerlink more than 20 years' experience in the energy industry across the public and private sectors with extensive experience in generation, retail, energy policy and public administration.

Paul's previous roles include Director-General of the Queensland Department of Energy and Water Supply, Executive General Manager Energy Markets at Infigen Energy and Chief Economist and Group Head of Corporate Affairs at AGL Energy Ltd. He has also held executive positions at Stanwell Corporation and Babcock & Brown.

Paul holds Bachelor Degrees in Economics and in Commerce, has a Masters Degree in Accounting & Finance, and a PhD in Economics. He is a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors. Paul is also Professor of Economics at Griffith University, a Research Associate at the Energy Policy Research Group, Cambridge University, and is widely published on energy economics in academic journals. He was awarded a Member of the Order of Australia in 2019 for significant contribution to the energy industry through executive roles and applied economics and policy research.



Dr Stewart Bell

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

Executive General Manager Network and Business Development

Stewart is a delivery focused career professional with more than 20 years of experience in the electricity transmission industry. He has extensive experience in network planning, asset management and investment, project delivery, and network operations and maintenance.

Stewart is responsible for leading Powerlink's business development, network portfolio, and asset strategies and planning functions.



Jacqui Bridge

BEng (Hons), DipEnergyManagement, MIEAust, GAICD

Executive General Manager Energy Futures

Jacqui has more than 20 years of experience in the energy sector and brings a detailed understanding of the electricity supply chain, regulation and energy markets. Her energy consulting career included working with electricity, gas and water utilities throughout the Australia Pacific region.

As Executive General Manager Energy Futures, Jacqui engages with a range of stakeholders to understand customer needs and influence the development of policy and regulatory frameworks for the future power system. Jacqui is responsible for leading Powerlink's corporate strategy, energy regulation, energy markets and energy policy functions.



Gary Edwards

BBus, AssocDipElecEng

Executive General Manager Operations and Service Delivery

Gary is an experienced senior leader with more than 35 years of experience in technical and senior leadership roles within the electricity transmission industry. With a strong background in operations and maintenance for the majority of his career, Gary's experience also spans asset management and network performance management.

Gary is responsible for delivering Powerlink's state-wide operations including 24/7 real-time network operations, all field maintenance, telecommunication services, operational technology, and laboratory and warehousing services. He is currently leading the transformation of Powerlink's next generation of network operations.



Kevin Kehl

BEng (Hons), GradCertElecSupplyEng

Acting Executive General Manager People and Corporate Services

Kevin has more than 30 years of experience in the electricity industry, across the networks sector. He joined Powerlink from Energy Queensland where he was Executive General Manager Strategy, Portfolio and Innovation.

Since joining Powerlink, Kevin has held various executive roles where he has led the strategy, business planning, network regulation, business development, network portfolio and business resilience functions, and a period as Interim Chief Executive.

Kevin leads People and Corporate Services overseeing the delivery and integration of the diverse portfolio of people and culture, business information technology, communications, and health, safety and environment functions that enables Powerlink's effective and efficient operations.



Ian Lowry

BEng (Hons), GradDipBus

Executive General Manager Delivery and Technical Solutions

Ian is an experienced senior leader and power systems engineer with around 20 years of experience in the electricity transmission industry.

Ian has extensive experience in strategy, asset management and investment planning, innovation, and work program delivery and management.

At Powerlink, Ian is responsible for leading Powerlink's community and delivery services, design solutions and infrastructure delivery functions.



Darryl Rowell

BCA, MBA, FCPA, GAICD

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, network regulation, and legal, business and risk services. He is also Powerlink's Company Secretary.

Statistical summary

Substations/switching stations and transformers added in 2020/21

| Voltage | Substations | | Transformers | | |
|--------------|--------------|----------|--------------|--------------------|---------------------|
| | Total number | Location | Total number | Total Rating (MVA) | Location |
| 330kV | 0 | | 0 | | |
| 275kV | 0 | | -1 | 375 | Kumbarilla Park #1* |
| 132kV | 0 | | 0† | | |
| 110kV | 0 | | 0 | | |
| Total | 0 | | 0 | | |

* Transformer No.1 at Kumbarilla Park is disconnected from the transmission network. † One transformer replaced: Kemmis (132kV/40MVA).

Substations/switching stations and communication sites as at 30 June 2021

| Voltage | Substations | Cable transitions | Communication sites |
|--------------|-------------|-------------------|---------------------|
| 330kV | 4 | 0 | |
| 275kV | 48 | 1 | |
| 132kV | 82 | 3 | |
| 110kV | 13 | 5 | |
| 66kV* | 0 | 0 | |
| Total | 147 | 9 | 54† |

* equal to or less than 66kV. † 1 communication site is decommissioned.

Capacitor banks, shunt reactors and Static VAr Compensators (SVCs) added in 2020/21

| 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 | -1 | -35.0 | 0 | 0.0 | Braemar #6 Reactor† |
| 132kV | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| 110kV | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| 66kV* | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| Total | 0 | 0.0 | -1 | -35.0 | 0 | 0.0 | |

* equal to or less than 66kV. † Data correction

Capacitor banks, shunt reactors and SVCs as at 30 June 2021

| Voltage | Capacitor banks | | Reactors | | SVCs | |
|--------------|-----------------|---------------|-----------|--------------|-----------|---------------|
| | Total | MVAr | Total | MVAr | Total | MVAr |
| 330kV | 3 | 440.0 | 4 | 144.0 | 0 | 0.0 |
| 275kV | 27 | 3760.0 | 17 | 811.0 | 8 | 2510.0 |
| 132kV | 35 | 1555.0 | 1 | 24.0 | 15 | 1881.0 |
| 110kV | 32 | 1775.2 | 0 | 0.0 | 0 | 0.0 |
| 66kV* | 4 | 76.0 | 1 | 18.4 | 0 | 0.0 |
| Total | 101 | 7606.2 | 23 | 997.4 | 23 | 4391.0 |

* equal to or less than 66kV

Circuit breakers as at 30 June 2021

| Voltage | Total number |
|--------------|--------------|
| 330kV | 30 |
| 275kV | 514 |
| 132kV | 547 |
| 110kV | 267 |
| 66kV* | 23 |
| Total | 1381 |

* equal to or less than 66kV

Circuit breakers added in 2020/21 (net)

| Voltage | Circuit breakers | Location |
|--------------|------------------|---|
| 330kV | 0 | |
| 275kV | -7 | Mudgeeraba (+2-2=0), Gin Gin (+2-4=-2), Bouldercombe (+1-3=-2), Nebo (-2), Blackstone (data correction -1) |
| 132kV | -7 | Woolooga (+1), Gin Gin (+1-2=-1), Nebo (+2-2=0), Calvale (+1), Mackay (+3), Columboola (+1-1=0), Clare South (-1, +1 data correction = 0), Bouldercombe (-1), Callide A (-10) |
| 110kV | -2 | Ashgrove West (+2-4=-2), Blackstone (data correction +1), Clare South (data correction -1) |
| 66kV* | 0 | |
| Total | -16 | |

* equal to or less than 66kV

Transmission lines and underground cables added in 2020/21

| Voltage | Transmission line | | Underground cable | |
|--------------|-------------------|------------|-------------------|------------|
| | Route km | Circuit km | Route km | Circuit km |
| 330kV | 73.1 | 143.0 | 0.0 | 0.0 |
| 275kV | -72.6 | -142.6 | 0.0 | 0.0 |
| 132kV | 1.4 | 6.4 | 0.0 | 0.0 |
| 110kV | 0.0 | 0.0 | 0.0 | 0.0 |
| 66kV | -0.6† | 0.0 | 0.0 | 0.0 |
| Total | 1.3 | 6.8 | 0.0 | 0.0 |

* equal to or less than 66kV. † Data correction

Note: Rated voltage changed from 275KV to 330KV for 73.1 route km (143 circuit km)

Five-year history of transmission lines and underground cables as at 30 June 2021

| Voltage [^] | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 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 | 354 | 695 | 354 | 695 | 427 | 838 |
| 275kV | 6693 | 9781 | 6693 | 9799 | 6724 | 9800 | 6722 | 9801 | 6649 | 9658 |
| 132kV | 2769 | 4420 | 2760 | 4402 | 2773 | 4399 | 2773 | 4401 | 2774 | 4407 |
| 110kV | 215 | 413 | 215 | 413 | 222 | 417 | 220 | 416 | 220 | 416 |
| 66kV* | 4 | 4 | 4 | 4 | 5 | 5 | 2 | 2 | 1 | 2 |
| Total lines | 10029 | 15314 | 10020 | 15314 | 10078 | 15316 | 10071 | 15315 | 10071 | 15321 |
| Underground cables | | | | | | | | | | |
| 275kV | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 132kV | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 6 | 6 |
| 110kV | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| 66kV* | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 |
| Total cables | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 24 | 24 |
| Total lines and cables | 10052 | 15337 | 10043 | 15337 | 10101 | 15339 | 10094 | 15338 | 10095 | 15345 |

