Powerlink Queensland

Annual Report & Financial Statements

2017/18

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Corporate profile

Mission

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

Vision

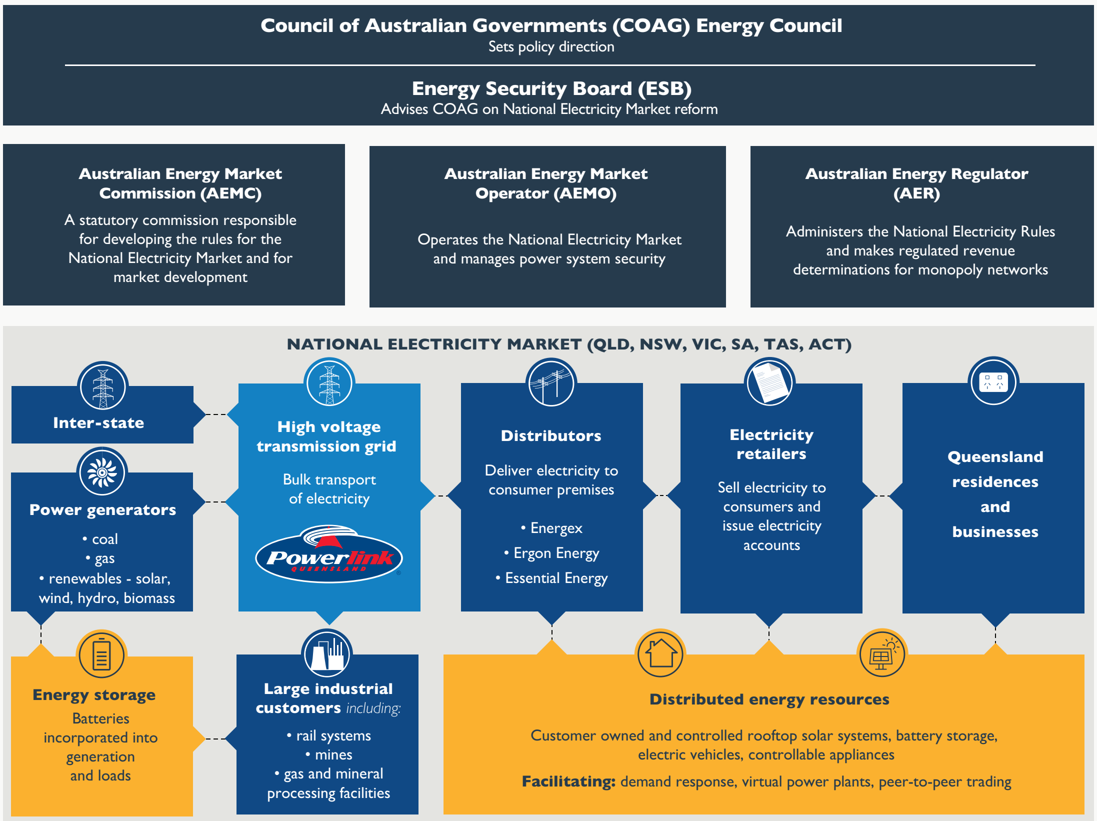
We are innovative and customer focused with a stronger business and reputation.

Values

The values that guide our behaviour are:

- Safe
- Respectful
- Proactive
- Ethical
- Cooperative

Powerlink's role in the power supply industry



Reporting

This Annual Report has been prepared in accordance with the provisions of the *Government Owned Corporations Act 1993* (incorporating aspects of the *Financial Accountability Act 2009*) and the *Corporations Act 2001* and is presented to the Legislative Assembly of Queensland. It contains Powerlink's Financial Report for 2017/18. Powerlink Queensland is the trading name of Queensland Electricity Transmission Corporation Limited.

Highlights 2017/18

- We delivered Earnings Before Interest and Tax (EBIT) of $468.0 million and a Net Profit of $167.3 million, both higher than our Statement of Corporate Intent (SCI) target with controllable operating costs below target.
- We focused on value for money for customers and reduced Powerlink's contribution to electricity bills by almost one third, representing an annual saving of between $23 and $38 for the average Queensland household.
- We committed to a Customer Service Charter that provides our customers with a clear understanding of what to expect from us.
- We worked with local, national and international developers of 13 renewable generation projects that committed to development and are connecting more than 1,600 megawatts of generation capacity to the transmission network.
- We benchmarked as a top quartile performer against Australian and international transmission businesses, in terms of cost efficiency and network reliability, in the 2017 International Transmission Operations and Maintenance Study.
- We negotiated and ratified the *Working At Powerlink Union Collective Agreement 2018* and the *Powerlink Managers Enterprise Agreement 2018*.

