



POWERLINK QUEENSLAND  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS 2011/12



This Annual Report is presented to Powerlink's two shareholding Ministers, the Honourable Tim Nicholls MP, Treasurer and Minister for Trade, and the Honourable Mark McArdle MP, Minister for Energy and Water Supply.

The report forms part of Powerlink's corporate governance processes and provides information about our operations, financial, environmental and social performance for the 2011/12 year. The report is also intended to give our stakeholders including community members, customers, suppliers, as well as those in the energy, commercial, and government sectors, an insight into our operations and our plans for the future.

This 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.

Powerlink's Financial Report for 2011/12 is contained in this report.

Copies of this and previous Powerlink Annual Reports are accessible online at [www.powerlink.com.au](http://www.powerlink.com.au) and further copies can be obtained from:

Manager Corporate Communications  
Powerlink Queensland  
PO Box 1193 Virginia  
Queensland Australia 4014  
Phone +61 7 3860 2111

*This document has been printed using environmentally-responsible paper manufactured from 100% recycled paper waste in a process chlorine free environment.*

## CONTENTS

Corporate Profile	2
Safety	11
Powerlink and the NEM	15
Network Strategy and Operations	19
Network Development	25
People	33
Environment	38
Community	43
Corporate Governance	48
Statistical Summary	60
Index	62
Glossary	64
Terms of Measurement	65
Financial Statements	67



# POWERLINK QUEENSLAND



## Vision

To be the leading transmission network service provider in Australia, and one of the best in the world.

## Mission

To deliver transmission network services and related services, at world class levels of safety, reliability and cost effectiveness.

## Stakeholder Commitments

- Reasonable returns for the owners
- Value for money reliable services to our customers
- The well-being of our employees
- Being a good corporate citizen
- Fair, commercial and courteous dealings with our suppliers.

## Values

- Safe
- Respectful
- Proactive
- Ethical
- Cooperative.



# CORPORATE PROFILE



## Our business profile

Powerlink's business is the reliable and cost efficient provision of electricity transmission services. Powerlink owns, operates, develops and maintains Queensland's high voltage electricity network, which transports electricity in bulk from power generators to the regional distribution networks and a few large industrial customers.

## Our place in the National Electricity Market

Powerlink is a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM). We operate and develop our network in accordance with the National Electricity Rules (NER).

We provide NEM participants with secure, open and non-discriminatory access to our network for the transport of electricity. Regardless of the fuel source used by generators – for example wind, hydro, solar, gas or coal – the high voltage network is needed to securely transport bulk electricity.

We also have an operating agreement with the Australian Energy Market Operator (AEMO) to deliver services that help to securely operate the Queensland power system.

The Queensland Government has appointed Powerlink to undertake the tasks of the Responsible Officer for Queensland, Jurisdictional System Security Coordinator in Queensland, and Jurisdictional Planning Body for electricity transmission in Queensland.

We assess the capability of our transmission network to meet forecast electricity load growth while also meeting mandated reliability standards for electricity transmission.

Where we identify emerging limitations in our network we undertake a transparent process to identify the solution which satisfies the reliability standards at the lowest long-run cost to customers. This process is a requirement of the Australian Energy Regulator's (AER) Regulatory Investment Test for Transmission (RIT-T).

## Our network

Our \$6 billion high voltage transmission network comprises 118 substations and 13,930 circuit kilometres of transmission lines.

We take pride in the performance of our network, which is measured against the performance standards set by the AER. Our commitment to delivering operational excellence across our business enables Powerlink to continue to provide a reliable and cost effective transmission network.

## Our services

Powerlink does not buy or sell electricity. We transport it between power generators, the distribution networks and a few large industrial customers (such as aluminium smelters). We efficiently transport about 50,000 gigawatt hours of energy per year throughout Queensland.

Powerlink also transports electricity to New South Wales via the Queensland/New South Wales Interconnector (QNI) transmission line.

Electricity distributors Energex, Ergon Energy and Essential Energy take the high voltage electricity from Powerlink's substations and distribute it to more than two million residential and commercial customers throughout Queensland and parts of northern New South Wales.

As well as maintaining our existing network and building new transmission lines and substations to meet electricity demand growth and replace ageing assets, Powerlink also builds new transmission infrastructure for major industrial customers (such as a power generator or mine) seeking connection to its electricity network.

When Powerlink constructs a new line or substation as a 'non-regulated' connection (for example for a mine or liquefied natural gas development), the costs of acquiring, constructing and operating the transmission line and/or substation are paid for by the company making the connection request.

A smaller part of our business involves providing commercial services in the fields of telecommunications, technical services and oil testing.

## Our people

We employ around 1,000 people in a wide range of professional, technical, trade, specialist and administrative roles.

It is our shared commitment to Powerlink's values and focus on safety, technical and process innovation, efficiency and stakeholder commitments that secures Powerlink's position as a leader in our field.

Powerlink provides our people with rewarding work opportunities and access to a range of development and career progression opportunities.

# ACHIEVING

- Introduced new strategies to strengthen the safety culture at all Powerlink work sites.
- Delivered high level of network reliability and availability; better than the majority of targets set by our regulator.
- Benchmarked as a top quartile performer in terms of cost efficiency and network reliability among international transmission businesses participating in International Transmission Operations and Maintenance Study (ITOMS) 2011.
- Engaged productively with our regulator throughout the process to determine our revenue for the five-year period to 30 June 2017.
- Invested \$752.9 million in capital works to replace and extend the life of ageing assets to maintain reliability of electricity supply and meet electricity demand.
- Invested \$94.3 million in maintaining our network with emphasis on efficiencies in work programs and techniques to minimise network outages.
- Connected two major electricity customers to our network through user-pays agreements.
- Engaged with landowners and stakeholders about our planned new transmission projects.
- Supported better on-ground environmental decision making by improving our environmental work plans.

## Our community and environment commitment

We are committed to responsibly managing how we engage with communities and the environment as we operate and develop our network to meet Queensland's electricity demand. Our aim is to consistently establish and maintain long-term, positive relationships with landowners and other stakeholders in the areas near our infrastructure.

We integrate environmental management practices into the way we do our work and our talented people are always seeking out innovative solutions to ensure we continue to strengthen our environmental performance.

## Our corporate structure

Powerlink is a Government Owned Corporation (GOC) with two shareholding Ministers. We are a regulated business with the majority of our revenue determined by an independent national economic regulator, the AER. Powerlink also owns a 40 per cent share of the South Australian electricity transmission network ElectraNet.

Powerlink's activities and operations are undertaken in compliance with the *Electricity Act 1994 (Queensland)*, the NER and other relevant statutory requirements.

## Electricity supply costs

We are working hard to ensure Powerlink's transmission network delivers the right balance between reliability of supply and cost effectiveness for Queensland electricity consumers. For a typical Queensland residential electricity consumer connected to the distribution network, the cost of the use of Powerlink's high voltage electricity grid represents about 10 per cent of the total delivered cost of electricity, therefore transmission charges have minimal impact on household electricity bills.

Large customers (such as mines) directly connected to Powerlink's network may see transmission as a larger portion of the total delivered cost of electricity, reflective of their unique load and connection circumstances.

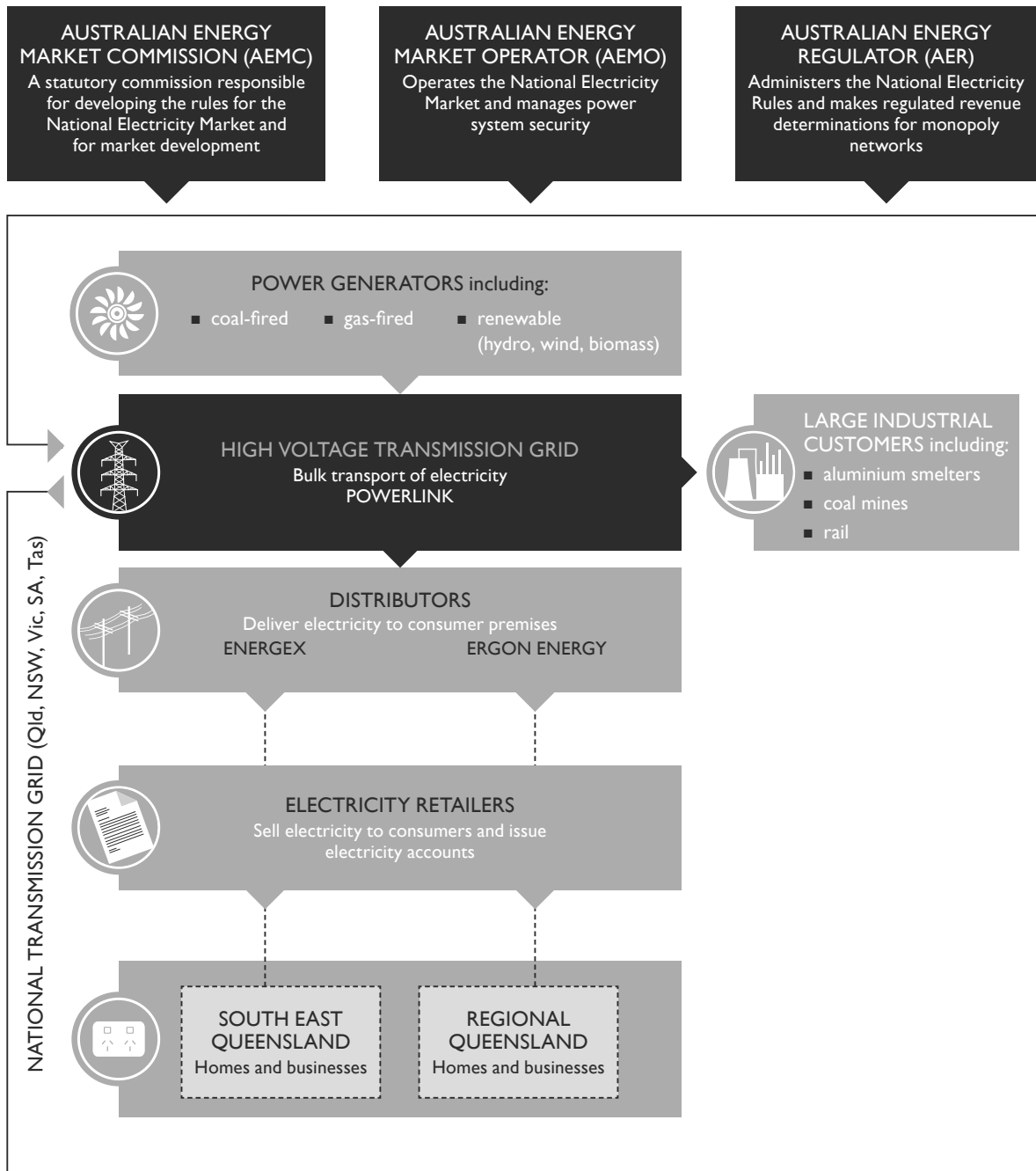
Information about pricing for transmission services can be found on page 16 of this report.

## Queensland electricity transmission network



## Queensland's power supply industry

Our high voltage transmission network is just one link in the chain supplying electricity to Queenslanders. This diagram illustrates Powerlink's role within the supply chain.



# FINANCIAL OVERVIEW

## *Powerlink business outlook*

Powerlink delivered strong financial performance in 2011/12, exceeding its Statement of Corporate Intent (SCI) financial targets. Financial year 2011/12 was the final year of the Australian Energy Regulator's (AER) five-year regulatory determination.

Powerlink's revenue determination for the next regulatory period, effective from 1 July 2012, was delivered by the AER on 30 April 2012. With regulated network revenue representing approximately 90 per cent of Powerlink's overall revenues, this determination will provide the operating and capital expenditure framework for managing the business over the next five years.

The environment Powerlink operates in has changed considerably. Previously Queensland has had high growth in demand for electricity and, associated with this, a growth in infrastructure requirements. The external environment has now changed to be characterised by increased economic uncertainty, and slower growth in demand for electricity. As a Government Owned Corporation, Powerlink aims to strike the right balance between cost and reliability of electricity supply. This approach is consistent with the State Government's approach on debt reduction and reducing cost of living pressures, including electricity prices, while still ensuring an effective and reliable provision of electricity transmission services to Queensland.

During 2011/12 Powerlink started targeting business efficiency improvements through our three years ahead business strategy which was released in March. In particular the strategy includes a productivity and performance focus – one of five key strategic themes. In developing this refocused strategy, Powerlink considered a range of major external drivers relevant to the way it delivers its services. These included concern with rising electricity prices, cost efficiency and meeting stakeholder expectations in relation to value for money for these services.

Alignment of Powerlink operations with shareholder expectations has been achieved through the following:

- Preparation of a new corporate plan focused on meeting Government expectations for efficiencies;
- Review of the management and operational structure of the organisation to drive efficiencies and align resources to the efficient delivery of the transmission services throughout the business;
- Reducing discretionary spending across the organisation where possible, including in the areas of travel, catering, use of consultants and sponsorships;
- Refining the approach to electricity demand forecasting to ensure future demand driven capital expenditure requirements are delivered neither ahead of nor later than the time required;
- Using the most up to date regional and local information prior to committing to any major network development;
- Review of recruitment processes;
- Streamlined accountabilities across the organisation; and
- Ongoing review of business and support activities.

We remain focused on meeting our obligations to deliver a secure and reliable supply of electricity at the lowest long-run cost to consumers.

## *Powerlink business performance*

With a continued strong focus on cost management, Powerlink achieved its key cost target by maintaining controllable operating expenditure at 1.8 per cent of replacement asset value. This and stronger returns from Powerlink's non-regulated business delivered an Earnings Before Interest and Tax (EBIT) result of \$505.8 million. The higher regulated revenue cap due to higher Consumer Price Index (CPI) in accordance with the AER's revenue determination, also contributed to this improved result.

## *Borrowings*

A key driver for Powerlink is to ensure sufficient funds are available to meet all operating and capital expenditure requirements while maintaining an efficient overall cost of funds.

In conjunction with Queensland Treasury Corporation, the composition and duration of Powerlink's debt portfolio has been proactively managed for the market conditions and the funding requirements of the capital works program for the year, with interest cover (times) ratio improving to 3.2 compared to 3.0 in the previous year.

New borrowings for the 2011/12 totalled \$282.7 million with total debt now standing at \$3.85 billion. With a debt to fixed assets ratio of 57.7 per cent (2010/11: 58.8 per cent), this is consistent with the benchmark gearing for regulated electricity businesses in Australia of 60 per cent.

Powerlink continued to maintain an investment grade credit rating on a standalone basis, with all new loan funding obtained through the Queensland Treasury Corporation.

## *Dividends*

Each year the Powerlink Board considers a number of relevant factors such as future capital requirements of the company and the level of returns expected by shareholders to determine an appropriate level of dividends to be paid.

The level of dividends approved by the Board for the 2011/12 year totalled \$146.7 million being 80 per cent of the profit and tax for the consolidated entity.

## *Capital investment*

During the 2011/12 year, Powerlink invested \$752.9 million in capital works projects. This is responding to the emerging growth in the natural resources sector and associated industries with non-regulated investments, as well as replacing aging assets and meeting reliability of supply requirements. Total investment in fixed assets now totals approximately \$6.7 billion.

## *Summary of Statement of Corporate Intent 2011/12*

Our SCI for 2011/12, as agreed with our shareholding Ministers, details Powerlink's performance targets, priorities and strategies. The following table summarises the key financial and non-financial indicators, as incorporated in Powerlink's SCI.



Summary of Statement of Corporate Intent 2011/12

Objectives	Performance measures/targets	Performance outcomes
<b>Meet financial targets</b>		
Achieve specified financial performance targets	Earnings Before Interest and Tax (EBIT) \$478.7 million	EBIT \$505.8 million
	Net Profit After Tax (NPAT) \$160.4 million	NPAT \$203.8 million
	Return on Assets 7.0%	Return on Assets 7.4%
	Return on Equity 7.0%	Return on Equity 9.0%
	Debt/Fixed Assets Ratio 59.6%	Debt/Fixed Assets Ratio 57.7%
	Debt/Debt and Equity Ratio 63.4%	Debt/Debt and Equity Ratio 62.4%
	Interest cover ratio Earnings Before Interest and Tax, Depreciation and Amortisation (EBITDA) 2.8 times	EBITDA 3.1 times
<b>Deliver shareholder value</b>		
To deliver dividends to shareholders, while maintaining at least an 'investment grade' business rating	Dividend payout ratio of 80%	Dividend payout ratio of 80%
	Provide a dividend to shareholders of \$123.4 million	Provided a dividend to shareholders of \$146.7 million
<b>Deliver our capital works program</b>		
Develop the Queensland transmission grid to meet customer electricity demands, and safety and reliability standards	Deliver the required capital works program	Four regulated (prescribed) projects were completed during 2011/12 and 10 are under construction. Two non-regulated customer connection projects were completed and five are under construction. More information can be found on pages 27 to 31 of this report.
	Total capital forecast works expenditure to be \$859 million	Total capital works expenditure was \$752.9 million
<b>Meet non-financial targets</b>		
Achieve safety performance targets	Lost Time Calculation (LTC) 3.0	LTC 1.8
Achieve cost efficiency performance targets	Total network maintenance cost/replacement asset value 1.0%	Total network maintenance cost/replacement asset value 1.0%
	Total controllable operating cost/replacement asset value 1.8%	Total controllable operating cost/replacement asset value 1.8%
To be compliant with relevant environmental legislation. Any reportable environmental instances that occur will be reported	To be materially compliant with relevant legislation	Overall Powerlink's environmental performance continues to be above target, with scheduled audits undertaken. Two environmental incidents were reported in 2011/12, more information about this can be found on page 39 of this report.
Achieve network performance targets (calendar year 2011)	Circuit availability	
	Critical circuits >99.07%	Critical circuits 98.51%
	Non-critical circuits >98.40%	Non-critical circuits 98.60%
	Peak periods >98.16%	Peak periods 98.39%
	System reliability	
	Not more than 5 events in excess of 0.2 system minutes	4 events in excess of 0.2 system minutes
	Not more than 1 event in excess of 1.0 system minutes	0 events in excess of 1.0 system minutes
	Average outage	
	Duration of 1,033 minutes	Duration of 765 minutes



## CHAIRMAN'S REVIEW

I am pleased to have joined Powerlink during 2011/12 – a year in which the business has renewed its strategies and focus on delivering cost effective transmission services for Queensland. Powerlink continued to deliver improved financial outcomes with 2011/12 Earnings Before Interest and Tax (EBIT) of \$505.8 million. This strong financial performance has been achieved through continued growth in Powerlink's non-regulated business and Powerlink's focus on cost efficiency and effectiveness in operational aspects of the business, and required capital investment in the transmission network.

### *Delivering cost efficient transmission services*

Powerlink has focused on a number of strategies that will contribute to the current and future cost efficient and reliable operation of the high voltage transmission network, including striking the right balance between reliability of supply and cost. Specific actions taken include safely adding to the capabilities of our live line and live substation work teams, which has expanded the scope of works that can be undertaken without outages on our network. We also implemented new substation design standards which will realise efficiencies in construction and maintenance.

Looking forward, we are embarking on the first year of Powerlink's 2012/13 to 2016/17 regulatory period, and aim to continue to meet the network performance targets set by the Australian Energy Regulator (AER).

### *Responding to long-term electricity demand*

While peak electricity demand was lower in 2012 than the previous year, economic indicators predict a return to sustained long-term growth in the Queensland economy. Powerlink's planning process identifies this return to economic growth as one factor that will sustain an upward trend in electricity demand over the next 10 years. We will ensure Powerlink's network cost effectively meets sustained electricity demand and will continuously review our plans to ensure investment occurs as required, at the lowest long-run cost to customers.

A significant proportion of the electricity demand has been, and will continue to be created by the strong investment in the resources sector, particularly coal and liquefied natural gas developments in South West and Central Queensland. The forecast electricity demand from the resources sector is driving expansion of Powerlink's network in South West Queensland, including construction of a number of customer-funded projects that will connect the customers' new resource developments to the transmission network.

### *Working together safely toward business goals*

Above all else, Powerlink aims to provide a safe and productive workplace for its employees. The Board values initiatives undertaken, such as facilitating safety forums, to improve safety performance of all Powerlink employees and contractors.

Our existing employee development and engagement strategies are strategically targeted to provide Powerlink with the capabilities to meet future business needs. The external environment and our internal focus on cost efficiencies will require strategies to ensure our staff remain informed and aware of the important role they have in contributing to the cost effective operation of our business.

Finally, I wish to thank Powerlink's management and employees for their constructive work in 2011/12. I look forward to working with the Powerlink team and my fellow Directors during the coming year to deliver cost effective and reliable high voltage electricity transmission services.

**Stephen Rochester**  
*Chairman of the Board*



## CHIEF EXECUTIVE'S REVIEW

At Powerlink we are focused on providing transmission services that strike an appropriate balance between reliability of electricity supply and cost to consumers.

### *Our strategy for the future*

Our new business strategy launched in 2011/12 supports our position of balancing cost effectiveness and operational performance. The business strategy has a central theme of cost efficiency and provides a renewed focus on key areas of our business including safety, operational performance, financing, forecasting and stakeholder relationships. It has been embraced by Powerlink people.

Our strategies continue to build on our track record of delivering essential service infrastructure in a timely way to meet growing electricity demand, at the lowest long-run cost to consumers.

A new workplace agreement was agreed upon and approved during the year and will assist us to deliver the business strategy and our commitments to employees.

### *Strong operational performance*

The way in which we go about cost effectively developing, operating and maintaining our network supports Queensland's economic growth.

We monitor our business operations in a number of ways, and I am pleased to report that in 2011/12 Powerlink's transmission network performed well against key operational measures. We met the majority of the 2011 targets set by our regulator, the Australian Energy Regulator (AER); these targets focus on the performance of our transmission network and impacts on National Electricity Market (NEM) participants. Powerlink also benchmarked in the top quartile in terms of cost efficiency and network reliability among transmission providers participating in the 2011 International Transmission Operations and Maintenance Study (ITOMS).

### *Determining our future revenue*

Following a transparent process, the AER delivered its final revenue determination, which will guide Powerlink's regulated business operations over the five-year period to 30 June 2017.

Our revenue reset team engaged productively with the AER and their consultants over an intense year-long period, with preparation of Powerlink's proposal before that. The team was closely supported by many people within Powerlink who provided information, data and analysis.

The final revenue determination by the AER is expected to have minimal impact on the transmission component of a typical residential customer's electricity bill. For a typical Queensland residential electricity consumer, the cost of Powerlink's high voltage electricity grid represents about 10 per cent of the total delivered cost of electricity.

We're conscious of the cost of living pressure on the community, so maintaining a cost efficient transmission service is central to our business strategy.

### *Managing capital works*

We manage a capital works program that includes network augmentations, replacements and life extension projects to deliver a cost effective, reliable transmission services. We aim to manage the program to cost effectively deliver projects within expected timeframes.

During the next regulatory period we move to a scenario where half of our capital works program will comprise replacement of assets that have reached the end of their economic life. Previously, the largest proportion of our capital works program has comprised construction of new network transmission lines and substations to meet forecast electricity demand.

This year, after a critical review of our approach, Powerlink applied a new method to developing electricity demand forecasts, including undertaking our own econometric modelling in addition to using comprehensive external economic advice. As a result, the need to augment our network has been reduced and there is a later requirement to establish a 500 kilovolt network into South East Queensland. The electricity demand forecasts, contained in our 2012 Annual Planning Report, indicate a trend of steadily increasing peak electricity demand in Queensland over the next 10 years.

Powerlink has also experienced a significant workload in advising and responding to enquiries from large industrial customers with an interest in connecting new resource developments to our network, and in planning

and delivering customer works. This year we completed two major customer connection projects, the costs of which were recovered from the customer through a direct negotiation with Powerlink, and a number of other customer works are under way. Our activities in delivering electricity supply to the resource sector support Queensland's economic development.

### **Working safely**

Safety is essential at Powerlink. This year, our Lost Time Injury Frequency Rate (LTIFR) was 3.89. In line with our business strategy, we are refreshing and updating our approach to safety, ensuring it develops in parallel with the national work health and safety harmonisation legislation. A refreshed roadmap that continues to focus on and improve our safety performance over the next few years is under preparation.

We introduced safety behaviour measurements for our field workers, which have helped us to better understand and manage our safety culture. We also continue to build on our strategies that aim to contribute to improved safety performance by our contractors.

### **Productive engagement and processes**

In developing, replacing and maintaining our network we engage in many ways with landowners, communities and other stakeholders throughout Queensland.

We strategically support programs that facilitate engagement with our stakeholders and deliver projects that benefit the communities and environment close to our current and future projects. I take this opportunity to thank our stakeholders and members of the community for their involvement in these programs, and for their productive engagement with Powerlink.

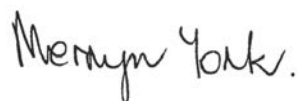
Environmental compliance remains critical to our work and our well-developed environmental audit processes ensure we act on improvement opportunities. During 2011/12, we introduced a new streamlined process for developing and managing Environmental Work Plans for our transmission easements and sites that facilitate better decision making by our people on the ground and continues to improve our environmental performance.

### **Working together into the future**

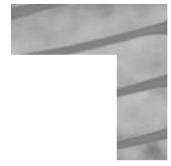
Powerlink welcomes Stephen Rochester as Chairman and I look forward to working with him and the Directors to deliver Powerlink's business strategy. I also acknowledge David Harrison for his contribution while Chairman and Director in 2012.

I take this opportunity to acknowledge the strong leadership and lengthy service of Powerlink's founding Chairman, Else Shepherd, who completed her role with Powerlink in December 2011 after 17 years. On behalf of all Powerlink people, I extend our gratitude to Else for her support and guidance.

This Annual Report provides striking examples of the capabilities of our people and their balanced approach. I am confident the Powerlink business strategy will guide our performance in delivering cost efficient, reliable transmission services for Queensland. I am equally confident in the capability of our people to progress the strategy in the coming year.



**Merryn York**  
*Chief Executive*



# SAFETY



SAFETY

## ACHIEVING

- measured field staff safety related behaviours and used the findings to inform reviews of processes, training and safety programs
- took action to ensure compliance with new health and safety legislation
- audited the corporate safety culture of our major construction contractors
- facilitated principal contractor safety forums to share information and safety strategies.

### The safety of all

The safety of our people and the public is essential. Safety is a Powerlink value and is central to all of our activities. We are committed to the continuous improvement of our safety culture and safety performance.

Our Safety Steering Committee reports quarterly to the Board's Audit, Risk and Compliance Committee on compliance with legislation, health and safety performance and other significant health and safety developments. The committee also reports to the Board's Human Resources and Remuneration Committee on strategies, initiatives and performance, and drives programs to improve safety awareness and safe practices among our people.

During 2011/12, we reviewed our safety scorecard and identified lead and lag indicators to be included in our safety reporting for 2012/13.

## Safety culture

As part of Powerlink's ongoing commitment to provide employees with a safe working environment, staff within our Network Field Services business unit took part in an Individual Safety Attributes Test (ISAT) to identify improvement opportunities. ISAT is a third party assessment tool designed to examine safety related behaviours in order to identify opportunities to enhance the workforce safety culture.

The ISAT for our Network Field Services business unit measured safety diligence and conscientiousness, coping with pressure, responsibility for safety, communicating safety information and confidence in delivery. The results of the ISAT indicated the business unit displayed a sound level of safety judgement, appropriate behaviours in respect to safety, and may benefit from mentoring and development to promoting more proactive behaviours. Specific opportunities for improvement were identified for all employees.

We are using the information gathered through the ISAT to assist in reviewing the current processes, employee training and safety programs to ensure their suitability and their capacity to continue to provide improvements in safety performance. An action plan has been developed and is being implemented to drive improvements in safety. The ISAT program has been extended to other appropriate work groups where it is expected to provide useful feedback to further enhance Powerlink's safety culture.

## Safety management

The *Work Health and Safety Act 2011* (Queensland) and associated regulation came into effect on 1 January 2012, reflecting the national model *Work Health and Safety Act*. In preparation for the national harmonised work health and safety legislation, we implemented actions to ensure our business processes, guidelines, procedures and standards reflected the changed legislative requirements. This process resulted in some changes to our business practices.

Powerlink's Executive Leadership Team participated in a series of training sessions and workshops aimed at raising awareness about the new legislative regime and the duties of officers to exercise due diligence, to ensure they and Powerlink comply with health and safety obligations. The training forms part of an ongoing program to ensure Powerlink and our staff meet their work health and safety obligations.

In the first half of 2012, Powerlink also delivered presentations and workshops to inform appropriate personnel of the relevant legislation changes, and their impacts on management of work health and safety.

## Annual Electrical Safety Audit

Our Electrical Safety Management System is certified annually by an approved external auditor, as required by the *Electrical Safety Act 2002*. The audit in September 2011 found Powerlink continues to meet electrical safety legislative requirements. As a result our Electrical Safety Management System has been recertified. Strategies are being implemented to address the improvement opportunities identified by the audit:

- Construction release protocols have been established and are being rolled out, and associated processes have been amended, to address an improvement opportunity at the interface between construction and commissioning of a built transmission asset.
- A high level safety process review is being undertaken in a staged approach across the business to address an improvement opportunity in circumstances where Powerlink assumes Principal Contractor status for project work.