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

Index and abbreviations

| TERM | ABBREVIATION | PAGE |
|-------|--|--------------------------|
| AEMC | Australian Energy Market Commission | 11 |
| AEMO | Australian Energy Market Operator | 8, 10, 11, 12 |
| AEMS | Advanced Energy Management System | 13 |
| AER | Australian Energy Regulator | ii, 1, 11, 12, 14 |
| ARENA | Australian Renewable Energy Agency | 10 |
| BESS | Battery energy storage system | 1, 10 |
| B4C | Bulimba Creek Catchment Coordinating Committee | 16 |
| CUC | Country Universities Centre | 16 |
| ENA | Energy Networks Australia | 11, 12 |
| EOI | Expression of Interest | 10 |
| EPRI | Electric Power Research Institute | 13 |
| ESB | Energy Security Board | 11 |
| ESMS | Electrical Safety Management System | 6 |
| GOC | Government Owned Corporation | ii, 19, 20, 22 |
| HSE | Health, safety and environment | 6, 7 |
| IEP | Integrated Electricity Pathways | 13 |
| ISP | Integrated System Plan | 8, 11, 12 |
| IWD | International Women's Day | 18 |
| km | kilometre | ii, 14, 28 |
| MW | Megawatt | 1, 5, 9, 12, 24 |
| MWh | Megawatt hour | 9 |
| NEM | National Electricity Market | 1, 9, 11 |
| NER | National Electricity Rules | ii, 11, 12, 14 |
| NSW | New South Wales | ii, 25 |
| PV | Photovoltaic | 9, 12, 13 |
| RAP | Reconciliation Action Plan | 1, 5, 17, 18 |
| REZ | Renewable Energy Zone | 1, 4, 10, 11, 12 |
| RIT-T | Regulatory Investment Test for Transmission | 8, 14 |
| RPRG | Revenue Proposal Reference Group | 4, 8 |
| SES | State Emergency Service | 16 |
| SCI | Statement of Corporate Intent | 2, 3, 12, 14, 19, 20, 22 |
| SLO | Social licence to operate | 8 |
| STPIS | Service Target Performance Incentive Scheme | 12 |
| TAPR | Transmission Annual Planning Report | 12 |
| TEC | Total Employment Cost | 23 |
| TNSP | Transmission Network Service Provider | ii, 11, 12 |

Powerlink Queensland

Financial Statements

2020/21



DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 2021 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 |
| Julienne Martin | 1 October 2011 | 30 September 2020 |
| Alan Millis | 1 October 2015 | n/a |
| Dr Lorraine Stephenson | 12 October 2017 | n/a |
| Sarah Zeljko | 20 December 2016 | n/a |
| Kevin Hegarty OAM | 1 October 2020 | n/a |
| Wayne Collins | 1 October 2020 | n/a |

Please refer to the 'Board of Directors' section of the Company's annual report 2020/21 for details of Directors' qualifications, experience and special responsibilities.

Company Secretary

Mr Darryl Rowell was appointed to the position of Company Secretary effective 1 February 2018. Details of Mr Rowell's qualifications, experience and special responsibilities are provided in this annual report.

Principal Activities

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

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

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

Dividends - Powerlink Queensland

The proposed 2020/21 final dividend \$87.0M is based on 100% of the operating profit after income tax equivalent expense after excluding non-controlling interest (2019/20: \$88.6M). During the year the Consolidated Entity paid a special/interim dividend of \$243.0M (2019/20: \$74.0M). The dividends will not be franked.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Review of Operations

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

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

No significant events occurred between the financial year end and the date of this 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 Environment and a Board Audit, Risk and Compliance Committee that monitors compliance with environmental regulations.

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

Emissions Reduction Fund

The Consolidated Entity does not trigger current thresholds for the 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 2019/20 were independently reviewed.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 2021, and the number 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 |
| Kathy Hirschfeld AM | 12 | 12 | 5 | 5 | 5 | 5 |
| Julienne Martin | 3 | 3 | ** | ** | 3 | 3 |
| Alan Millis | 12 | 12 | 5 | 5 | ** | ** |
| Dr Lorraine Stephenson | 12 | 12 | 5 | 5 | ** | ** |
| Sarah Zeljko | 12 | 12 | ** | ** | 5 | 5 |
| Kevin Hegarty OAM | 9 | 9 | 3 | 3 | ** | ** |
| Wayne Collins | 9 | 9 | ** | ** | 2 | 2 |

A= Number of meetings attended

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

** Not a member of the relevant committee

Remuneration Report of Key Management Personnel

Details of the remuneration of the key management personnel of the Consolidated Entity including the Directors and shareholding Ministers who have authority and responsibility for planning, directing and controlling the activities of the entity (as defined in AASB 124 Related Party Disclosures) are set out in Note 25.

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 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.

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 willful 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Indemnification and Insurance of Directors and Officers (continued)

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.

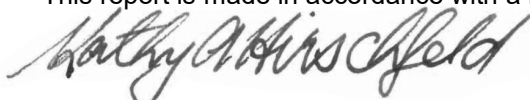
Auditor's Independence Declaration

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
26/08/2021

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 2021, 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.

Irshaad Asim

27 August 2021

Irshaad Asim
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|---|-------|------------------|----------------|
| REVENUE | | | |
| Revenue from contracts with customers | 2 | 984,478 | 969,850 |
| Other gains/(losses) | 3(a) | 730 | 912 |
| EXPENSES | | | |
| Expenses from continuing operations excluding finance costs expense | 3(b) | (640,611) | (610,492) |
| Finance costs | 3(c) | (220,220) | (233,470) |
| PROFIT BEFORE INCOME TAX EQUIVALENT | | 124,377 | 126,800 |
| Income tax equivalent expense | 4 | (37,408) | (38,224) |
| PROFIT FOR THE PERIOD | | 86,969 | 88,576 |
| OTHER COMPREHENSIVE INCOME | | | |
| Item that may be reclassified to profit or loss | | | |
| Cash flow hedges, net of tax | 18 | 231 | - |
| Items that will not be reclassified to profit or loss | | | |
| Gain on revaluation of property, plant and equipment, net of tax | 18 | 46,286 | 97,454 |
| Actuarial (losses)/gains on defined benefit superannuation fund, net of tax | 19 | 4,335 | (836) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | 50,852 | 96,618 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 137,821 | 185,194 |
| Profit is attributable to: | | | |
| Owners of Powerlink Queensland | | 86,954 | 88,573 |
| Non-controlling interests | | 15 | 3 |
| | | 86,969 | 88,576 |
| Total comprehensive income for the period is attributable to: | | | |
| Owners of Powerlink Queensland | | 137,806 | 185,191 |
| Non-controlling interests | | 15 | 3 |
| | | 137,821 | 185,194 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | 13,973 | 24,904 |
| Advances | 6 | 344,844 | 336,585 |
| Trade and other receivables | 7 | 94,469 | 89,513 |
| Inventories | 8 | 58,516 | 49,211 |
| Other current assets | | 6,156 | 4,812 |
| Total current assets | | 517,958 | 505,025 |
| NON-CURRENT ASSETS | | | |
| Defined benefit fund asset | 15 | 20,110 | 16,050 |
| Property, plant and equipment | 9 | 7,769,333 | 7,844,846 |
| Intangible assets | | 234 | - |
| Other non-current assets | | 12 | 12 |
| Total non-current assets | | 7,789,689 | 7,860,908 |
| Total assets | | 8,307,647 | 8,365,933 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 70,591 | 58,961 |
| Borrowings | 11 | 25,382 | - |
| Current tax equivalent liabilities | | 15,473 | (6,260) |
| Provisions | 13 | 136,656 | 134,397 |
| Other current liabilities | 14 | 18,321 | 23,979 |
| Total current liabilities | | 266,423 | 211,077 |
| NON-CURRENT LIABILITIES | | | |
| Interest bearing loans and borrowings | 11 | 5,216,846 | 5,265,221 |
| Deferred tax equivalent liabilities | 12 | 683,168 | 697,092 |
| Provisions | 13 | 2,322 | 2,235 |
| Other non-current liabilities | 14 | 283,056 | 288,500 |
| Total non-current liabilities | | 6,185,392 | 6,253,048 |
| TOTAL LIABILITIES | | 6,451,815 | 6,464,125 |
| Net assets | | 1,855,832 | 1,901,808 |
| EQUITY | | | |
| Share capital | 16 | 401,000 | 401,000 |
| Other equity | 17 | 153,384 | 7,228 |
| Other reserves | 18 | 1,167,097 | 1,173,397 |
| Retained earnings | 19 | 133,152 | 320,180 |
| Capital and reserves attributable to owners of Powerlink Queensland | | 1,854,633 | 1,901,805 |
| Non-controlling interests | 30(b) | 1,199 | 3 |
| Total equity | | 1,855,832 | 1,901,808 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