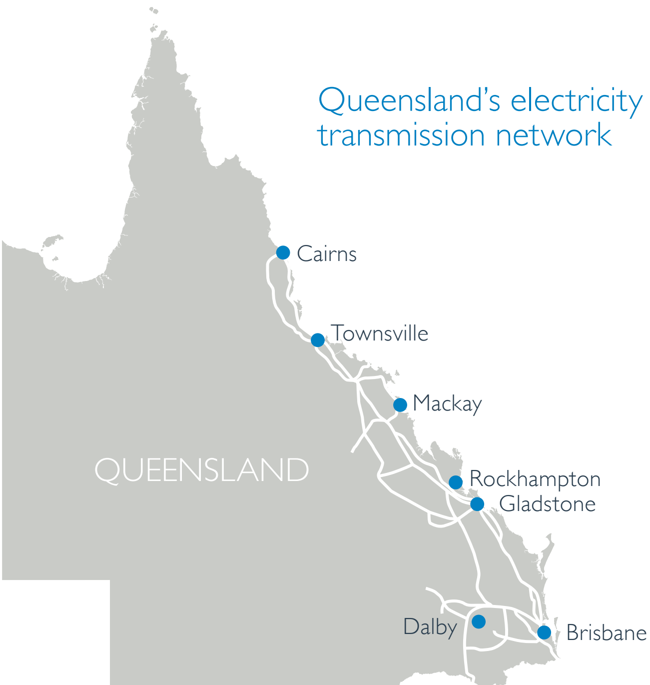
Powerlink profile

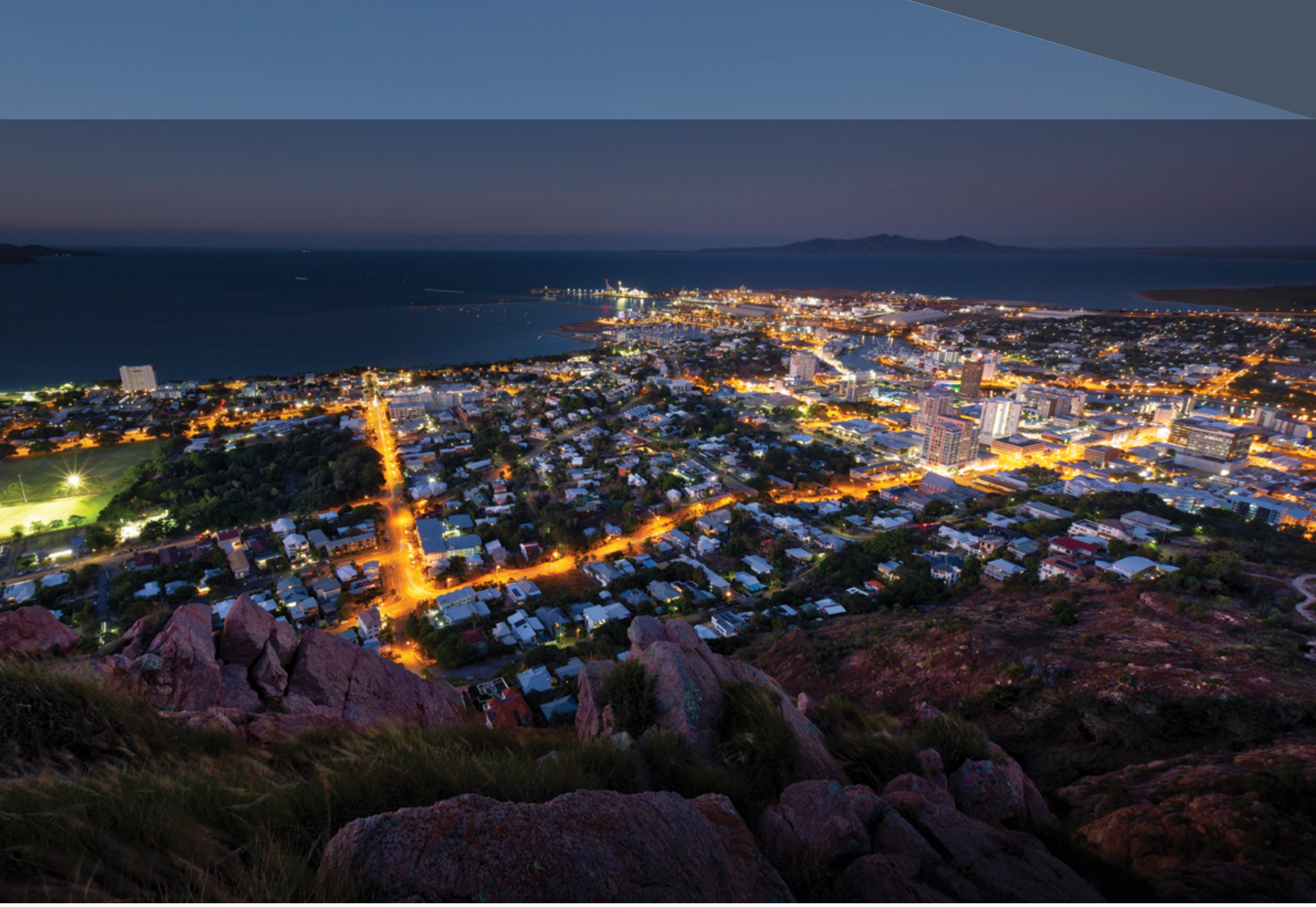
Powerlink Queensland is a leading Australian provider of high voltage electricity transmission network services, combining innovation with insight to deliver safe, cost effective and reliable solutions. We are a Queensland Government Owned Corporation (GOC) that owns, develops, operates and maintains the high voltage electricity transmission network in Queensland. Our network extends 1,700km from Cairns to the New South Wales border, and comprises 15,337 circuit kilometres of transmission lines and 140 substations.

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

Powerlink has Australia's most experienced transmission network connection team, having delivered more network connections on a commercial basis than any other transmission company in Australia.

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





Lights come on across Townsville CBD.

Financial overview

The 2017/18 financial year was the first year of Powerlink's current five-year regulatory period as set by the Australian Energy Regulator (AER) in Powerlink's 2017/18 to 2021/22 Regulatory Transmission Determination in April 2017.

The regulatory process establishes Powerlink's regulated revenue for a five year period commencing 1 July 2017, and allows for efficient costs to meet Powerlink's operating and investment requirements. The regulatory determination process also establishes Powerlink's initial Weighted Average Cost of Capital (WACC) for the period, at 6.02 per cent for the 2017/18 financial year.

Powerlink business performance

Earnings Before Interest and Tax (EBIT) for 2017/18 was $468.0 million with total revenue of $1,026.1 million.

Powerlink continually strives to provide safe, efficient and effective transmission services for Queenslanders. A key focus for Powerlink is to sustainably improve the cost efficiency of its operations, which for 2017/18 resulted in controllable operating costs of $212.4 million – 9.8 per cent below the SCI target and 9.0 per cent below the prior year controllable operating cost base.

Powerlink uses the 'controllable operating cost as a percentage of depreciated asset value' ratio as one of its measures of cost efficiency. Our 2017/18 performance resulted in a ratio of 2.8 per cent, reflecting an improvement on our prior position as well as outperforming the annual target of 3.0 per cent.

Powerlink's Net Profit After Tax (NPAT) for 2017/18 was $167.3 million, which was a stronger result than the SCI target. NPAT was below the prior year due to the lower WACC received in the regulatory transmission determination.

Capital investment

Capital expenditure in 2017/18 was $243.9 million and exceeded the SCI target of $196.5 million with the additional expenditure primarily in response to the strong growth in providing connection services to renewable energy generation projects committing to development. The remaining capital expenditure was focused on refurbishment and replacement of assets.