## Safety training

Powerlink is moving to align its safety training to the Australian Electricity Supply Industry (ESI) Skills Passport and its corresponding units of competence from the Australian Quality Training Framework. In 2011/12 we reviewed our existing approach to safety training and identified an opportunity to improve the quality of training and services, and ensure a consistent business-wide approach.

## Contractor safety

Tragically during 2011/12 two people died in separate incidents while working as contractors on Powerlink projects. One incident occurred on a maintenance project; the second occurred on a transmission line construction project. Powerlink considers any workplace death to be unacceptable and we acknowledge the importance of our role in contributing to improved safety performance by our contractors.

In 2011/12 we actioned a number of strategies to focus on safety on our worksites and promote a safety culture, including contractor forums and audits, and site observation tours by senior management (as described in the case study on page 13).

### Safety forums

In 2011/12, Powerlink facilitated several construction contractor safety forums as an opportunity for Powerlink and its contractors to address safety challenges and improve safety culture.

We facilitated one safety forum for transmission line construction contractors and two safety forums for substation construction contractors. The forums have been successful in generating open exchange and shared learnings which contribute to enhanced safety on Powerlink work sites.

### Corporate audits

Powerlink audits major contractors to assess their safety culture from a corporate perspective. The audits, undertaken by a third party, include a desktop audit of safety, environment and quality processes within each organisation. Auditors then move into the field, seeking to assess alignment between on-the-ground performance and the contractor's corporate processes.

During 2011/12, we undertook audits of each of our major construction contractors. The outcomes of the audits are key inputs to our contractor safety forums.

### Public safety and infrastructure security

To ensure public safety and the secure operation of the transmission network, Powerlink prohibits certain activities on our easements.

The terms and conditions of our electricity transmission line easements inform landowners of the restrictions applying on the easement. Under the *Sustainable Planning Act 2009 (SPA)* Powerlink is a referral agency for development applications adjacent to existing transmission line easements. When responding to these applications we include appropriate safety advice, particularly with regard to electrical clearance to high voltage infrastructure. We also provide safety advice in response to landowner enquiries about activities on or near our easements.

In 2011/12, we began a campaign of direct letters to landowners who have a transmission line easement on properties where cane farming is undertaken. The letters contain a reminder of personal and operational safety guidelines, and methods for contacting Powerlink for further information.

We also provide information on our website and operate a 24-hour contact number for members of the public who have queries about safety near our transmission assets, including the retrieval of objects inside substation sites.

## CASESTUDY

### FRESH EYES ON SITE SAFETY

**Site observation visits by our senior managers help to reinforce and strengthen our safety culture.**

In this first year, the program has involved about 30 visits by engineering senior managers to our substation and transmission line construction sites throughout Queensland. While on site, managers observe first-hand the safety, quality and environmental issues, and engage with the site workers.

Roland Vitelli, Manager Engineering, said the observation visits were valuable for both the Virginia-based managers and the site work teams.

"When I tour a site, I speak with the site manager and the people at the coalface, see their work in action, ask questions and learn about the day-to-day challenges they face," Roland said. "There's no doubt it gives office-based managers a better understanding and appreciation of construction work.

"It's important that we keep safety as essential and reinforce this to our workforce and contractors. The observation visits remind site workers that safety is essential and taken extremely seriously by Powerlink.

"A fresh pair of eyes can sometimes spot an opportunity to avoid complacent behaviours and hazards, work through possible solutions and share information about good safety practices observed at other sites."

Roland said the visits were not intended to be audits, rather an opportunity for managers to discuss their observations with the on-site manager, and then take information back to Powerlink's project management team. Where necessary, some findings are targeted by the project's scheduled audit program. The issues are also often addressed in our contractor safety forums.

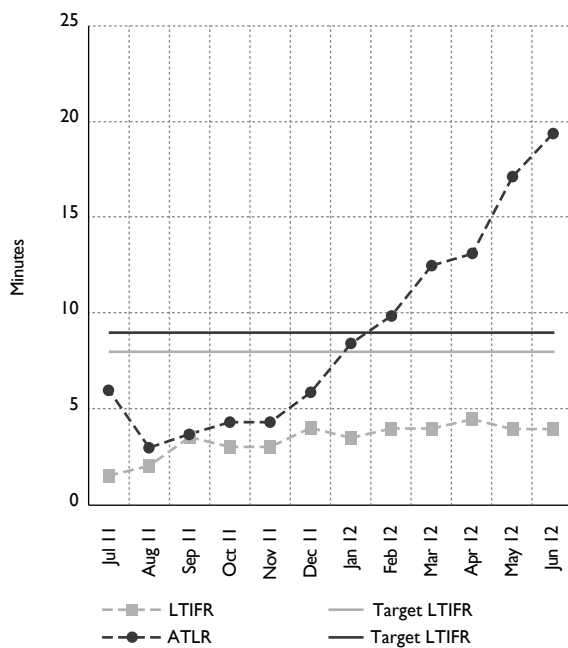
"I find both our Powerlink field-based staff as well as our construction site contractors are usually very appreciative of the site visits," Roland said. "The on-site teams are proud of their work and welcome our interest in a positive way. They are always eager to share their experiences and learn how things can be done better:"

### Safety performance

A lost time incident is an incident which results in an injury that causes a worker to require a one full day or more off work, and which occurs during work (not on journeys to/from work, or during recess breaks). During 2011/12, Powerlink experienced eight separate lost time incidents. Of these, four of the lost time incidents resulted in only one day lost time, indicating that the severity of the injury was relatively low. There was no common theme or trend demonstrated by the incident or injuries.

Year	LTIFR
2007/08	3.47
2008/09	2.27
2009/10	1.08
2010/11	2.06
2011/12	3.89

**Average Time Lost Rate and Lost Time Injury Frequency Rate**



The Lost Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries per million hours worked. Powerlink's LTIFR remains below target for 2011/12, but has seen a slight increase this year.

Although the majority of lost time injuries are of short duration, the Average Time Lost Rate (ATLR) has increased in the period since December 2011.

### Health and wellbeing

We advocate for a healthy workforce by providing information and access to health services. The types of services offered vary based on individual roles and their specific needs. In 2011/12 we provided education campaigns associated with our annual Flu Busters and Sun Safe programs.

A healthy workforce supports our safety culture and safety performance goals, and in turn our broader business performance.

## LOOKING FORWARD

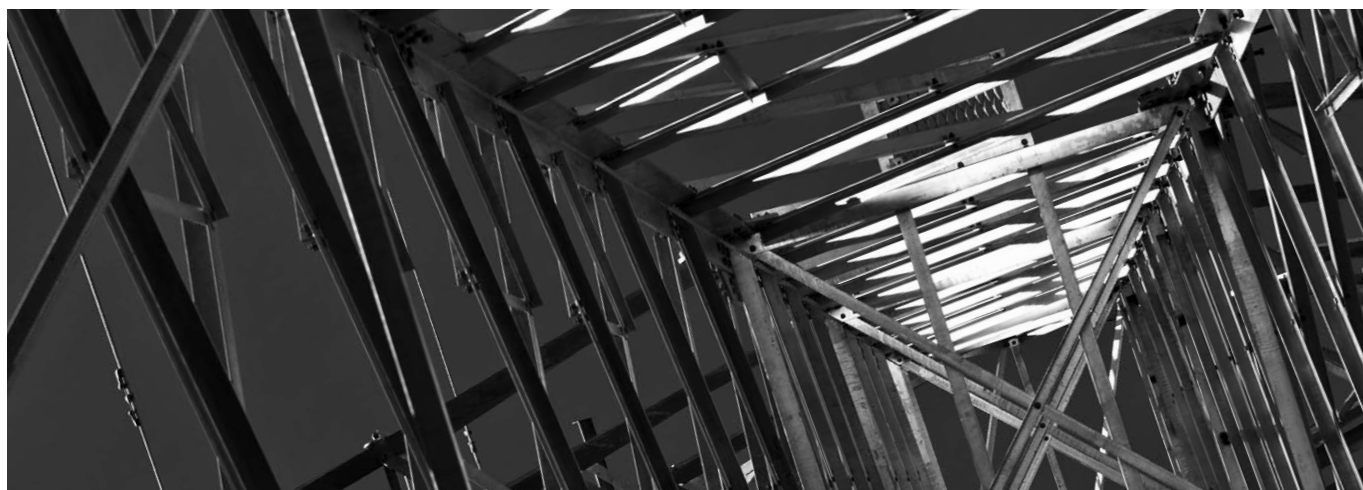
In 2012/13 and beyond, we will:

- review our safety reporting framework and recording of safety issues to ensure the organisation has a good understanding of safety performance, safety culture and the effectiveness of early intervention strategies
- review the effectiveness of safety practices, performance and updated reporting framework in contributing to our desired safety outcomes
- investigate opportunities to apply safety behaviour testing as part of recruitment for key roles in our business.





# POWERLINK AND THE NEM



## ACHIEVING

- good performance against the majority of the regulator's network performance standards
- high levels of network availability by minimising the outages on our network
- managing work with a significant number of businesses that have an interest in connecting to our network
- a positive working relationship with the regulator during our revenue reset process.

### Our distribution customers

As a Transmission Network Service Provider (TNSP) in the National Electricity Market (NEM), Powerlink delivers bulk electricity via our transmission network to Distribution Network Service Providers (DNSPs).

In Queensland, those DNSPs are Government Owned Corporations Energex and Ergon Energy. Energex is based

in South East Queensland and distributes electricity to more than 1.3 million residential, industrial and commercial customers. Ergon Energy services about 680,000 customers throughout Queensland, including rural and remote communities.

Powerlink also supplies electricity to Essential Energy, a New South Wales Government Owned Corporation delivering network services to northern New South Wales.

### Our planning role

Each year, Powerlink assesses the capability of the transmission network to meet forecast load growth. This annual process is collaborative – we work with equivalent bodies in other States, Queensland DNSPs and the Australian Energy Market Operator (AEMO) to determine the network's ability to transfer electricity within Queensland, and to and from other regions in the NEM.

We contribute to NEM planning activities undertaken by AEMO, including the development of the National Transmission Network Development Plan.

## Revenue and electricity pricing

Powerlink's maximum allowed revenue for the provision of regulated (prescribed) transmission services is determined by the Australian Energy Regulator (AER) in accordance with the National Electricity Rules (NER).

In 2011/12, Powerlink's maximum allowed revenue was \$828.5 million. Powerlink's maximum allowed revenue for 2012/13 will be \$835 million, as specified in the AER's final revenue determination applicable to the five-year period from 2012/13 to 2016/17.

Powerlink is required to calculate Transmission Use of System (TUOS) charges for our network customers using those allowed revenues and in accordance with the methodology prescribed in the NER and our AER-approved pricing methodology. The AER has forecast that average transmission charges are expected to remain flat in nominal terms over the five-year regulatory period to 30 June 2017.

For a typical Queensland residential electricity consumer connected to the distribution network, the cost of the use of Powerlink's high voltage electricity grid represents about 10 per cent of the total delivered cost of electricity, therefore transmission charges have minimal impact on household electricity bills. Large customers (such as mines) directly connected to Powerlink's network may see transmission as a larger portion of the total delivered cost of electricity, reflective of their unique load and connection circumstances.

Services associated with the connection of individual loads (such as mines or liquefied natural gas developments) and electricity generators are provided on a non-regulated basis. These services are not within oversight of the AER's regulatory framework and are provided on a contractual basis through direct negotiation with the relevant customer.

Under a non-regulated agreement, all costs associated with acquiring, constructing and operating non-regulated customer lines and substations are paid for by the customer making the connection request via commercial charges over the life of the agreement. Under the NER, large customers connecting to the transmission network are also required to pay TUOS charges for the use they are making of the regulated transmission network.

## Network performance in 2011

Powerlink has performed well against the majority of the 2011 network performance standards set by the AER. The service target performance incentive scheme comprises two components:

- the network service component that focuses on delivering network reliability
- the Market Impacts of Transmission Congestion (MITC) component, a more recently introduced scheme that focuses on outages that could potentially have an adverse impact on NEM participants.

As part of the revenue reset process, the AER sets calendar-year network performance targets for Powerlink for the duration of each five-year regulatory period. Powerlink's targets and performance for 2011 are as outlined in the table below.

### AER Network Performance Standards

2011	AER target for Powerlink	Actual Powerlink performance	Did Powerlink meet the AER target?
Transmission circuit availability – critical elements	99.07%	98.51%*	✗
Transmission circuit availability – non-critical elements	98.40%	98.60%	✓
Transmission circuit availability – peak periods	98.16%	98.39%	✓
Loss of supply event frequency (Number of events > 0.2 system minutes**)	5	4***	✓
Loss of supply event frequency (Number of events > 1.0 system minutes**)	1	0***	✓
Average outage duration (minutes)	1,033	765	✓
Market impacts (dispatch intervals)****	1,570	37	✓

\* Transmission circuit availability – critical elements was impacted by the number of planned outages required for refurbishment and replacement works on Powerlink's 275 kilovolt network. This program of planned outages was larger than historically experienced and larger than the program allowed for in the AER target.

\*\* One system minute is a measure of energy not supplied during transmission disturbances. It is the amount of energy that would be transported during one minute at the system maximum demand.

\*\*\* The impact to the network resulting from weather events of Tropical Cyclone Yasi and the South East Queensland flood occurred during this reporting period. Due to their extreme nature these events are excluded from the performance results under AER guidelines.

\*\*\*\* A dispatch interval is the five-minute period at which AEMO recalculates the generation dispatch and pricing across the NEM.

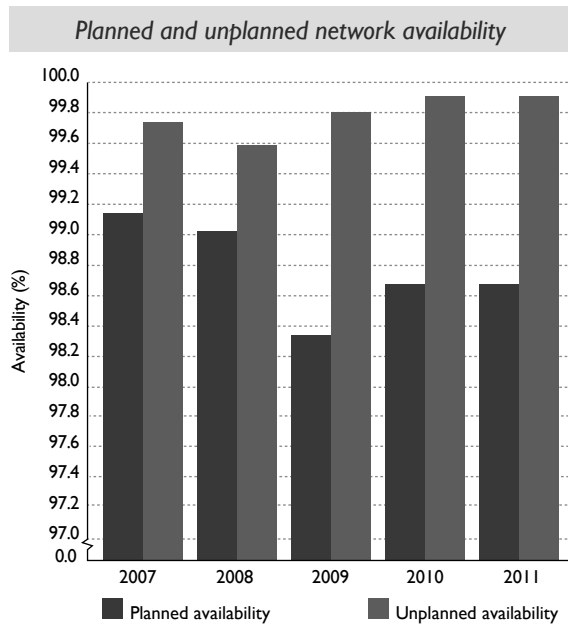
**Network availability**

Powerlink’s network availability is measured in terms of the duration of planned and unplanned network outages. Planned outages are put in place to enable maintenance and other works to safely take place on our network. Typically, these do not impact on electricity supply to our customers and we implement a number of strategies to minimise the number and duration of planned outages. Unplanned, or unexpected, outages can occur for a number of reasons, such as extreme weather-related incidents like cyclones or floods or occasional faults on the transmission network.

The AER does not set performance targets specifically for planned and unplanned outages on the transmission network.

In 2011, network availability less unplanned outages, was 99.91 per cent indicating a very high level of plant and equipment in service. During the past five years unplanned availability has consistently reached more than 99.5 per cent, with the past three years delivering very high levels of unplanned availability.

Network availability less planned outages was 98.68 per cent in 2011, which is in line with the average of the past five years.



CASESTUDY

**WORKING COOPERATIVELY ON THE REVENUE RESET**

**The final revenue determination for Powerlink was delivered by the AER on 30 April 2012 after almost a year of engagement between the two entities. For Powerlink, this two-year process was both rigorous and transparent, with documents published on the AER website and comment sought from interested parties.**

Stewart Bell, Manager Revenue Reset, said given the regulatory process sets more than 90 per cent of Powerlink’s revenue, the resulting determination is significant.

“We engaged with the AER as closely as possible throughout the process, which included a workshop and site visits to help familiarise the AER and their consultants with Powerlink.

“We followed the prescribed schedule of activities, lodging Powerlink’s initial proposal in May 2011 and a revised proposal in January 2012 following the release of the AER draft determination.

“Our proposals responsibly took into account Powerlink’s operating and capital expenditure requirements which are driven by ongoing load growth and the replacement of ageing assets.

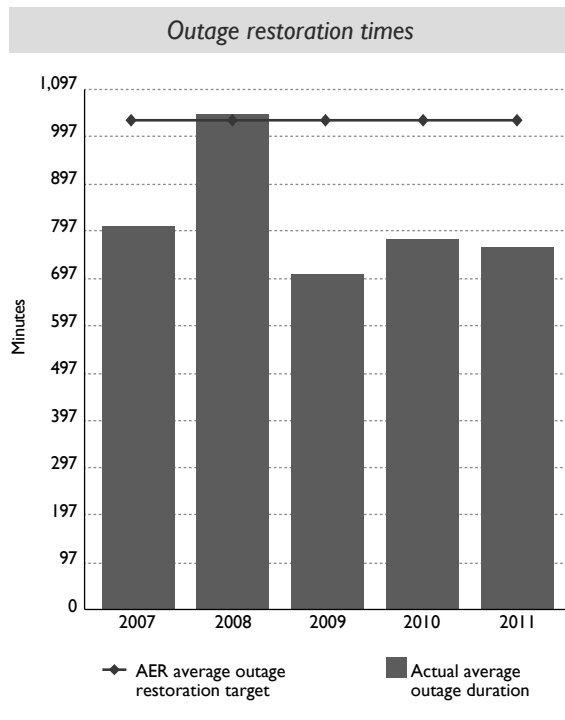
“Our focus was on providing high quality data and documentation to meet the requirements of the NER and support the AER in their decision making. The team relied on the people within our business to provide the information required throughout the process to develop compliant proposals and answer questions from the AER and their consultants.

“Informing and liaising with other stakeholders is another key part of the process, and we engaged proactively with the Energy Users Association of Australia (EUAA) and other interested customers to keep them informed of Powerlink’s proposals and the various stages of the reset process,” Stewart said.

Stewart said Powerlink’s collaborative and collegiate approach to responding to information requests throughout the process was acknowledged and complimented by both the AER and their consultants.

### Network restoration

When an unplanned outage occurs on our network, we measure how quickly we get the network back into service. Our performance in 2011 was strong, well inside the AER target, showing the strategies we have implemented are contributing to improved performance.



### Market impacts

We consider how to minimise impacts on the NEM when planning and scheduling outages on our network. We also consider alternative work methods, such as live work, to allow maintenance to be completed without the need for network outages. Our performance in 2011 was better than the target set by the AER, which means we are delivering better outcomes for electricity customers and the NEM.

### New network connections

During 2011/12, we worked closely with a number of project proponents with an interest in connecting to Powerlink's transmission network. Interest has continued to be strong from proponents of coal, coal seam methane and liquefied natural gas developments located in the Surat, Bowen and Galilee Basins. We have also worked on connection arrangements with proponents of renewable generation proposals including various wind farm proposals in North Queensland.

Customer connection works completed and under construction in 2011/12, and those committed as at 30 June 2012 are detailed on page 30 of this report.

### Regulatory issues

Powerlink is committed to furthering the NEM objective, which is to promote an efficient, reliable and safe electricity supply for the long-term interests of customers. Consistent with this commitment, we take an active role in initiatives to define and guide the future development of the NEM.

Powerlink is a participating member of Grid Australia, the organisation representing the owners of Australia's electricity transmission networks in the NEM, plus Western Australia's transmission grid owners. Grid Australia identifies issues of interest to transmission network owners and advocates for practical solutions that are in their common interest and which further the NEM objective. Much of Powerlink's engagement in issues related to NEM development is therefore directed through Grid Australia.

In 2011/12, Powerlink participated, both directly and through Grid Australia, in a number of processes affecting the NEM and network service providers:

- The AEMC Transmission Frameworks Review, relating to the arrangements for the provision and use of electricity transmission services in the NEM, with a view to ensuring that the incentives for generation and network investment and operating decisions are effectively aligned to deliver overall efficient outcomes.
- The AEMC's consideration of proposals to change the NER framework for revenue regulation.
- The Productivity Commission review of benchmarking and interconnection of networks in the NEM.
- The proposed application to energy network businesses of the *Energy Efficiency Opportunities Act 2006* (Commonwealth).

Powerlink is also a member of the Energy Networks Association (ENA), the national body representing gas and electricity transmission and distribution network businesses in Australia.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- report on Powerlink's performance against the AER network performance targets on an annual basis
- advise and provide connection services for proponents of new development projects in Queensland with an interest in connecting to the transmission network
- continue to actively participate in regulatory processes affecting the NEM.



# NETWORK STRATEGY AND OPERATIONS



*Transmission Barehand  
Live Linesperson,  
Andre Leebody.*

NETWORK STRATEGY AND OPERATIONS

## ACHIEVING

- recognition as a top performer in terms of cost efficiency and network reliability through international benchmarking
- implemented new methods of replacing and extending the life of parts of our network
- developed new strategies to monitor and respond to weather events that may impact our network
- finalised approvals to acquire easements and sites for 13 future transmission projects
- implemented new substation technology to improve performance.

### Power system security

Powerlink oversees the operation of the electricity transmission network 24/7. Working in conjunction with the Australian Energy Market Operator (AEMO), Powerlink ensures the network is operated in a safe, secure and reliable manner.

Our Energy Management System (EMS) was upgraded last year to better meet our emerging business needs. In its first full year of operation, the EMS operated with 100 per cent availability, enabling real-time monitoring and control of the transmission network, as well as data analysis and assessment of the impact of unplanned outages.

Our upgraded dedicated network operator training facility has improved the availability of training in procedures and systems for our network operators. Ongoing training ensures our operators maintain and enhance their capabilities in managing conditions and contingency events on the transmission network, contributing to Powerlink's ability to operate the network in safe, reliable and secure manner.

## CASE STUDY

## EFFICIENCY GAINS THROUGH SMART SUBSTATION DESIGN

Powerlink has adopted the International Electro-technical Commission (IEC) standard IEC 61850 Communication and Systems for Power Utility Automation, which will enable us to increase the efficiency of control, monitoring and protection systems in our substations.

The new standard provides a platform for Powerlink to adopt new technologies that improve communication between electronic devices used within and outside of our substations, and will deliver higher levels of security and reliability.

Pascal Schaub, Principal Consultant for Digital Technology Infrastructure, said the new solution delivered significant benefits.

"The design, testing and construction are less labour intensive and deliver significant efficiencies and safety improvements," Pascal said. "There are also far fewer connections between electronic devices in the substation and those connections are fibre optic, rather than the copper wiring previously used."

He said Powerlink was implementing the new standard through a phased approach.

"In the first phase, we are developing and implementing a design solution for substation control and protection devices within the substation control building. This is referred to as an IEC 61850 station bus solution. Pilot projects to implement this phase are under way at our Redbank Plains and Blackstone substations.

"The second phase involves implementing new and emerging technology with electronic interfaces between the substation control room and the primary plant equipment located within the substation yard. This is referred to as an IEC 61850 process bus solution, with the process bus being the interface between the control building and the switchyard.

"In 2011/12 we completed the first application of IEC 61850 process bus at a pilot project at our Loganlea Substation, which services metropolitan Brisbane. It was the world's first commercial installation of a substation protection system outside of China that is based entirely upon IEC 61850 process bus.

"Following the success of the project, we are undertaking four more substation refurbishments using the same methodology.

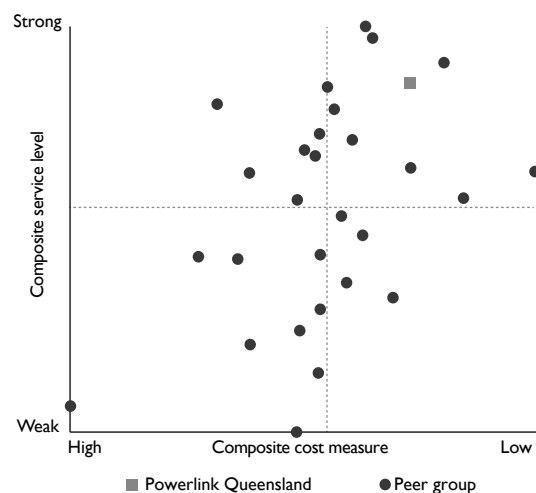
"The learnings from Loganlea Substation have been important and will continue to be realised as Powerlink works towards a full implementation of the new international design standards."

## International benchmarking

Powerlink participated in the International Transmission Operations and Maintenance Study (ITOMS) 2011, a biennial benchmarking study of network performance and practices.

Among the 27 international transmission businesses participating in ITOMS 2011, Powerlink was identified as a top quartile performer in terms of cost efficiency and network reliability in both transmission line and high voltage substation categories. Powerlink has participated in ITOMS since 1995, and during the past decade has consistently achieved top quartile performance.

ITOMS also examines the maintenance policies and work practices adopted by participating businesses and offers a forum for international collaboration and information sharing.

ITOMS overall composite benchmark  
non-weighted average

## Electricity demand forecasts

Consistent with the National Electricity Rules (NER), Powerlink publishes an Annual Planning Report (APR) in June each year, which is issued to National Electricity Market (NEM) participants and other interested parties and is available on our website. The APR provides information about the outlook for the electricity transmission network in Queensland and includes information on forecast electricity requirements, the transmission grid's capability and potential network developments required in the future years, to ensure an efficient, safe and reliable network.

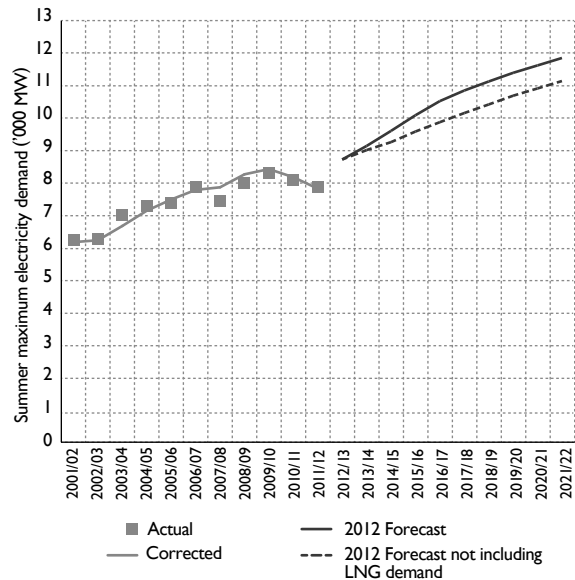
In December 2011, Powerlink undertook a review of demand forecasts from its 2011 APR and published the results in an Annual Planning Report 2011 Update. We undertook the review to support our Revised Revenue Proposal to the Australian Energy Regulator (AER) and to ensure the AER was working with the most recent information. The APR takes a long-term view of electricity demand and energy forecasts and is very dependent on changeable external factors. The update showed there had been some adjustment of figures over the six month period.

The 2012 APR, which was issued on 30 June, indicates that peak electricity demand has steadied in recent years, and was in fact lower in 2012 than in previous years. However peak demand is forecast to increase by an average of 3.5 per cent per year over the next 10 years, which reflects the predicted trends in Queensland's economy – a return to growth following the recent period of economic slowdown. This growth is driven primarily by emerging electricity requirements in the Surat Basin due to proposed upstream processing facilities for multiple liquefied natural gas (LNG) projects and the related growth in the service towns in this region. Without including the LNG industry, forecast demand growth would be 2.8 per cent per year over the next 10 years.

The long-term statewide electricity demand forecast has been revised down when compared to past forecasts due to the slower than anticipated recovery of the State's economy, continued uptake of household solar initiatives, general consumer response to rising electricity prices and the fact that households used less air-conditioning in the mild summer of 2011/12.

This electricity demand forecast for the next 10 years is used by Powerlink to determine timely, safe and efficient transmission arrangements to meet customer needs at the lowest long-run cost.

Queensland maximum electricity demand forecast



\* The starting value for the forecast demand (the 2012/13 summer demand) takes account of economic growth forecast to occur from the 2011/12 to 2012/13 summer period. This starting value also takes account of the fact that the peak temperature day during the 2011/12 summer occurred in the January holiday period and therefore was lower than it would have been had similar weather conditions occurred several weeks later.

## Capital works program

In 2011/12, Powerlink invested \$752.9 million in capital works projects throughout Queensland to ensure our transmission network continues to meet reliability standards and electricity demand for more than two million customers and to underpin Queensland's economic development, including resource sector projects. We develop our regulated (prescribed) network to meet the needs of electricity consumers and also develop non-regulated transmission assets on a user-pays basis in response to requests by large business customers for example, coal mines and liquefied natural gas developments.