| Attributable to owners of Powerlink Queensland | | | | | | | |
|--|-------------------------|------------------------|--------------------------|-----------------------------|-----------------|-------------------------------------|------------------------|
| Notes | Share capital \$'000 | Other equity \$'000 | Other reserves \$'000 | Retained earnings \$'000 | Total \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
| CHANGES IN EQUITY FOR 2020 | | | | | | | |
| Balance at 1 July 2019 | 401,000 | - | 1,440,801 | 30,160 | 1,871,961 | - | 1,871,961 |
| Profit for the period | - | - | - | 88,573 | 88,573 | 3 | 88,576 |
| Other comprehensive income | - | - | 97,454 | (836) | 96,618 | - | 96,618 |
| Transfers between reserves and retained earnings | - | - | (364,857) | 364,857 | - | - | - |
| Total comprehensive income for the period | - | - | (267,403) | 452,594 | 185,191 | 3 | 185,194 |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | | | | |
| Contributions of equity, net of transaction costs and tax | 17 | - | 7,228 | - | 7,228 | - | 7,228 |
| Dividends provided for or paid | 23 | - | - | (162,573) | (162,573) | - | (162,573) |
| Total transactions with owners for the period | - | 7,228 | - | (162,573) | (155,345) | - | (155,345) |
| BALANCE AT 30 JUNE 2020 | 401,000 | 7,228 | 1,173,397 | 320,180 | 1,901,805 | 3 | 1,901,808 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

| Attributable to owners of Powerlink Queensland | | | | | | | |
|--|-------------------------|------------------------|--------------------------|-----------------------------|------------------|-------------------------------------|------------------------|
| Notes | Share capital \$'000 | Other equity \$'000 | Other reserves \$'000 | Retained earnings \$'000 | Total \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
| CHANGES IN EQUITY FOR 2021 | | | | | | | |
| Balance at 1 July 2020 | 401,000 | 7,228 | 1,173,397 | 320,180 | 1,901,805 | 3 | 1,901,808 |
| Profit for the period | - | - | - | 86,954 | 86,954 | 15 | 86,969 |
| Other comprehensive income | - | - | 46,517 | 4,335 | 50,852 | - | 50,852 |
| Transfers between reserves and retained earnings | - | - | (52,817) | 52,817 | - | - | - |
| Total comprehensive income for the period | - | - | (6,300) | 144,106 | 137,806 | 15 | 137,821 |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS: | | | | | | | |
| Contributions of equity, net of transaction costs and tax | 17 | - 146,156 | - | - | 146,156 | - | 146,156 |
| Equity issued to holders of non-controlling interests | | - | - | - | - | 1,181 | 1,181 |
| Dividends provided for or paid | 23 | - | - | (331,134) | (331,134) | - | (331,134) |
| Total transactions with owners for the period | | - 146,156 | - | (331,134) | (184,978) | 1,181 | (183,797) |
| BALANCE AT 30 JUNE 2021 | 401,000 | 153,384 | 1,167,097 | 133,152 | 1,854,633 | 1,199 | 1,855,832 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 961,597 | 944,319 |
| Payments to suppliers and employees | | (258,439) | (255,328) |
| Finance costs paid | | (206,101) | (219,550) |
| Income tax equivalent paid | | (51,393) | (57,855) |
| Interest received | | 2,752 | 5,185 |
| Net goods and services tax received/(paid) | | (782) | (40) |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 5(e) | 447,634 | 416,731 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for property, plant and equipment and intangible assets | | (245,965) | (175,952) |
| Proceeds from sale of property, plant and equipment | | 3,601 | 1,740 |
| Advances from/(to) Queensland Treasury | | (8,259) | (39,128) |
| NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES | | (250,623) | (213,340) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid to owners of Powerlink Queensland | | (331,577) | (188,039) |
| Repayment of borrowings | | (22,993) | - |
| Proceeds from issue of equity to owners of Powerlink Queensland | | 146,156 | 7,228 |
| Proceeds from issue of equity to non-controlling interest | | 1,181 | - |
| NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES | | (207,233) | (180,811) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | (10,222) | 22,580 |
| Cash and cash equivalents at the beginning of the year | | 24,904 | 2,324 |
| Effects of exchange rate changes on cash and cash equivalents | | (709) | - |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 5 | 13,973 | 24,904 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial report are set out within this report. 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) General Information

The consolidated financial statements consist of Powerlink Queensland and its subsidiaries.

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

Its registered office is:

33 Harold Street
Virginia Qld 4014

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.

The financial statements were authorised for issue by the Directors on 26/08/2021. The Directors have the power to amend and reissue the financial statements.

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

(b) 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).

(i) Functional and Presentation Currency

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

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.

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

(ii) Historical Cost Convention

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(iii) Basis of Consolidation

The financial statements of the Consolidated Entity have been prepared using consistent accounting policies. Where material differences were identified between subsidiaries, adjustments have been made on consolidation.

(iv) Critical Accounting Estimates

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

(c) New or Revised Standards or Interpretations

The Consolidated Entity has reviewed all new accounting standards and interpretations effective from 1 July 2020 and concluded that there will be no material impact.

NOTE 2: REVENUE

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| REVENUE | | |
| Revenue from contracts with customers | | |
| Grid sales revenue | 950,461 | 940,061 |
| Total revenue from contracts with customers | 950,461 | 940,061 |
| Other revenue | | |
| Interest | 2,634 | 4,777 |
| Other items | 31,383 | 25,012 |
| TOTAL REVENUES FROM CONTINUING OPERATIONS | 984,478 | 969,850 |

ACCOUNTING POLICIES

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.

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.

Regulated grid revenue is recognised on an as-billed basis in relation to services provided within the period, and may vary from the annual regulated revenue allowance with over or under recoveries being refunded or recovered in subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 2: REVENUE (CONTINUED)

Grid Sales Revenue (Continued)

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).

Interest

Interest income is recognised in the Statement of Profit or Loss as it accrues, using the effective interest rate method.

Other Items

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.

NOTE 3: OTHER INCOME AND EXPENSE ITEMS

(a) Other Gains/(losses)

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| OTHER GAINS/(LOSSES) | | |
| Net gain/(loss) on disposal of property, plant and equipment | 730 | 912 |
| TOTAL OTHER GAINS/(LOSSES) | 730 | 912 |

(b) Expenses from Continuing Operations Excluding Finance Costs Expense

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Continuing operating expenses | | |
| Network operations | 17,761 | 17,683 |
| Network maintenance | 131,655 | 129,602 |
| Corporate/business support | 83,628 | 77,273 |
| Other | 23,068 | 15,680 |
| Depreciation and amortisation expense | 384,499 | 370,254 |
| TOTAL EXPENSES FROM CONTINUING OPERATIONS EXCLUDING FINANCE COSTS EXPENSE | 640,611 | 610,492 |
| Employee benefits included in total expenses from continuing operations excluding finance costs expense | | |
| Employee benefit expense through profit or loss | 124,974 | 124,529 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 3: OTHER INCOME AND EXPENSE ITEMS (CONTINUED)

(c) Finance Costs

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------|----------------|----------------|
| FINANCE COSTS | | |
| Interest expense | 142,312 | 156,458 |
| Other | 77,908 | 77,012 |
| TOTAL FINANCE COSTS EXPENSED | 220,220 | 233,470 |

ACCOUNTING POLICIES

Finance Costs

Finance 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 finance costs associated with the qualifying capital projects. All borrowing costs are expensed as incurred.

Employee Benefits

Refer to Note 24 for accounting policies related to employee benefits.