Borrowings

Debt requirements for the 2017/18 year remained unchanged at $5.3 billion despite the stronger capital expenditure levels during the year.

Dividends

Powerlink's final declared dividend for 2017/18 was $166.6 million, in addition to the $50 million of special dividends paid during the year.

Summary of Statement of Corporate Intent 2017/18

Our SCI for 2017/18, 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 in the SCI, as well as our performance against these indicators. Further information on performance outcomes when these targets were not met is provided throughout the report.

Objectives	2017/18 Performance targets	2017/18 Performance outcomes
Meet financial targets		
Achieve specified financial performance		
Earnings Before Interest and Tax (EBIT)	$ 411.3 million	$ 468.0 million
Net Profit After Tax (NPAT)	$ 129.5 million	$ 167.3 million
Return on Assets	5.0%	5.7%
Net Debt/Fixed Assets Ratio (1)	65.4%	65.5%
Net Debt/Regulated Assets Ratio (1)	75.0%	75.8%
Debt/Debt + Equity Ratio	75.9%	74.6%
Cash Flow From Operations + Interest/Interest	>2 times	2.9 times
Cash Flow From Operations/Net Debt (1)	>7%	8.4%
Interest Cover Ratio (EBITDA)	3.3 times	3.6 times
Deliver shareholder value		
Deliver targeted dividends and returns to shareholders		
Return on Equity	8.0%	9.5%
Dividend Payout Ratio	139% (includes Special Dividends)	130%
Distribution Yield (1)	22.4%	15.2%
Distribution Cash Coverage	0.9 times	1.2 times
Dividend provided	$ 179.5 million	$ 217.3 million
Deliver our capital works program		
Develop the Queensland transmission grid to maintain reliability and meet customer requirements		
Total capital works expenditure	$ 196.5 million	$ 243.9 million
Meet non-financial targets		
Achieve specified safety performance		
Lost Time Injury Frequency Rate (LTIFR)	2.0	1.8
Total Recordable Injury Frequency Rate (TRIFR)	8.5	7.3
Compliant with relevant environmental legislation		
Environment	To be compliant with relevant legislation	Compliant
Environmental incidents	Nil	13
Achieve cost efficiency performance targets		
Maintenance operating cost/depreciated asset value	1.6%	1.6%
Controllable operating cost/depreciated asset value	3.0%	2.8%
Achieve network performance targets (financial year ended 30 June 2018)		
System reliability parameters		
- Events in excess of 0.05 system minutes	Not more than 3	4
- Events in excess of 0.40 system minutes	Not more than 1	1

(1) On 8 June 2017 Powerlink's shareholding Ministers directed Powerlink to retain $150 million of its then proposed dividends for the potential development of a transmission line linking potential renewable energy generators in North Queensland (Clean Energy Hub). As at 30 June 2018 Powerlink continues to retain this amount and as such removes the effects of the $150 million from Net Debt position of the above ratios.

Chair's review

At Powerlink we remain committed to adapting and responding to the changing industry through sharpening our strategic direction, improving our customer delivery and strengthening our relationships with stakeholders.

Powerlink achieved its key financial targets as approved by the shareholding Ministers for 2017/18. With the start of the new regulatory period, the emphasis has been improving the operating cost base to ensure that consumer outcomes are delivered in a cost effective way, in line with the Australian Energy Regulator's Final Decision on Powerlink's transmission determination.

Powerlink's underlying dividend policy is to distribute 100 per cent of the Net Profit After Tax, which was $167.3 million for 2017/18. In addition, a special dividend of $50 million was paid during the year. We were able to do this without any additional borrowings.

We have continued to work with the Queensland Government to deliver the initiatives presented in its Powering Queensland Plan. Powerlink's commitments included contributing to the summer preparedness plan that ensured our network safely and reliably provided power during the summer period, including the record peak demand in February 2018.

We also focused on preparedness for the Gold Coast 2018 Commonwealth Games so that customers experienced safe and reliable electricity supply, and our systems and sites remained secure.

Along with many other businesses, we are operating in a rapidly transforming environment, which shapes our future planning. It is influenced by factors including the significant increase in the development of large-scale solar and wind farms, shifting customer behaviour, and new industrial and mining developments that change the demands on our transmission network. With these evolving factors in mind, we provided input to a range of changes to the National Electricity Rules and regulations, including input to the Australian Energy Market Operator's inaugural Integrated System Plan.

We are seeking to become more acutely focused on meeting customers' expectations and have captured our customer commitments in our Customer Service Charter. We also enhanced the transparency of our network planning processes and provided our customers with better information and greater clarity about how to connect to our network.

We engaged with our customers on many aspects of our activities, as we value their input to our business decision making, including the way we implement regulatory changes and manage our assets.

A key priority of the Board has been development of an organisational culture at Powerlink that supports a workforce that is safe, high performing, responsive to change and motivated to succeed in collaboration with our customers. Safety is essential at Powerlink and through our maturing safety culture we are improving safety outcomes for our whole workforce, both direct employees and contractors.

I thank the Powerlink Board members for their valued support and input, and extend a welcome our new Director, Dr Lorraine Stephenson.

On behalf of the Directors, I am grateful to Powerlink's employees for their efforts and future focus. Their work enables Powerlink to deliver our business strategy safely and create value for our customers and the State of Queensland.

DR JULIE BEEBY

Chief Executive's review

Powerlink is making a key contribution to the future of electricity supply in Queensland.

Our people consistently demonstrate their skills and experience in ways that help Powerlink to deliver our vision to be innovative and customer focused. I appreciate their support for initiatives to embed our desired culture and make Powerlink a great place to work. Their input has been integral to the refresh of Powerlink's corporate values that will be launched in 2018/19 and will guide the way we do business and engage with our stakeholders.

We aim to put customers at the centre of everything we do, as we focus on providing safe, cost-effective and reliable transmission services and great customer experiences, while keeping downward pressure on electricity prices.

We work with all types of businesses looking to connect to the transmission network and are responding to an unprecedented level of enquiry from generation proponents. In the current environment, Powerlink is playing a vital role in enabling large-scale renewable generation projects to connect to the grid. In 2017/18, we've been working to connect 13 committed renewable generation projects.