During the next five-year period to 30 June 2017, Powerlink is planning to invest more than \$3.5 billion in capital works to: connect customers, augment the network to meet electricity demand, extend the life of existing assets to maintain reliability of electricity supply, and replace existing assets which have reached the end of life to maintain reliability of electricity supply. Regulated (prescribed) investments make up about 85 per cent of this work. Our investment in regulated (prescribed) projects is expected to decrease in real terms when compared to the five years to 30 June 2012.

Investments are subject to continuous review regarding scope and timing to ensure electricity services are delivered at the time required and at the lowest long-run cost to customers.

## Replacement and life extension works

About 36 per cent of our 2011/12 capital works budget was invested in replacement and life extension projects to ensure we continue to maintain a reliable electricity transmission supply. Approximately 50 per cent of the proposed regulated (prescribed) capital allowance for the next five-year period will be invested in replacement works.

As with all activities on our network, we endeavour to minimise the impacts of these works on the NEM and electricity customers through the use of innovative and cost effective techniques.

We used a micropile technique to replace ageing transmission tower footings on our Woree to Kamerunga transmission line in Far North Queensland. This technique, which enables foundations to be drilled in areas where space is restricted, was an innovative solution to minimising ground disturbance in our work locations. Other life-extension projects on our transmission lines include tower painting and replacing components of transmission towers.

Within some of our substations we have undertaken refurbishment projects, including replacing electronic protection and control equipment. We are applying the new International Electro-technical Commission (IEC) standard IEC 61850 Communication and Systems for Power Utility Automation discussed on page 20 to our substation refurbishment program.

## Strategies to deliver the capital works program

By avoiding the need to take transmission equipment out of service for maintenance or construction works, we further enhance the reliability of electricity supply and meet the network performance targets set by the AER.

Our live substation and live line procedures have been developed, trialled and approved to ensure the safety and efficiency of our highly trained and skilled technicians. During 2011/12, a new live line procedure was approved for helicopter stringing of new conductor (powerline wire) onto one side of a transmission tower, next to a live conductor suspended on the other side of the transmission tower. A new live substation work method was also approved to upgrade the busbar at Tarong Substation.

As the footprint of our network moves into South West Queensland, we are preparing to establish a local presence to ensure our skilled personnel are readily available to maintain the network and to avoid excessive travel. A new depot near the Surat Basin is planned for establishment by 2016. We currently operate a construction office in Dalby and our people travel regularly to areas within South West Queensland.

## Continuous improvement and innovation

During 2011/12, Powerlink undertook a trial to evaluate the effectiveness of a construction contractor acting as a 'Recipient' – ensuring they are trained in and responsible for maintaining safety at a work site. A Recipient role is defined by the *Queensland Electricity Entity Procedures for Safe Access to High Voltage Electrical Apparatus* as a suitably qualified person (that is, meeting national competency requirements) approved by Powerlink who is issued with an Access/Test Permit to work on or near isolated high voltage equipment, and is responsible for the electrical safety within a defined work area. To date, this role has been filled by a Powerlink or Distribution Network Service Provider (DNSP) employee.

The objective of this trial is to improve efficiency. A schedule of monitoring, on-site safety auditing and consultation was undertaken within the trial program including an on-site audit by the Electrical Safety Office, which found the work to be compliant with legislative requirements.

The outcomes of the trial support a risk-based approach in transferring the role of Recipient to contractors with appropriate training and qualifications.

## Initiatives to improve network performance

Powerlink is committed to further improving its high standard of network performance. In 2011/12 we undertook initiatives including:

- adopting improved weather monitoring and early warning system for extreme weather events such as floods, fires and cyclones by using near-real time weather data and weather measurements to monitor, predict and assess the potential impact on our transmission network assets
- improving extreme weather event management by more closely collaborating with Emergency Services Queensland to improve access to resources, equipment and capabilities
- testing and approving additional procedures to safely undertake live line and live substation works for planned outages on our network
- implementing new condition monitoring systems to maximise reliability performance of the network, including circuit breaker SF<sub>6</sub> gas density monitoring.



### Acquiring easements and substation sites

To secure easements and sites for planned future transmission infrastructure, we comply with the *Acquisition of Land Act 1967* and a planning process approved under the *Sustainable Planning Act 2009* (SPA).

This year we undertook a significant number of easement and site acquisition projects, mirroring the activity and growth in the resources and energy sectors in Queensland, particularly in the Surat Basin and Gladstone areas.

In 2011/12 we began work to refine our process for estimating the timeframe for easement and site acquisition, taking into account the many external factors and stakeholders that may be involved in our process. The outcome of these refinements is expected to deliver efficiencies in terms of resource planning, and customer and stakeholder relationships.

Under the SPA Powerlink must obtain planning approval for new electricity infrastructure. Powerlink does this by requesting Ministerial designation of a transmission line route for community infrastructure before a new line is built. Easement and site acquisition projects which reached the stage of Ministerial designation in 2011/12 are detailed in the table below.

### Climate change adaptation strategies

Our network assets are designed to a standard which allows them to operate in a range of environmental conditions. Through a risk assessment process we have identified six key aspects of climate change which may have the potential to impact the resilience of our transmission network:

- dust
- flood
- bushfire
- lightning strikes
- extreme winds
- increasing ambient temperatures.

We have established investigatory projects to further our understanding and develop an adaptation plan for each of these key aspects. The projects will identify the current resilience of transmission and substation equipment and assist in improving that resilience.

#### *Easement and site acquisition projects which reached the stage of Ministerial designation in 2011/12*

Non-regulated project description	Regulated (prescribed) project description
<b>Designated during 2011/12</b>	
<p><b>South Queensland</b></p> <ul style="list-style-type: none"> <li>■ APLNG Condabri Substation sites</li> <li>■ Braemar to Kumbarilla transmission line</li> <li>■ Wandoan South to Woleebee transmission line</li> </ul> <p><b>Central Queensland</b></p> <ul style="list-style-type: none"> <li>■ Eagle Downs Substation site</li> <li>■ Goonyella Riverside Mine Switching Station site</li> <li>■ QRN Bluff Transmission line</li> <li>■ QRN Duaringa transmission line</li> <li>■ QRN Wycarbah transmission line</li> </ul>	<p><b>South Queensland</b></p> <ul style="list-style-type: none"> <li>■ Columboola to Wandoan South transmission line</li> <li>■ Western Downs to Halys transmission line</li> </ul> <p><b>Central Queensland</b></p> <ul style="list-style-type: none"> <li>■ Calvale to Stanwell transmission line</li> </ul> <p><b>Far North Queensland</b></p> <ul style="list-style-type: none"> <li>■ Ingham to Tully transmission line</li> </ul>
<b>Submitted for designation during 2011/12</b>	
<p><b>South Queensland</b></p> <ul style="list-style-type: none"> <li>■ APLNG Condabri transmission line</li> </ul> <p><b>Central Queensland</b></p> <ul style="list-style-type: none"> <li>■ Lilyvale to Surbiton (Galilee Basin – Stage 1) transmission line</li> </ul>	<p><b>South Queensland</b></p> <ul style="list-style-type: none"> <li>■ Springdale to Blackwall transmission line</li> <li>■ Western Downs to Columboola transmission line</li> </ul> <p><b>North Queensland</b></p> <ul style="list-style-type: none"> <li>■ Nebo to Broadlea (Northern Bowen Basin – Stage 1) transmission line</li> </ul>

## Maintaining our efficient network

In 2011/12 we invested \$94.3 million in maintaining the network to ensure the continued high level of reliability and efficiency expected by electricity customers and our regulator, the AER.

When undertaking maintenance on Powerlink's network, we manage our work programs to minimise the planned outages on our network, and consequently the impact on electricity customers and the NEM. Our 2011/12 planned maintenance program was delivered with emphasis on work bundling and programming, and using non-invasive and live work techniques where possible to minimise the frequency and duration of network outages.

### Network maintenance activities 2011/12

Target	Performance	% of target achieved
<b>Planned transmission lines maintenance works (number of work units*)</b>		
1,798.1	1,761.6	98%
<b>Planned substation (including secondary systems) maintenance works (number of work units*)</b>		
8,378.6	8,122.7	97%
<b>Communication site maintenance works (number of work units*)</b>		
893.7	887.4	99%
<b>Total maintenance activities (number of work units*)</b>		
<b>11,070.4</b>	<b>10,771.7</b>	<b>97%</b>

\* Work units are used to manage routine maintenance. A work unit represents the comparative effort of work that is required to perform a particular routine maintenance task.

## Telecommunications

Powerlink operates a telecommunications network to facilitate the protection, control and monitoring of our transmission network. Limited spare capacity on our telecommunication network is contracted to major customers.

During 2011/12, we installed 232 kilometres of Optical Fibre Ground Wire (OPGW) in North Queensland. The most significant installations were between Yabulu South and Ingham South Substations, and Kareeya, Chalumbin and Turkinje substations.

We also replaced a range of ageing telecommunications equipment in North and Central Queensland. As a result of installing next generation telecommunication equipment, we have significantly improved the reliability and capacity of communications between substation sites and our network control centre.

## Infrastructure security

Powerlink's security policy and initiatives target the safety of our people and the public, protection of our network as critical infrastructure, and the need to ensure business continuity.

We continue as a participating member of the International Electricity Infrastructure Assurance (IEIA) Forum to ensure we remain abreast of developments in infrastructure security, and the Energy Sector Group under the Commonwealth Government's Trusted Information Sharing Network (TISN). This year Powerlink also became a member of the State Interdepartmental Committee for Bushfires.

## Contingency planning and corporate emergency response

Powerlink's suite of corporate emergency management response plans are regularly reviewed and tested to ensure we have the capability to quickly respond to any network or corporate emergency while maintaining a secure and reliable transmission service.

Applying what we learnt from the South East Queensland floods in early 2011, we have improved our response plans for flood events that impact, or have the potential to impact, our infrastructure.

To refine and ensure our people are familiar with the emergency management response plans, we participated in a number of internal exercises and an annual desktop exercise in conjunction with AEMO.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- continue to evaluate and improve our capability to efficiently deliver our capital works program throughout Queensland
- investigate new methods to facilitate the implementation of new technology and work techniques
- undertake substation refurbishments using substation protection systems based on IEC standard 61850 and work towards full implementation of the design standard
- continue to refine our processes for estimating timeframes for easement and site acquisition.



# NETWORK DEVELOPMENT



## ACHIEVING

- completed four major regulated (prescribed) transmission network development projects to replace transmission equipment reaching the end of its useful life
- completed two non-regulated customer connection projects
- work is progressing on construction of 10 major regulated (prescribed) transmission developments to be completed over the coming years, which include both new and replacement projects.

### Assessing the need for network development

There are a number of drivers that trigger the need for Powerlink to develop our network. The main drivers include:

- the need to build new infrastructure or implement non-network solutions to meet electricity demand
- replacement of aged infrastructure to maintain security of electricity supply
- construction to directly connect a major industrial customer into the transmission network.

#### *Non-regulated customer connections*

New transmission lines and substations may be constructed when a major industrial customer (such as a generator or mine) needs to connect into the electricity network. When Powerlink constructs a new transmission line or substation as a non-regulated customer connection, the cost of acquiring easements, constructing and operating the transmission line or substation are paid for by the customer making the connection request, under a user-pays arrangement over the life of the agreement. For more information about our customer connection process, please refer to 16.

## CASESTUDY

**TRANSMISSION LINE WILL BOOST SUPPLY TO CENTRAL AND NORTH QUEENSLAND**

**The Calvale to Stanwell transmission line is currently being constructed to reinforce electricity supply in the Central and North Queensland regions, including Gladstone and Rockhampton, and to cater for growth in electricity demand in the resource, industrial and residential sectors.**

The 100 kilometre line runs between Calvale Substation (near Biloela, adjacent to Callide A Power Station) and Stanwell Substation (near Rockhampton, adjacent to Stanwell Power Station). The early stages of the project involved removing a de-energised transmission line. Most of the new transmission line is being constructed on existing easements, which minimises the disruption to landowners, the environment and the wider community.

Kish Eleperuma, Project Manager, said construction of the new transmission line began in October 2011 and is tracking on schedule, despite heavy weather in the region.

"The Powerlink project team is working closely with all stakeholders including landowners to keep them informed about our activities and to minimise the impact of our construction works," Kish said.

"The Calvale to Stanwell transmission line will traverse varied landscapes, including areas of thick vegetation which require specific strategies for constructing access, with minimal environmental impacts.

"A new tower design has been developed to suit the terrain and requirements of this project, and meet Powerlink's design standards. It has been proven successful and may be used on future Powerlink projects."

Kish said regular audits were undertaken on the project and helped to reinforce the essential safety and environmental standards on site.

**Regulated (prescribed) investment**

Powerlink is required to deliver electricity transmission services to the reliability of supply standards set for it by the Queensland Government, at the lowest long-run cost for consumers. A key driver of the need for new transmission lines and substations is peak demand for electricity. Peak demand is the maximum electricity demand, which occurs at a specific point in time, and is different from overall or daily electricity demand. We have a legal obligation to develop our transmission network so that it can reliably meet peak demand.

New substations and transmission lines may also be needed as replacements for equipment which has reached the end of its useful life. When assessing the replacement of assets, we consider the most appropriate and economic options including complete replacement or life extension. About 36 per cent of our regulated (prescribed) 2011/12 capital works budget was invested in replacement and life extension projects.

Over the next five-year period about 50 per cent of the proposed regulated (prescribed) capital allowance will be invested in replacement and life extension works.

Prior to building a new transmission line or substation we undertake a thorough assessment of alternatives and options to ensure the solution selected is the lowest long-run cost to electricity consumers, while also meeting a balance of safety, environmental and social factors in accordance with the National Electricity Rules.

When identifying network augmentation solutions Powerlink is obliged under legislation to apply a comprehensive assessment process, known as the Regulatory Investment Test for Transmission (RIT-T), an economic benefit test developed by the AER. In applying the RIT-T a consultation process must be conducted, which calls for interested parties and NEM participants to provide feedback on Powerlink's potential network augmentation solution and put forward any credible alternative solutions such as demand-side management. All solutions are evaluated in accordance with the RIT-T economic benefit test to determine which solution can be delivered at the lowest long-run cost to consumers. Powerlink does not build any new regulated (prescribed) network augmentations without going through this process.

**Current consultations on regulated (prescribed) network investment:**

As at 30 June 2012, Powerlink was undertaking three consultations for proposed transmission augmentations:

- Supply to Bowen Basin coal mining area
- Supply to the southern Brisbane area
- Queensland/New South Wales Interconnector upgrade project.

## Major network augmentation projects (regulated)

<b>Major transmission developments: Completed in 2011/12</b>				
Brief description	Project purpose	Milestones achieved	Delivered on or under budget	Delivered within approved schedule
<b>North Queensland</b>				
<b>Yabulu South to Ingham replacement transmission line</b>				
Construction of a 132 kilovolt transmission line to replace an ageing line between Ingham and Yabulu Substations.	To ensure continued reliability of supply to Far North Queensland.	Commissioned 2011.	Final costing is still under progression.	✓
<b>Central Queensland</b>				
<b>Gin Gin Substation</b>				
Replacement of 275/132 kilovolt transformers.	To ensure continued reliability of electricity supply to the Wide Bay area.	Commissioned progressively from 2010 to 2012.	✓	✗ Commissioning of the second transformer was delayed. The timing of outages was adjusted to meet the network need.
<b>South Queensland</b>				
<b>Belmont Substation</b>				
Replacement 275/110 kilovolt transformers and rebuilding and replacement of aged equipment at the 110 kilovolt Belmont Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Commissioned 2011.	✓	✗ Significant weather and network outage constraints impacted on the complex and integrated schedule. However the project was still commissioned in time to meet the network need.
<b>Blackstone Substation</b>				
Replacement of aged equipment at the 110 kilovolt Swanbank A Substation at the new Blackstone Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Commissioned 2011.	✓	✓

Major network augmentation projects (regulated) *continued...*

<i>Major transmission developments: Under construction 2011/12</i>				
Brief description	Project purpose	Construction timetable	Currently within budget	Currently within approved program
<b>North Queensland</b>				
<b>Cardwell to Ingham transmission line</b>				
Construction of a 132 kilovolt transmission line to replace an ageing line between Cardwell and Ingham substations.	To ensure continued reliability of electricity supply to North Queensland.	Construction to be completed in 2013/14.	✓	✓
<b>Tully to Cardwell transmission line</b>				
Construction of a 132 kilovolt transmission line to replace an ageing line between Tully and Cardwell substations.	To ensure continued reliability of electricity supply to North Queensland.	Construction to be completed in late 2012.	✓	✓
<b>Central Queensland</b>				
<b>Bouldercombe Substation</b>				
Installation of a 275/132 kilovolt transformer and replacement of aged secondary systems equipment.	To ensure continued reliability of supply to Central and North Queensland.	Construction to be completed in 2013/14.	✓	✓
<b>Calvale to Stanwell transmission line</b>				
Construction of a new 275 kilovolt transmission line between Calvale Substation and Stanwell Substation.	To ensure continued reliability of electricity supply to Central and North Queensland.	Construction to be completed in 2013/14.	✓	✓
<b>Calliope River Substation</b>				
Replacement of aged equipment at the Gladstone Substation at the new Calliope River Substation site.	To ensure continued reliability of electricity supply to the Gladstone area.	Construction to be completed 2015. Final commissioning works deferred to coordinate with generator outages.	✓	✓
<b>South Queensland</b>				
<b>Columboola to Wandoan South transmission line and Wandoan South Substation</b>				
Construction of a new 275 kilovolt Wandoan South Substation and a 275 kilovolt transmission line between Columboola and Wandoan South Substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in South West Queensland.	Construction to be completed in 2012/13.	✓	✓
<b>Columboola to Western Downs transmission line and Columboola Substation</b>				
Construction of a new 275 kilovolt Columboola Substation and a 275 kilovolt transmission line between Columboola and Western Downs substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in South West Queensland.	Construction to be completed 2013/14.	✓	✓

Major network augmentation projects (regulated) *continued...*

<b>Major transmission developments: Under construction 2011/12</b>				
Brief description	Project purpose	Construction timetable	Currently within budget	Currently within approved program
<b>Loganlea Substation</b>				
Installation of a new 110/33 kilovolt transformer and replacement of aged equipment at the 110 kilovolt Loganlea Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Construction to be completed 2014.	✓	✓
<b>Richlands Substation</b>				
Replacement of aged equipment at the 110 kilovolt Richlands Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Construction to be completed in 2013.	✓	✓
<b>Western Downs to Halys transmission line and Western Downs and Halys substations</b>				
Construction of new 275 kilovolt Western Downs and Halys substations and a 275 kilovolt transmission line between Western Downs and Halys substations.	To ensure continued reliability of electricity supply and increase capacity to meet growing electricity demand in South East Queensland.	Construction to be completed in 2012/13.	✓	✓
<b>Major transmission developments: Committed but not yet under construction</b>				
Brief description	Project purpose	Construction timetable		
<b>North Queensland</b>				
<b>Collinsville Substation</b>				
Replacement of ageing 132 kilovolt equipment at Collinsville Substation.	To ensure continued reliability of electricity supply to North Queensland.	Construction to be completed in 2014.		
<b>Nebo Substation</b>				
Replacement of 275/132 kilovolt transformers at Nebo Substation.	To ensure continued reliability of electricity supply to North Queensland.	Construction to be completed progressively from 2013 to 2014/15.		
<b>South Queensland</b>				
<b>Blackstone Substation</b>				
Replacement of aged equipment at the 275 kilovolt Swanbank B Substation at the new Blackstone Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Construction to be completed in 2014.		
<b>Bulli Creek Substation</b>				
Replacement of aged secondary systems equipment at Bulli Creek Substation.	To ensure continued reliability of electricity supply to South East Queensland.	Construction to be completed in 2013/14.		

## Customer connection works (non-regulated – paid for by the customer)

<i>Customer connection works: Commissioned in 2011/12</i>			
Brief description	Project purpose	Customer	Milestones
<b>North Queensland</b>			
<b>Goonyella Riverside Mine connection</b>			
Construction of a 132 kilovolt switching station at Moranbah.	Increase electricity supply capability for coal mine expansion.	BHP Billiton Mitsubishi Alliance (BMA)	Commissioned June 2012.
<b>Central Queensland</b>			
<b>Electrification of Blackwater rail system</b>			
Construction of a 275 kilovolt substation at Raglan (south of Rockhampton).	Increase electricity supply capability to Raglan rail site.	QR National	Commissioned November 2011.
<i>Customer connection works: Under construction in 2011/12</i>			
Brief description	Project purpose	Customer	Construction timetable
<b>North Queensland</b>			
<b>Eagle Downs Mine connection</b>			
Construction of a 132 kilovolt switching station.	To supply electricity for the new Eagle Downs coal mine.	Eagle Downs Coal Management Pty Ltd (EDCM)	2012/13
<b>Central Queensland</b>			
<b>Electrification of Blackwater rail system</b>			
Construction of three new 132 kilovolt transmission lines to three new QR National substations at Bluff, Duarina and Wycarbah.	To provide high voltage electricity supply to Wycarbah, Bluff and Duarina rail sites and help reinforce the electrified CoalRail network in Central Queensland.	QR National	2012/13
<b>South Queensland</b>			
<b>Kumbarilla Park connection</b>			
Construction of a new 275 kilovolt transmission line between Braemar Substation and a new substation at Kumbarilla Park.	Provide high voltage electricity for coal seam methane and liquefied natural gas compression.	Queensland Gas Company (QGC)	2012
<b>Woleebee Creek connection</b>			
Construction of a short 132 kilovolt transmission line from Powerlink's future Wandoan South Substation to Woleebee Creek.	Provide high voltage electricity for coal seam methane and liquefied natural gas compression.	Queensland Gas Company (QGC)	2013
<b>Columboola area connections</b>			
Construction of three 132 kilovolt switching stations and new 132 kilovolt transmission lines between these switching stations and the Columboola Switching Station.	Provide high voltage electricity for coal seam methane and liquefied natural gas compression.	APLNG (Asia Pacific Liquefied Natural Gas)	Progressively during 2013/14.



Customer connection works (non-regulated – paid for by the customer) *continued...*

<b>Customer connection works: Committed but not yet under construction as at 30 June 2012</b>			
Brief description	Project purpose	Customer	Construction timetable
<b>North Queensland</b>			
<b>Wotonga rail connection</b>			
Construction of 132 kilovolt switching station.	To supply the new rail electrification project in the Bowen Basin.	QR National	2014/15
<b>Central Queensland</b>			
<b>Galilee connection</b>			
Construction of a new 275 kilovolt transmission line from Powerlink's Lilyvale Substation to the Galilee Basin.	Provide high voltage electricity for the proposed Alpha and Kevin's Corner coal mines.	Hancock Coal Pty Ltd	2014/15
<b>South Queensland</b>			
<b>Orana connection</b>			
Construction of a new 275 kilovolt substation at Orana (SSW of Chinchilla).	Provide high voltage electricity for coal seam methane and liquefied natural gas compression.	APLNG (Asia Pacific Liquefied Natural Gas)	2014/15
<b>Wandoan Coal Mine connection</b>			
Construction of a 132 kilovolt transmission line between Powerlink's future Wandoan South Substation and Xstrata's Wandoan Coal Mine.	Provide high voltage electricity for the proposed Wandoan Coal Mine.	Xstrata	2014/15
<b>North West Surat connection</b>			
Construction of three new 132 kilovolt switching stations and new 132 kilovolt transmission lines between these switching stations and Powerlink's future Wandoan South Substation.	Provide high voltage electricity for coal seam methane and liquefied natural gas compression.	APLNG (Asia Pacific Liquefied Natural Gas)	Progressively in 2014/15.

## CASESTUDY

**CAREFUL SCHEDULING TO DELIVER THE CALLIOPE RIVER SUBSTATION**

The completion of the Calliope River Substation in May 2012 marks the first stage in a complex project to replace the original Gladstone Power Station Substation. As well as connecting the Gladstone Power Station to the transmission network, the substation is an important link in the supply of electricity to the growing Central Queensland and Gladstone region.

With power station operations scheduled to continue past 2029 and increasing electricity demand in Central Queensland – driven by growth in the industrial, coal mining and minerals processing sectors – the original substation needed to be replaced.

The Calliope River Substation, comprising 14 substation bays and 17 transmission feeders, is located 2.5 kilometres to the west of the original Gladstone Substation.

The replacement project will in the future deliver a new switchyard for the power station on the original Gladstone Substation site, and associated cabling between the switchyard and the Calliope River Substation.

Paul Woods, Project Manager, said close liaison with Gladstone Power Station owners and operators ensured the construction program did not impact the operations of the power generator:

"Our construction works are carefully scheduled to fall into line with planned outages at the power station," Paul said.

"The first stage of the project was delivered on time and met our target of no significant technical, safety or environmental incidents.

"We prioritised the safety and wellbeing of on-site workers. At times, the conditions at Gladstone were hot and humid, so we introduced strategies to successfully combat heat and fatigue.

"The project Environmental Management Plan guided the work in the flat and swampy environment on Black Harry Island, including importing 146,000 cubic metres of fill to create an elevated substation platform.

"We also carefully planned a series of sediment ponds on site, planted more than 3,500 trees and installed 300 bird boxes. These initiatives are working well in the local environment and attracting wildlife."

**The planned 500 kilovolt network**

To efficiently meet the forecast long-term electricity demand in South East Queensland, Powerlink has plans to construct a 500 kilovolt transmission network in Southern Queensland. One 500 kilovolt transmission line is capable of carrying about the same amount of electricity as three 275 kilovolt transmission lines, with a much smaller land use requirement. Most of the easements for the future 500 kilovolt network have been progressively acquired over the past two decades, as part of our long-term planning processes.

Since 2009, we have regularly reviewed the timing of the Halys (near Kingaroy) to Blackwall (near Ipswich) 500 kilovolt transmission line, which is the first of Powerlink's future 500 kilovolt projects, to take account of electricity demand forecasts and electricity generation outlook. Our 2012 Annual Planning Report has identified on current forecasts there is sufficient capability in the transmission network and the need for the Halys to Blackwall project is not expected to be triggered until 2018/19.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- undertake consultation for transmission investments for supply to north of Rockhampton
- progress our capital works program, with about 50 per cent of the regulated (prescribed) component comprising replacement or life extension projects for equipment which has reached the end of its useful life
- complete construction of:
  - Tully to Cardwell replacement transmission line
  - Columboola to Wandoan South transmission line and Wandoan South Substation
  - Western Downs to Halys transmission line and Western Downs and Halys substations.



# PEOPLE



*Live Substation Technicians,  
Lorne Markham and Tony van Melis  
at Abermain Substation.*

PEOPLE

## ACHIEVING

- surveyed our employees to measure engagement and guide future activities
- reached agreement on a new enterprise agreement with strong endorsement from our employees
- improved our development engineer program
- a new approach to develop the leadership capabilities of our people
- new recruitment strategies that deliver efficiencies and better selection outcomes.

### Employee engagement

Powerlink recognises the importance of having employees who are engaged, who strive to perform and deliver on business objectives. Employee engagement at Powerlink was measured with a staff survey in May 2012. Gaining an understanding of our employee engagement is important to the process of delivering our business strategy. The information we gathered from this survey will be used to develop action plans for future initiatives across the business, and will guide the development of practical outcomes to enhance employee engagement.

Participation in the survey was high, with 84 per cent of Powerlink employees taking part. Participation was above the target rate across all sections of our business, providing validity to the survey results. Results from the survey and action plans will be shared with the business in 2012/13.

### Covey reenergised

Powerlink has implemented Stephen Covey's *7 Habits of Highly Effective People* program since 1997. The program has been very successful in helping shape Powerlink's culture and fostering respectful and productive interaction between our people. A review was undertaken during the year to refresh the program and ensure it continues to link directly into Powerlink's business strategy and practices.

## CASESTUDY

IMPROVING RECRUITMENT  
PROCESSES AND OUTCOMES

**The efficiency of Powerlink's recruitment processes and the quality of our selection decisions have been enhanced by a number of initiatives introduced this year.**

The changes include implementing an online recruitment system so hiring managers can track progress from start to finish. Powerlink also introduced an improved and consistent template for position descriptions, which helps potential applicants to assess their own suitability, skills and experience for advertised roles.

Amy Brutton, Senior Recruitment Services Advisor, said Powerlink had enhanced the support and training available to assist managers to improve their recruitment activities.

"We provide guidance and training for our hiring managers," Amy said. "The training particularly focuses on assessing applicants for team and motivational fit, and finding opportunities to efficiently and effectively assess and reference check candidates against criteria."

Ray Holzheimer, Substation Field Project Manager, has successfully applied the new recruitment strategies to fill field-based, professional and managerial positions.

"The new recruitment process and training adds a lot of value – it saves my time, ensures a standardised process and results in better appointment decisions," Ray said.

"Our position descriptions now more strongly focus on the criteria that really matters to the job, and that helps to select applicants effectively. We then interview with standardised questions to evaluate the applicants' technical fit with the role. Finally, we use improved interviewing techniques to select an applicant with the right behavioural fit.

"The whole process has been streamlined by the improved framework and tools, hand-in-hand with the support and skills training available to managers."