NOTE 4: INCOME TAX EQUIVALENT EXPENSE

(a) Income Tax Equivalent Expense

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|-----------------|-----------------|
| INCOME TAX EQUIVALENT EXPENSE | | | |
| Current tax | | 73,148 | 61,304 |
| Deferred tax | | (35,740) | (23,080) |
| TOTAL INCOME TAX EQUIVALENT EXPENSE | | 37,408 | 38,224 |
| DEFERRED INCOME TAX (BENEFIT)/EXPENSE | | | |
| (Increase)/decrease in deferred tax equivalent assets | 12(a) | (3,644) | (863) |
| (Decrease)/increase in deferred tax equivalent liabilities | 12(b) | (32,096) | (22,217) |
| TOTAL DEFERRED TAX (BENEFIT)/EXPENSE | | (35,740) | (23,080) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: INCOME TAX EQUIVALENT EXPENSE (CONTINUED)

(b) Numerical Reconciliation of Income Tax Equivalent Expense to Prima Facie Tax Payable

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Profit from continuing operations before income tax equivalent expense | 124,377 | 126,800 |
| Tax equivalent at the Australian tax rate of 30.0% (2020 - 30.0%) | 37,313 | 38,040 |
| INCREASE/(DECREASE) IN INCOME TAX EQUIVALENT EXPENSE DUE TO: | | |
| Other differences | (44) | 94 |
| Prior year adjustments | 139 | 90 |
| TOTAL INCOME TAX EQUIVALENT EXPENSE | 37,408 | 38,224 |

(c) Amounts Recognised Directly in Equity

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| DEFERRED TAX EQUIVALENT RECOGNISED DIRECTLY IN EQUITY | | |
| Net deferred tax equivalent - debited (credited) directly to equity | 21,794 | 41,408 |

(d) Tax Expense/(Benefit) Relating to Items of Other Comprehensive Income

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|----------------|----------------|
| Gains on revaluation of property, plant and equipment | 18 | 19,837 | 41,766 |
| Cash flow hedges | 18 | 99 | - |
| Remeasurement of defined benefit fund asset | | 1,858 | (358) |
| TOTAL TAX EXPENSE/(BENEFIT) RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME | | 21,794 | 41,408 |

Refer to Note 12 for accounting policies related to taxation.

NOTE 5: CASH AND CASH EQUIVALENTS

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| CURRENT ASSETS | | |
| Bank balances | 3,172 | 8,021 |
| Cash on deposit with Qld Treasury Corporation (QTC) | 10,801 | 16,883 |
| TOTAL CASH AND CASH EQUIVALENTS | 13,973 | 24,904 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 5: CASH AND CASH EQUIVALENTS (CONTINUED)

(a) 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.

Contained within Cash on deposit with QTC, is a foreign currency bank balance of USD 1.1M (2020: USD 1.4M) and short term deposits of USD 4.1M (2020: USD 6.5M) which are used for operational purposes, and which have been translated into the functional currency using the applicable exchange rate at the end of the financial year.

(b) 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.

(c) Fair Value

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

(d) Risk Exposure

The Consolidated Entity's exposure to interest rate risk is discussed in Note 20. 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.

(e) Reconciliation of Profit After Income Tax Equivalent to Net Cash Inflow from Operating Activities

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Profit for the period | 86,969 | 88,576 |
| ADJUSTMENT FOR: | | |
| Depreciation and amortisation | 384,497 | 370,254 |
| Net (gain)/loss on sale of non-current assets | (730) | (912) |
| Net exchange differences | 709 | - |
| CHANGE IN OPERATING ASSETS AND LIABILITIES: | | |
| (Increase)/decrease in trade receivables | (4,956) | (4,860) |
| (Increase)/decrease in inventories | (9,305) | (5,466) |
| (Increase)/decrease in deferred tax equivalent assets | (3,622) | (863) |
| (Decrease)/increase in trade and other payables | 528 | (15,110) |
| (Decrease)/increase in provision for income tax equivalent payable | 21,733 | 3,449 |
| (Decrease)/increase in deferred tax equivalent liabilities | (32,096) | (22,217) |
| (Decrease)/increase in other provisions | 2,789 | 3,899 |
| (Increase)/decrease in other assets | 1,118 | (19) |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 447,634 | 416,731 |

ACCOUNTING POLICIES

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 6: ADVANCES

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Advances to QTC | 344,844 | 336,585 |
| TOTAL ADVANCES | 344,844 | 336,585 |

ACCOUNTING POLICIES

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 Corporation (QTC) for use by Queensland Treasury. QTC pays interest on these advances at its 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.

NOTE 7: TRADE AND OTHER RECEIVABLES

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| CURRENT ASSETS | | |
| Trade receivables | 89,961 | 85,578 |
| Prepayments | 4,393 | 3,701 |
| Other | 115 | 234 |
| TOTAL TRADE AND OTHER RECEIVABLES | 94,469 | 89,513 |

ACCOUNTING POLICIES

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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For further information on the Consolidated Entity's impairment policies refer to Note 20(c).

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 20.

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

The Consolidated Entity has not had a history of bad debts, other than in exceptional circumstances - refer Note 20(c). The Company has done an assessment based on the continuing impact of the Covid-19 pandemic and does not consider it necessary to raise a provision for the impairment of receivables as all receivables are considered recoverable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 8: INVENTORIES

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------------|----------------|----------------|
| CURRENT ASSETS | | |
| Maintenance and Construction Stock | 58,516 | 49,211 |
| TOTAL INVENTORIES | 58,516 | 49,211 |

ACCOUNTING POLICIES

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. The Consolidated Entity undertakes an annual review of inventory to identify any obsolete stock in addition to providing for any costs associated with their disposal (refer Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | Work in Progress \$'000 | Freehold Land and Easements \$'000 | Buildings \$'000 | Supply System Assets \$'000 | Other Property, Plant and Equipment \$'000 | Total \$'000 |
|---------------------------------|-------------------------------|---|---------------------|--------------------------------------|--|------------------|
| AT 1 JULY 2019 | | | | | | |
| 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) |
| NET BOOK AMOUNT | 284,082 | 700,116 | 77,684 | 6,774,574 | 64,299 | 7,900,755 |
| YEAR ENDED 30 JUNE 2020 | | | | | | |
| Opening net book amount | 284,082 | 700,116 | 77,684 | 6,774,574 | 64,299 | 7,900,755 |
| Revaluation surplus | - | 12,899 | 1,439 | 124,881 | - | 139,219 |
| Additions | 179,477 | - | - | - | - | 179,477 |
| Disposals | (2,234) | (1,714) | - | (389) | (62) | (4,399) |
| Transfers | 48 | - | - | (36) | 36 | 48 |
| Transfers from work in progress | (83,869) | 1,665 | 312 | 48,635 | 33,257 | - |
| Depreciation charge | - | - | (3,274) | (343,162) | (23,818) | (370,254) |
| CLOSING NET BOOK AMOUNT | 377,504 | 712,966 | 76,161 | 6,604,503 | 73,712 | 7,844,846 |
| AT 1 JULY 2020 | | | | | | |
| Cost or fair value | 377,504 | 712,966 | 117,656 | 10,466,500 | 217,821 | 11,892,447 |
| Accumulated depreciation | - | - | (41,495) | (3,861,997) | (144,109) | (4,047,601) |
| NET BOOK AMOUNT | 377,504 | 712,966 | 76,161 | 6,604,503 | 73,712 | 7,844,846 |
| YEAR ENDED 30 JUNE 2021 | | | | | | |
| Opening net book amount | 377,504 | 712,966 | 76,161 | 6,604,503 | 73,712 | 7,844,846 |
| Revaluation surplus | - | 6,105 | 725 | 59,293 | - | 66,123 |
| Additions | 247,079 | - | - | - | - | 247,079 |
| Disposals | (1,449) | (2,868) | - | (1) | (2) | (4,320) |
| Transfers from work in progress | (144,355) | (18) | 3,013 | 106,555 | 34,805 | - |
| Depreciation charge | - | - | (3,320) | (352,298) | (28,777) | (384,395) |
| CLOSING NET BOOK AMOUNT | 478,779 | 716,185 | 76,579 | 6,418,052 | 79,738 | 7,769,333 |
| AT 30 JUNE 2021 | | | | | | |
| Cost or fair value | 478,779 | 716,185 | 124,644 | 10,652,347 | 244,667 | 12,216,622 |
| Accumulated depreciation | - | - | (48,065) | (4,234,295) | (164,929) | (4,447,289) |
| NET BOOK AMOUNT | 478,779 | 716,185 | 76,579 | 6,418,052 | 79,738 | 7,769,333 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------|----------------|----------------|
| Freehold land and easements | 463,860 | 465,542 |
| Buildings | 61,966 | 61,650 |
| Supply system assets | 4,895,766 | 5,053,342 |

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Powerlink's supply system assets, freehold land and buildings and easements are carried at fair value.

The Consolidated Entity has classified its non-financial assets and liabilities into three fair value hierarchy levels prescribed under the accounting standards. An explanation of each level is contained in Note 21. Property, Plant and Equipment has been classified under level 3 in determining fair value.

An income based approach to valuation was undertaken by Powerlink as at 30 June 2021 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 25 year period based on post-tax forecasts consistent with existing regulatory determinations and methodologies and assuming an average growth rate using the Consumer Price Index (CPI) which is assessed to be the best estimate of future inflation for years beyond the current determination period;
- inclusion of a terminal value calculated using the Gordon growth model and assuming an annual growth rate using the CPI which is assessed to be the best estimate of future inflation; and
- application of a regulatory discount rate ranging between 4% and 6%.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICIES

Supply system assets, freehold land and easements, and buildings are measured at fair value. Work in progress is valued at historic cost. All other property, plant and equipment are valued at historical cost less depreciation.

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.