At the same time, we delivered six major regulated projects totalling around $70 million, predominantly reinvestment in the transmission network to ensure the ongoing reliability and security of supply that customers expect. In readiness for summer, we completed the rebuild of 19 towers damaged by flooding after Cyclone Debbie in March 2017, the most significant damage ever caused to our network by a natural disaster.

In line with changes to the National Electricity Rules, a greater number of proposed network replacements will go through the Regulatory Investment Test for Transmission to increase transparency and afford our stakeholders more opportunities to engage in our investment decision making processes. In preparing for this and other changes within the National Electricity Market, we have participated in numerous engagement processes and implemented significant changes to the way we do business.

We are working with electricity supply chain partners in developing an industry-wide Energy Charter initiative aimed to take account of customer expectations and provide a framework to help deliver energy for a better Australia. The initiative is part-way through development and will facilitate more transparent reporting to our customers and other stakeholders.

This year, Powerlink's contribution to electricity bills fell by almost one third. We continue to pursue opportunities to provide better value for money to customers and value feedback from our stakeholders on how we can better meet their expectations.

MERRYN YORK

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

Health, safety and environment

Committed and accountable

At Powerlink, the safety of our employees, contractors and the communities in which we operate is essential. Powerlink is also committed to protecting the environment and managing the potential environmental impacts of our activities.

At Powerlink, every individual is responsible and accountable for health, safety and responsible environmental management. Our leaders are active role models of this commitment.

Our established Safe for Life program continues to drive the improvement of our safety culture, so we make the safest choices and continue to improve our safety practices and outcomes. Within the Safe for Life program, an important focus area for 2017/18 was our Health, Safety and Environment (HSE) Management Systems. We started to integrate our management systems for health and safety and environment with the aim of establishing an improved, fit-for-purpose HSE system that supports Powerlink's business priorities.

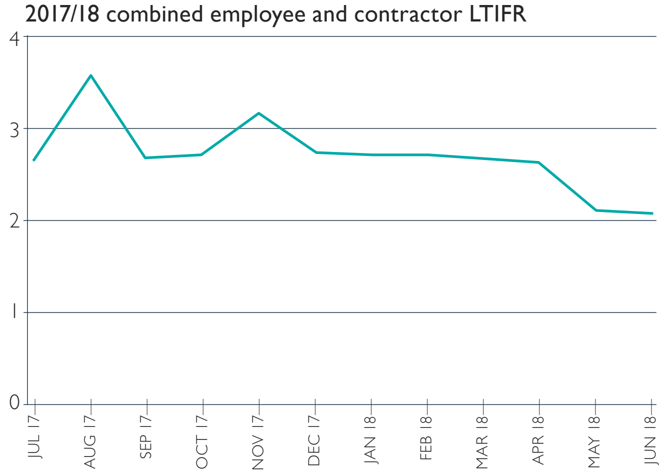
Safety performance

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

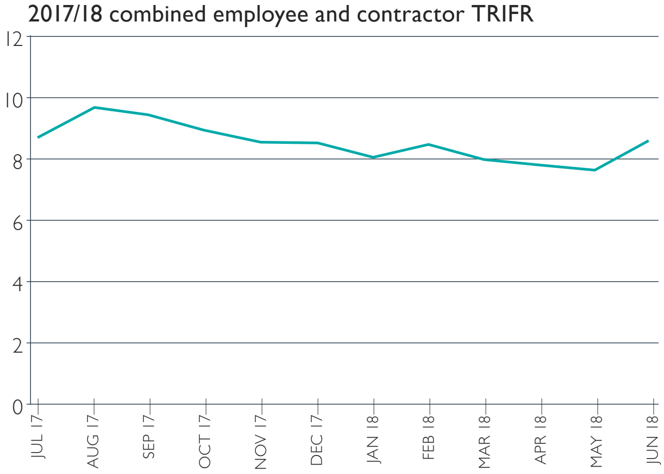
Powerlink continues to monitor and report performance against key safety performance indicators, being the Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR).

Following an increase at the start of the year, the combined Powerlink employee and contractor LTIFR showed a trend of improvement over most of 2017/18. Powerlink took action to improve our performance by focusing on improved reporting of leading indicators such as near hits and hazards.

2017/18 combined employee and contractor LTIFR



2017/18 combined employee and contractor TRIFR



The combined Powerlink employee and contractor TRIFR showed an improving downward trend throughout the 2017/18 year but increased in June 2018. This measure, which is inclusive of lost time injuries and extends to medically treated and restricted work injuries, aligns with contemporary industry practice and visibly demonstrates Powerlink's commitment to our Safe for Life program – Everyone, Everywhere, Everyday.

Powerlink's Executive Health and Safety Committee meets regularly to discuss safety performance including serious incidents, trends, targets and industry best practice. Powerlink's Board has oversight of this Executive Committee and monitors workplace health and safety performance. In line with the broader integration of HSE work practices, the Executive Committee will also be an integrated HSE Committee from 2017/18.

Contractor HSE management

We require our contractors to apply systems of work and display behaviours that support the effective management of HSE at all times. Our ongoing engagement processes help ensure our contractors share our commitment to HSE and are willing to meet or exceed our safety standards.

We developed the capability of our project delivery teams to validate the application of the HSE systems and controls applied by our contractors, which ensures we can continue to work together to further improve our HSE performance during network infrastructure delivery.

Health and wellbeing

We reinforced our commitment to health and wellbeing in the workplace by driving initiatives to address strategic risks of workplace stress, fatigue, hazardous manual tasks and heat stress.

We continue to provide services to support the mental and physical wellbeing of our people through the Employee Assistance Program.

We joined with industry partners, the State Government and unions to begin a state-wide roll out of a new Mates in Energy peer support suicide prevention program.

This program is a targeted adaptation of the successful Mates in Construction program, which Powerlink introduced and embedded within our front line areas four years ago.

Powerlink's alcohol and other drugs management program continues to be embedded within the business and reinforces our commitment to Safe for Life.

Public safety and infrastructure security

We delivered a number of improvements to public safety and security by increasing the robustness of our critical substation infrastructure to prevent unauthorised entry and strengthen site entry requirements.

Powerlink continued to promote the 'Look up and Live' messages about powerline safety and other community electrical safety awareness activities in collaboration with industry partners and the Electrical Safety Office. We encourage safe community behaviours around our network during face-to-face interactions with landholders and community events, and through targeted social media.