Working at Powerlink Enterprise  
Agreement

After receiving strong endorsement from our employees, our new Working at Powerlink Enterprise Agreement received final approval from Fair Work Australia and commenced operation on 30 March 2012. The new agreement provides benefits for employees, while balancing legislative requirements, stakeholder and community expectations, key business needs, and underpinning Powerlink's values.

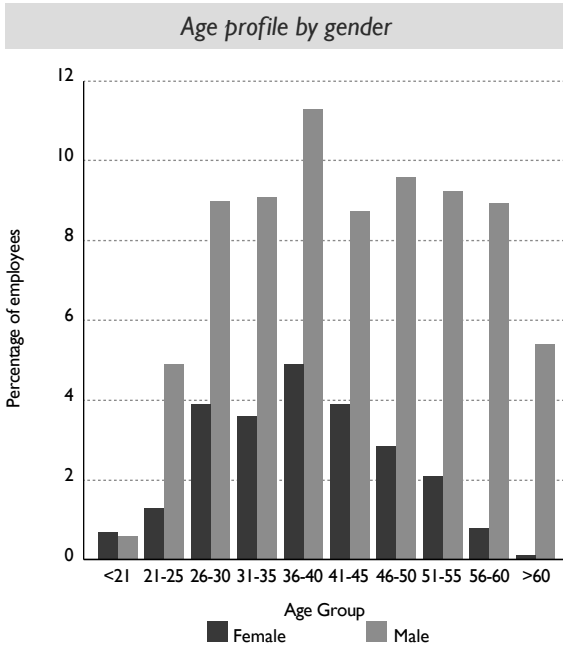
During the negotiation phase, we introduced additional mechanisms to ensure extensive and timely communication with our employees, including updates by email, team talks, drop-in sessions, fact sheets, a dedicated page on our intranet, and a question and answer service.

The Enterprise Agreement was negotiated with our employees and their representatives – the Association of Professional Engineers, Scientists and Managers, Australia (APESMA); the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia – Electrical Division (ETU); the Australian Municipal, Administrative, Clerical and Services Union, Central and Southern Queensland Clerical and Administrative Branch (ASU); and the Queensland Services, Industrial Union of Employees (QSU).

## Workforce profile

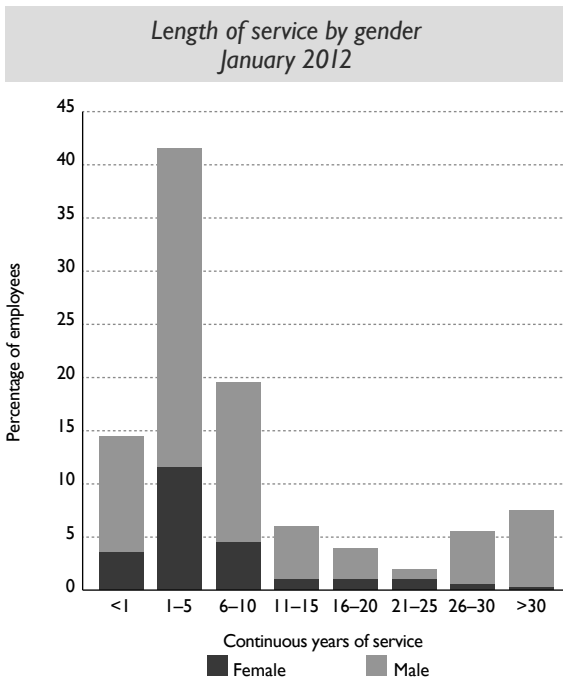
Powerlink employs just over 1,000 people with a range of specialised skills to deliver our business objectives. Our employees demonstrate a high level of commitment and expertise as they perform a range of professional, technical, trade, specialist and administrative roles. Powerlink is firmly committed to a policy of anti-discrimination, which is applied in recruitment, selection and promotion of all employees.

Powerlink's approach to diversity in the workplace creates positive outcomes for the business by ensuring access to the broadest external workforce, particularly in critical skill areas, and to leadership and talent pools. Our employees represent a range of age groups – the Powerlink employee age profile is presented in the 'Age profile by gender' table opposite. In our annual workforce planning, we consider potential retirements and prepare for this through succession planning and by developing skills across the workforce, ensuring critical skills are retained to meet business needs.

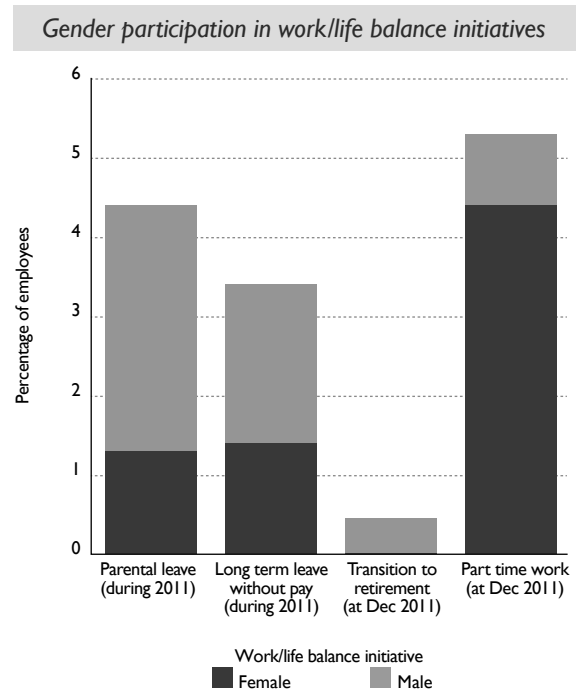


Employees with five years' service or less represent just over half of our workforce, and include the greatest proportion of our female employees. One third of our workforce has greater than 10 years of service. Historically, Powerlink has a low employee turnover. In 2011/12 our employee turnover rate was 4.9 per cent (excluding retirement).

This length of service demonstrates the long corporate memory within the business that contributes to our business capability. It also signals the high skill level of our employees, including the specialised technical capabilities within our workforce.



Powerlink has a suite of work/life balance initiatives designed to encourage and support participation in the workplace, particularly for those employees with family responsibilities. These initiatives include paid parental leave, part time work for parental leave, earlier access to long service leave, job sharing, cultural diversity leave, working from home, purchased leave and phased retirement support. Uptake of these work/life balance initiatives is shared among men and women, with women representing the largest proportion of the part time workforce.



## Training and development programs

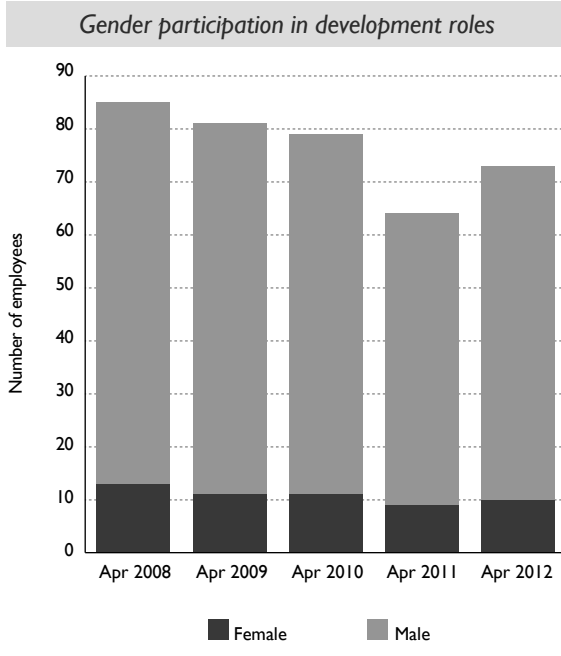
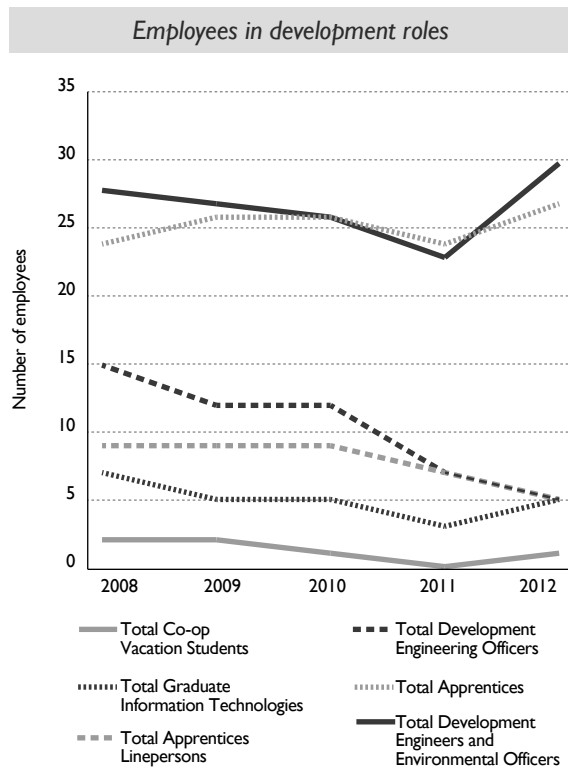
About seven per cent of our workforce participates in our Trainee and Graduate Development Programs for graduate engineers and information technologists, development engineering officers, administration trainees and apprentices to ensure we have the capability to meet future business requirements.

It is our aim that the proportion of female electrical engineers and engineering officers entering Powerlink through development programs is at least proportional to the female student participation rates. During the coming year we expect to put in place actions to facilitate this aim and to measure our progress against it.

In the past year we implemented changes to our development engineer program, focusing on providing participants with a more comprehensive experience across the range of engineering activities within Powerlink.

The changes were based on the outcomes of a review undertaken in 2010/11, and included changing the duration of the program from five years to four years, with shorter rotations across a broader aspect of the business. Improvements were also made to the selection process for candidates. To allow these changes to be implemented and embedded, recruitment for the program was temporarily suspended. As a result, the numbers of development engineering officers declined. We plan to increase the number of participants during 2012/13.

A review of the graduate information technologist program will be undertaken in 2012/13.



## Management and leadership development

Powerlink's leadership development opportunities include three structured development programs to build the capabilities of our managers.

During 2011/12, a review of our Management to Leadership Program was undertaken to identify improvement opportunities. As a result of this review, we implemented the *9 Conversations in Leadership Program*, consisting of a sequence of externally facilitated group discussions underpinned by contemporary leadership theory. The program is structured to develop and evaluate leadership capabilities, and has delivered demonstrable results in the Australian and South African energy sectors. Currently, 20 leaders are engaged in our program and their experience will be monitored and evaluated to inform our future leadership development strategies.

Our Foundations of Management Series aims to provide all managers at Powerlink with confidence and capability to understand and apply Powerlink policies and procedures related to managing and developing employees. In 2011/12, we offered six modules to managers.

Foundations of Management Module	Number of participants
<i>Employee Development</i> – identifying the development needs of staff and planning to meet those needs.	145
<i>Legal and Risk Management</i> – corporate governance, legal and risk fundamentals.	87
<i>Work Health and Safety</i> – included Powerlink’s Safety Management System, overall responsibilities, hazard management, incident and event management, health management, training and authorisation.	106
<i>Change Leadership</i> – insight into the way individuals experience change, and coaching tools and techniques.	60
<i>Navigating the Performance Review Process</i> – planning and conducting effective performance reviews.	100
<i>Effective Resourcing</i> – processes and skills for effective resourcing including documenting clear selection criteria and behavioural interviewing skills.	137

### Career progression opportunities

It is Powerlink policy that all positions are advertised internally before they are advertised in an external marketplace, unless there is a strong reason to move directly to external advertising. In this way, Powerlink offers staff opportunities for development and career progression within the business.

Enabling employees to advance their careers and experience new opportunities within Powerlink helps us to maintain a high staff retention rate.

### Employee recognition

Recognising excellence in our workplace is one of Powerlink’s strategies for creating a desirable culture that helps us to achieve our business goals, and attract and retain high quality employees. Our annual Powerlink Excellence Awards acknowledge individuals and teams who have implemented innovative work practices or initiatives in the workplace and celebrate the achievements of all employees.

Our 2011 Excellence Awards recognised outstanding achievements in the categories of technical, business, safety, leadership and environment and community. In all, two gold, eight silver and 16 highly commended awards were presented to employees across a range of teams.

A number of our employees have received recognition from external parties for their exceptional achievements and potential. We congratulate the following people:

- Chief Executive, Merryn York was named in Engineers Australia’s 2012 list of Australia’s Top 100 most influential engineers.
- Chief Operating Officer, Simon Bartlett AM received an Order of Australia for service to engineering, particularly to the electricity supply industry in Queensland, and to professional organisations.
- Development Engineer, Sarah Hiley was awarded the University of Queensland E. S. Cornwall Memorial Scholarship. The scholarship enables engineering graduates to gain experience abroad in the electricity industry.
- Manager Environmental Strategies, Stephen Martin received a 2011 CIGRE Technical Committee Award in recognition of his outstanding contribution to the work of Study Committee C3 – System Environmental Performance. CIGRE is the International Council on Large Electric Systems.
- Research and Development Manager, Dr Dave Allan received the Institute of Electrical and Electronics Engineers (IEEE) Power Engineering Society Outstanding Engineer Award (Queensland) for 2011. IEEE is the world’s largest professional association for the advancement of technology. In 2011, Dave’s appointment as Adjunct Professor at the University of Queensland was renewed for a further three years.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- develop and implement a leadership framework and a new leadership development strategy that incorporates recruitment and selection, performance management, reward and recognition, training and development
- develop and implement a talent management framework that focuses on succession planning, attraction and retention strategies, and identifying the capabilities of our people
- develop a technical training strategy that better meets our future business needs
- develop and implement action plans to enhance employee engagement in response to the outcomes of the employee engagement survey
- continue to roll out improvements to our strategic recruitment process.



# ENVIRONMENT

ENVIRONMENT



## ACHIEVING

- our field worker environmental training is aligned with new national training modules
- streamlined our Environmental Work Plan process to deliver environmental and efficiency benefits
- reduced our paper consumption and introduced new toner and battery recycling.

### Environmental Management System

Powerlink's Environmental Management System (EMS) provides a framework for monitoring and reporting against key environmental aspects of our business activities. During 2011/12, our Environmental Steering Committee began a review of the EMS, considering each aspect's importance to our business, our compliance obligations and response, environmental performance scoring, current information and processes, investments in related research, and areas for improvement.

Our environmental auditing strategy monitors our performance against relevant legislative requirements and internal requirements. Scheduled environmental audits undertaken in 2011/12 included:

- project delivery audits focused on substation construction in Southern Queensland
- substation maintenance audits
- land and environment audits
- an independent audit of our EMS
- an independent audit of our compliance with the *National Greenhouse and Energy Reporting Act 2007* (NGER Act).



The audits confirmed proper implementation of a number of planned improvements, including increased awareness of the condition assessment for containment systems at our substations and improvements in the reporting of non-routine situations on easements. Strategies to address the key areas for improvement identified by the audits are being progressed with our stakeholders and will be reviewed in 2012/13 audits.

The outcomes of all audits were evaluated against our key performance indicators and reviewed by the Environmental Steering Committee.

During the year, Powerlink reported two environmental incidents to the Department of Environment and Resource Management (DERM) (as of 30 March 2012, the relevant functions of DERM are delivered by the Department of Environment and Heritage Protection):

- 16 December 2011 – we advised DERM of a potential sediment release from the Richlands Substation site. DERM undertook inspections and made suggested improvements, but no formal action was taken.
- 11 November 2011 – we advised DERM that Siam weed *Chromolaena odorata* (a Class 1 weed) was discovered at several tower locations on the Yabulu to South Ingham transmission line. While the outbreak was not the result of Powerlink activities, we reported and managed the issue.

### Measures to ensure compliance

Powerlink continually monitors the external environment for legislative changes and state planning policies with the potential to affect our activities. Monitoring, combined with consultation with relevant bodies helps us to ensure our activities continue to be compliant. During 2011/12, our initiatives included:

- contributed to an Energy Networks Association (ENA) submission on the Commonwealth draft *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) Environmental Offset Policy and accompanying draft offset assessment guide
- readiness to implement the Queensland Government's Biodiversity Offset Policy
- implementing the Queensland Government's Koala Offset Policy
- examining the implications for Powerlink of the *Commonwealth Clean Energy Act 2011*. The carbon pricing mechanism will not apply directly to Powerlink as our emissions are well below the threshold. Powerlink is planning strategies to manage expected minor and indirect impacts.

### Environmental training

Powerlink provides both general and specialised environmental training to our employees to ensure they are equipped to undertake their roles and understand their responsibilities. We also recognise World Environment Day annually by providing information and raising awareness among our employees.

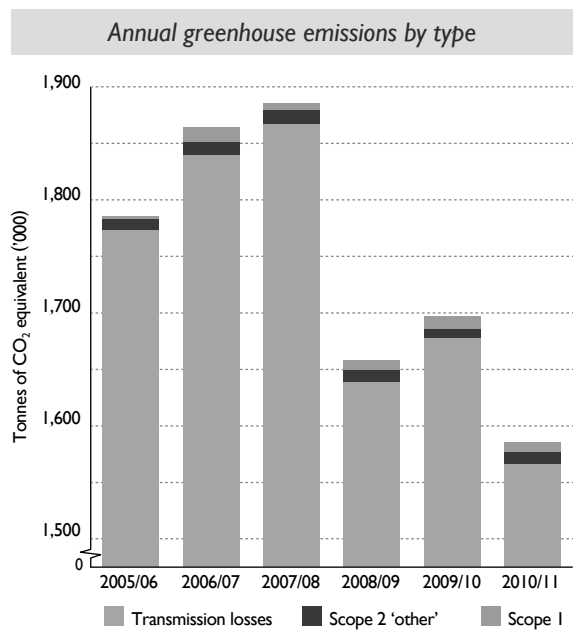
Powerlink has participated in an ENA working group dedicated to developing national guidelines for environmental training and a supporting handbook for electricity industry construction and maintenance teams. These tools will ensure environmental training and awareness is consistently delivered throughout the industry and linked to recognised national competencies. During 2011/12, the suite of national training modules was approved by the Australian Skills Quality Authority.

Powerlink has developed a training matrix for field staff, which aligns with the national training framework. Detailed mapping of current skills and training will be undertaken in 2012/13 to identify the most efficient way of ensuring requirements are met and integrated into business processes.

### Emissions management and reporting

Powerlink submitted its annual report on energy and greenhouse gas emissions under the Commonwealth Government's NGER Act. An external audit verified the accuracy of our 2011 report. Our 2012 NGERs report will be submitted as required in October 2012. Following this submission, our audited 2011/12 emissions data will be reported in our 2012/13 Annual Report.

We continue to improve the quality of our data collection and reporting mechanisms, and action strategies to address the opportunities for improvements identified by the independent auditors.



## CASESTUDY

## NEW APPROACH TO ENVIRONMENTAL WORK PLANS

Our new process for developing and managing Environmental Work Plans (EWPs) for construction, operation and maintenance activities on our easements and sites will help us to better manage environmental matters in the field.

An EWP is a document that maps environmental and Cultural Heritage information, and landowner agreements on Powerlink sites.

Melissa Lunney, Environmental Strategist, said the EWPs have been streamlined to meet business need and to deliver significant environmental and efficiency benefits.

"Previously EWPs were only developed for sites in the Wet Tropics World Heritage Area and could only be modified and accessed by certain parts of the business. Our new approach is to now ensure EWPs are developed for all Powerlink's transmission line, substation and communications sites.

"We've also made them more accessible to teams across the business, which helps us to share important information about how to manage our work in the field.

"If one of our field workers identifies a new issue or constraint, they can now easily add information into the EWP system and produce updated mapping for all users.

"That means our data is more accurate, more accessible and more current, which adds up to better informed decision making on the ground," Melissa said.

At the end of 2011/12, the staged roll-out of the new EWP process and system across the business was almost complete.

**Transmission losses**

More than 98 per cent of greenhouse gas emissions reported by Powerlink are associated with transmission losses. Transmission losses result from energy lost as heat due to electrical resistance when electricity flows through the transmission network. Greenhouse gas emissions associated with transmission losses can be quantified as the CO<sub>2</sub> emissions associated with the generation of additional electricity to make up for the lost energy.

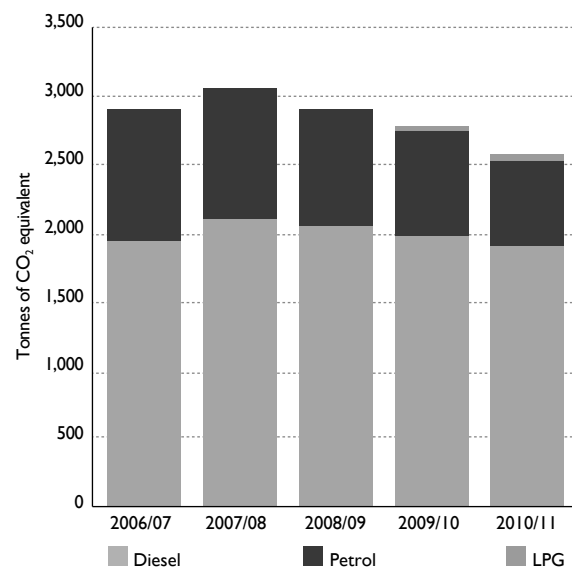
Greenhouse gas emissions associated with transmission losses are influenced by several factors, many outside the direct control of Powerlink, including:

- the actual electricity consumption for each point in time
- location of generating plant supplying the electricity demand
- the fuel type and efficiency of generation supplying the demand
- electrical resistance of transmission lines used in supplying the electrical load.

Powerlink's planning process, which is in line with the AER's Regulatory Investment Test for Transmission (RIT-T), involves financial assessments of transmission loss differences resulting from augmentation and selection of the augmentation option that results in lower transmission losses. This can lead to investments that economically reduce greenhouse emissions.

**Fuel consumption**

Powerlink's emissions from fuel consumption are predominantly attributable to our vehicle fleet. Fuel emissions decreased in 2010/11 as a result of strategies to replace older vehicles with more efficient vehicles and a decrease in kilometres travelled. Looking ahead to our 2011/12 reporting, we expect an increase in fuel consumption as a result of an increase in our vehicle fleet, and the more remote location of transmission projects which require our people to drive greater distances to sites.

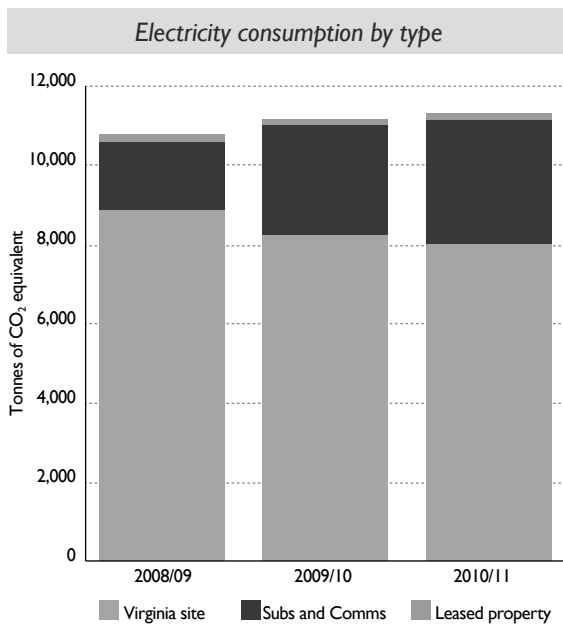
**Emissions from fuel consumption, transport and stationary usage**

### Electricity consumption

Powerlink purchased 6,030 megawatt hours of green power through Ecofund, equivalent to about 69 per cent of the estimated annual energy used at our Virginia site during 2011/12.

Electricity consumption at our Virginia site has decreased over recent years due to the use of energy efficiency measures including smart lighting. Total recorded electricity consumption at substations and communication sites has increased due to an increase in the number of sites and improvements in the quality of data collated.

We expect that our overall electricity consumption figures will show an increase in 2011/12 because of the inclusion of our Narangba warehouse, which opened in mid 2011. We continue to look for opportunities to improve our energy efficiency across our business operations.



### Recycling and waste management

Our well-established regime of recycling business-related waste includes electronic equipment and larger waste items, particularly scrap metal and transformer oil. We encourage our people to act sustainably in their day-to-day business activities. Powerlink provides information about recycling opportunities to all of our employees. In response, our employees participate strongly in recycling initiatives.

This year we focused on reducing our use of paper and printing and, with the support of our employees, reduced our paper consumption by 13 per cent. We also successfully introduced new toner and battery recycling initiatives.

### Research and development

Powerlink invests in research focusing on practical land and environmental management issues. We participate in a number of research and development programs that:

- examine wildlife interactions with our infrastructure
- assist us to continually improve our methods of managing vegetation
- assist us to continually improve site stabilisation and rehabilitation practices.

In 2011/12, we maintained our commitment to research projects including:

- investigating the movements of mahogany gliders near powerline easements and their use of fauna crossings in Far North Queensland
- quantifying the ecological value that can be retained on powerline easements by applying different construction techniques and vegetation management practices
- the effect of soil preparation, planting and seeding methods in establishing revegetation sites
- the effect of clearing practices on minimising soil loss in areas of dispersive sodic soils. This project was nominated as a finalist in the 2012 Healthy Waterways awards.

Powerlink is supporting koala research being undertaken by the University of Queensland's Koala Fund (UQKF). The research contributes to the scientific knowledge base on koala behaviour and rehabilitation of koala habitat, and helps meet our obligations under the new *State Planning Policy 2/10: Koala Conservation in South East Queensland*. The research outcomes will help Powerlink continue to refine our approach to conservation strategies, including managing mitigation and rehabilitation activities near koala habitats.

### Cultural Heritage

We respect Cultural Heritage and take a long-term view to proactively managing Cultural Heritage for the life of our transmission assets. Powerlink considers two kinds of Cultural Heritage when planning our developments:

- Aboriginal Cultural Heritage – areas and objects that are significant to Aboriginal people
- Historical Cultural Heritage – areas and objects of historical significance post 1788 that are not solely associated with Aboriginal tradition and custom.

When acquiring easements or land to build our transmission assets our aim is to avoid or minimise harm to all Cultural Heritage. We consult with Aboriginal people, Cultural Heritage consultants, local communities, landowners and government agencies to identify any places of spiritual, cultural or historical significance. This enables us to put in place all reasonable and practical measures to avoid or minimise harm to Cultural Heritage.

We are required to meet obligations outlined in the *Queensland Aboriginal Cultural Heritage Act 2003* and the *Queensland Heritage Act 1992*, and Federal Cultural Heritage legislation.

The environmental impact assessment and associated work plans developed prior to construction provide us with a roadmap for how we will manage all types of Cultural Heritage. We also develop Cultural Heritage Management Plans (CHMP) with relevant Aboriginal parties to ensure the management of significant Aboriginal Cultural Heritage areas and objects.

In 2011/12, we continued to build on new relationships with Aboriginal parties in South West and Central Queensland, where Powerlink has a more recent presence.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- continue to review the environmental aspects identified in our EMS
- address the skills and training opportunities identified in 2011/12, in a way that aligns with the national training initiative
- work with research partners to identify methods to recycle our business-related waste materials which currently do not have a market, for example porcelain and toughened glass transmission insulators
- complete the roll-out of our new EWP processes.



# COMMUNITY



Senior Project Manager Andrew Owen (right) speaking with community members.

COMMUNITY

## ACHIEVING

- community engagement on 14 environmental impact assessments for major transmission projects
- engaged with diverse stakeholders through a variety of methods
- reviewed our sponsorship guidelines and identified a more strategic approach to corporate community investments
- responded to 342 applications for development and easement co-use, as well as enquiries from landowners and asset operators about activities on or near our easements.

### Stakeholder engagement

As our operations stretch across Queensland, we have a diversity of stakeholders that we engage with when conducting our business. It is our aim to share information with our stakeholders in an effective, timely and transparent way. We use a variety of methods when engaging with our stakeholders, including, but not limited to: face-to-face meetings, providing reports and briefings, workshops, letters, internet and other written and verbal communication.

Throughout the 2011/12 year we have engaged with stakeholders including:

- shareholding Ministers
- government departments
- council officers
- Members of Parliament
- Mayors and Councillors
- Australian Energy Regulator (AER)
- Australian Energy Market Commission (AEMC)
- Australian Energy Market Operator (AEMO)
- electricity distributors
- large customers
- landowners
- community and environmental groups
- suppliers and contractors
- industry associations
- unions
- Energy Users Association of Australia (EUAA)
- Energy Networks Association (ENA)
- Grid Australia
- other transmission network service providers
- our employees
- media.

## Consultation for new infrastructure projects

Before we can construct a new transmission line or substation, Powerlink needs to undertake environmental assessment and community consultation in accordance with a government approved process under the *Sustainable Planning Act 2009* (SPA).

Throughout this Environmental Impact Assessment (EIA) process we consult with community members and stakeholders about the need for the new transmission infrastructure and how we will minimise or mitigate associated environmental, economic and social impacts, and publish an Environmental Impact Statement (EIS). We also share information about the processes we need to undertake to ensure we meet our legislative and regulatory obligations.