Subsequent Costs

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

Revaluation

Supply system assets, freehold land and easements, and buildings are revalued in line with CPI (Weighted Average of Eight Capital Cities Index) at the end of each financial year.

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 based on expected future cash flows to ensure the revalued asset amounts do not differ materially from fair value. The application of this policy to existing assets is reviewed by the Directors at each reporting date.

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- 60 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

Fair Value of Property, Plant and Equipment

Due to the absence of an active market, the Consolidated Entity measures the fair value of the supply system assets, freehold land and easements, and buildings 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.

NOTE 10: TRADE AND OTHER PAYABLES

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------|----------------|----------------|
| CURRENT LIABILITIES | | |
| Trade payables | 39,253 | 33,770 |
| Deposits | 3,486 | 1,698 |
| Other payables | 27,852 | 23,493 |
| TOTAL TRADE AND OTHER PAYABLES | 70,591 | 58,961 |

ACCOUNTING POLICIES

These amounts represent unsecured liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. 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.

NOTE 11: INTEREST BEARING LOANS AND BORROWINGS

| | Current \$'000 | 2021 Non- current \$'000 | Total \$'000 | Current \$'000 | 2020 Non- current \$'000 | Total \$'000 |
|---------------------------------------|-------------------|-----------------------------------|------------------|-------------------|-----------------------------------|------------------|
| UNSECURED | | | | | | |
| Queensland Treasury Corporation | 25,382 | 5,216,846 | 5,242,228 | - | 5,265,221 | 5,265,221 |
| TOTAL UNSECURED BORROWINGS | 25,382 | 5,216,846 | 5,242,228 | - | 5,265,221 | 5,265,221 |

Further information relating to loans from related parties is set out in Note 29.

(a) Compliance with Loan Covenants

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 11: INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(b) Fair Value

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

| | 2021 | | 2020 | |
|---|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Queensland Treasury Corporation | 5,242,228 | 5,564,221 | 5,265,221 | 5,742,378 |
| TOTAL CARRYING AMOUNT/FAIR VALUE | 5,242,228 | 5,564,221 | 5,265,221 | 5,742,378 |

(c) On-balance Sheet

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 as detailed in Note 21.

(d) Risk Exposures

Information about the Consolidated Entity's exposure to interest rate and foreign exchange risk is provided in Note 20.

ACCOUNTING POLICIES

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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: DEFERRED TAX BALANCES

(a) Deferred Tax Equivalent Assets

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|----------------|----------------|
| THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO: | | | |
| Accruals | | 78 | 68 |
| Provisions | | 16,747 | 14,495 |
| Cash flow hedges | | - | 22 |
| Contract liabilities | | 10,021 | 8,639 |
| TOTAL DEFERRED TAX EQUIVALENT ASSETS | | 26,846 | 23,224 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 12(b) | (26,846) | (23,224) |
| NET DEFERRED TAX EQUIVALENT ASSETS | | - | - |
| MOVEMENTS: | | | |
| Opening balance | | 23,224 | 22,361 |
| Credited/(charged) to profit or loss | | 3,644 | 863 |
| Credited/(charged) to equity | | (22) | - |
| Closing balance | | 26,846 | 23,224 |
| Deferred tax assets expected to be recovered within 12 months | | 16,090 | 13,893 |
| Deferred tax assets expected to be recovered after more than 12 months | | 10,756 | 9,331 |
| CLOSING BALANCE | | 26,846 | 23,224 |

(b) Deferred Tax Equivalent Liabilities

| | Notes | 2021 \$'000 | 2020 \$'000 |
|---|-------|----------------|----------------|
| THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO: | | | |
| Property, plant and equipment | | 693,928 | 702,886 |
| Receivables | | 598 | 503 |
| Prepayments | | 36 | 36 |
| Cash and term deposit | | (212) | - |
| Defined benefit fund surplus | | 6,033 | 4,815 |
| Inventories | | 9,532 | 12,076 |
| Cash flow hedges | | 99 | - |
| TOTAL DEFERRED TAX EQUIVALENT LIABILITIES | | 710,014 | 720,316 |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 12(a) | (26,846) | (23,224) |
| NET DEFERRED TAX EQUIVALENT LIABILITIES | | 683,168 | 697,092 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: DEFERRED TAX BALANCES (CONTINUED)

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| MOVEMENTS: | | |
| Opening balance | 720,316 | 701,125 |
| Charged/(credited) to profit or loss | (32,096) | (22,217) |
| Charged/(credited) to equity | 21,794 | 41,408 |
| Closing balance | 710,014 | 720,316 |
| Deferred tax liabilities expected to be settled within 12 months | 10,053 | 12,616 |
| Deferred tax liabilities expected to be settled after more than 12 months | 699,961 | 707,700 |
| CLOSING BALANCE | 710,014 | 720,316 |

ACCOUNTING POLICIES

Income Taxes

Tax Equivalents

The Group is liable to make tax equivalent payments on its taxable income to the Queensland Government. Any taxation payments that it is required to make will be made pursuant to Section 129(4) of the GOC Act.

The National Tax Equivalents Regime (NTER) broadly utilises the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and associated legislation, the NTER Manual as well as Rulings and other pronouncements by the Australian Taxation Office (ATO), in order to determine the tax payable by the Group.

Current Tax Equivalent Payable/Receivable

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 Tax Equivalent Assets and Liabilities

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.

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 that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: DEFERRED TAX BALANCES (CONTINUED)

Income Tax Equivalent Expense

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.

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 recognised in other comprehensive income or directly in equity, respectively.

Tax Consolidation Legislation

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.

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.

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.

During the financial year legislation was passed to allow for the temporary full expensing of eligible new assets for tax purposes from 6 October 2020 to 30 June 2023. The Consolidated Entity has taken advantage of this tax concession for all identified eligible assets.

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 consolidated balance sheet.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 12: DEFERRED TAX BALANCES (CONTINUED)

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

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.

NOTE 13: PROVISIONS

| | Current \$'000 | 2021 Non- current \$'000 | Total \$'000 | Current \$'000 | 2020 Non- current \$'000 | Total \$'000 |
|-------------------------------------|-------------------|-----------------------------------|-----------------|-------------------|-----------------------------------|-----------------|
| Dividends | 88,134 | - | 88,134 | 88,573 | - | 88,573 |
| Employee benefits | 45,884 | 2,266 | 48,150 | 43,385 | 2,031 | 45,416 |
| Onerous contracts | 166 | 56 | 222 | 164 | 204 | 368 |
| Restructuring costs | 370 | - | 370 | - | - | - |
| Unresolved Easement Compensation | 2,080 | - | 2,080 | 2,230 | - | 2,230 |
| Other | 22 | - | 22 | 45 | - | 45 |
| TOTAL PROVISIONS | 136,656 | 2,322 | 138,978 | 134,397 | 2,235 | 136,632 |

(a) Information About Individual Provisions and Significant Estimates

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 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 \$34.2M (2020: \$31.5M) of the current provision for employee entitlements will be settled more than 12 months after the reporting date.

Onerous Contracts

In 2012 the Consolidated Entity entered into a 10 year 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 have been sublet for the remaining lease term, however 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.

Restructuring Costs

The restructuring provision reflects redundancy costs associated with a review of the Consolidated Entity's organisational structure and operations.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 13: PROVISIONS (CONTINUED)

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.

(b) Movements in Provisions

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

| | Dividends \$'000 | Onerous Contracts \$'000 | Restructuring Obligations \$'000 | Unresolved Easement Compensation \$'000 | Other \$'000 | Total \$'000 |
|----------------------------------|---------------------|--------------------------------|--|--|-----------------|-----------------|
| Opening balance | 88,573 | 368 | - | 2,230 | 45 | 91,216 |
| Additional provisions recognised | 88,134 | - | 370 | - | - | 88,504 |
| Unused amounts reversed | - | - | - | - | (23) | (23) |
| Unwinding of discount | - | 32 | - | - | - | 32 |
| Amounts used | (88,573) | (178) | - | (150) | - | (88,901) |
| CLOSING BALANCE | 88,134 | 222 | 370 | 2,080 | 22 | 90,828 |

ACCOUNTING POLICIES

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 14: OTHER LIABILITIES

| | Current \$'000 | 2021 Non- current \$'000 | Total \$'000 | Current \$'000 | 2020 Non- current \$'000 | Total \$'000 |
|--------------------------------|-------------------|-----------------------------------|-----------------|-------------------|-----------------------------------|-----------------|
| Unearned Revenue | 11,766 | - | 11,766 | 17,781 | - | 17,781 |
| Contract Liability | 6,555 | 282,944 | 289,499 | 6,197 | 288,399 | 294,596 |
| Other | - | 112 | 112 | 1 | 101 | 102 |
| TOTAL OTHER LIABILITIES | 18,321 | 283,056 | 301,377 | 23,979 | 288,500 | 312,479 |

ACCOUNTING POLICIES

Unearned Revenue

Unearned revenues 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.