Environmental management

Powerlink strives to continually improve our environmental performance, and we acknowledge that responsible environmental management is integral to our business operations. We review Powerlink's environmental performance against relevant legislative requirements and internal performance indicators.

Powerlink responsibly manages regulated waste associated with our business activities. In 2017/18 we were granted approval from State and local government agencies to expand our service offering in reprocessing used Sulphur Hexafluoride (SF_6) gas and storing regulated waste at our facility in Virginia, Brisbane.

Greenhouse emissions reporting

Powerlink reports annually on energy and greenhouse gas emissions to remain compliant with the *National Greenhouse and Energy Reporting Act 2007*. An independent limited assurance audit verified the accuracy of Powerlink's 2017 report.

Notifiable incidents — substation oil containment systems

Consistent with our obligations, Powerlink notified the Department of Environment and Science (DES) of 13 substation sites affected by oil containment issues, which included levels of hydrocarbons in the soil in excess of acceptable levels.

From incident identification, Powerlink developed a response plan to immediately contain discharge while identifying longer term plans to rectify the issue and has worked closely with DES to ensure our response complied with all relevant requirements. Trial second stage filtration controls were implemented at a number of sites to prevent further discharge of contaminated water from the oil containment systems. We continue to work with stakeholders to ensure these controls are effective.

Committed renewable connection projects across Queensland.

Customer service

Customer focus

We developed a Customer Charter to define and share our customer commitment, providing a clear understanding of what our customers can expect from us. The charter acknowledges the important role our customers will play in the evolving power system as we move towards a lower carbon future and provide greater customer choice in how energy is accessed and used. It expresses our commitment to genuine engagement with our customers to better understand their needs and actively seek their input to improve our decision making.

Connecting new renewable generation

Powerlink has Australia's most experienced transmission network connection team, having delivered more network connections on a commercial basis than any other transmission company.

In 2017/18, Powerlink experienced an unprecedented level of enquiries from renewable generators seeking to connect to the Queensland transmission network. Proponents represent a broad customer base from across international, national and local developers.

120 ENQUIRIES	We responded to more than 120 connection enquiries and more than 35 applications from generators totalling almost 25,000 megawatts.
7 AGREEMENTS	We finalised seven connection agreements for new renewable generation totalling 1,012 megawatts.
13 PROJECTS	At 30 June 2018, we had 13 connection projects either delivered or under construction, representing more than 1,600 megawatts of renewable generation.

A key milestone was the completion of the 100 megawatt Clare Solar Farm, Queensland's largest solar farm to date. Located near Ayr, the project was developed and managed by Fotowatio Renewables Ventures (FRV) with Powerlink's connection works involving an extension to the existing Clare South Substation.

Powerlink is also working on a connection for one of Australia's largest wind farms, Coopers Gap Wind Farm, located 250 kilometres north-west of Brisbane and being developed by the Powering Australian Renewables Fund (PARF). Our connection works include building a new 275 kilovolt substation at Cooranga North, to connect the 440 megawatt wind farm.

Renewable electricity generator connections completed or under construction in 2017/18 ***(with Connection and Access Agreements in place)***

Region	Project	Generation capacity at the point of connection
North	Clare Solar Farm	100 megawatts
	Daydream Solar Farm	150 megawatts
	Hamilton Solar Farm	57 megawatts
	Haughton Solar Farm (Stage 1)	100 megawatts
	Hayman Solar Farm	50 megawatts
	Mt Emerald Wind Farm	180 megawatts
	Ross River Solar Farm	116 megawatts
	Sun Metals Solar Farm	107 megawatts
	Whitsunday Solar Farm	57 megawatts
Central Queensland	Lilyvale Solar Farm	100 megawatts
	Rugby Run Solar Farm	65 megawatts
Southern Queensland	Coopers Gap Wind Farm	440 megawatts
	Darling Downs Solar Farm	108 megawatts

Delivering the right technical solution for a mining customer in Central Queensland.

To further assist customers, we streamlined our connection process, which included updating our contracts, and terms and conditions. This helps us to provide timely connection offers that fit with customer timelines and applications. We also developed customer information about our operations and maintenance scheduling, design standards for transmission lines and substations, equipment strategies for key plant, and standard layouts for substations, lines, cables and secondary systems to facilitate the requirements of the new Transmission Connection and Planning Arrangements, effective under the NER from 1 July 2018.

Clean Energy Hub

Powerlink conducted a feasibility study into the development of a Clean Energy Hub located generally between Einasleigh and Hughenden in North West Queensland. The study was undertaken under the sponsorship of the Queensland Energy Security Taskforce (QEST) and investigated a hub comprising one or more transmission assets developed to facilitate the connection of clean energy proponents in North and North West Queensland to the NEM.

More than 30 submissions were received as part of the Expression of Interest process and were assessed to inform the feasibility study.

Customer-focused solutions

Powerlink continues to provide technical and professional advice and solutions to meet a range of customer needs.

We temporarily reconfigured the transmission network in Central Queensland to allow the safe passage of a BHP Mitsui Coal (BMC) 3,500 tonne mining dragline, without impacting consumers in this area.

The 72 metre tall dragline dwarfed the two transmission lines that stood in its path, so we worked closely with BMC to meet its specific business needs while planning for and implementing the successful dragline relocation activities.

Powerlink's laboratory services team continued to provide a wide range of oil and insulation testing, condition monitoring and engineering support services. From our purpose-built laboratory, we provided services to customers in Australia and New Zealand, and expanded our service offering to include gearbox oil services for the railway industry and additional SF_6 reconditioning.

Energy Charter initiative

As a member of a national working group, Powerlink is contributing to the development of an industry-wide Energy Charter initiative. This initiative focuses on delivering energy in line with community expectations. Its development is being informed by engagement with customers and other interested stakeholders and is ongoing.

The charter will include key commitments focused on affordability, better service delivery and collaboration between energy, government and community sectors. It is aimed at driving consistent and transparent reporting to enable customers to understand the way energy businesses have met the expectations of energy customers.

It is intended future Powerlink Annual Reports will identify and publish details of our performance against the Charter principles and outcomes for customers.

We are focused on meeting our customers' needs.