Under the SPA, Powerlink obtains planning approval for new electricity infrastructure. Powerlink does this by requesting Ministerial designation of a transmission line route for community infrastructure, before the transmission line can be built. Further information about projects which reached the stage of Ministerial designation in 2011/12 can be found on page 23.

Consultation activities for easement and site acquisition projects are traditionally spread over a number of years. There are a number and variety of activities undertaken in accordance with the consultation required under the SPA. Activities can include: public advertising, media releases, face-to-face communication, newsletters and other written and verbal communication.

### Consultation for new infrastructure projects

EIA Consultation activities	Project stage as at 30 June 2012
<b>North Region</b>	
<b>Collinsville Substation</b>	
Consultation for EIS concluded April 2012.	Request for Ministerial designation is currently being prepared.
<b>Central Region</b>	
<b>Broadsound to Lilyvale transmission line</b>	
Consultation commenced May 2012.	Draft EIS is currently being prepared.
<b>Eagle Downs Mine Connection</b>	
Consultation for EIS and designation completed.	Ministerial designation was received in December 2011. Construction is under way.
<b>Galilee Basin Transmission Project (Stage 1 and Stage 2)</b>	
Consultation for EIS and designation for Stage 1 concluded.	Request for Ministerial designation for Stage 1 was submitted in December 2011.
Draft EIS for Stage 2 completed January 2012.	Final EIS for Stage 2 is being prepared.
<b>Northern Bowen Basin (Stage 1 and Stage 2)</b>	
Consultation for EIS and designation for both stages completed.	Request for Ministerial designation for Stage 2 is currently being prepared.

*Consultation for new infrastructure projects continued...*

EIA Consultation activities	Project stage as at 30 June 2012
<b>South Region</b>	
<b>Columboola South Transmission Network (transmission line and switching components)</b>	
Consultation for EIS and designation for transmission line component completed.	Transmission line component – request for Ministerial designation is currently being prepared.
Consultation for EIS and designation for switching station component of the project completed.	Switching station component – Final EIS was published in July 2011. Ministerial designation was received in December 2011. Project construction began May 2012.
<b>Columboola to Wandoan South transmission line and Wandoan South Substation and Wandoan South to QGC Woleebee transmission line</b>	
Consultation for EIS and designation completed.	Ministerial designation was received in January 2012. Construction of the transmission line commenced in May 2012.
<b>Columboola to Western Downs transmission line and Columboola Substation</b>	
Consultation for EIS and designation completed.	Request for Ministerial designation is currently being prepared.
<b>Orana Substation</b>	
Consultation for Draft EIS conducted.	Final EIS is currently being prepared.
<b>Springdale to Blackwall transmission line</b>	
Consultation for EIS and designation completed.	Submitted for Ministerial designation in December 2011.
<b>Wandoan South to Eurombah</b>	
Consultation commenced.	Draft EIS being currently being prepared.
<b>Wandoan South to Wandoan Coal Connection</b>	
Consultation for Draft EIS under way.	Draft EIS under consultation as at 30 June 2012.
<b>South East Region</b>	
<b>Larapinta to Algester transmission line and Larapinta Substation</b>	
Consultation for EIS completed. Consultation for proposed designation under way.	Request for public comment on proposed Ministerial designation was made in June 2012.
<b>Molendinar Substation</b>	
Consultation for Draft EIS under way.	Draft EIS under consultation as at 30 June 2012.

**Community Benefits Program**

Powerlink’s Community Benefits Program gives community groups the opportunity to apply for funding to carry out projects of local importance in areas close to our new transmission lines. The programs facilitate key council and other community stakeholder engagement during transmission line construction, and build positive longer-term relationships for transmission line operation and maintenance activities.

The Community Benefits Program supports community projects that deliver tangible and lasting benefits, and essential facilities and services. Funding provided is separate and in addition to compensation that is paid directly to landowners affected by new transmission line easements.

During 2011/12, we administered two programs providing support for 20 community projects in the Western Downs and South Burnett regions and 16 community projects in the Townsville and Hinchinbrook regions.

**Community and environment programs**

We continued to deliver on Powerlink’s strategic environmental and community-based commitments in 2011/12, with a focus on facilitating productive working relationships with local government, communities and other stakeholders in areas traversed by existing or future transmission assets. Our programs have been successful in building stakeholder understanding of our existing and planned network activities, while supporting practical, community-based initiatives aimed at improving the amenity of areas near our existing and future transmission infrastructure.

## CASESTUDY

**TACKLING EROSION  
WITH WESTERN DOWNS  
LANDOWNERS**

**Erosion management workshops were held for more than 60 landowners across Wandoan, Miles and Tara in early 2012, funded by Powerlink's Community Environmental Program in partnership with Western Downs Regional Council.**

High-intensity summer storms make erosion in the Western Downs area a major degradation issue. The hands-on workshop, run by the Queensland Murray-Darling Committee (QMDC) and Landcare, has equipped Western Downs landowners with practical skills to better manage erosion and help protect their land.

"The workshops were motivating because they were relevant and we continue to share information through fact sheets and learnings from the monitoring sites established," says QMDC Project Manager Vanessa McDonald.

"This is an investment in the long-term management of erosion across the catchment," she said.

Terry Miller, Powerlink's Manager Network Development, said the workshops were part of the community projects funded by the Community Environment Program.

"The erosion management workshops and other projects funded by the program provide widespread community benefit," Terry said. "They improve the amenity of areas in the vicinity of Powerlink's future high voltage electricity infrastructure in the Western Downs Regional Council area."

**GreenWorks**

Our GreenWorks program is delivered in partnership with the Lockyer Valley, Somerset, South Burnett and Toowoomba Regional Councils, and Ipswich City Council, and with the involvement of local community members and environmental groups.

The program supports worthwhile environmental projects near future proposed 500 kilovolt transmission lines in Southern Queensland. In 2011/12, GreenWorks committed to support six projects addressing important local environment issues including extending support for erosion control in a hard hit flood area, rehabilitating and conserving high value bushland and wetlands, enhancing koala habitats, and providing environmental and Indigenous bush tucker education.

The six new projects were selected from a field of high calibre applications submitted by local community groups, and are expected to deliver positive environmental benefits while promoting environmental education to younger members of the community. All projects are expected to be completed by June 2013 when the program is scheduled to conclude.

**Community Environmental Program**

The Community Environmental Program is a strategic initiative that facilitates key council and other local stakeholder engagement by supporting community and environmental projects near Powerlink's future infrastructure in South West Queensland. The program is a partnership with Western Downs Regional Council, with the commitment and involvement of community members and groups.

In July 2011, we announced a round of funding would be allocated to community groups from across the Western Downs for 11 projects that will provide long-term environmental benefits.

The constructive stakeholder relationships forged during the program have assisted in generating community and stakeholder understanding of Powerlink's activities.

**Strategic sponsorships**

Powerlink has a long-standing tradition of investing within communities in the vicinity of its transmission network, and supporting and building relationships with key stakeholder groups as a part of its corporate citizenship activities. During 2011/12, we supported strategic sponsorships in the fields of community, education, environmental and industry activities. We sponsored specific activities in regional and urban Queensland, undertaken by groups including the Local Government Association of Queensland, Landcare Queensland, Engineers Australia, Energy Users Association of Australia (EUAA), Healthy Waterways, and the Bioelectromagnetics Society.



This year we again undertook a review of our sponsorship guidelines to ensure continued consistency with the State Government framework. We also further reviewed the framework to identify opportunities to take a more strategic approach supporting Powerlink's business objectives and values through our corporate community investments. Strategies to address those improvement opportunities have been identified and will be implemented in the coming year.

### Staff support for community organisations

For the third consecutive year, Powerlink and its staff supported the Salvation Army Christmas Appeal in 2011 to assist families throughout Queensland. As part of the appeal, our staff participated in a range of voluntary activities.

This year for the first time, Powerlink offered its employees an opportunity to participate in a corporate giving initiative – the Larapinta Trail Challenge, which is being run in September 2012 in support of the Reach Foundation. Employees were given the opportunity to apply in writing and one person was randomly selected to take part. Powerlink is supporting the employee's participation with in-kind assistance, and Powerlink staff are actively fundraising through a variety of initiatives.

### Integrating infrastructure into communities

During 2011/12 Powerlink responded to 342 applications for development and easement co-use, in our role as a referral agency for development applications adjacent to existing transmission lines and easements, under the *Sustainable Planning Act 2009*. We respond to enquiries from landowners and asset operators with regard to their activities near or on our easements and offer planning advice, assistance and tools to planning and development professionals, including mapping of transmission easements in local government planning schemes and easement co-use guidelines.

Our property search service responded to approximately 8,000 enquiries as to whether Powerlink has an interest on a nominated or adjacent property, or if we are investigating a new line route which may affect the property.

### Electric and Magnetic Fields

Electric and magnetic fields (EMF) are found everywhere electricity or electrical equipment is being used – including in the home, office, work sites and around transmission lines. Like other transmission authorities in Australia, Powerlink takes advice about EMF from recognised national and international health authorities. Powerlink continues as a member of the Energy Networks Associations (ENA) Committee that monitors and compiles up-to-date information about EMF on behalf of all electricity network businesses in Australia.

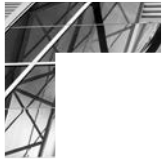
In Australia, the Federal Government agency responsible for EMF regulation is the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA). ARPANSA has concluded that "scientific evidence does not firmly establish that exposure to 50Hz EMFs found around the home, the office or near power lines is a hazard to human health". (Source: ARPANSA fact sheet Electricity and Health.) Nevertheless, Powerlink follows the ENA EMF policy which includes applying a 'prudent avoidance' approach when designing and siting new electricity network infrastructure. This includes trying to locate new transmission assets away from homes, schools and community facilities where it is practical and cost effective to do so.

We continue to provide information from recognised public health authorities to interested communities and address EMF in the Environmental Impact Assessment (EIA) undertaken for any new Powerlink asset. We also carry out EMF readings at the request of landowners. EMF readings at the boundary of a typical Powerlink easement are generally similar to those people would come across in their daily activities at home or work.

## LOOKING FORWARD

In 2012/13 and beyond, we will:

- review our corporate citizenship activities and stakeholder interests, to identify opportunities to improve in our corporate citizenship strategies
- identify and implement improved stakeholder relations strategies.



# CORPORATE GOVERNANCE



## Corporate Governance in Powerlink

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

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

- Treasurer and Minister for Trade
- Minister for Energy and Water Supply.

The Queensland Government published its *Corporate Governance Guidelines for Government Owned Corporations (GOC)*, which includes the *Code of Conduct and Conflicts of Interest Best Practice Guide for Government Owned Corporations (Guidelines)*.

The Guidelines outline the expectations of shareholding Ministers and describe a set of comprehensive high-quality corporate governance principles, and proper disclosure and reporting arrangements for all stakeholders, which are appropriate to Government Owned Corporations (GOCs). There were no revisions made to the Guidelines that required changes to Powerlink's governance arrangements for 2011/12.

The Guidelines have been prepared with regard to the:

- Australian Stock Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles)
- Auditor-General's Report No. 2 2002-2003 – Review of Corporate Governance and Risk Management at Government Owned Corporations
- Auditor-General's Report No. 10 2002-2003 – Review of Management's Assessment of Fraud Control Risks and Associated Plans and Procedures
- Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance
- Crime and Misconduct Commission (Queensland) and Independent Commission Against Corruption (New South Wales) – Managing Conflicts of Interest in the Public Sector – Guidelines and Toolkit.

## Corporate Governance in Powerlink

### 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 2012, were:

- The Honourable Tim Nicholls MP, Treasurer and Minister for Trade, holding 50 per cent of the A class voting shares and 100 percent of the B class non-voting shares.
- The Honourable Mark McArdle MP, Minister for Energy and Water Supply, holding 50 per cent of the A class voting shares.

### Powerlink Queensland Board

#### Key accountabilities of the Board

The Powerlink Board establishes the overall corporate governance of the corporation and its subsidiary companies, 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
- approving 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
- providing of formal delegations of authority to the Chief Executive, management and other specified officers.

#### Membership and meetings

- All Directors, including the Chairman, are independent, non-executive Directors appointed by the Governor in Council in accordance with the GOC Act.
- In 2011/12, Powerlink held 11 meetings of Directors. 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

##### Key Accountabilities

The Audit, Risk and Compliance Committee assists the Board in fulfilling its responsibilities in relation to:

- financial integrity
- laws, regulations and codes of conduct
- business risk management
- audit effectiveness.

#### Human Resources and Remuneration Committee

##### Key Accountabilities

The HR and Remuneration Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance, and workplace relations.

### Chief Executive

#### Management Committees

Corporate governance in Powerlink is managed through the policies and practices adopted by the Board. The corporation commits to those governance policies and practices to ensure appropriate accountability and control systems are in place to achieve the business outcomes of the corporation and to encourage and enhance sustainable business performance. This section of the Annual Report outlines Powerlink's corporate governance arrangements and describes its reporting and disclosure practices.

## The Board

The Powerlink Board is responsible for the overall corporate governance of the corporation and its subsidiary companies and setting the organisation's strategic direction articulated in Powerlink's Corporate Plan and SCI.

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, senior management and staff through regular direct reporting and via established committees.

Details relating to Powerlink Directors, Board Committee composition, and meetings in 2011/12 are set out in the Directors' Report.

## Corporate Governance Guidelines for GOCs – Queensland Government

Powerlink's corporate governance processes are consistent with Corporate Governance Guidelines for Government Owned Corporations 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 is publicly available on Powerlink's website. The Charter, established by the Board, describes the Board's functions and responsibilities, which are to:

- set the corporation's values and standards of conduct
- provide leadership of the corporation within a framework of prudent and effective controls
- provide guidance and set the corporation's direction, and develop strategies and objectives
- set financial objectives and ensure that all necessary resources are available for the business to meet its objectives
- monitor implementation of strategies and performance
- inform shareholders of key issues, major developments and performance
- ensure an effective system for compliance and risk management is in place.

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

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

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

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

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

At 30 June 2012, the Board comprised six independent non-executive Directors. All Directors are appointed by the Governor in Council in accordance with the GOC Act. There were a number of changes to Powerlink's Directors in 2011/12:

- Mr David Harrison
  - appointed as Director on 1 October 2011
  - appointed as Powerlink Chairman from 1 January 2012
  - resigned as Powerlink Chairman and Director on 25 May 2012
- Ms Julie Martin
  - appointed as Director on 1 October 2011
- Mr Stephen Rochester
  - appointed as Powerlink Chairman on 31 May 2012
- Ms Else Shepherd (Chairman)
  - appointment term finished on 31 December 2011

Details of the skills and experience of each current Director are presented separately in the Corporate Governance section of this Annual Report. The Directors' Report includes a listing of the terms of office and appointment date for each Director.

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

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

All Directors during 2011/12 were considered to be independent. No Directors are considered to have material supplier or customer relationships with the corporation. A predetermined 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, as a self-assessment by the Directors, 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.

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

The Board undertook its annual review for 2011/12 and concluded that it is fulfilling its role with no identified gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

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

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

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

The Board has developed a Share Trading Policy which is available on the Powerlink website. The primary purpose of this policy is to mitigate the risk of inappropriate trading of shares by Powerlink employees, managers and Directors.

Each Director has a responsibility to declare any related interests, which are appropriately recorded and assessed for materiality on a case-by-case basis. Where appropriate, the Director does not participate in the Board's consideration of the interests disclosed. No Directors are considered to have material supplier or customer relationships with the corporation.

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 and the Powerlink Human Resources and Remuneration Committee.

These committees have documented mandates that are reviewed on a regular basis. The membership of both committees consists of non-executive Directors. Details of committee members at 30 June 2012, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee	
Chairman	Ken Howard
Members	Christina Sutherland, Julie Martin and Stephen Rochester <sup>1</sup>

<sup>1</sup> Mr David Harrison was a member of the Committee until his resignation on 25 May 2012.

The name of the Committee was amended to add the term 'risk' to highlight risk as one of the key responsibilities of the Committee. 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 is responsible for considering the annual statutory financial statements for subsequent 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 Committee also assesses and reports on issues relating to financial integrity, corporate processes for compliance with laws and regulations, codes of conduct, business risk management and audit effectiveness.

Human Resources and Remuneration Committee	
Chairman	Walter Threlfall
Members	Julie Beeby, Christina Sutherland and Stephen Rochester <sup>1</sup>

<sup>1</sup> Ms Else Shepherd was a member of the Committee until her term as Chairman of the Powerlink Board expired on 31 December 2011. Mr David Harrison was a member of the Committee until his resignation on 25 May 2012.

The name of the Committee was amended to add the term 'Human Resources' and the terms of reference amended to reflect the Committee's expanded scope. The Human Resources and Remuneration Committee assists the Board in fulfilling its employer responsibilities by reviewing and reporting to the Board on policy and its application relating to work, health and safety, organisational design, employee remuneration and performance, and workplace relations.

**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 Powerlink Annual and (half-yearly) Interim Reports, Forecast Report, regulatory reports, Powerlink website and other public disclosures.

**Principle 6: Respect the rights of shareholders**

The Powerlink Board has a communication strategy 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 a five-year Corporate Plan and SCI, reflecting the outcomes of a comprehensive strategic and business planning process involving the Board and the Executive Leadership Team. Both documents are presented to shareholding Ministers.

Quarterly progress reports on the performance against the SCI are prepared by the Board for shareholding Ministers.

**Principle 7: Recognise and manage risk**

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

A Management Committee structure operates in parallel with the Board Committees to address issues of work, health and safety, environmental management, security, and corporate emergency response. Each of these committees submits reports to the Audit, Risk and Compliance Committee through the Chief Executive, and work, health and safety reports are also presented to the Human Resources and Remuneration Committee through the Chief Executive.

The Safety Steering Committee develops and directs Powerlink's workplace health and safety management practices, and also ensures that Powerlink complies with relevant workplace health and safety legislation.

The Environmental Steering Committee develops appropriate strategic responses to environmental issues, as well as ensuring compliance with Powerlink policies and relevant environmental legislation.

The Security Steering Committee provides guidance in the development and approval of the Powerlink Security Plan. The Committee reviews security incidents and considers necessary amendments to the plan in response to these events.

The Corporate Emergency Response Committee develops appropriate strategic responses to corporate emergencies and is responsible for maintaining corporate emergency management documentation.

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

Powerlink's Employee Code of Conduct sets out how all people should conduct themselves while working at Powerlink. It aims to ensure that Powerlink employees perform their work cost effectively, efficiently, cooperatively, ethically and with respect 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 and investing in that person's potential through further training and development.

The Powerlink Board has established a Human Resources and Remuneration Committee whose membership and responsibilities are presented above.

Powerlink's Remuneration Policy is designed to:

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

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

The Working at Powerlink 2011 Union Collective Agreement came into operation on 30 March 2012. The Agreement provides for Powerlink and its employees to respond to changes in an environment of targets set by our owners and regulator. It has a focus to continue to develop Powerlink into a competitive and satisfying place to work. It recognises that the economic health of the company and the wellbeing of all employees depend upon the success of a shared commitment by all parties to this Agreement.

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

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

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

Following the announcement of the retirement of incumbent Chief Executive Mr Gordon Jardine, the Powerlink Board conducted an extensive external exercise and concluded the recruitment of a new Chief Executive. Ms Merryn York commenced in the position of Chief Executive on 23 July 2011.

### Shareholding Minister directions

There were no shareholding Minister directions in 2011/12.

### Amendments to Statement of Corporate Intent (SCI)

There were no amendments to the Powerlink 2011/12 SCI.

### Corporate entertainment and hospitality

The GOC Corporate Entertainment and Hospitality Guidelines establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2011/12 totalled \$126,521. The table below presents individual events above \$5,000.

Event	Date	Cost
Staff recognition – Quarter Century Club	Quarter 2 – 2011/12	\$9,083
Staff recognition – Network Field Services	Quarter 2 – 2011/12	\$8,363
Staff recognition – Engineering and Projects	Quarter 2 – 2011/12	\$17,324
Staff recognition – Operations	Quarter 2 – 2011/12	\$9,745

## BOARD OF DIRECTORS

**STEPHEN ROCHESTER**

*B.Ec, FCPA, MAICD, FFTP*

**CHAIRMAN OF THE BOARD**

*(Appointed May 2012)*

Stephen is an established leader in public sector financing, the banking and finance industry, and the global financial markets, with a career spanning more than 35 years. He has been involved in all aspects of the provision of corporate treasury services to the Queensland public sector, as well as the establishment and operation of domestic and offshore borrowing programs, the development and implementation of liability management strategies, and the provision of infrastructure funding and financial risk management services.

Stephen held the position of Queensland Treasury Corporation's (QTC) inaugural Chief Executive for 22 years and also served as QTC's Chairman for two years. Stephen is currently a Director of Stanwell Corporation Limited and has previously held the positions of Chief Executive of Sun Retail, and director of Tarong Energy Corporation Limited.

Stephen is a member of the Powerlink Board's Audit, Risk and Compliance Committee and the Human Resources and Remuneration Committee.

**JULIE BEEBY**

*BSc (Hons I), PhD (Physical Chemistry), MBA, GAICD*

**BOARD MEMBER**

*(Appointed 2008)*

Julie has worked in the minerals and petroleum industries in Australia for 24 years and her career has included work for several major Australian and US resources companies. In 2010, she was appointed to the role of Chief Executive Officer of WestSide Corporation, an ASX-listed, Queensland-based coal seam gas company.

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

She is a member of the Powerlink Board's Human Resources and Remuneration Committee.

**KEN HOWARD**

*CFA, LLB, BEcon, JP, MSAA, GAICD*

**BOARD MEMBER**

*(Appointed 2007)*

Ken is the Responsible Executive (ASX) and Responsible Manager (Australian Financial Services Licence) for the Brisbane Dealing Room of RBS Morgans. Ken advises private clients on the full range of financial planning and investment matters with a particular focus on shares traded on the Australian Stock Exchange.

Prior to joining the Powerlink Board of Directors, Ken was a Director of Energex Retail Pty Ltd.

Ken is a member of the CFA Society of Sydney, the Financial Services Institute of Australia, the Stockbrokers Association of Australia and the Australian Institute of Company Directors. From 1991 to 1998 Ken was an Infantry Officer in the Australian Army Reserve. Ken is currently the Treasurer for the Sunnybank Anglican Child Care Centre and the Secretary for the MacGregor Outside School Hours Care Centre.

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





**JULIE MARTIN**  
BE

**BOARD MEMBER**  
*(Appointed 2011)*

Julie has 16 years' experience as an electrical engineer, having played a key role in a variety of large-scale infrastructure projects in Queensland. She is currently the Senior Project Electrical Engineer with Thies for the QCLNG Upstream Early Works projects, primarily responsible for the delivery of QGC's high voltage substations.

In 2008 Julie won the Women in Community/Public Sector – Engineering category of the Smart Women – Smart State Awards for her work in the TrackStar Alliance program to deliver \$700 million worth of rail projects in South East Queensland.

Julie is a Director of Lourdes Hill College.

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



**CHRISTINA SUTHERLAND**  
BLaw, MAICD

**BOARD MEMBER**  
*(Appointed 2001)*

Christina is a solicitor of the Supreme Court of Queensland and the High Court of Australia. She was admitted as a solicitor in 1989 after serving two years of articles, and has over 20 years' experience in providing legal advice/ services to many clients.

Christina has represented insurers, commercial and corporate clients and has acted for clients in employment and industrial matters. She has a strong interest in occupational health and safety matters.

Christina is a Director of Surf Life Saving Queensland and a member of the Board's Risk Sub Committee and HR Sub Committee.

She is also a Legal Practitioner Director of ICON Law.

Christina is a member of the Powerlink Board's Audit, Risk and Compliance Committee and Human Resources and Remuneration Committee.



**WALTER THRELFALL**

**BOARD MEMBER**  
*(Appointed 1994)*

In 2006, Walter retired as Assistant State Secretary of the Electrical Trades Union (ETU) of Australia – Queensland Branch, a position he had held since 1983. In this role, Walter represented the interests of ETU members in northern and western Queensland.

Early in his career, Walter worked as an electrical fitter and mechanic in the steel manufacturing, electrical contracting and mining industries.

Walter is Chairman of the Townsville Regional Group Apprenticeship Scheme.

Walter is the Chairman of the Powerlink Board's Human Resources and Remuneration Committee.

## EXECUTIVE LEADERSHIP TEAM

**MERRYN YORK**

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

**CHIEF EXECUTIVE**

As Chief Executive Merryn has more than 20 years' experience in the Queensland electricity industry.

Merryn's career encompasses experience in strategic business development and asset management to optimise the long-term return on investment, network planning, regulatory affairs, customer management and strategic development of the transmission network. She was named in Engineers Australia's 2012 list of Australia's Top 100 most influential engineers.

Merryn is a Director of ElectraNet SA.

**SIMON BARTLETT AM**

*BE(Hons), BSc, FIEAust, FAICD,  
FTSE CPEng, RPEQ*

**CHIEF OPERATING OFFICER**

In his role as Chief Operating Officer, Simon is responsible for managing all aspects of Powerlink's transmission network to ensure that our transmission services meet Queensland's electricity needs reliably and cost effectively.

Simon is also Chairman of the Australian Power Institute, a Director of ElectraNet SA, Deputy Chairman of the Australian National Committee (ANC) CIGRE (International Council on Large Electric Systems), and a member of AEMC's Reliability Panel.

In 2012, Simon was presented with an Order of Australia for service to engineering, particularly to the electricity supply industry in Queensland, and to professional organisations. Simon was presented with the National Professional Engineer of the Year award by Engineers Australia in 2009.

Simon has more than 38 years' experience in electricity generation and transmission, including roles in Australia and overseas in planning, design, operations and strategic asset management.

**STEWART BELL**

*BEng, PhD, MBA, CEng, MIET*

**MANAGER REVENUE RESET**

Stewart led the project to develop Powerlink's revenue proposal for the period 2013–2017. The revenue reset process is a once-in-five-year exercise which sets more than 90 per cent of Powerlink's revenue. The Australian Energy Regulator published Powerlink's regulatory determination on 30 April 2012.

Stewart has more than 15 years' experience in the electricity industry including management roles in operations, design, project delivery and procurement.



**MAURIE BRENNAN**

*BBus, MBA, CPA, FAICD*

**CHIEF FINANCIAL OFFICER**

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

At Powerlink, Maurie manages all finance, tax, treasury, business planning and investment analysis, corporate services, internal audit, insurance, legal and risk services, and reporting to shareholding Ministers. In addition, Maurie is Powerlink's Company Secretary.

Maurie is a Director of ElectraNet SA, and member of the ElectraNet SA Treasury Committee and ElectraNet SA Audit and Compliance Committee.



**RAY DI MARCO**

*BE(Hons), MBA*

**MANAGER OPERATIONS**

In his role as Manager Operations, Ray leads Powerlink's Operations Business Unit, which delivers a range of specialist services including power system operations, asset monitoring, information technology, telecommunications, oil testing, and research and development to Powerlink and other Australian and international clients.

Prior to joining Powerlink, Ray held Chief Technology Officer and Executive Management roles in the utilities, gambling and markets sectors.



**PAUL HARDCASTLE**

*MBA, Assoc Dip Eng (Elec)*

**MANAGER NETWORK FIELD SERVICES (ACTING)**

Paul manages Network Field Services work for Powerlink's transmission network in Southern Queensland, with the objectives of maximising system reliability and minimising outage restoration times at optimal cost.

Within the electricity distribution and transmission field, Paul has specialised in the maintenance and installation of substation plant and equipment, construction and project management.

With more than 25 years of experience in the electricity industry, Paul's career includes experience in development and management of business systems, asset management, resource management, logistics, and works management for field services relating to substation and transmission line assets.

EXECUTIVE LEADERSHIP TEAM *continued...***CHRIS HAZZARD**

*BE, Grad Bus Mgt, CEng, FIEAust, FAICD, RPEQ*

**MANAGER PROCUREMENT  
(ACTING)**

As Manager Procurement, Chris has responsibility for setting contractual terms and conditions, sourcing suppliers, determining market strategies and managing the supply chain and the commercial administration of supply arrangements for Powerlink's capital projects and operations.

Chris has more than 30 years' experience in the electricity industry, including management roles in asset management, operations, design, and project delivery.

**TERRY MILLER**

*BE, CPEng, RPEQ*

**MANAGER NETWORK  
DEVELOPMENT**

As Manager Network Development, Terry is responsible for planning Powerlink's future network investments and timely acquisition of transmission easements to meet future development needs.

Planning for future investments entails forecasting future network demand, analysing network capabilities into the future and recommending augmentation investment options to ensure continued reliable network performance.

Acquisition of easements and substation sites requires detailed assessment of route options, environmental, social, and cost impacts which in turn necessitate extensive consultation with property owners and other stakeholders.

With more than about 40 years of experience in the Queensland electricity industry, Terry's career has included experience in strategic business development, asset management, network planning, regulatory affairs, customer management, substation design, and distribution network design.