Contract Liabilities

Contract liabilities represent unearned income associated with contracts that have been identified to include a significant financing component in accordance with the definitions defined within AASB 15 (Revenue from contracts with customers).

NOTE 15: SUPERANNUATION COMMITMENTS

(a) Superannuation Plan

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

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 included in Note 3(b).

(b) 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:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Fair value of defined benefit plan assets | 74,322 | 67,804 |
| Present value of the defined benefit obligation | (54,212) | (51,754) |
| NET SURPLUS/(DEFICIT) IN THE CONSOLIDATED BALANCE SHEET | 20,110 | 16,050 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 15: SUPERANNUATION COMMITMENTS (CONTINUED)

(c) 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 November 2019 for the period ending 30 June 2019.

During the most recent review it was noted by the actuary that the defined benefit section of the plan is able to meet its existing and future liabilities without employer contributions. The Consolidated Entity, on the advice previously received from the fund actuary, ceased employer contributions to the defined benefits fund plan effective from 1 July 2015 and will continue until advised otherwise by the actuary to the fund.

ACCOUNTING POLICIES

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. 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 their employer to make contributions to a defined contribution plan of their choice.

A liability or asset in respect of the defined benefit superannuation plan is recognised in the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 16: SHARE CAPITAL

| | Notes | 2021 Shares | 2020 Shares | 2021 \$'000 | 2020 \$'000 |
|---------------------------------|-------|--------------------|--------------------|----------------|----------------|
| ORDINARY SHARES | | | | | |
| Fully paid | 16(a) | 401,000,000 | 401,000,000 | 401,000 | 401,000 |
| TOTAL CONTRIBUTED EQUITY | | 401,000,000 | 401,000,000 | 401,000 | 401,000 |

(a) 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 2021.

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

(b) 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.

ACCOUNTING POLICIES

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.

NOTE 17: OTHER EQUITY

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------|----------------|----------------|
| Other equity | 153,384 | 7,228 |
| TOTAL OTHER EQUITY | 153,384 | 7,228 |

During the year the owner (Queensland Government) contributed \$147.0M to partially fund Powerlink's construction of the transmission line connection of the Genex Clean Energy Hub in North Queensland (Kidston Pumped Storage Hydro Project) to the national electricity grid. A reduction of \$0.8M was recognised in other equity to reflect the amount attributable to non-controlling interest.

ACCOUNTING POLICIES

Where assets and liabilities are transferred between entities of the wholly-owned group or State of Queensland controlled entities under the direction of the owner (being the State of Queensland), the equity contribution is adjusted to reflect the amount attributable to non-controlling interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 18: OTHER RESERVES

| | 2021 \$'000 | 2020 \$'000 |
|---|------------------|----------------|
| RESERVES | | |
| Revaluation surplus - property, plant and equipment | 1,166,866 | 1,173,397 |
| Cash flow hedges | 231 | - |
| TOTAL RESERVES | 1,167,097 | 1,173,397 |

(a) Nature and Purpose of Reserves

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. 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.

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.

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|------------------|----------------|
| MOVEMENTS: | | | |
| Revaluation surplus - property, plant and equipment | | | |
| Opening balance | | 1,173,397 | 1,440,801 |
| Revaluation - gross | | 66,123 | 139,219 |
| Deferred tax | 4(d) | (19,837) | (41,766) |
| Transfer to retained earnings | | (52,817) | (364,857) |
| Closing balance | | 1,166,866 | 1,173,397 |
| Cash flow hedges | | | |
| Revaluation - gross | | 330 | - |
| Deferred tax | 4(d) | (99) | - |
| Closing balance | | 231 | - |
| TOTAL RESERVES | | 1,167,097 | 1,173,397 |

During the year the Company transferred from the revaluation reserve to retained earnings a revaluation surplus of \$52.8M (2020: \$364.9M). This surplus reflects the difference between depreciation based on the revalued carrying amount of assets and depreciation based on the assets' original costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 19: RETAINED EARNINGS

Movements in retained earnings were as follows:

| | Notes | 2021 \$'000 | 2020 \$'000 |
|--|-------|----------------|----------------|
| Opening balance | | 320,180 | 30,160 |
| Net profit for the period | | 86,954 | 88,573 |
| Dividends | 23 | (331,134) | (162,573) |
| Actuarial gains/(losses) and tax on remeasurement of defined benefit plan assets | | 5,053 | (1,352) |
| Defined benefit fund contributions tax | | (718) | 515 |
| Transfer from revaluation surplus | | 52,817 | 364,857 |
| CLOSING BALANCE | | 133,152 | 320,180 |

NOTE 20: 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 speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent 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 commitment or contracted exposure exists and the amount exceeds a Board approved threshold.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

Exposure

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

| | 2021 USD \$'000 | 2020 USD \$'000 |
|---|-----------------------|-----------------------|
| Foreign currency forwards | | |
| - buy foreign currency (cash flow hedges) | 9,038 | - |

All forward foreign exchange contracts are hedging against forecast purchases.

(ii) Interest Rate Risk

The Consolidated Entity's main interest rate risk would normally arise from long term borrowings. However, under the lending arrangements provided by QTC, the Company's borrowings are largely funded by fixed rate debt instruments with various terms to maturity which produce a relatively stable average interest rate.

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. All borrowings were denominated in Australian dollars.

(iii) 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.

(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.

The Company is primarily exposed to credit related losses through its provision of electricity transmission services to a small number of large, reputable customers (electricity generators, distributors and direct connect loads). 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.

Powerlink has undertaken an assessment based on the ongoing impact of the Covid-19 pandemic and does not consider it necessary to raise a provision for the impairment of receivables as all receivables are considered recoverable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit Risk (continued)

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.

Impaired Trade Receivables

The Consolidated Entity has recognised a loss of NIL (2020: NIL) in respect of impaired trade receivables during the year ended 30 June 2021.

Trade Receivables Past Due but Not Impaired

As of 30 June 2021, trade receivables of \$0.7M (2020: \$1.8M) 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:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Up to 3 months | 710 | 1,781 |
| 3 to 6 months | 14 | 4 |
| Greater than 6 months | 9 | 5 |
| TOTAL TRADE RECEIVABLES PAST DUE BUT NOT IMPAIRED | 733 | 1,790 |

(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, in addition to assessing the impact of exceptional circumstances such as the Covid-19 pandemic. 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. During the year, the Consolidated Entity restructured a proportion of the interest bearing loans to both principal and interest repayment, with the remaining amount continuing to be interest only. The amounts disclosed in the 30 June 2021 table reflect the restructured position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

| Contractual maturities of financial liabilities At 30 June 2021 | 0 - 12 months \$'000 | Between 1 and 5 years \$'000 | Over 5 years \$'000 | Total contractual cash flows \$'000 | Carrying amount (assets)/ liabilities \$'000 |
|--|-------------------------|---------------------------------|------------------------|--|---|
| NON-DERIVATIVES | | | | | |
| Trade and other payables | 70,591 | - | - | 70,591 | 70,591 |
| Interest bearing loans and borrowings | 165,829 | 662,976 | 5,257,177 | 6,085,981 | 5,242,228 |
| TOTAL NON-DERIVATIVES | 236,420 | 662,976 | 5,257,177 | 6,156,572 | 5,312,819 |

| Contractual maturities of financial liabilities At 30 June 2020 | 0 - 12 months \$'000 | Between 1 and 5 years \$'000 | Over 5 years \$'000 | Total contractual cash flows \$'000 | Carrying amount (assets)/ liabilities \$'000 |
|--|-------------------------|---------------------------------|------------------------|--|---|
| NON-DERIVATIVES | | | | | |
| Trade and other payables | 58,961 | - | - | 58,961 | 58,961 |
| Interest bearing loans and borrowings | 174,067 | 719,683 | 5,334,329 | 6,228,078 | 5,265,221 |
| TOTAL NON-DERIVATIVES | 233,028 | 719,683 | 5,334,329 | 6,287,039 | 5,324,182 |

NOTE 21: FAIR VALUE MEASUREMENTS

ACCOUNTING POLICIES

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 equity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 22: CAPITAL RISK MANAGEMENT

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

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

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Note 11, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, other equity, reserves and retained earnings as disclosed in Notes 16, 17, 18 and 19 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 2021/22 financial year will be sufficient to meet operational requirements including the payment of the dividend for the 2020/21 year.

There have not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2020.

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.