Operating in the National Electricity Market

Transmission pricing

Powerlink recognises that access to safe and reliable transmission services supports the Queensland economy and enriches lifestyles. We play our part in the electricity supply system by putting downward pressure on electricity prices and focusing on delivering greater value to our customers.

Powerlink's contribution to electricity bills fell by almost one third from 1 July 2017. This reduction resulted from the commitments in our well-informed proposal to the AER during the regulatory determination process for the 2017/18 to 2021/22 regulatory period.

Powerlink's transmission network represents about seven per cent of the total delivered cost of electricity for a typical Queensland residential electricity consumer. We calculate our regulated transmission charges in accordance with the National Electricity Rules (NER) and Powerlink's AER-approved Pricing Methodology. This process incorporates recovery of Powerlink's maximum allowed revenue for the provision of regulated transmission services, which was $752.7 million in 2017/18.

Customers that directly connect to Powerlink's transmission network are charged for using the network. Charges vary according to factors such as location and level of use.

Recently Powerlink started engaging with customers and stakeholders on our review of regulated transmission pricing arrangements during 2017/18. The review is intended to help customers better understand the current arrangements and identify opportunities for Powerlink to deliver more valued pricing outcomes for customers. The review will provide an opportunity to examine potential changes to the existing transmission pricing framework and consider whether amendments to the NER and Powerlink's approved Pricing Methodology are needed.

Engaging in market development

Powerlink participated in a number of consultations that contributed to the development of the NEM within a changing operating environment. Key processes include:

National Energy Guarantee

In October 2017, the Energy Security Board (ESB) recommended to the Council of Australian Governments (COAG) Energy Council that a National Energy Guarantee (NEG) be developed to encourage new investment in dispatchable resources while meeting emissions targets, ensuring system reliability and delivering more affordable energy to Australian consumers. The ESB will continue to consult on the design of the NEG before presenting its final proposal to the COAG Energy Council.

System security and reliability reviews

In the context of an energy system in transformation and a lower emissions future, a range of reviews and Rule changes is underway to ensure a secure and reliable power system. The System Security Frameworks Review recommended a package of reforms to deliver a more stable power system, including new obligations on transmission network businesses and ways to integrate new technologies. The Reliability Frameworks Review is considering ways to support a reliable supply of electricity that includes more variable, intermittent generation (such as wind and solar) and demand-side technologies (such as energy storage).

Integrated System Plan

AEMO will deliver its first Integrated System Plan (ISP) in July 2018, a key recommendation of the Independent Review into the Future Security of the NEM (the Finkel Review). Powerlink is a contributor to the development of the ISP, which aims to set out a long-term plan for the efficient development of the transmission networks in the NEM and connection of renewable energy zones.

Coordination of Generation and Transmission Investment Review

The Australian Energy Market Commission (AEMC) is considering ways to improve the coordination of generation and transmission network investment in the NEM. The review forms part of a biennial reporting regime to the COAG Energy Council on key drivers that could impact future transmission and generation investment. The AEMC is also considering the implications of network congestion, the role of storage and various design options for renewable energy zones.

Regulatory Investment Test for Transmission

In July 2017, the AEMC introduced new Rules to increase the transparency of asset retirement, de-rating and replacement decisions of network businesses. Powerlink is now undertaking the RIT-T process for proposed network replacements and will publish more information in our Transmission Annual Planning Report.

Transmission Connections and Planning Rule Change

Powerlink has been preparing to respond to Rule changes which will take effect on 1 July 2018, providing more choice, control and certainty for parties connecting to the transmission network. The changes include the introduction of competition in providing certain connection assets and publishing more information about how to connect to transmission networks. The new Rules will also clarify that the relevant TNSP is responsible for the operation, maintenance and control of the shared transmission network.

Stakeholder engagement

Through our role in Energy Networks Australia (ENA), we contributed to the development of an initiative called 'New Reg: Towards consumer-centric energy network regulation'. This joint initiative between the AER, Energy Consumers Australia and ENA aims to improve engagement on network Revenue Proposals and identify opportunities for regulatory innovation.

Network planning

In planning the transmission network, Powerlink is adapting to the energy transformation taking place in Queensland. That transformation includes growing renewable generation, particularly solar PV and wind farm generation, possible retirement of fossil-fuelled generation, as well as changing electricity demand shaped by new large industrial and mining loads, and shifting customer behaviours and expectations.

These changes create opportunities and challenges for Powerlink as we plan to optimise utilisation of the transmission network to achieve lower-cost solutions that achieve energy security, reliability, affordability and reduced emissions needs. In meeting these challenges, Powerlink plans, develops and operates its network to meet reliability standards set out in the NER, Queensland's *Electricity Act 1994* and Powerlink's Transmission Authority.

The planning standard set in Powerlink's Transmission Authority requires our network to be planned and developed on the basis that only a limited amount of load will be at risk of interruption during a single contingency event. This standard is applied through Powerlink's policies and frameworks, so the transmission network can be operated and maintained in a way that achieves reliable supply outcomes for customers while balancing cost and other factors.

Each year Powerlink assesses the network's capability to meet forecast electricity demand. That process involves joint planning with AEMO, other TNSPs, distribution network service providers connected to our network, and other stakeholders. In accordance with the NER, this collaborative approach identifies network and non-network solutions that deliver the lowest long-run cost to customers.

In 2017/18, Powerlink contributed to the inaugural 2018 ISP, prepared by AEMO in line with the recommendations of the Finkel Review. We also started working with TransGrid on joint planning to assess the benefits of upgrading the transmission interconnector capability between Queensland and New South Wales. In addition, we provided other information to support AEMO's modelling, including in relation to renewable energy zones.

Network performance

We experienced four unexpected loss of supply events greater than 0.05 system minutes on our transmission network during 2017/18, which is higher than the SCI target. Of these four events, two occurred during periods of high intensity lightning activity while the other two took place when the network was temporarily reconfigured to accommodate project work. Our well-established emergency management practices ensured the duration of these outages was minimised, with electricity supply restored as safely and quickly as possible.

The AER sets calendar year performance targets for Powerlink for the duration of each five-year regulatory period through the Service Target Performance Incentive Scheme (STPIS). For 2017, Powerlink's performance exceeded the targets set by the AER.