**GARRY MULHERIN**

*BE*

**MANAGER NETWORK  
STRATEGY AND  
PERFORMANCE**

As Manager Network Strategy and Performance, Garry's responsibilities include strategic business development and asset management to optimise the long-term return on Powerlink's investments in a way that meets the emerging expectations of our stakeholders, including our shareholders, customers, National Electricity Market (NEM) participants, the Australian Energy Regulator (AER), and the community.

More than 30 years of experience in the electricity industry has provided Garry with a depth of experience in electricity distribution and transmission networks, including management of key business areas and organisational change initiatives. Garry has also led quality improvement projects in environmental processes, engineering design, project management and overall cost efficiency.



**MICHELLE PALMER**  
*BComms, MA, GCertBusAdmin,  
GAICD, MPRIA*

**MANAGER CORPORATE COMMUNICATIONS**

As Manager Corporate Communications, Michelle is responsible for Powerlink’s public relations policy and strategy, corporate communications, media liaison, government relations and internal communication.

The Corporate Communications Business Unit has responsibility for managing Powerlink’s corporate citizenship approach and initiatives.

Michelle has provided strategic communications counsel within the Queensland electricity industry for more than 13 years. She is also a non-executive director at Greening Australia Queensland.



**JULIA SMITH**  
*B App Sc, BBus, GCCM, GAICD*

**MANAGER HUMAN RESOURCES AND DEVELOPMENT**

Julia has responsibility for the development and implementation of Powerlink’s effective workplace and industrial relations, occupational health and safety, electrical safety, employee development, equal employment opportunity, technical and training coordination, organisational development, and employment systems and services.

Julia manages Powerlink’s continuous improvement initiatives that ensure we have a workplace culture that is right for our people and for our business. She is also coordinating initiatives to ensure Powerlink has the right people and capabilities necessary to deliver our current and future business targets.

Prior to joining Powerlink, Julia held senior human resource management roles in fast moving consumer goods, financial services and infrastructure sectors.



**ROLAND VITELLI**  
*BE, Assoc Dip Eng (Elec), FIEAust*

**MANAGER ENGINEERING**

Roland manages the Engineering Business Unit which is responsible for the delivery of capital works and refurbishment projects throughout Queensland including the provision of technical services within Powerlink. He is also responsible for leading the organisation’s development, assessment, and implementation of new technologies to enhance network operability, availability and performance.

Roland returned to Powerlink after over 20 years with a global electrical technology company where he gained extensive experience in complete turnkey system integration of transmission systems, transmission and distribution product manufacture and development of new technologies. He has worked in Europe as well as South East Asia.

Roland has strong commercial, safety and extensive project delivery experience. His engineering career has included experience in various aspects of electricity transmission.

## STATISTICAL SUMMARY

### Transmission lines and underground cables Added in 2011/12

Voltage	Transmission line		Underground cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0	0	0
275kV	42	71	0	0
132kV	-11	-104*	0	0
110kV	0	0	0	0
66kV**	0	0	0	0
<b>Total</b>	<b>31</b>	<b>-33</b>	<b>0</b>	<b>0</b>

\* A double circuit line was decommissioned. A new single circuit line was commissioned.

\*\* Equal to or less than 66kV.

### Energy output and delivery

2011/12	2010/11	2009/10	2008/09	2007/08
Energy flowing into the grid (GWh)				
47,988	48,020	49,593	49,104	48,576
Energy delivered to customers (GWh)				
46,246	46,216	47,825	47,303	46,125
Peak maximum demand (MW)				
8,707	8,836	8,891	8,677	8,082

### Circuit breakers

Added in 2011/12

Voltage	Circuit breakers	Location
330kV	3	Middle Ridge, Millmerran
275kV	35	Calliope River, Raglan, Belmont, Western Downs, Braemar
132kV	20	Goonyella Riverside, Blackwater, Palmwoods, Tully, Stanwell, Ingham South, Cardwell, Burton Downs
110kV	6	Belmont, Mudgeeraba, Ashgrove West, Molendinar (Swanbank A decommissioned)
66kV*	0	
<b>Total</b>	<b>64</b>	

\* Equal to or less than 66kV.

### Substations/switching stations and transformers

Added in 2011/12

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV			0	0	
275kV	3	Western Downs, Raglan, Calliope River	0	130 increase	Gin Gin transformer replacement with increased rating.
132kV	1	Goonyella Riverside	0	0	
110kV	0		1	100	Molendinar
<b>Total</b>	<b>4</b>		<b>1</b>	<b>230</b>	

\* A double circuit line was decommissioned. A new single circuit line was commissioned. \*\* equal to or less than 66kV.

### Capacitor bank, shunt reactors and Static VAR Compensators

Added in 2011/12

Voltage	Capacitor Banks		Reactors		SVCs		Location
	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	
330kV	3	440	0	0	0	0	Middle Ridge, Millmerran
275kV	2	280	0	0	0	0	
132kV	0	0	0	0	0	0	Belmont
110kV	-2	-100	0	0	0	0	Belmont decommissioned
<b>Total</b>	<b>3</b>	<b>620</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

**Substations/switching stations and communication sites**  
As at 30 June 2012

Voltage	Substations	Cable transition sites	Communication sites
330kV	4		
275kV	37	3*	
132kV	62	3	
110kV	15	3	
66kV	0	1	
<b>Total</b>	<b>118</b>	<b>10</b>	<b>91</b>

\* Two of these cable transition sites are energised at 110kV.

**Transformers**  
As at 30 June 2012

Voltage	Total number	Total rating MVA <sub>r</sub>
330kV	5	4,975
275kV	68	18,385
132kV	86	5,949
110kV	28	2,210
<b>Total</b>	<b>187</b>	<b>31,519</b>

\* Two of these cable transition sites are energised at 110kV.

**Circuit breakers**  
As at 30 June 2012

Voltage	Total number
330kV	31
275kV	435
132kV	444
110kV	284
66kV*	28
<b>Total</b>	<b>1,222</b>

\* equal to or less than 66kV.

**Capacitor bank, shunt reactors and Static VAR Compensators**  
As at 30 June 2012

Voltage	Capacitor Banks		Reactors		SVCs	
	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>
330kV	3	440	4	144	0	0
275kV	28	3,880	16	711	8	2,510
132kV	26	1,185	0	0	11	1,081
110kV	32	1,750	0	0	0	0
110kV	5	96	5	114	0	0
<b>Total</b>	<b>94</b>	<b>7,351</b>	<b>25</b>	<b>969</b>	<b>19</b>	<b>3,591</b>

\* equal to or less than 66kV.

**Five year history of transmission lines and underground cables**  
As at 30 June 2012

Voltage	2012		2011		2010		2009		2008	
	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>	Total	MVA <sub>r</sub>
<b>Transmission lines</b>										
330kV	347	691	347	691	347	691	347	691	347	691
275kV	6,032	8,458	5,990	8,387	5,819	8,037	5,548	7,495	5,335	7,068
132kV	2,785	4,364	2,796	4,468	2,769	4,405	2,816	4,488	2,802	4,480
110kV	238	416	238	416	238	416	238	416	238	416
66kV*	1	1	1	1	1	1	1	1	1	1
<b>Total lines</b>	<b>9,403</b>	<b>13,930</b>	<b>9,372</b>	<b>13,963</b>	<b>9,174</b>	<b>13,550</b>	<b>8,950</b>	<b>13,091</b>	<b>8,723</b>	<b>12,656</b>
<b>Underground cables</b>										
275kV	10	10	10	10	10	10	2	5	2	5
132kV	4	4	4	4	4	4	1	2	1	2
110kV	8	8	8	8	8	8	3	7	3	7
66kV*	1	1	1	1	1	1	1	1	1	1
<b>Total cables</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>7</b>	<b>15</b>	<b>7</b>	<b>15</b>
<b>Total</b>	<b>9,426</b>	<b>13,953</b>	<b>9,395</b>	<b>13,986</b>	<b>9,197</b>	<b>13,573</b>	<b>8,957</b>	<b>13,106</b>	<b>8,730</b>	<b>12,671</b>

Note: all cables located inside substations are excluded. ^ As constructed voltages. \* equal to or less than 66kV.

## INDEX

<b>0-9</b>	500 kilovolt transmission network	33	energy efficiency	42	
<b>A</b>	Annual Planning Report (APR)	9, 21, 33	Energy Management System (EMS)	19, 39, 43,	
	Asia Pacific Liquefied Natural Gas (APLNG)	23, 31, 32	Energy Networks Association (ENA)	18, 40, 45, 48	
	Australian Electricity Supply Industry (ESI) Skills Passport	12	Energy Users Association (EVAA)	17, 45	
	Australian Energy Market Commission (AEMC)	5, 18, 45, 57	Enterprise Agreement	35	
	Australian Energy Market Operator (AEMO)	2, 5, 15, 16, 19, 24, 45	Environmental Management Plan (EMP)	26	
	Australian Energy Regulator (AER)	2, 3, 4, 5, 6, 8, 9, 15, 16, 17, 18, 21, 22, 24, 27, 41, 45	Environmental Management System (EMS)	39	
<b>B</b>	BHP Billiton Mitsubishi Alliance (BMA)	31	Environmental Work Plan (EWP)	40, 41, 43	
	Bowen Basin	23, 27, 32, 45	Ergon Energy	3, 15	
<b>C</b>	capital works	3, 6, 7, 9, 21, 22, 24, 26, 33, 60	Essential Energy	3, 15	
	CIGRE (International Council on Large Electric Systems)	38, 57	<b>F</b>	financial indicators	6
	climate change	23	flood	16, 23, 24, 47	
	community and environment programs	46	<b>G</b>	Galilee Basin	23, 32, 45
	Community Benefits Program	46	Government Owned Corporation (GOC)	4, 15, 49, 50, 51, 54	
	Community Environmental Program	47	greenhouse	39, 40, 41	
	Cultural Heritage	41, 43	GreenWorks	47	
	customer connection	7, 10, 18, 25, 31, 32	Grid Australia	18, 45	
	cyclone	16	<b>H</b>	Hancock Coal Pty Ltd	32
<b>D</b>	Department of Environment and Resource Management (DERM)	39	health and safety	10, 11, 12, 50, 53, 56, 60	
	dividend	7	<b>I</b>	International Electro-technical Commission (IEC) standard 61850	20, 22, 24
<b>E</b>	Eagle Downs Coal Management Pty Ltd (EDCM)	31	Individual Safety Attributes Test (ISAT)	11, 12	
	easement co-use	44, 48	infrastructure security	13, 24	
	easements	10, 13, 19, 23, 24, 25, 27, 33, 39, 41, 43, 44, 45, 46, 48, 59	International Electricity Infrastructure Assurance Forum (IEIA)	24	
	Ecofund	42	International Transmission Operations and Maintenance Study (ITOMS)	3, 9, 20	
	ElectraNet	4, 57, 58	Ipswich City Council	47	
	Electric and Magnetic Fields (EMF)	48	<b>J</b>	Jurisdictional System Security Coordinator	2
	Electrical Safety Management System	12	Jurisdictional Planning Body	2	
	electricity demand	3, 4, 8, 9, 21, 25, 26, 27, 29, 30, 33, 41	<b>K</b>	Koala	40, 43, 47
	electricity pricing	15	<b>L</b>	Landcare	47
	electricity supply costs	4	landowner	13, 41	
	emergency response	24, 53	live line	8, 22	
	Emergency Services	22	live substation	8, 22	
	employee engagement	34, 38	Lockyer Valley Regional Council	47	
	Energex	3, 15, 55			



<b>M</b>	maintenance	3, 9, 7, 8, 12, 17, 18, 20, 22, 24, 39, 40, 41, 46, 58	
	Market Impacts of Transmission Congestion (MITC)	16	
<b>N</b>	National Electricity Market (NEM)	2, 5, 9, 15, 16, 18, 21, 22, 24, 27, 59	
	National Electricity Rules (NER)	2, 4, 5, 15, 16, 17, 18, 21, 26	
	<i>National Greenhouse and Energy Reporting Act 2007</i> (NGER Act)	40	
	National Transmission Network Development Plan	15	
	network availability	16, 17	
	network performance	7, 8, 16, 18, 20, 22, 59	
	network reliability	3, 9, 16, 19, 20	
	network restoration	18	
<b>O</b>	outage	7, 16, 18, 28, 58	
<b>P</b>	peak electricity demand	8, 9, 21	
	Powerlink Excellence Awards	38	
	property search	48	
<b>Q</b>	Queensland Gas Company (QGC)	31, 46, 56	
	Queensland/New South Wales Interconnector transmission line (QNI)	3	
	QR National	31, 32	
	Queensland Treasury Corporation	6, 55	
<b>R</b>	Reach Foundation	48	
	Recipient role	22	
	recycling	40, 42	
	recruitment	14, 34, 35, 36, 37, 38, 54	
	regulated revenue	5, 6	
	Regulatory Investment Test for Transmission (RIT-T)	2, 27, 41	
	Responsible Officer for Queensland	2	
	revenue reset	9, 16, 17, 57	
	<b>S</b>	Safety	1, 2, 3, 7, 8, 9, 10, 11, 12, 13, 14, 20, 22, 24, 26, 27, 37, 38, 48, 50, 53, 56, 60
Safety Management System		12, 37	
Salvation Army		48	
security		5, 13, 19, 20, 24, 25, 53	
Somerset Regional Council		47	
South Burnett Regional Council		47	
sponsorship		44, 47	
Statement of Corporate Intent (SCI)		6, 7, 50, 51, 53, 54	
Surat Basin		21, 22, 23	
<b>T</b>		telecommunications	3, 24, 58
		Toowoomba Regional Council	47
		Transmission Network Service Provider (TNSP)	2, 15
	Transmission use of system charges (TUOS)	15, 16	
	Tropical Cyclone Yasi	16	
<b>U</b>	University of Queensland's Koala Fund (UQKF)	43	
<b>W</b>	weed	39	
	wellbeing	14, 26, 54	
	Western Downs Regional Council	47	
	wildlife	26, 42	
	workforce	11, 13, 14, 35, 36	
	Working at Powerlink Enterprise Agreement	35	
<b>X</b>	Xstrata	32	

## GLOSSARY

<b>AEMC</b>	Australian Energy Market Commission	<b>ISAT</b>	Individual Safety Attributes Test
<b>AEMO</b>	Australian Energy Market Operator	<b>ITOMS</b>	International Transmission Operations and Maintenance Study
<b>AER</b>	Australian Energy Regulator	<b>LNG</b>	Liquefied natural gas
<b>ATLR</b>	Average Time Lost Rate	<b>LTC</b>	Lost Time Calculation
<b>APLNG</b>	Australia Pacific Liquefied Natural Gas	<b>LTIFR</b>	Lost Time Injury Frequency Rate
<b>APR</b>	Annual Planning Report	<b>MITC</b>	Market Impacts of Transmission Congestion
<b>ARPANSA</b>	Australian Radiation Protection and Nuclear Safety Agency	<b>NEM</b>	National Electricity Market
<b>ASX</b>	Australian Stock Exchange	<b>NER</b>	National Electricity Rules
<b>CHMP</b>	Cultural Heritage Management Plan	<b>NGER Act</b>	<i>National Greenhouse and Energy Reporting Act 2007</i>
<b>CIGRE</b>	International Council on Large Electric Systems	<b>NPAT</b>	Net Profit After Tax
<b>CO<sub>2</sub>-e</b>	Equivalent carbon dioxide	<b>Operating agreement</b>	The agreement between Powerlink and AEMO which establishes Powerlink as the System Operator under the National Electricity Rules. The agreement defines the geographical areas for direct and indirect oversight for operational control. The agreement also defines the extent to which AEMO's powers have been delegated to Powerlink.
<b>Debt to Fixed Assets</b>	Debt/Fixed Assets	<b>OPGW</b>	Optical fibre ground wire
<b>DERM</b>	Department of Environment and Resource Management. Some of the functions of DERM are now delivered by the Department of Environment and Heritage Protection.	<b>QGC</b>	Queensland Gas Company
<b>DNSP</b>	Distribution Network Service Provider	<b>QMDC</b>	Queensland Murray-Darling Committee
<b>EBIT</b>	Earnings Before Interest and Tax	<b>QNI</b>	Queensland/New South Wales Interconnector transmission line
<b>EBITDA</b>	Earnings Before Interest and Tax, Depreciation and Amortisation	<b>QRN</b>	QR National
<b>EIA</b>	Environmental Impact Assessment	<b>RIT-T</b>	Regulatory Investment Test for Transmission, promulgated by the AER under the National Electricity Rules must be used by TNSPs to assess future electricity needs.
<b>EIS</b>	Environmental Impact Statement	<b>Return on Assets</b>	Earnings before interest and tax and after abnormal (EBIT)/average total income
<b>EMF</b>	Electric and Magnetic Fields	<b>Return on Equity</b>	Operating profit after income tax/average total equity
<b>EMP</b>	Environmental Management Plan	<b>ROA</b>	Return on Total Assets
<b>EMS</b>	Energy Management System	<b>SCI</b>	Statement of Corporate Intent
<b>EMS</b>	Environmental Management System	<b>SPA</b>	<i>Sustainable Planning Act 2009</i>
<b>ENA</b>	Energy Networks Association	<b>SF<sub>6</sub></b>	Sulphur hexafluoride gas
<b>ESI</b>	Australian Electricity Supply Industry	<b>Summer peak electricity demand</b>	The peak power (in MW) delivered from Powerlink's network during summer
<b>EUAA</b>	Energy Users Association of Australia	<b>TFR</b>	Total Fixed Remuneration
<b>EWP</b>	Environmental Work Plan	<b>TISN</b>	Trusted Information Sharing Network
<b>GOC</b>	Government Owned Corporation	<b>TNSP</b>	Transmission Network Service Provider
<b>Grid</b>	The high voltage transmission network	<b>TUOS</b>	Transmission Use of System charges
<b>Grid Australia</b>	The organisation that represents electricity transmission network owners		
<b>Guidelines</b>	Corporate Governance Guidelines for Government Owned Corporations		
<b>IEIA</b>	International Electricity Infrastructure Assurance		
<b>IEC</b>	International Electro-technical Commission		
<b>Interest cover</b>	EBIT/gross interest expense		

## TERMS OF MEASUREMENT

<b>Dispatch interval</b>	The five minute period at which AEMO calculates the generation dispatch and pricing across the NEM.
<b>Gigawatt (GW)</b>	One gigawatt = 1,000 megawatts or 1,000 million watts
<b>Gigawatt hour (GWhr)</b>	One gigawatt hour = 1,000 megawatt hours or one million kilowatt hours
<b>Kilovolt (kV)</b>	One kilovolt = 1,000 volts A volt is a unit of potential or electrical pressure.
<b>Kilowatt (kW)</b>	One kilowatt = 1,000 watts A watt is a unit of electrical power or the rate of doing work.
<b>Kilowatt hour (kWh)</b>	The standard unit of energy representing consumption of electrical energy at the rate of one kilowatt.
<b>m</b>	Million
<b>Megawatt (MW)</b>	One megawatt = 1,000 kilowatts or one million watts
<b>Megawatt hour (MWh)</b>	One megawatt hour = 1,000 kilowatt hours
<b>System minute</b>	One system minute is a measure of energy not supplied during transmission disturbances. It is the amount of energy that would be transported during one minute at the system maximum demand.
<b>Work units</b>	Work units are used to manage routine maintenance. A work unit represents the comparative effort of work that is required to perform a particular routine maintenance task.

THIS PAGE HAS BEEN  
INTENTIONALLY LEFT BLANK



POWERLINK QUEENSLAND  
FINANCIAL STATEMENTS 2011/12



Powerlink Queensland

## DIRECTORS' REPORT

30 June 2012

### Directors' report

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries, and the Consolidated Entity's interest in associates for the financial year ended 30 June 2012 and the auditor's report thereon.

#### Directors

The Directors of the Company at any time during or since the end of the financial year were:

Stephen Rochester (from 31 May 2012)  
David Harrison (from 1 October 2011- resigned 25 May 2012)  
Else Shepherd (term finished 31 December 2011)  
Julie Beeby  
Kenneth Howard  
Julienne Martin (from 1 October 2011)  
Christina Sutherland  
Walter Threlfall

#### Principal activities

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

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

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

#### Dividends

The Directors have provided for a final dividend of \$146.678 million (2011: \$121.365 million) being 80 percent (2011: 80%) of the profit after income tax equivalent expense excluding the contributions from equity accounted associates.

The final dividend will not be franked.

#### Review of operations

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

#### Significant changes in the state of affairs

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

#### Significant events subsequent to the end of the financial year

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

#### Likely developments and expected results of operations

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations, other than comment in respect of the Queensland Government review of the electricity sector in Queensland, have not been included in this financial statement because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Powerlink Queensland

## DIRECTORS' REPORT *continued...*

30 June 2012

### **Likely developments and expected results of operations (continued)**

#### ***Industry review***

In May 2012, the Queensland Government established an Interdepartmental Committee (IDC) on Electricity Sector Reform to review all aspects of the sector that impact on electricity costs, specifically, energy supply, network costs and retail competition. The IDC will deliver a final report to the Queensland Government in January 2013. The IDC is likely to recommend changes to the structure of the electricity sector in Queensland to facilitate delivery of services more efficiently. The results of this review and any consequential impact on the results or operations of the Consolidated Entity are not yet known at the date of this financial report.

#### ***Environmental regulation***

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

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

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

#### ***Greenhouse gas and energy data reporting requirements***

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

The *National Greenhouse and Energy Reporting Act 2007 (NGER)* requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submitted its report for 2010/11 to the Greenhouse and Energy Data Officer by 31 October 2011. Powerlink's NGER reporting methods and submissions were reviewed in 2010/11 by external auditors, EcoFund Queensland Pty Ltd. Powerlink's scope 1 emissions in 2010/11 (greenhouse gases emitted into the atmosphere as a result of the Consolidated Entity's activities) were 8,834 tonnes of carbon dioxide equivalent.

#### ***Carbon Price Mechanism***

In November 2011, the Federal Parliament passed legislation for a carbon price mechanism. The Clean Energy Future package commenced on 1 July 2012. Under the package, organisations that have facilities that emit more than 25,000 tonnes of carbon dioxide (CO<sub>2</sub>) will be required to purchase a permit for every tonne of carbon emitted. The Consolidated Entity is not directly liable under the scheme, as it has no individual facility that emits more than the minimum threshold. Based on expected increases in the price of some inputs, such as sulfur hexafluoride (SF<sub>6</sub>), fuel and electricity, there will be some financial impacts on the Consolidated Entity, but these are unlikely to be material.

#### ***Information on directors***

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

#### ***Interests in shares and options***

No Director has an interest in the shares of the Company.

#### ***Company secretary***

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

Powerlink Queensland

**DIRECTORS' REPORT** *continued...*

30 June 2012

**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 2012, and the numbers of meetings attended by each Director were:

Directors	Meetings of committees					
	Full meetings of directors		Audit		Remuneration	
	A	B	A	B	A	B
Stephen Rochester (from 31/5/2012)	1	1	1	1	**	**
David Harrison (from 1/10/2011 - resigned 25 May 2012)	6	7	2	2	2	2
Else Shepherd (term finished 31/12/2011)	6	6	**	**	1	1
Julie Beeby	11	11	**	**	3	3
Kenneth Howard	11	11	4	4	**	**
Julienne Martin (from 1/10/2011)	6	8	2	3	**	**
Christina Sutherland	10	11	4	4	2	2
Walter Threfall	8	11	**	**	2	3

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

**Retirement, election and continuation in office of directors**

Ms Else Shepherd's term as Chairman finished on 31 December 2011. Mr David Harrison was appointed a Director effective from 1 October 2011 and Chairman effective from 1 January 2012. Mr Harrison resigned effective from 25 May 2012. Mr Stephen Rochester was appointed Chairman effective from 31 May 2012. Ms Julienne Martin was appointed a Director effective from 1 October 2011. There were no other changes in directors during the financial year.

**Remuneration report****Principles used to determine the nature and amount of remuneration****Directors**

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2012 were the Honourable Timothy Nicholls, Treasurer and Minister for Trade on behalf of the State of Queensland, and the Honourable Mark McArdle, Minister for Energy and Water Supply on behalf of the State of Queensland.

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

Directors are not entitled to receive any performance related remuneration.

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

**Directors' fees**

The current base remuneration was last reviewed with effect from 1 July 2011. The Chairman's remuneration is not inclusive of committee fees and other Directors who chair, or are a member of a committee, also receive additional yearly fees.

**Key management personnel pay**

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

**Details of remuneration****Amounts of remuneration**

Details of the remuneration of the key management personnel of the Consolidated Entity (as defined in AASB 124 *Related Party Disclosures*) are set out in Note 27.

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

- Chief Executive
- Chief Operating Officer
- Chief Financial Officer
- Human Resources and Development Manager



Powerlink Queensland

## DIRECTORS' REPORT *continued...*

30 June 2012

### **Loans to directors and executives**

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

### **Indemnification and Insurance of officers**

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

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

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

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

The indemnity relates to any liability:

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

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

### **Non Audit Services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Consolidated Entity are important. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set in Note 28, Remuneration of Auditors, of the financial statements and supporting notes.

### **Auditor's independence declaration**

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

### **Rounding of amounts**

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

### **Parent Entity Disclosures**

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

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



Stephen Rochester  
Chairman

Brisbane  
Dated 30 August 2012

Powerlink Queensland

## DIRECTORS' REPORT *continued...*

30 June 2012

### Auditor's Independence Declaration

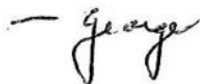
To the Directors of Queensland Electricity Transmission Corporation Limited

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

#### *Independence Declaration*

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been –

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



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



Queensland Audit Office  
Brisbane

Queensland Electricity Transmission Corporation Limited  
trading as Powerlink Queensland ABN 82 078 849 233

## ANNUAL FINANCIAL REPORT

30 June 2012

These financial statements cover both the separate financial statements of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland as an individual entity and the consolidated financial statements for the Consolidated Entity consisting of Powerlink Queensland, its subsidiaries and its associates. These financial statements are presented in the Australian currency.

Powerlink Queensland is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Queensland Electricity Transmission Corporation Limited  
33 Harold Street  
Virginia Qld 4014

A description of the nature of the Consolidated Entity's operations and its activities is included in the review of operations and principal activities in the Directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the Directors on 21 August 2012. The company has the power to amend and reissue the financial report.