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------|----------------|----------------|
| Total debt | 5,242,228 | 5,265,221 |
| Property, plant and equipment | 7,769,333 | 7,844,846 |
| Gearing ratio | 67.5 % | 67.1 % |

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2021, the Consolidated Entity had both short and long term borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 23: DIVIDENDS

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------------|----------------|----------------|
| ORDINARY SHARES | | |
| Unfranked special/interim dividend | 244,180 | 74,000 |
| Unfranked final dividend proposed | 86,954 | 88,573 |
| TOTAL DIVIDENDS | 331,134 | 162,573 |

The 2020/21 final dividend is based on 100% (2020: 100%) of operating profit after income tax equivalent expense after excluding non-controlling interest.

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

ACCOUNTING POLICIES

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.

NOTE 24: EMPLOYEE BENEFITS

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

(a) At-Risk Performance Remuneration

Employees of the Consolidated Entity are eligible for performance payments based on individual efforts against a range of key performance behaviours and performance objectives contained in individual performance agreements and taking into consideration the overall performance of the Consolidated Entity. In addition, award employees are eligible for a gainsharing payment based on corporate results.

At-risk performance payments are paid in the current financial year for the preceding financial year. During 2021, no performance payments nor gainsharing payments were paid. Performance payments and gainsharing payments paid in 2020 were related to the 2019 financial year.

| | 2020/21 | 2019/20 |
|--|-----------------|----------|
| Aggregate at-risk performance remuneration paid | \$NIL | \$2.9M |
| Number of employees receiving performance payments | NIL | 726 |
| Total salaries and wages paid | \$146.4M | \$135.9M |

(b) Number of Employees

Number of employees (full time equivalents) at year end: 939 (2020: 892)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 24: EMPLOYEE BENEFITS (CONTINUED)

ACCOUNTING POLICIES

Employee Benefits

Wages and Salaries, Annual Leave, Long Service Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulated sick 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. Liabilities expected to be settled more than 12 months after the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

For long service leave, consideration is also given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments relating to such liabilities are discounted using market yields at the reporting date with terms to maturity and currency that match, as closely as possible, to the estimated future cash outflows.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Annual leave, vested long service leave and on-cost entitlements accrued but not expected to be taken within 12 months have been included as part of current liabilities as the Consolidated Entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Termination Benefits

Liabilities for termination benefits are recognised for the obligation to provide termination payments to employees where there is a valid expectation in those affected that the Consolidated Entity will progress with a restructuring and associated terminations.

CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

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.

NOTE 25: 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 Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy (to 11 November 2020)
- The Honourable Michael de Brenni MP, Minister for Energy, Renewables and Hydrogen, and Minister for Public Works and Procurement (from 12 November 2020)
- The Honourable Cameron Dick MP, Treasurer and Minister for Investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(a) Shareholding Ministers (continued)

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.

(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 |
| 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 2023 |
| Sarah Zeljko | Non-Executive Director | 20 December 2016 | 30 September 2022 |
| Kevin Hegarty OAM | Non-Executive Director | 1 October 2020 | 30 September 2023 |
| Wayne Collins | Non-Executive Director | 1 October 2020 | 30 September 2023 |

(c) Other Key Management Personnel

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Details of Remuneration

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. The current base remuneration was last reviewed with effect from 28 October 2014.

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.

(i) Directors

| | Short Term Benefits | | Post Employment Benefits | | Total | |
|--------------------------------|---------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| DIRECTORS' REMUNERATION | | | | | | |
| Kathy Hirschfeld AM | 99 | 99 | 9 | 9 | 108 | 108 |
| Julienne Martin | 12 | 50 | 1 | 5 | 13 | 55 |
| Alan Millis | 51 | 51 | 5 | 5 | 56 | 56 |
| Dr Lorraine Stephenson | 50 | 50 | 5 | 5 | 55 | 55 |
| Sarah Zeljko | 51 | 51 | 5 | 5 | 56 | 56 |
| Kevin Hegarty OAM | 37 | - | 4 | - | 41 | - |
| Wayne Collins | 37 | - | 4 | - | 41 | - |
| TOTAL | 337 | 301 | 33 | 29 | 370 | 330 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Details of Remuneration (continued)

(ii) Other Key Management Personnel

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

| 2021 | Short Term | | Post-Employment Benefits ³ \$'000 | Other Long Term Benefits ⁴ \$'000 | Termination Benefits ⁵ \$'000 | Total \$'000 |
|---|----------------------------------|-----------------------------------|---|---|---|-----------------|
| | Short Term Benefits ¹ | Performance Payments ² | | | | |
| | \$'000 | \$'000 | | | | |
| P Simshauser - Chief Executive | 735 | - | 69 | 20 | - | 824 |
| D Rowell - Chief Financial Officer | 410 | - | 25 | 10 | - | 445 |
| K Kehl - Executive General Manager People & Corporate Services ⁶ | 424 | - | 35 | 11 | - | 470 |
| S Bell - Executive General Manager Network and Business Development ⁷ | 332 | - | 56 | 11 | - | 399 |
| G Edwards - Executive General Manager Operations and Service Delivery | 325 | - | 30 | 9 | - | 364 |
| J Bridge - Executive General Manager Energy Futures ⁸ | 43 | - | 4 | 1 | - | 48 |
| I Lowry - Executive General Manager Delivery and Technical Solutions ⁹ | 133 | - | 12 | 4 | - | 149 |
| C Heffernan - Executive General Manager People & Corporate Services ¹⁰ | 335 | - | 47 | - | 148 | 530 |
| G Reilly - Acting Executive General Manager People & Corporate Services ¹¹ | 67 | - | 6 | 2 | - | 75 |
| R Solanki - Acting Executive General Manager Delivery and Technical Solutions ¹² | 52 | - | 5 | 1 | - | 58 |
| T Byrne - Acting Executive General Manager Delivery and Technical Solutions ¹³ | 92 | - | 8 | - | - | 100 |
| TOTAL | 2,948 | - | 297 | 69 | 148 | 3,462 |

¹ Short term benefits includes payments made to the executive as part of their fixed remuneration including accrued annual leave (excluding superannuation).

² At risk performance payments are paid in the current financial year for the preceding financial year.

³ Post employment benefits represent superannuation contributions made by the employer to the superannuation fund.

⁴ Long term benefits represent long service leave accrued.

⁵ Termination benefits represent payments made to the executive on termination of employment excluding any entitlements relating to annual leave or long service leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Details of Remuneration (continued)

⁶ Kevin Kehl held various Executive General Manager roles during the year, initially supporting the hand over arrangements to the Chief Executive, appointed to Executive General Manager Corporate Development on 3 August 2020 and acting in the Executive General Manager People and Corporate Services role from 24 May 2021. Amounts disclosed are amounts earned during the full year in various KMP roles.

⁷ Stewart Bell was acting Executive General Manager Strategy Business Development, subsequently renamed Executive General Manager Network and Business Development. Stewart Bell was appointed to the position effective 12 April 2021. Amounts disclosed include amounts earned whilst acting in the role.

⁸ Jacqui Bridge was appointed to the position of Executive General Manager Energy Futures from 17 May 2021.

⁹ Ian Lowry was acting in the role of Executive General Manager Delivery and Technical Solutions from 18 January 2021 until he was formally appointed to the position effective 24 May 2021. Amounts disclosed include amounts earned from the time of acting in the role.

¹⁰ Cathy Heffernan resigned from the role effective 21 May 2021.

¹¹ Gerard Reilly was acting in the role of Executive General Manager People and Corporate Services from 15 February 2021 to 21 May 2021. The amounts disclosed reflect amounts earned during the period acting in that role.

¹² Rakesh Solanki was acting in the role of Executive General Manager Delivery and Technical Solutions from 9 October 2020 to 17 January 2021. The amounts disclosed reflect amounts earned during the acting period.

¹³ Tim Byrne resigned as acting Executive General Manager Delivery and Technical Solutions effective 9 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Details of Remuneration (continued)

| 2020 | Short Term | | Post-Employment Benefits ³ \$'000 | Other Long Term Benefits ⁴ \$'000 | Termination Benefits ⁵ \$'000 | Total \$'000 |
|---|--|--|---|---|---|-----------------|
| | Short Term Benefits ¹ \$'000 | Performance Payments ¹⁹ \$'000 | | | | |
| P Simshauser - Chief Executive ¹⁴ | 61 | - | 5 | 2 | - | 68 |
| D Rowell - Chief Financial Officer | 408 | 22 | 28 | 10 | - | 468 |
| K Kehl - Executive General Manager Strategy and Business Development ¹⁵ | 527 | 23 | 88 | 11 | - | 649 |
| M York - Chief Executive Officer ¹⁶ | 123 | 44 | 15 | - | - | 182 |
| G Edwards - Executive General Manager Operations and Service Delivery | 335 | 18 | 30 | 9 | - | 392 |
| C Heffernan - Executive General Manager People & Corporate Services ¹⁰ | 310 | 19 | 52 | 9 | - | 390 |
| S Bell - Acting Executive General Manager Strategy and Business Development ¹⁷ | 320 | 17 | 53 | 9 | - | 399 |
| T Byrne - Acting Executive General Manager Delivery and Technical Solutions ¹⁸ | 240 | 15 | 21 | 6 | - | 282 |
| TOTAL | 2,324 | 158 | 292 | 56 | - | 2,830 |

¹⁴ Paul Simshauser was appointed as the Chief Executive Officer on 1 June 2020.