Network access management

Powerlink is undertaking a project to transform our network outage management processes. Consistent with the requirements of the NER, Powerlink provides AEMO with up-to-date information on planned outages on the transmission network, to help ensure stakeholders are kept well informed about our operational activities.

The new system will provide benefits, including improved transparency for directly connected customers and a better interface with AEMO. We have progressed the project to the build phase, with testing, training and deployment planned for 2018/19.

International benchmarking

The 2017 International Transmission Operations and Maintenance Study (ITOMS) identified Powerlink as a top quartile performer in overall trending in terms of cost efficiency and network reliability. ITOMS is a biennial benchmarking study of network performance and practices, which involved 30 Australian and international transmission businesses in 2017.

Powerlink's participation in ITOMS over more than a decade has helped to drive improvements in our business. When compared to ITOMS 2015, Powerlink maintained our overall position in terms of reliability, with lower costs.

Replacing the ageing Garbutt to Alan Sherriff transmission line to maintain a safe and reliable electricity supply to the Townsville region.

Network strategy and operations

Electricity demand and forecasting

During the 2017/18 summer, a new maximum electricity demand record was set on 14 February 2018, which exceeded the forecast maximum demand by three per cent. The 2018 TAPR forecasts Queensland's summer maximum demand will increase at an average annual rate of 0.4 per cent per annum over the next 10 years. This is slightly lower than the average annual rate forecast in the 2017 TAPR, due to a range of factors, including customer behaviour and coal seam gas sector demand reaching its peak. Overall, the 10-year summer maximum demand forecast is slightly higher than the 2017 TAPR, due to the increased demand (weather corrected) recorded over the previous summer.

Over the next decade, Queensland's transmission delivered energy consumption is forecast to decrease at an average of 0.7 per cent per annum, impacted largely by the forecast increases in the capacity of renewable generation connecting to the electricity distribution networks.

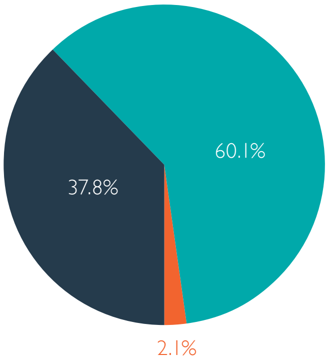
Capital works program

Powerlink's strategic approach to asset investment ensures we provide safe and reliable transmission services that are cost effective, while supporting a sustainable energy system of the future. Our approach recognises our customers' needs, and delivers value by managing risk, optimising performance and managing expenditure on assets through whole of asset lifecycle management.

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

To address the challenges specific to reinvestment projects, Powerlink's approach includes a strategy to achieve efficiency and minimise impacts on customers and the NEM, and to secure the best resources to optimise project delivery.

Total capital works project expenditure in 2017/18: $243.9 million.



Capital expenditure as a percentage of total network capital works 2017/18

- Non-regulated customer connections*
- Regulated reinvestment in assets reaching end of technical service life
- Regulated transmission network developments

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

Maintenance and materials management

Our maintenance program ensures we continue to deliver safe, cost effective and reliable transmission services. We track progress against network maintenance targets to ensure maintenance work is programmed and is consistent with required activities. The delivery of maintenance work is adjusted within acceptable windows in response to a range of internal and external factors. We also monitor the efficiency of our network maintenance program through international benchmarking.

In an environment of high demand for project materials, we realised efficiency gains from the introduction of improved material management processes and technology.

Maintenance on transmission lines, substations and communication sites 2017/18	
98% of planned maintenance delivered	$135.6 million invested

Our targeted maintenance program ensures we continue to deliver safe, cost effective and reliable transmission services.

Contingency planning and emergency response

Powerlink worked cooperatively with relevant state agencies on contingency planning and responded to significant events with potential to impact the transmission network.

Our annual summer readiness program includes identified risk mitigation strategies. Through this process, we worked with AEMO to ensure the availability and capacity of the network to safely and reliably provide power to customers during the summer months. We also undertook a successful readiness program for the Gold Coast 2018 Commonwealth Games to ensure a safe and reliable electricity supply and the security of systems and sites.

We took action to prepare for the potential impacts of severe weather events including Tropical Cyclone Iris which threated North Queensland in April 2018, and three separate flood events in North Queensland in March 2018. These events did not impact our network.

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

Flood damaged towers replaced

Consistent with our commitment to have the network ready for summer 2017/18, we completed the replacement of 19 electricity transmission towers damaged by floodwaters after Tropical Cyclone Debbie which struck Queensland in March 2017. The extent of the impact was the most significant damage ever caused to Powerlink's network by a natural disaster.

The damaged towers on the Nebo to Broadsound transmission line, south-west of Mackay, were replaced with new structures designed for increased resilience to severe weather events. Despite the initial damage and complexity of restoring the towers, supply to customers was maintained throughout the replacement project.

Next generation network operations

Powerlink began a journey to transform the way we operate the transmission network into the future. Our scope involves developing an operational strategic roadmap which includes upgrading our energy management system to equip us with the capability to operate the power system of the future.

Regulated network development

Focus on network reinvestment

We assess committed and future regulated network investments after considering the technical service life of transmission infrastructure and the needs of our customers.

During 2017/18, reinvestment in transmission lines and substations dominated the capital program as we focused on reducing the identified risks arising from assets reaching the end of their technical service life. In assessing the enduring need for assets, we considered a range of options which included network reconfiguration, asset retirement, non-network solutions, operational measures, or replacement with an asset of similar or lower capacity.

We gained stakeholder input into our network reinvestment decision making process through our ongoing stakeholder engagement activities, including the Transmission Network Forum.

Regulated network developments and reinvestments

Before committing to build a new transmission line or substation, or reinvest in an existing transmission line or substation, Powerlink thoroughly assesses the potential alternatives to ensure the decision results in the lowest long-run cost to our customers.

Powerlink is required to apply the RIT-T process when identifying network augmentation solutions and network reinvestment solutions costing more than $6 million. The RIT-T is a transparent, formal consultation process that provides customers, stakeholders and interested parties the opportunity to provide feedback and discuss alternative solutions to address network needs. In 2017/18, Powerlink commenced RIT-T assessments for:

- addressing the secondary systems condition risks at Dan Gleeson Substation
- addressing the secondary systems condition risks at Baralaba Substation
- maintaining reliability of supply to Ingham.