Powerlink Queensland

**INCOME STATEMENTS**

For the year ended 30 June 2012

	Notes	Consolidated		Powerlink Queensland	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Revenue from continuing operations</b>	4	<b>921,959</b>	824,133	<b>917,973</b>	818,721
Less					
Expenses from continuing operations excluding finance costs expense	5	<b>(416,155)</b>	(388,555)	<b>(416,134)</b>	(388,534)
Finance costs	5	<b>(234,134)</b>	(219,470)	<b>(234,134)</b>	(219,470)
Share of net profits/(losses) of associates accounted for using the equity method	33(c)	<b>29,210</b>	7,818	-	-
<b>Profit/(loss) from continuing operations before income tax equivalent expense</b>		<b>300,880</b>	223,926	<b>267,705</b>	210,717
Income tax equivalent benefit/(expense)	6	<b>(97,115)</b>	(66,748)	<b>(83,678)</b>	(59,605)
Profit/(loss) from continuing operations		<b>203,765</b>	157,178	<b>184,027</b>	151,112
<b>Profit/(loss) for the year</b>		<b>203,765</b>	157,178	<b>184,027</b>	151,112
Profit attributed to Owners of Powerlink Queensland		<b>203,765</b>	157,178	<b>184,027</b>	151,112

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

Powerlink Queensland

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	Consolidated		Powerlink Queensland	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Profit for the year</b>		<b>203,765</b>	157,178	<b>184,027</b>	151,112
<b>Other comprehensive income</b>					
Gain on revaluation of property, plant and equipment, net of tax	25(a)	<b>79,766</b>	139,374	<b>74,686</b>	130,596
Changes in the fair value of cash flow hedges	25(a)	<b>(6,598)</b>	14,220	<b>487</b>	(792)
Actuarial (losses)/gains on Defined Benefit Superannuation Fund, net of tax		<b>(13,851)</b>	2,326	<b>(9,962)</b>	2,144
Adjustments to prior years results by Associates	33(b)	-	(1,181)	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>59,317</b>	154,739	<b>65,211</b>	131,948
<b>Total comprehensive income for the year</b>		<b>263,082</b>	311,917	<b>249,238</b>	283,060
Total comprehensive income for the year is attributable to:					
Owners of Powerlink Queensland		<b>263,082</b>	311,917	<b>249,238</b>	283,060
Total comprehensive income for the year attributable to the Owners of Powerlink Queensland arising from continuing operations		<b>263,082</b>	311,917	<b>249,238</b>	283,060

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

Powerlink Queensland

## BALANCE SHEETS

As at 30 June 2012

Notes	Consolidated		Powerlink Queensland		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	59,688	199,248	45,709	186,203
Trade and other receivables	8	112,549	93,379	114,301	93,169
Inventories	9	22,132	27,456	22,132	27,456
Other current assets	10	3,462	4,620	3,462	4,620
<b>Total current assets</b>		<b>197,831</b>	<b>324,703</b>	<b>185,604</b>	<b>311,448</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	11	117,612	96,867	-	-
Defined benefit superannuation fund asset	15	-	8,673	-	8,673
Other financial assets	12	84,090	84,090	84,055	84,055
Property, plant and equipment	13	6,682,846	6,074,115	6,682,846	6,074,115
<b>Total non-current assets</b>		<b>6,884,548</b>	<b>6,263,745</b>	<b>6,766,901</b>	<b>6,166,843</b>
<b>Total assets</b>		<b>7,082,379</b>	<b>6,588,448</b>	<b>6,952,505</b>	<b>6,478,291</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	135,880	128,419	135,871	128,425
Current tax equivalent liabilities	18	43,945	20,232	43,945	20,232
Provisions	17	159,813	133,796	159,813	133,796
Other liabilities	19	16,937	16,950	16,937	16,950
<b>Total current liabilities</b>		<b>356,575</b>	<b>299,397</b>	<b>356,566</b>	<b>299,403</b>
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	20	3,854,221	3,571,521	3,854,221	3,571,521
Deferred tax equivalent liabilities	22	504,435	477,466	467,973	446,862
Provisions	23	24,269	20,067	24,269	20,067
Defined Benefit Fund	15	8,128	-	8,128	-
Other liabilities	21	12,154	13,804	12,154	13,804
<b>Total non-current liabilities</b>		<b>4,403,207</b>	<b>4,082,858</b>	<b>4,366,745</b>	<b>4,052,254</b>
<b>Total liabilities</b>		<b>4,759,782</b>	<b>4,382,255</b>	<b>4,723,311</b>	<b>4,351,657</b>
<b>Net assets</b>		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>
<b>EQUITY</b>					
Contributed equity	24	401,000	401,000	401,000	401,000
Reserves	25(a)	783,281	710,113	720,750	645,577
Retained earnings	25(b)	1,138,316	1,095,080	1,107,444	1,080,057
Capital and reserves attributable to Owners of Powerlink Queensland		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>
<b>Total equity</b>		<b>2,322,597</b>	<b>2,206,193</b>	<b>2,229,194</b>	<b>2,126,634</b>

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

Powerlink Queensland

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2012

Consolidated	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2010</b>		<b>401,000</b>	<b>556,519</b>	<b>1,058,122</b>	<b>2,015,641</b>
Profit for the year		-	-	157,178	157,178
Other comprehensive income		-	153,594	1,145	154,739
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>153,594</b>	<b>158,323</b>	<b>311,917</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(121,365)	(121,365)
<b>Balance at 30 June 2011</b>		<b>401,000</b>	<b>710,113</b>	<b>1,095,080</b>	<b>2,206,193</b>

Consolidated	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2011</b>		<b>401,000</b>	<b>710,113</b>	<b>1,095,080</b>	<b>2,206,193</b>
Profit for the year		-	-	203,765	203,765
Other comprehensive income		-	73,168	(13,851)	59,317
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>73,168</b>	<b>189,914</b>	<b>263,082</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(146,678)	(146,678)
<b>Balance at 30 June 2012</b>		<b>401,000</b>	<b>783,281</b>	<b>1,138,316</b>	<b>2,322,597</b>

Powerlink Queensland

STATEMENTS OF CHANGES IN EQUITY *continued...*

For the year ended 30 June 2012

Powerlink Queensland	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2010</b>		<b>401,000</b>	<b>515,773</b>	<b>1,048,166</b>	<b>1,964,939</b>
Profit for the year		-	-	151,112	151,112
Other comprehensive income		-	129,804	2,144	131,948
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>129,804</b>	<b>153,256</b>	<b>283,060</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(121,365)	(121,365)
<b>Balance at 30 June 2011</b>		<b>401,000</b>	<b>645,577</b>	<b>1,080,057</b>	<b>2,126,634</b>
Powerlink Queensland	Notes	Attributable to owners of Powerlink Queensland			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2011</b>		<b>401,000</b>	<b>645,577</b>	<b>1,080,057</b>	<b>2,126,634</b>
Profit for the year		-	-	184,027	184,027
Other comprehensive income		-	75,173	(9,962)	65,211
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	26	-	-	(146,678)	(146,678)
<b>Balance at 30 June 2012</b>		<b>401,000</b>	<b>720,750</b>	<b>1,107,444</b>	<b>2,229,194</b>

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



Powerlink Queensland

## STATEMENTS OF CASH FLOWS

For the year ended 30 June 2012

	Notes	Consolidated		Powerlink Queensland	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		847,027	752,678	847,027	752,678
Payments to suppliers and employees		(156,688)	(144,288)	(156,666)	(144,269)
Interest received		21,501	23,289	4,952	7,469
Dividends received		42	273	11,656	10,873
Finance costs paid		(228,722)	(217,572)	(228,722)	(217,572)
Income tax equivalent paid		(77,792)	(51,838)	(71,827)	(47,293)
Goods and services tax paid		(14,598)	9,014	(14,598)	9,014
Other operating receipts		34,039	27,933	33,766	27,933
Other operating payments		(2,642)	(1,572)	(2,642)	(1,572)
<b>Net cash inflow (outflow) from operating activities</b>	35	<b>422,167</b>	<b>397,917</b>	<b>422,946</b>	<b>397,261</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(724,891)	(451,060)	(724,891)	(451,060)
Proceeds from sale of property, plant and equipment		10,075	2,190	10,075	2,190
Proceeds/(payments) for Investments		(8,246)	(417)	(9,959)	2,146
<b>Net cash (outflow) inflow from investing activities</b>		<b>(723,062)</b>	<b>(449,287)</b>	<b>(724,775)</b>	<b>(446,724)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings	20	282,700	230,500	282,700	230,500
Dividends paid to Company's shareholders	26	(121,365)	(100,226)	(121,365)	(100,226)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>161,335</b>	<b>130,274</b>	<b>161,335</b>	<b>130,274</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>					
		(139,560)	78,904	(140,494)	80,811
Cash and cash equivalents at the beginning of the financial year		199,248	120,344	186,203	105,392
<b>Cash and cash equivalents at end of year</b>	7	<b>59,688</b>	<b>199,248</b>	<b>45,709</b>	<b>186,203</b>

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

Powerlink Queensland

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2012

## 1 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

#### *Going Concern*

The financial statements have been prepared on a going concern basis. As at 30 June 2012, the current liabilities exceed current assets for the Consolidated Entity by \$158.7million (Parent Entity \$170.9 million). Powerlink has received approval from the State of Queensland for additional borrowings to support operational and capital expenditure requirements. The Directors believe that the strong operational cash flows and the funding available support the preparation of the financial statements under the going concern assumption.

#### *Early adoption of standards*

The Consolidated Entity has elected not to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

#### *Historical cost convention*

This financial report has been prepared on the basis of historical costs, except for the:

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

#### *Critical accounting estimates*

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

### (b) Principles of consolidation

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

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

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

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

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***(ii) Associates*

Associates are all entities over which the Consolidated Entity has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the holding entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated Entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 33).

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

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

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

**(c) Foreign currency translation***(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

**(d) Revenue recognition**

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

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

Revenue is recognised for the major business activities as follows:

*(i) Grid sales revenue*

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

*(ii) Other revenue*

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

*(iii) Interest income*

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

*(iv) Dividends*

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

**(e) Income tax equivalents**

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

These payments are made pursuant to section 155(4) of the *Government Owned Corporations Act 1993* and are based on rulings set out in the National Tax Equivalent Manual. The National Tax Equivalent Manual gives rise to obligations which reflect in all material respects those obligations for taxation which would be imposed by the *Income Tax Assessment Act 1936 and 1997* - Note (6).

*Income tax equivalent*

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

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

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

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

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

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

Powerlink Queensland

**NOTES TO THE FINANCIAL STATEMENTS** *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

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

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

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

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

**(i) Tax consolidation legislation**

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Consolidated Entity (Refer to Note 6).

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

**(f) Leases**

Leases of property, plant and equipment where the Consolidated Entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 13). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership at the end of the lease term.

Operating leases are classified as leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee (Note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

**Cross Border Lease**

Powerlink Queensland had previously entered into a structured financing arrangement involving the sale and subsequent lease back of supply system assets. This arrangement was entered into in conjunction with Queensland Treasury Corporation (QTC), and was a United States of America cross border lease transaction over Powerlink Queensland's regulated supply system assets.

The cross border lease involved a series of hire purchase and lease transactions. The transaction comprised four (4) tranches and was completed in January 2001. The original date of expiry of the lease agreement was 2 January 2027, however the lease was partially terminated on 20 September 2011. The partial termination released Powerlink Queensland from any further participation in the lease arrangements. Powerlink Queensland do not incur any financial impost as a result of the early termination of the lease.

**(g) Impairment of assets**

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

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

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

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

**(h) Cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**(i) Trade receivables**

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

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

**(j) Inventories**

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

**(k) Derivatives and hedging activities**

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 2. Movements in the hedging reserve in Equity are shown in Note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**(i) Fair value hedge**

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

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

**(ii) Cash flow hedge**

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

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

*(iii) Derivatives that do not qualify for hedge accounting*

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

*(iv) Forward Starting Loans*

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

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

**(l) Fair value estimation**

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

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

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

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

**(m) Property, plant and equipment***Supply System Assets*

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

*Freehold Land and Buildings and Easements*

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



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***Other Property, Plant and Equipment*

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

*Acquisition of Assets*

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

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

*Subsequent Costs*

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

*Revaluation*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is materially greater than its estimated recoverable amount.

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

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

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

The valuation of the asset category other property, plant and equipment (refer Note 13) does not take into account price index movements.

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

*Depreciation*

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

- Supply system assets	12-50 years
- Buildings	7-40 years
- Other property, plant and equipment	2-10 years

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

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

*Derecognition and Disposal of Assets*

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)****(n) Trade and other payables**

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

**(o) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that 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 purposes and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheets 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.

**(p) Borrowing costs**

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

**(q) Provisions**

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

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

**(r) Other liabilities**

Other liabilities include amounts for unearned revenues, which represent moneys received by the Consolidated Entity for which the Consolidated Entity has not provided the corresponding goods and services (refer Notes 19 and 21).

**(s) Employee benefits****(i) Wages and salaries, annual leave and "Time-off- in-Lieu" leave**

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

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)***(ii) Other long-term employee benefit obligations*

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

*(iii) Superannuation benefit obligations*

Employees of the Consolidated Entity are entitled to benefits from the Consolidated Entity's approved superannuation plan on retirement, disability or death. The Consolidated Entity has a defined benefit section and a defined contribution section within this plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Consolidated Entity companies and the Consolidated Entity's legal or constructive obligation is limited to these contributions.

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

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

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

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

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(iv) At-risk performance remuneration*

Employees of the Consolidated Entity are eligible for performance payments based on individual and/or small team performance during the year. In addition, award employees are eligible for a gainsharing payment based on corporate results (refer Note 15).

*(v) Termination benefits on redundancy*

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

**(t) Contributed equity**

Ordinary shares are classified as equity (refer Note 24).

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

**(u) Dividends**

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

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

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

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

**(w) Rounding of amounts**

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

**(x) Electricity market operations***National Electricity Market*

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

Pursuant to the Rules, the IRSR balance is received by Powerlink Queensland and is applied to offset transmission network charges (refer Note 37).

**(y) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Consolidated Entity's and the Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for any available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Consolidated Entity did not have any such investments and did not recognise any such gains/losses in other comprehensive income.

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

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**1 Summary of significant accounting policies (continued)**

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

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

The Consolidated Entity's investment in the joint venture partnership will be classified as a joint venture under the new rules. As the Consolidated Entity already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

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

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Consolidated Entity and parent entity will not affect any of the amounts recognised in the financial statements but may impact the type of information disclosed in relation to the parent entity's investments in the separate parent entity financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Consolidated Entity is still assessing the impact of these amendments.

The Consolidated Entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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

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

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The Consolidated Entity has never utilised the 'corridor' method and the changes will not impact the results disclosed in the financial statements.

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management**

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

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

The Consolidated Entity and the Company hold the following financial instruments:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Financial assets</b>				
Cash and cash equivalents (Note 7)	59,688	199,248	45,709	186,203
Trade and other receivables (Note 8)	112,549	93,379	114,301	93,169
Derivative financial instruments	154	18	154	18
Other financial assets	84,090	84,090	84,055	84,055
	<u>256,481</u>	<u>376,735</u>	<u>244,219</u>	<u>363,445</u>
<b>Financial liabilities</b>				
Trade and other payables (Note 16)	135,880	128,419	135,871	128,425
Borrowings (Note 20)	3,854,221	3,571,521	3,854,221	3,571,521
Derivative financial instruments	285	845	285	845
	<u>3,990,386</u>	<u>3,700,785</u>	<u>3,990,377</u>	<u>3,700,791</u>

**(a) Market risk***(i) Foreign exchange risk*

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

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

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

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

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

	30 June 2012				30 June 2011			
	USD \$'000	CAN \$'000	SEK \$'000	OTH \$'000	USD \$'000	CAN \$'000	SEK \$'000	OTH \$'000
Forward exchange contracts								
- buy foreign currency (cash flow hedges)	21,454	1,620	379	1,230	9,924	1,632	1,392	1,233
Net exposure	<u>21,454</u>	<u>1,620</u>	<u>379</u>	<u>1,230</u>	<u>9,924</u>	<u>1,632</u>	<u>1,392</u>	<u>1,233</u>

All the forward foreign exchange contracts are hedging forecast purchases.

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)***Consolidated Entity and Company sensitivity*

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the hedged currencies, with all other variables held constant, the Consolidated Entity's post-tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of the Consolidated Entity's supply system assets. Equity would have been \$2.7M higher/\$2.2M lower (2011 - \$1.5M higher/\$1.2M lower) had the Australian dollar weakened/strengthened by 10% against the hedged currencies.

*(ii) Other Price risk*

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

*(iii) Interest rate risk**Consolidated Entity and Company sensitivity*

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

The Consolidated Entity and the Company borrow exclusively from QTC, a Queensland Government owned corporation. QTC manages the borrowings on behalf of the Consolidated Entity and the Company within agreed pre-determined benchmarks. The composition of the QTC debt instruments are managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take effect from 1 July 2012. During 2012 and 2011, all the Consolidated Entity's borrowings were denominated in Australian dollars.

**(b) Credit risk**

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

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

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

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

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

Details of any impairment of financial assets are contained in Note 8.

**(c) Liquidity risk**

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)***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 borrowing program. For the 2012/13 year, the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be required to maintain liquidity and/or meet operational requirements, approval for the additional funds must be sought from the Queensland Treasurer.

*Maturities of financial liabilities*

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

<b>Contractual maturities of financial liabilities</b>	<b>0 - 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying Amount (assets)/ liabilities</b>
<b>Consolidated Entity - at 30 June 2012</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivatives</b>					
Trade and other payables	135,880	-	-	135,880	135,880
Interest bearing loans and borrowings	232,627	931,096	4,107,126	5,270,849	3,854,221
<b>Total non-derivatives</b>	<b>368,507</b>	<b>931,096</b>	<b>4,107,126</b>	<b>5,406,729</b>	<b>3,990,101</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(154)	-	-	(154)	(154)
- outflow	285	-	-	285	285
<b>Total Derivatives</b>	<b>131</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>131</b>



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)**

<b>Consolidated Entity - at 30 June 2011</b>					
	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivatives</b>					
Trade and other payables	128,419	-	-	128,419	128,419
Interest bearing loans and borrowings	232,051	926,361	3,621,932	4,780,344	3,571,521
<b>Total non-derivatives</b>	<u>360,470</u>	<u>926,361</u>	<u>3,621,932</u>	<u>4,908,763</u>	<u>3,699,940</u>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(18)	-	-	(18)	(18)
- outflow	845	-	-	845	845
<b>Total Derivatives</b>	<u>827</u>	<u>-</u>	<u>-</u>	<u>827</u>	<u>827</u>
<b>Contractual maturities of financial liabilities</b>					
	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Powerlink Queensland - at 30 June 2012</b>					
<b>Non-derivatives</b>					
Trade and other payables	135,871	-	-	135,871	135,871
Interest bearing loans and borrowings	232,627	931,096	4,107,126	5,270,849	3,854,221
<b>Total non-derivatives</b>	<u>368,498</u>	<u>931,096</u>	<u>4,107,126</u>	<u>5,406,720</u>	<u>3,990,092</u>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(154)	-	-	(154)	(154)
- outflow	285	-	-	285	285
<b>Total Derivatives</b>	<u>131</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>131</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**2 Financial risk management (continued)**

Powerlink Queensland - at 30 June 2011	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
<b>Non-derivatives</b>					
Trade and other payables	128,425	-	-	128,425	128,425
Interest bearing loans and borrowings	232,051	926,361	3,621,932	4,780,344	3,571,521
<b>Total non-derivatives</b>	<b>360,476</b>	<b>926,361</b>	<b>3,621,932</b>	<b>4,908,769</b>	<b>3,699,946</b>
<b>Derivatives</b>					
Gross settled					
- (inflow)	(18)	-	-	(18)	(18)
- outflow	845	-	-	845	845
<b>Total Derivatives</b>	<b>827</b>	<b>-</b>	<b>-</b>	<b>827</b>	<b>827</b>

**(d) Fair value measurements**

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

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

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

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

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

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

The Consolidated Entity and the parent entity did not have any level 1 or level 3 instruments for the year ended 30 June 2012.

Powerlink Queensland

**NOTES TO THE FINANCIAL STATEMENTS** *continued...*

30 June 2012

**3 Critical accounting judgements, estimates and assumptions**

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

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

***Defined Benefit Plans***

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relative carrying amounts are discussed in Note 15.

***Employee Entitlements***

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

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

***Change in accounting estimates - Discount Rates***

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

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

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

The changes in discount rates from Federal Government bond yields to Queensland Government bond yields have resulted in a decrease of \$2 million in the employee benefit provisions.

***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.

***Revaluation of Property, Plant and Equipment***

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**3 Critical accounting judgements, estimates and assumptions (continued)***Fair Value of Property, Plant and Equipment*

Due to the absence of an active market, supply system assets, work in progress, freehold land and buildings and easements are carried at fair value where fair value is estimated using an income based approach. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 13.

**4 Revenue**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Revenues from Continuing Operations</b>				
Grid Sales Revenue	<u>867,094</u>	<u>771,412</u>	<u>867,094</u>	<u>771,412</u>
<b>Total Grid Sales Revenue</b>	<b><u>867,094</u></b>	<b><u>771,412</u></b>	<b><u>867,094</u></b>	<b><u>771,412</u></b>
<i>Other revenue</i>				
Interest	20,242	23,754	4,875	7,469
Dividends	-	-	11,656	10,873
Other	<u>34,623</u>	<u>28,967</u>	<u>34,348</u>	<u>28,967</u>
<b>Total Other Revenue</b>	<b><u>54,865</u></b>	<b><u>52,721</u></b>	<b><u>50,879</u></b>	<b><u>47,309</u></b>
<b>Total Revenues from Continuing Operations</b>	<b><u>921,959</u></b>	<b><u>824,133</u></b>	<b><u>917,973</u></b>	<b><u>818,721</u></b>

**5 Expenses from Continuing Operations**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<i>Finance expenses</i>				
Interest Expense	227,922	214,034	227,922	214,034
Other	<u>6,212</u>	<u>5,436</u>	<u>6,212</u>	<u>5,436</u>
<b>Total Finance Costs Expended</b>	<b><u>234,134</u></b>	<b><u>219,470</u></b>	<b><u>234,134</u></b>	<b><u>219,470</u></b>
Network Operations	13,989	13,351	13,989	13,351
Network Maintenance	94,356	85,740	94,356	85,740
Grid Support	-	154	-	154
Corporate/Business Support	58,039	60,944	58,018	60,923
Other	<u>8,997</u>	<u>4,633</u>	<u>8,997</u>	<u>4,633</u>
Depreciation	<u>240,774</u>	<u>223,733</u>	<u>240,774</u>	<u>223,733</u>
<b>Total Expenses from Continuing Operations Excluding Finance Costs Expended</b>	<b><u>416,155</u></b>	<b><u>388,555</u></b>	<b><u>416,134</u></b>	<b><u>388,534</u></b>
Employee benefit expense through profit or loss	89,730	86,474	89,730	86,474
Defined Contribution Superannuation Expense through profit or loss	<u>3,590</u>	<u>2,850</u>	<u>3,590</u>	<u>2,850</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**6 Income tax equivalent expense**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(a) Income tax equivalent expense</b>				
Current Tax	92,567	61,820	87,514	57,000
Deferred tax	(4,203)	2,662	(3,836)	2,605
Associates accounted for using the equity method	-	2,266	-	-
	<u>97,115</u>	<u>66,748</u>	<u>83,678</u>	<u>59,605</u>

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

Decrease/(increase) in deferred tax assets (Note 14)	1,613	(615)	1,613	(615)
(Decrease)/ increase in deferred tax liabilities (Note 22)	(5,816)	5,543	(5,449)	3,220
	<u>(4,203)</u>	<u>4,928</u>	<u>(3,836)</u>	<u>2,605</u>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(b) Numerical reconciliation of income tax equivalent expense to prima facie tax payable</b>				
Profit from continuing operations before income tax equivalent expense	300,880	223,926	267,705	210,717
Tax equivalent at the Australian tax rate of 30% (2011: 30%)	90,264	67,178	80,312	63,215
<i>Increase in income tax equivalent expense due to:</i>				
Non deductible expenses	-	-	-	-
Prior year adjustment	293	-	293	-
Temporary differences	81,874	68,140	81,874	68,140
<i>Decrease in income tax equivalent expense due to:</i>				
Tax exempt revenues	(12)	(84)	(3,497)	(3,262)
Building capital allowances	(516)	(427)	(516)	(427)
Temporary differences	(74,788)	(70,509)	(74,788)	(70,511)
Other movements in deferred tax	-	2,605	-	2,605
Prior Year Adjustments	-	(155)	-	(155)
<b>Total income tax expense</b>	<u>97,115</u>	<u>66,748</u>	<u>83,678</u>	<u>59,605</u>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (Notes 14 and 22)	27,869	67,070	24,946	56,797
	<u>27,869</u>	<u>67,070</u>	<u>24,946</u>	<u>56,797</u>

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 6 Income tax equivalent expense (continued)

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>(d) Tax equivalent expense (income) relating to items of other comprehensive income</b>				
Gains on revaluation of land and buildings (Note 25(a))	34,186	59,732	32,008	55,970
Prior Year Adjustment	(109)	-	-	-
Cash flow hedges (Note 25(a))	(2,827)	6,095	209	(339)
Actuarial gains/(losses) on retirement benefit obligation	(3,381)	1,243	(7,271)	1,166
	<u>27,869</u>	<u>67,070</u>	<u>24,946</u>	<u>56,797</u>

#### (e) Tax consolidation legislation

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

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

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

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

### 7 Current assets - Cash and cash equivalents

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Cash balance comprises:</b>				
Cash on hand	3	3	3	3
Bank balances	6,375	3,912	6,350	3,908
Cash on Deposit with Qld Treasury Corporation (QTC)	53,310	195,333	39,356	182,292
Closing Cash balance	<u>59,688</u>	<u>199,248</u>	<u>45,709</u>	<u>186,203</u>

#### (a) Risk exposure

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

#### (b) Deposits at call

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

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

#### (c) Fair value

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**8 Current assets - Trade and other receivables**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Net trade receivables</b>				
Trade receivables	109,804	89,410	109,804	89,410
Other	2,745	3,969	4,497	3,759
	<u>112,549</u>	<u>93,379</u>	<u>114,301</u>	<u>93,169</u>

**(a) Provision for Impairment of Receivables**

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

**(b) Impaired Trade Receivables**

The Consolidated Entity has recognised a loss of \$0.15 thousand (2011: \$24 thousand) in respect of impaired trade receivables during the year ended 30 June 2012.

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

As of 30 June 2012, trade receivables of \$154 thousand (2011 - \$1,273 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Up to 3 months	80	1,040	80	1,040
3 to 6 months	74	233	74	233
	<u>154</u>	<u>1,273</u>	<u>154</u>	<u>1,273</u>

**(d) Other receivables**

For the Company, these are receivables from tax consolidated entities under the tax funding agreement, see Note 6(e).

**(e) Foreign exchange and interest rate risk**

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

**(f) Fair value and credit risk**

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

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 9 Current assets - Inventories

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Maintenance and Construction Stock	<u>22,132</u>	<u>27,456</u>	<u>22,132</u>	<u>27,456</u>
	<b>22,132</b>	<b>27,456</b>	<b>22,132</b>	<b>27,456</b>

### 10 Current assets - Other current assets

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Work in Progress - Customer Works	570	2,130	570	2,130
Prepayments	2,686	2,416	2,686	2,416
Other	<u>206</u>	<u>74</u>	<u>206</u>	<u>74</u>
	<b>3,462</b>	<b>4,620</b>	<b>3,462</b>	<b>4,620</b>

### 11 Non-current assets - Investments accounted for using the equity method

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Shares in associates (Note 33)	<u>117,612</u>	<u>96,867</u>	<u>-</u>	<u>-</u>
	<b>117,612</b>	<b>96,867</b>	<b>-</b>	<b>-</b>

#### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the subsidiary entities holding the investments (refer to Note 12).

### 12 Non-current assets - Other financial assets

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Advances to Associates</b>				
Loan Notes	84,090	84,090	-	-
Shares in subsidiaries * (Note 32)	-	-	1	1
Unsecured Loans to Subsidiaries #	<u>-</u>	<u>-</u>	<u>84,054</u>	<u>84,054</u>
	<b>84,090</b>	<b>84,090</b>	<b>84,055</b>	<b>84,055</b>

\* Represents investments in unlisted controlled entities at cost

# Represents unsecured advances to Harold Street Holdings Pty Ltd of \$84,050 thousand (2011: \$84,050 thousand) and Powerlink Transmission Services Pty Ltd \$4 thousand (2011: \$4 thousand). Both companies are wholly owned subsidiaries of Powerlink Queensland.



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**13 Non-current assets - Property, plant and equipment**

Consolidated and Parent Entity	Work in Progress \$'000	Freehold Land and Easements \$'000	Buildings \$'000	Supply System Assets \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
<b>At 1 July 2010</b>						
- Directors' Valuation	515,605	437,820	60,660	5,429,055	100,299	6,543,439
Accumulated depreciation	-	-	(7,602)	(843,632)	(55,787)	(907,021)
Net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418
<b>Year ended 30 June 2011</b>						
Opening net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418
Additions	476,667	-	-	-	-	476,667
Disposals	-	(407)	(161)	(515)	(720)	(1,803)
Revaluation increments/(decrements)	-	15,208	2,286	169,072	-	186,566
Transfers from work in progress	(452,297)	15,172	12,220	404,324	20,581	-
Depreciation charge	-	-	(1,719)	(205,902)	(16,112)	(223,733)
Closing net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
<b>At 30 June 2011</b>						
- Directors' Valuation	539,975	467,793	75,254	6,007,255	111,320	7,201,597
Accumulated depreciation	-	-	(9,570)	(1,054,853)	(63,059)	(1,127,482)
Net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
<b>Consolidated and Parent Entity</b>						
	<b>Work in Progress \$'000</b>	<b>Freehold Land and Easements \$'000</b>	<b>Buildings \$'000</b>	<b>Supply System Assets \$'000</b>	<b>Other Property, Plant and Equipment \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2012</b>						
Opening net book amount	539,975	467,793	65,684	4,952,402	48,261	6,074,115
Additions	752,860	-	-	-	-	752,860
Disposals	-	(4,246)	-	(5,514)	(289)	(10,049)
Revaluation increments/(decrements)	-	8,581	1,178	96,935	-	106,694
Transfers from work in progress	(540,966)	27,836	3,262	488,788	21,080	-
Depreciation charge	-	-	(2,090)	(220,257)	(18,427)	(240,774)
Closing net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846
<b>At 30 June 2012</b>						
- Directors' Valuation	751,869	499,964	79,851	6,588,737	127,519	8,047,940
Accumulated depreciation	-	-	(11,817)	(1,276,383)	(76,894)	(1,365,094)
Net book amount	751,869	499,964	68,034	5,312,354	50,625	6,682,846

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**13 Non-current assets - Property, plant and equipment (continued)****(a) Leased assets**

Supply system assets previously included the following amounts which are subject to a cross border lease. The cross border lease was terminated on 20 September 2011:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Leasehold equipment</b>				
- Directors' Valuation	-	5,611,930	-	5,611,930
Accumulated depreciation	-	(981,589)	-	(981,589)
Net book amount	-	4,630,341	-	4,630,341

**(b) Valuation of property, plant and equipment**

Powerlink's supply system assets, work in progress, freehold land and building and easements are carried at fair value. An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2012 using the following key assumptions and approach:

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

**14 Non-current assets - Deferred income tax equivalent assets**

Consolidated		Powerlink Queensland	
2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000

The balance comprises temporary differences attributable to:

Accruals	577	62	575	60
Provisions	14,761	10,830	14,761	10,830
Cash flow hedges	85	253	85	253
<b>Total deferred tax assets</b>	<b>15,423</b>	<b>11,145</b>	<b>15,421</b>	<b>11,143</b>

Set-off of deferred tax equivalent liabilities pursuant to

set-off provisions (Note 22)	(15,423)	(11,145)	(15,421)	(11,143)
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**14 Non-current assets - Deferred income tax equivalent assets (continued)**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Movements:</b>				
<b>Opening balance at 1 July 2011</b>	<b>11,145</b>	10,276	<b>11,143</b>	10,274
Credited/(charged) to profit or loss (Note 6)	(1,613)	616	(1,613)	616
Credited/(charged) to equity	5,891	253	5,891	253
<b>Closing balance at 30 June</b>	<b>15,423</b>	11,145	<b>15,421</b>	11,143
Deferred tax equivalent assets to be recovered within 12 months	7,110	6,620	7,108	6,618
Deferred tax equivalent assets to be recovered after more than 12 months	8,313	4,525	8,313	4,525
	<b>15,423</b>	11,145	<b>15,421</b>	11,143

**15 Employee Benefits and Superannuation Commitments****(a) Performance Payments to Employees**

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

**Performance Payments - Other Key Management Personnel**

Performance payments to other key management personnel are dependent on the performance of individual key management personnel against pre-agreed business and individual targets. The performance payments made in the 2011/12 year were granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**Performance Payments - All Other Employees**

Performance payments to all other employees are dependent on the performance of employees against individual/team pre-agreed performance targets. The performance payments made in the 2011/12 year were granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**Gainsharing Payments**

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2011/12 was granted/approved by the Board on 26 September 2011. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

**At-Risk Performance Remuneration**

The aggregate at-risk employee remuneration is as follows:

	2011/12	2010/11
Aggregate at-risk performance remuneration	\$6.697m	6.311m
Total salaries and wages paid	\$138.960	\$120.265m
Number of employees receiving performance payments	980	942

**Number of Employees**

Number of employees (full-time equivalents) at year end: 1,028 (2011: 986)

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 15 Employee Benefits and Superannuation Commitments (continued)

#### (b) Superannuation Plan

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

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

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

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

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

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

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in Note 5.