¹⁵ Kevin Kehl was the Interim Chief Executive from 17 August 2019 to 31 May 2020.

¹⁶ Merryn York resigned as Chief Executive Officer effective 16 August 2019. Short Term Benefits paid include long service leave and annual leave accrued and due.

¹⁷ Stewart Bell was the Executive General Manager Delivery and Technical Solutions until 16 August 2019 and then acting Executive General Manager Strategy and Business Development.

¹⁸ Tim Byrne was acting Executive General Manager Delivery and Technical Solutions from 17 August 2019.

¹⁹ At risk performance payments paid in 2020 were related to the 2019 financial 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 26: 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:

| | 2021 \$ | 2020 \$ |
|--|----------------|----------------|
| QUEENSLAND AUDIT OFFICE | | |
| Audit of financial statements | 250,000 | 240,750 |
| TOTAL REMUNERATION FOR AUDIT AND OTHER SERVICES | 250,000 | 240,750 |

NOTE 27: CONTINGENCIES

(a) Contingent Assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2021 (2020:NIL)

(b) Contingent Liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2021 (2020:NIL)

NOTE 28: COMMITMENTS

Capital Expenditure Commitments

Significant capital expenditure for the Consolidated Entity which is attributable to the parent entity contracted for at the end of the reporting period but not recognised as liabilities is as follows:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| CAPITAL EXPENDITURE COMMITMENTS | | |
| Property, plant and equipment | 18,200 | 18,569 |
| TOTAL CAPITAL EXPENDITURE COMMITMENTS | 18,200 | 18,569 |

NOTE 29: RELATED PARTY TRANSACTIONS

(a) Parent Entities

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 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with Related Parties

Disclosures relating to other key management personnel are set out in Note 25.

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

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| SALES OF GOODS AND SERVICES (INCLUDES GST) | | |
| Entities controlled by the State of Queensland | 646,719 | 663,048 |
| PURCHASES OF GOODS AND SERVICES (INCLUDES GST) | | |
| Entities controlled by the State of Queensland | 76,701 | 76,617 |
| INTEREST REVENUE | | |
| Entities controlled by the State of Queensland | 2,634 | 4,767 |
| OTHER TRANSACTIONS | | |
| Dividends to the Shareholders | 331,577 | 188,039 |
| Borrowing costs - entities controlled by the State of Queensland | 205,016 | 217,925 |
| TOTAL OTHER TRANSACTIONS | 536,593 | 405,964 |

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:

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| ENTITIES CONTROLLED BY THE STATE OF QUEENSLAND | | |
| Trade and other receivables (sales of goods and services) | 48,336 | 48,218 |
| Trade and other payables (purchases of goods and services) | - | - |
| Cash and cash equivalents | 10,801 | 16,883 |
| TOTAL RELATED PARTY OUTSTANDING BALANCE | 59,137 | 65,101 |

Refer to Notes 12 and 13 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

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| CASH ADVANCES TO THE ULTIMATE PARENT ENTITY | | |
| Advances | 344,959 | 336,818 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 29: RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Loans from Related Parties

| | 2021 \$'000 | 2020 \$'000 |
|--|------------------|------------------|
| LOANS FROM ULTIMATE PARENT ENTITY | | |
| Opening balance | 5,265,221 | 5,265,221 |
| Finance costs charged | 205,016 | 217,925 |
| Finance costs expensed | (205,016) | (217,925) |
| Loan repayment made | (22,993) | - |
| CLOSING BALANCE | 5,242,228 | 5,265,221 |

(h) Terms and Conditions

All transactions were made on normal commercial terms and conditions, with outstanding balances being unsecured.

NOTE 30: INTERESTS IN OTHER ENTITIES

(a) 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 this note. The country of incorporation is also their principal place of business.

| Name of entity | Country of incorporation | Class of shares | Equity holding ** | |
|---|--------------------------|-----------------|-------------------|-----------|
| | | | 2021 % | 2020 % |
| Harold Street Holdings Pty Ltd * | Australia | Ordinary | 100 | 100 |
| Powerlink Transmission Services Pty Ltd * | Australia | Ordinary | 100 | 100 |
| Queensland Capacity Network Pty Ltd* | Australia | Ordinary | 51 | 51 |
| Queensland Capacity Network Pty Ltd* | Australia | Non-Voting | 90 | 90 |

* 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, other than for QCN.

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.

Queensland Capacity Network Pty Ltd is a telecommunications company set up for the purpose of enabling faster and more reliable internet services in regional Queensland. Queensland Capacity Network Pty Ltd is jointly owned by Powerlink and Energy Queensland.

Powerlink owns a controlling 51% of ordinary shares in Queensland Capacity Network Pty Ltd, along with 90% of non-voting shares. The non-voting shares confer the right to receive any dividend or distribution from the entity and therefore represent the basis of consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: INTERESTS IN OTHER ENTITIES (CONTINUED)

(b) Non-controlling Interests (NCI)

| Summarised balance sheet | Queensland Capacity Network | |
|-------------------------------|--------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Current assets | 8,666 | 8,273 |
| Current liabilities | 1,661 | 1,041 |
| CURRENT NET ASSETS | 7,005 | 7,232 |
| Non-current assets | 4,984 | 4,272 |
| NON-CURRENT NET ASSETS | 4,984 | 4,272 |
| NET ASSETS | 11,989 | 11,504 |
| Accumulated NCI | 1,199 | 1,150 |

| Summarised statement of comprehensive income | Queensland Capacity Network | |
|--|--------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Profit for the period | 148 | 31 |
| Total comprehensive income | 148 | 31 |
| Profit/(loss) allocated to NCI | 15 | 3 |

| Summarised cash flows | Queensland Capacity Network | |
|--|--------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Cash flows from operating activities | 1,324 | 924 |
| Cash flows from investing activities | (8,985) | (251) |
| Cash flows from financing activities | - | 7,228 |
| Net increases/(decrease) in cash and cash equivalents | (7,661) | 7,901 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 30: INTERESTS IN OTHER ENTITIES (CONTINUED)

ACCOUNTING POLICIES

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.

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 2021 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.

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

NOTE 31: 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 the operations or the state of affairs of the Consolidated Entity in subsequent financial years (2020:NIL).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

NOTE 32: PARENT ENTITY (POWERLINK QUEENSLAND) FINANCIAL INFORMATION

(a) Summary Financial Information

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

| | 2021 \$'000 | 2020 \$'000 |
|---|------------------|------------------|
| Balance sheet | | |
| Current assets | 509,878 | 504,634 |
| Non-current assets | 7,794,989 | 7,860,657 |
| Total assets | 8,304,867 | 8,365,291 |
| Current liabilities | 265,378 | 210,707 |
| Non-current liabilities | 6,185,516 | 6,253,115 |
| Total liabilities | 6,450,894 | 6,463,822 |
| SHAREHOLDERS' EQUITY | | |
| Issued capital | 401,000 | 401,000 |
| Other Equity | 154,228 | 7,228 |
| Revaluation surplus - property, plant and equipment | 1,166,866 | 1,173,397 |
| Cash flow hedges | 231 | - |
| Retained earnings | 131,648 | 319,845 |
| Total equity | 1,853,973 | 1,901,470 |
| Profit or loss for the year | 85,783 | 88,266 |
| Total comprehensive income | 136,637 | 184,884 |

(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 2021 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
Director
Brisbane
26/08/2021

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 and its controlled entities (the Group).

In my opinion, the financial report:

- a) gives a true and fair view of the Group's financial position as at 30 June 2021, and its 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 consolidated balance sheet as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 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 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 Auditing Standards*. I am also independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001*.

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 (\$7.8 billion)

Refer to note 9 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"> estimating future cash flows and terminal values setting discount rates. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. Engaging an auditor's expert to assist me in assessing the reasonableness of the discount rates applied with reference to market data and industry research. Performing a sensitivity analysis for discount rates to develop a reasonable range for fair value. Back resting the previous year's cashflow forecasts against subsequent actual results to identify potential deficiencies in the forecasting methodology. Assessing the reasonableness of cash flow forecasts relative to regulator-approved determination, board approved budgets, non-regulated revenue contracts, historical growth trends, and other relevant internal and external evidence. Verifying the mathematical accuracy of net present value calculations. |

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Queensland Electricity Transmission Corporation Limited's annual report for the year ended 30 June 2021 was the directors' report.

Those charged with governance 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 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 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 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 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 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 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 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.

Irshaad Asim

27 August 2021

Irshaad Asim
as delegate of the Auditor-General

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