#### (c) Defined Benefit Plan asset recognised on the balance sheet

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

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Fair value of defined benefit plan assets	71,764	76,248	71,764	76,248
Present value of the defined benefit obligation	(79,892)	(67,575)	(79,892)	(67,575)
<b>Net (deficit)/surplus in the balance sheet</b>	<b>(8,128)</b>	<b>8,673</b>	<b>(8,128)</b>	<b>8,673</b>

#### (d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	%	%	%	%
Cash	10.0	5.0	10.0	5.0
Fixed Interest	10.0	15.0	10.0	15.0
Domestic Equities	28.0	28.0	28.0	28.0
Alternatives	20.0	20.0	20.0	20.0
International Equities	22.0	22.0	22.0	22.0
Property	10.0	10.0	10.0	10.0
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**15 Employee Benefits and Superannuation Commitments (continued)****(e) Reconciliations**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Reconciliation of the present value of the defined benefit obligation, which is fully funded:</i>				
Balance at the beginning of the year	(67,575)	(69,363)	(67,575)	(69,363)
Current service cost	(2,771)	(2,960)	(2,771)	(2,960)
Interest cost	(2,717)	(2,718)	(2,717)	(2,718)
Contributions by members	(808)	(865)	(808)	(865)
Actuarial gains and (losses)	(16,210)	1,394	(16,210)	1,394
Benefits paid	7,224	7,512	7,224	7,512
Provisions for Contributions Tax	2,965	(575)	2,965	(575)
<b>Balance at the end of the year</b>	<b>(79,892)</b>	<b>(67,575)</b>	<b>(79,892)</b>	<b>(67,575)</b>
<i>Reconciliation of the fair value of plan assets:</i>				
Balance at the beginning of the year	76,248	74,782	76,248	74,782
Expected return on plan assets	4,283	4,178	4,283	4,178
Actuarial gains and (losses)	(3,985)	2,493	(3,985)	2,493
Contributions by Company	1,634	1,801	1,634	1,801
Contributions by members	808	865	808	865
Benefits paid	(7,224)	(7,512)	(7,224)	(7,512)
Other cash flow	-	(359)	-	(359)
<b>Balance at the end of the year</b>	<b>71,764</b>	<b>76,248</b>	<b>71,764</b>	<b>76,248</b>

**(f) Defined Benefit Plan amounts recognised in profit or loss**

The amounts recognised in profit or loss are as follows:

Current service cost	2,771	2,960	2,771	2,960
Interest cost	2,717	2,718	2,717	2,718
Expected return on plan assets	(4,283)	(4,178)	(4,283)	(4,178)
Other	-	359	-	359
<b>Total included in employee benefits expense</b>	<b>1,205</b>	<b>1,859</b>	<b>1,205</b>	<b>1,859</b>

**(g) Defined Benefit Plan amounts recognised in other comprehensive income**

Actuarial (loss)/gain recognised in the year	(20,195)	3,887	(20,195)	3,887
Cumulative actuarial (losses)/gains recognised in other comprehensive income	(18,133)	2,062	(18,133)	2,062

**(h) Principal actuarial assumptions**

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

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
Discount rate	2.6%	4.4%	2.6%	4.4%
Expected return on plan assets	6.0%	6.0%	6.0%	6.0%
Future salary increases	4.5%	4.5%	4.5%	4.5%

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**15 Employee Benefits and Superannuation Commitments (continued)****(i) 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 less than three yearly intervals, and the last such assessment was effective as at 1 July 2010.

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

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

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

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

**(j) Historic summary**

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Defined benefit plan assets	71,764	76,248	74,782	69,138	70,219
Defined benefit plan obligation	<u>(79,892)</u>	<u>(67,575)</u>	<u>(69,363)</u>	<u>(63,729)</u>	<u>(56,614)</u>
Surplus / (deficit)	<u>(8,128)</u>	<u>8,673</u>	<u>5,419</u>	<u>5,409</u>	<u>13,605</u>
Experience adjustments arising on plan assets	(3,985)	2,493	3,558	(5,069)	(19,606)
Experience adjustments arising on plan liabilities	(2,339)	750	(867)	(544)	(3,115)

**16 Current liabilities - Trade and other payables**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables	128,310	109,562	128,301	109,568
Deposits	28	28	28	28
Other payables	<u>7,542</u>	<u>18,829</u>	<u>7,542</u>	<u>18,829</u>
	<u>135,880</u>	<u>128,419</u>	<u>135,871</u>	<u>128,425</u>

**(a) Fair Value**

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**17 Current liabilities - Provisions**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee benefits (b)	13,135	12,431	13,135	12,431
Dividends	146,678	121,365	146,678	121,365
	<u>159,813</u>	<u>133,796</u>	<u>159,813</u>	<u>133,796</u>

**(a) Movements in provisions**

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

2012

Dividends  
\$'000**Consolidated and Powerlink Queensland - 2012****Current**

Carrying amount at start of year	121,365
- additional provisions recognised	146,678
Amounts used during the year	<u>(121,365)</u>
<b>Carrying amount at end of year</b>	<b><u>146,678</u></b>

**(b) Amounts not expected to be settled within the next 12 months**

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Leave obligations expected to be settled after 12 months	<u>24,008</u>	<u>19,837</u>	<u>24,008</u>	<u>19,837</u>

**18 Current liabilities - Current tax equivalent liabilities**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Income tax equivalents	43,945	20,232	43,945	20,232
<b>Total current tax equivalent liabilities</b>	<u>43,945</u>	<u>20,232</u>	<u>43,945</u>	<u>20,232</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**19 Current liabilities - Other current liabilities**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unearned revenue	6,624	6,486	6,624	6,486
Derivative financial instruments	285	845	285	845
Other	10,028	9,619	10,028	9,619
<b>Total other current liabilities</b>	<b>16,937</b>	<b>16,950</b>	<b>16,937</b>	<b>16,950</b>

**20 Non-current liabilities - Interest bearing loans and borrowings**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Unsecured</b>				
Queensland Treasury Corporation	3,854,221	3,571,521	3,854,221	3,571,521
<b>Total non-current borrowings</b>	<b>3,854,221</b>	<b>3,571,521</b>	<b>3,854,221</b>	<b>3,571,521</b>

**(a) Fair value**

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

Consolidated Entity	At 30 June 2012		At 30 June 2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On-balance sheets (i)</b>				
QTC Loans	3,854,221	4,056,543	3,571,521	3,602,388
	<b>3,854,221</b>	<b>4,056,543</b>	<b>3,571,521</b>	<b>3,602,388</b>

Powerlink Queensland	At 30 June 2012		At 30 June 2011	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>On-balance sheets (i)</b>				
QTC Loans	3,854,221	4,056,543	3,571,521	3,602,388
	<b>3,854,221</b>	<b>4,056,543</b>	<b>3,571,521</b>	<b>3,602,388</b>

*(i) On-balance sheets*

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

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

**(b) Risk exposures**

Information about the Consolidated Entity's and the Company's exposure to interest rate changes is provided in Note 2.



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**21 Non-current liabilities - Other liabilities**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unearned Revenue	10,946	12,767	10,946	12,767
Other	1,208	1,037	1,208	1,037
<b>Total other financial liabilities</b>	<b>12,154</b>	<b>13,804</b>	<b>12,154</b>	<b>13,804</b>

**22 Non-current liabilities - Deferred tax equivalent liabilities**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Property, plant and equipment	480,840	450,919	480,840	450,919
Receivables	171	639	171	639
Prepayments	45	43	45	43
	<b>481,056</b>	<b>451,601</b>	<b>481,056</b>	<b>451,601</b>
<i>Other</i>				
Defined Benefit Fund Surplus	-	2,602	-	2,602
Inventories	2,291	3,797	2,291	3,797
Cash flow hedges	46	5	47	5
Associates Accounted for using the Equity Method	35,642	29,415	-	-
Interest receivable	823	1,191	-	-
Sub-total other	<b>38,802</b>	<b>37,010</b>	<b>2,338</b>	<b>6,404</b>
<b>Total deferred tax liabilities</b>	<b>519,858</b>	<b>488,611</b>	<b>483,394</b>	<b>458,005</b>
Set-off of deferred tax equivalent assets pursuant to set-off provisions (Note 14)	<b>(15,423)</b>	<b>(11,145)</b>	<b>(15,421)</b>	<b>(11,143)</b>
<b>Net deferred tax liabilities</b>	<b>504,435</b>	<b>477,466</b>	<b>467,973</b>	<b>446,862</b>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Movements:</b>				
Opening balance at 1 July 2011	488,611	415,747	458,005	397,735
Charged/(credited) to profit or loss (Note 6)	3,043	5,541	(5,448)	3,220
Charged/(credited) to equity (Notes 24, 25)	31,588	67,323	30,837	57,050
Prior year adjustment	(3,384)	-	-	-
<b>Closing balance at 30 June</b>	<b>519,858</b>	<b>488,611</b>	<b>483,394</b>	<b>458,005</b>

Deferred tax equivalent liabilities to be settled within 12 months	3,357	5,674	2,574	4,484
Deferred tax equivalent liabilities to be settled after more than 12 months	516,481	482,937	480,840	453,521
	<b>519,838</b>	<b>488,611</b>	<b>483,414</b>	<b>458,005</b>

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 23 Non-current liabilities - Provisions

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Employee benefits	<u>24,269</u>	<u>20,067</u>	<u>24,269</u>	<u>20,067</u>
	<b>24,269</b>	<b>20,067</b>	<b>24,269</b>	<b>20,067</b>

### 24 Contributed equity

	Powerlink Queensland		Powerlink Queensland	
	2012 Shares '000	2011 Shares '000	2012 \$'000	2011 \$'000
(a) Share capital				
Ordinary shares				
Fully paid	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>
	<b>401,000</b>	<b>401,000</b>	<b>401,000</b>	<b>401,000</b>

#### (b) Capital risk management

The Consolidated Entity's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in line with shareholding Minister 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 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 24,25(a) and (b) 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 supply system assets, as well as to make routine outflows of tax, dividends and servicing of debt.

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

There has not been any changes in strategy or policy subsequent to the previous year ended 30 June 2011.

#### Gearing ratio

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total debt	<u>3,854,221</u>	<u>3,571,521</u>	<u>3,854,221</u>	<u>3,571,521</u>
Fixed assets	<u>6,682,846</u>	<u>6,074,115</u>	<u>6,682,846</u>	<u>6,074,115</u>
Gearing ratio	<b>57.7%</b>	<b>58.8%</b>	<b>57.7%</b>	<b>58.8%</b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**24 Contributed equity (continued)**

The decrease in the gearing ratio for the year ended 30 June 2012 resulted primarily from the lower level of borrowings required to finance the Consolidated Entity's capital expenditure program.  
Debt is defined as long and short term borrowings. For the financial year ended 30 June 2012 the Consolidated Entity had only long term borrowings.  
Fixed Assets is Property, Plant and Equipment. (Note 13)

**(c) Issued and Paid Up Capital**

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

There was no movement in the issued and paid up capital during the financial year ended 30 June 2012.

**(d) Terms and Conditions of Contributed Equity - Ordinary Shares**

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

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

**25 Reserves and retained earnings**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Revaluation surplus - property, plant and equipment	781,624	701,858	720,842	646,156
Cash flow hedges	1,657	8,255	(92)	(579)
	<u>783,281</u>	<u>710,113</u>	<u>720,750</u>	<u>645,577</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000

**Movements:***Asset Revaluation Reserve*

Balance 1 July	701,858	562,484	646,156	515,560
Revaluation - gross (Note 13)	106,694	186,566	106,694	186,566
Deferred tax (Note 22)	(32,008)	(55,970)	(32,008)	(55,970)
Revaluation - associate (Note 33)	7,258	12,540	-	-
Deferred tax - associate (Note 22)	(2,178)	(3,762)	-	-
<b>Balance 30 June</b>	<u>781,624</u>	<u>701,858</u>	<u>720,842</u>	<u>646,156</u>

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000

**Movements:***Hedging Reserve*

Balance 1 July	8,255	(5,965)	(579)	213
Revaluation - gross	696	(1,132)	696	(1,132)
Deferred tax (Notes 14 and 22)	(209)	340	(209)	340
Associate	(10,121)	21,446	-	-
Deferred tax - associate (Notes 14 and 22)	3,036	(6,434)	-	-
<b>Balance 30 June</b>	<u>1,657</u>	<u>8,255</u>	<u>(92)</u>	<u>(579)</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**25 Reserves and retained earnings (continued)****(b) Retained Earnings**

Movements in retained earnings were as follows:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Opening retained earnings	1,095,080	1,058,122	1,080,057	1,048,166
Net profit attributable to members of Powerlink Queensland	203,765	157,178	184,027	151,112
Dividends provided for or paid	(146,678)	(121,365)	(146,678)	(121,365)
Actuarial gains/(losses) on defined benefit plans net of tax recognised directly in retained earnings	(16,816)	2,901	(12,927)	2,719
Defined Benefit Fund Contributions Tax	2,965	(575)	2,965	(575)
Change in prior years value of Associates	-	(1,181)	-	-
<b>Balance 30 June</b>	<b>1,138,316</b>	<b>1,095,080</b>	<b>1,107,444</b>	<b>1,080,057</b>

**(c) Nature and purpose of reserves***(i) Revaluation surplus - property, plant and equipment*

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

*(ii) Cash flow hedges*

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

**26 Dividends**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Ordinary Shares</b>				
Unfranked final dividend proposed	146,678	121,365	146,678	121,365
	<b>146,678</b>	<b>121,365</b>	<b>146,678</b>	<b>121,365</b>

In consultation with the shareholding Ministers, dividends have been recommended at 80% (2011: 80%) of the operating profit after income tax equivalents excluding the contributions from equity accounted associates.

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

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 27 Key management personnel disclosures

#### (a) Directors

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

##### (i) *Chairman*

Stephen Rochester (Chairman from 31/5/2012)  
David Harrison (Director from 1/10/2011, Chairman from 1/1/2012, resigned 25/5/2012)  
Else Shepherd (term finished 31/12/2011)

##### (ii) *Directors*

Julie Beeby  
Kenneth Howard  
Julienne Martin (from 1/10/2011)  
Christina Sutherland  
Walter Threlfall

#### (b) Other key management personnel

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

Chief Executive  
Chief Operating Officer  
Chief Financial Officer  
Human Resources and Development Manager

##### (i) *Remuneration of other key management personnel*

The 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 Human Resources and Remuneration Committee assesses the appropriateness of the nature and amount of compensation of 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 key management personnel are followed.

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

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**27 Key management personnel disclosures (continued)**

**(c) Details of remuneration**

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

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

2011 Name	Short Term	Post employment	Total \$'000
	Fixed Remuneration \$'000	Superannuation \$'000	
Else Shepherd	79	7	86
Julie Beeby	35	3	38
Stuart Copeland	36	3	39
Kenneth Howard	34	3	37
Christina Sutherland	37	4	41
Walter Threlfall	35	3	38
<b>Total</b>	<b>256</b>	<b>23</b>	<b>279</b>

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

(ii) *Other key management personnel*

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

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

2011 Position	Short Term	Post employment	Total \$'000
	Fixed Remuneration \$'000	Superannuation # \$'000	
Chief Executive	528	97	625
Chief Operating Officer	398	72	470
Chief Financial Officer	284	52	336
Human Resources and Development Manager*	218	35	253
<b>Total</b>	<b>1,428</b>	<b>256</b>	<b>1,684</b>

# Includes both employee and employer superannuation contributions.

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**27 Key management personnel disclosures (continued)**

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

**(d) Director Term and Appointment****Stephen Rochester**

Current Term - 3 years 4 months - First appointed May 2012

**David Harrison**

Resigned 31/5/2012 - First appointed October 2011.

**Else Shepherd**

Term Finished 31 December 2011 - First appointed September 1994.

**Julie Beeby**

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

**Kenneth Howard**

Current Term - 3 years commencing October 2009 - First appointed January 2007.

**Julienne Martin**

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

**Christina Sutherland**

Current Term - 2 years commencing October 2011 - First appointed July 2001.

**Walter Threlfall**

Current Term - 3 years commencing October 2009 - First appointed September 1994.

**28 Remuneration of auditors**

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

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Queensland Audit Office</i>				
Audit and review of financial statements	222	232	213	222
Non-audit services (Deloitte Touche Tohmatsu)				
Consultancy services	-	40	-	40
<b>Total remuneration for audit and other services</b>	<b>222</b>	<b>272</b>	<b>213</b>	<b>262</b>

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

**29 Contingent Assets and Contingent Liabilities**

There were no known contingent assets or contingent liabilities of a material nature as at 30 June 2012 (2011:NIL).

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**30 Expenditure Commitments****(a) Capital Expenditure Commitments**

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Property, plant and equipment</i>				
Payable:				
Not later than one year	73,630	107,830	73,630	107,830
Later than one year but not later than five years	-	372	-	372
	<u>73,630</u>	<u>108,202</u>	<u>73,630</u>	<u>108,202</u>

*(i) Non-cancellable operating leases*

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

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	2,389	1,475	2,389	1,475
Later than one year but not later than five years	4,094	1,727	4,094	1,727
Later than five years	286	315	286	315
	<u>6,769</u>	<u>3,517</u>	<u>6,769</u>	<u>3,517</u>

**31 Related party transactions****(a) Parent entities**

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2012 owned 100% (2011: 100%) of the issued ordinary shares of Powerlink Queensland.

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

**(b) Directors***Directors' Shareholdings*

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

*Loans to Directors*

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



Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**31 Related party transactions (continued)****(c) Subsidiaries and Associates**

Interests in subsidiaries are set out in Note 32.

Interests in Associates are set out in Note 33.

**(d) Key management personnel**

Disclosure relating to key management personnel are set out in Note 27.

**(e) Transactions with other related parties**

The following transactions occurred with related parties:

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Sales of goods and services</i>				
Parent Entity	923,740	1,049,097	923,740	1,049,097
Associates	473	14	473	14
	<u>924,213</u>	<u>1,049,111</u>	<u>924,213</u>	<u>1,049,111</u>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Purchases of goods</i>				
Parent Entity	147,078	53,618	147,078	53,618
Associates	54	56	54	56
	<u>147,132</u>	<u>53,674</u>	<u>147,132</u>	<u>53,674</u>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Dividend revenue</i>				
Subsidiaries	-	-	11,656	10,873
Associates	42	273	-	-
	<u>42</u>	<u>273</u>	<u>11,656</u>	<u>10,873</u>

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Interest revenue</i>				
Parent Entity	5,189	7,617	4,593	7,052
Associates	14,778	15,716	-	-
	<u>19,967</u>	<u>23,333</u>	<u>4,593</u>	<u>7,052</u>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**31 Related party transactions (continued)**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Other transactions</i>				
Dividends paid to ultimate Australian parent entity (State of Queensland)	121,365	100,226	121,365	100,226
Borrowing Costs - Parent Entity	233,606	218,169	233,606	218,169
	<u>354,971</u>	<u>318,395</u>	<u>354,971</u>	<u>318,395</u>

**(f) Outstanding balances arising from sales/purchases of goods and services**

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Current receivables (sales of goods and services)</i>				
Parent Entity	69,742	60,690	69,742	60,690
	<u>69,742</u>	<u>60,690</u>	<u>69,742</u>	<u>60,690</u>
<i>Current payables (purchases of goods)</i>				
Parent Entity	-	99	-	99
	<u>-</u>	<u>99</u>	<u>-</u>	<u>99</u>

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

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Loans to subsidiaries</i>				
Balance at the beginning of the year	-	-	84,054	84,054
End of year	<u>-</u>	<u>-</u>	<u>84,054</u>	<u>84,054</u>
<i>Loans from ultimate parent entity</i>				
Balances at the beginning of the year	3,571,521	3,341,021	3,571,521	3,341,021
Loans advanced	282,700	230,500	282,700	230,500
Interest charged	233,606	218,169	233,606	218,169
Interest paid	(233,606)	(218,169)	(233,606)	(218,169)
End of year	<u>3,854,221</u>	<u>3,571,521</u>	<u>3,854,221</u>	<u>3,571,521</u>

No provisions for impairment of debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

**(h) Terms and conditions**

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**32 Subsidiaries**

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

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2012 %	2011 %
Harold Street Holdings Pty Ltd *	Australia	Ordinary	100	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	100	100

\* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Section 45(A) of the *Corporations Act (2001)*

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

**33 Investments in associates****(a) Carrying amounts**

Information relating to associates is set out below.

Name of company	Ownership Interest		Consolidated		Powerlink Queensland	
	2012 %	2011 %	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Unlisted</i>						
ElectraNet Pty Ltd	41.11	41.11	117,612	96,821	-	-
ElectraNet Transmission Services Pty Ltd	-	41.11	-	46	-	-
			<u>117,612</u>	<u>96,867</u>	<u>-</u>	<u>-</u>

**Consolidated**  
2012  
\$'000      2011  
\$'000

**(b) Movements in carrying amounts**

Carrying amount at the beginning of the financial year #	96,867	56,260
Share of profit/(loss) after income tax	29,210	7,818
Reversal of dividends received/receivable	(42)	(273)
Share of actuarial gain/(loss) in Defined Benefit Fund	(5,556)	257
Share of increment on revaluation of property, plant & equipment	7,258	12,540
Share of increment/decrement of hedge reserve	(10,121)	21,446
Share in error for restatement of prior year balances	-	(1,181)
Return of capital on investment	(4)	-
<b>Carrying amount at the end of the financial year</b>	<u>117,612</u>	<u>96,867</u>

Powerlink Queensland

## NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

### 33 Investments in associates (continued)

**Consolidated**  
**2012**      2011  
**\$'000**      \$'000

**(c) Share of associates' profits or losses**

Profit/(loss) before income tax	41,728	11,169
Income tax expense	<u>(12,518)</u>	<u>(3,351)</u>
<b>Profit after income tax</b>	<b><u>29,210</u></b>	<b><u>7,818</u></b>

**(d) Summarised financial information of associates**

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

	Ownership Interest %	Consolidated Entity's share of:			
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit \$'000
<b>2012</b>					
ElectraNet Pty Ltd	41.11	<u>901,064</u>	<u>783,452</u>	<u>135,995</u>	<u>29,210</u>
		<u>901,064</u>	<u>783,452</u>	<u>135,995</u>	<u>29,210</u>
<b>2011</b>					
ElectraNet Pty Ltd	41.11	831,211	734,392	124,450	7,776
ElectraNet Transmission Services Pty Ltd	41.11	66	18	16,886	42
		<u>831,277</u>	<u>734,410</u>	<u>141,336</u>	<u>7,818</u>

The above associate is incorporated in Australia.

The Consolidated Entity's proportion of voting power held in the associate is the same as the ownership interest.

The Consolidated Entity's investment in the associate is accounted for in accordance with the accounting policy described in Note 1(b)(ii).

The associate is a proprietary company, is incorporated in Australia and has a 30 June reporting date.

The Consolidated Entity's investment in the associate was not impaired during the year (2011: NIL).

**Consolidated**  
**2012**      2011  
**\$'000**      \$'000

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

Capital commitments	13,984	23,318
Operating Lease commitments	<u>15,447</u>	<u>17,811</u>
	<b><u>29,431</u></b>	<b><u>41,129</u></b>

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**33 Investments in associates (continued)****(f) Contingent liabilities of associates**

There were no known contingent liabilities of a significant nature as at 30 June 2012 (2011: NIL).

**34 Events occurring after the reporting period**

No events have occurred subsequent to 30 June 2012 (2011: NIL) that materially affect the results disclosed in these financial statements.

**35 Reconciliation of profit after income tax equivalent to net cash provided from operating activities**

	Consolidated		Powerlink Queensland	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit from continuing operations after income tax equivalent	203,765	157,178	184,027	151,112
Depreciation	240,774	223,733	240,774	223,733
Net (gain)/loss on sale of non-current assets	(583)	(993)	(583)	(993)
Share of (profit)/loss of associates not received as dividends or distributions	(29,210)	(7,818)	-	-
Dividends received from associates	42	273	-	-
<i>Change in operating assets and liabilities</i>				
(Increase)/Decrease in debtors	(17,649)	(18,677)	(18,830)	(18,212)
(Increase)/Decrease in inventories	5,324	3,874	5,324	3,874
(Increase)/Decrease in prepayments	(273)	-	(273)	-
(Increase)/Decrease in deferred tax assets	(4,446)	(616)	(4,446)	(616)
Increase/(Decrease) in creditors	(2,740)	24,064	(2,740)	24,063
Increase/(Decrease) in provision for income taxes payable	23,713	8,741	22,959	8,541
Increase/(Decrease) in deferred tax liabilities	55	6,785	(6,661)	4,386
Increase/(Decrease) in other provisions	3,395	1,373	3,395	1,373
<b>Net cash inflow (outflow) from operating activities</b>	<b>422,167</b>	<b>397,917</b>	<b>422,946</b>	<b>397,261</b>

**36 Non-cash investing and financing activities**

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

Powerlink Queensland

NOTES TO THE FINANCIAL STATEMENTS *continued...*

30 June 2012

**37 Settlements Residue**

	Consolidated		Powerlink Queensland	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Opening Balance</b>	-	-	-	-
Residue transferred from AEMO	43,469	41,788	43,469	41,788
Interest Earned	-	-	-	-
Transfer to Powerlink Queensland - to offset network charges	(43,469)	(41,788)	(43,469)	(41,788)
<b>Balance at end of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Powerlink Queensland

## DIRECTORS' DECLARATION

30 June 2012

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 Company's and Consolidated Entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Stephen Rochester  
Chairman

Brisbane  
Dated 30 August 2012

Powerlink Queensland

## INDEPENDENT AUDITOR'S REPORT

30 June 2012

To the Members of Queensland Electricity Transmission Corporation Limited

**Report on the Financial Report**

I have audited the accompanying financial report of Queensland Electricity Transmission Corporation Limited ("the company"), which comprises the balance sheets as at 30 June 2012, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.



Powerlink Queensland

## INDEPENDENT AUDITOR'S REPORT

30 June 2012

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

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

*Opinion*

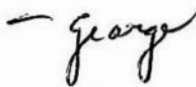
In my opinion –

- (a) the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including –
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Other Matters - Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Queensland Electricity Transmission Corporation Limited and the consolidated entity for the year ended 30 June 2012. Where the financial report is included on Queensland Electricity Transmission Corporation Limited's website the company's directors are responsible for the integrity of Queensland Electricity Transmission Corporation Limited's website and I have not been engaged to report on the integrity of Queensland Electricity Transmission Corporation Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



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



Queensland Audit Office  
Brisbane

THIS PAGE HAS BEEN  
INTENTIONALLY LEFT BLANK





POWERLINK QUEENSLAND

ABN 82 078 849 233

33 Harold Street Virginia  
Queensland Australia 4014

PO Box 1193 Virginia  
Queensland Australia 4014

Telephone: (07) 3860 2111  
Facsimile: (07) 3860 2100

[www.powerlink.com.au](http://www.powerlink.com.au)