In March 2018, Powerlink was the first TNSP to begin a consultation under the new RIT-T framework with the release of the Project Specification Consultation Report to address secondary systems condition risks at Baralaba Substation.

Under this new framework, we anticipate a significant program of RIT-T assessment, particularly over the next two years.

As identified in AEMO's ISP, Powerlink and TransGrid will initiate a RIT-T process to consider enhancement of the transfer capacity of the Queensland/New South Wales Interconnector (QNI). In 2017/18, we jointly undertook preparatory work for this activity.

Non-network solutions

In certain cases, technically and economically feasible non-network solutions can reduce, defer or even replace the need for future transmission network investments. Non-network solutions may also form part of an overall network reconfiguration strategy when a network asset has reached end-of-life, to assist in achieving the right balance between reliability and the cost of transmission services.

Common types of non-network alternatives include demand side management initiatives which contribute to lowering peak electricity demand, and network support where additional generation is provided during times of peak demand on the electricity network.

Powerlink engages with non-network providers and continues to assess the use of non-network solutions to address the future needs of the transmission network, primarily through the RIT-T process.

Major regulated network projects

Major transmission developments and reinvestments (over $10 million) completed in 2017/18

Region	Project
North Queensland	Garbutt to Alan Sherriff 132kV transmission line replacement
	Moranbah area 132kV capacitor banks
	Proserpine 132kV Substation replacement
Central Queensland	Blackwater 132kV Substation replacement
Southern Queensland	Mudgeeraba 110kV Substation replacement

Major transmission developments and reinvestments (over $10 million) under construction in 2017/18

Region	Project
North Queensland	Collinsville to Proserpine 132kV transmission line refit
	Eton Creek to Alligator Creek 132kV transmission line refit
	Mackay 132kV Substation replacement
	Moranbah 132/66kV Substation transformer replacements
	Nebo 275/132kV Substation transformer replacements
	Nebo 275kV Substation replacement
	Ross 275kV Substation secondary systems replacement
	Tully 132kV Substation secondary systems replacement
Central Queensland	Calvale 275/132kV transformer reinvestment
	Calvale and Callide B 275kV Substation secondary systems replacement
	Dysart Substation replacement
	Gladstone to Boyne Island 132kV transmission line refit
	Moura 132kV Substation replacement
	Stanwell 275kV Substation secondary systems replacement
	Wurdong 275kV Substation secondary systems replacement
Southern Queensland	Ashgrove West 110/33kV Substation replacement
	Gin Gin 275/132kV Substation rebuild
	Rocklea 275kV Substation secondary systems replacement
	Tennyson 110kV Substation secondary systems replacement

Community and stakeholder engagement

Corporate citizenship

When carrying out our business activities, Powerlink works closely with landholders, communities, local government and other stakeholders. We demonstrate our good corporate citizenship through our operational performance, stakeholder engagement and community relations activities.

We share information with our stakeholders in various ways and value feedback on our performance. Input from our stakeholders helped to guide the development of our new corporate website which is easier to navigate, communicates more clearly about our services, and helps stakeholders and customers stay informed.

Engagement intent

Our Stakeholder Engagement Framework guides our interactions with individuals and organisations and ensures our engagement is meaningful. We look for opportunities to engage with stakeholders and seek their input to our business processes, objectives and decisions, with the purpose of achieving improved outcomes and mutual value.

2017 Stakeholder perception survey				
	Maximum score achievable	2017 Target	2017 Actual	2016 Actual
Social licence to operate	5 full trust	4 high approval	4.02 high approval	3.88 low approval
Reputation	5 very high	3.6 medium	3.72 medium	3.47 medium

In response to our 2017 stakeholder survey results, we focused on improving relationships with customers, local government representatives and landholders, as well as continuing to engage with diverse stakeholders including communities, Traditional Owners, regulators, government, unions and industry groups.

Household Energy Survey

The Queensland Household Energy Survey, conducted in November and December 2017, surveyed more than 4,500 Queenslanders about their household's energy usage, appliance saturation and energy efficient behaviours. Conducted annually since 2009, in conjunction with Energex and Ergon Energy, this survey provides feedback to help Powerlink plan the electricity transmission network and forecast energy usage now and in the future.

The 2017 survey indicated continued concern about electricity prices and growing levels of interest in alternatives to grid-supplied power, such as solar PV, battery storage or moving off the grid completely. This interest is driven by economics and a growing desire for self-sufficiency. Consumers also showed a growing interest in electric vehicles and demonstrated an increase in energy efficient behaviours.

Activities and forums

Powerlink's Customer Panel provided an ongoing face-to-face forum for our stakeholders to give input and feedback on our decision making, processes and methodologies. The panel, comprising members from the energy industry, resource sector, community advocacy groups, consumers and research organisations, met in December 2017 and April 2018. Topics explored by the panel included the changed RIT-T process, AER Rate of Return Guideline Review, Powerlink's asset management strategies and transmission pricing methodologies. We engaged with the panel to finalise a stakeholder engagement matrix for RIT-T projects, which has since been broadly adopted as an industry approach and received positive stakeholder feedback.

We hosted three webinars during 2017/18 to engage with stakeholders on important topics:

- raising awareness of the key changes, processes and impacts on Powerlink's investment program and seeking feedback on our current and proposed stakeholder engagement practices for non-network solutions
- sharing information about Rule changes to the RIT-T and seeking feedback on our processes
- focusing on risk management and seeking feedback on our direction and processes.

Cultural Heritage

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

Powerlink also recognises community interest in Historical Heritage and maintains procedures to meet the requirements of the Queensland *Heritage Act 1992*.

Our Cultural Heritage Framework guides the ongoing management of Cultural Heritage throughout the life of our transmission assets, including during the planning and delivery of network reinvestment projects and new network connections. We work cooperatively and innovatively with customers connecting to the network to achieve efficient Cultural Heritage outcomes for the benefit of commercial projects.

Strategic partnerships

Our community relations activities seek to support community initiatives that focus on empowering communities, protecting and conserving the environment, supporting safety and wellbeing, and promoting the energy industry.

We launched a partnership with Townsville City Council to deliver a greening program dedicated to increasing vegetation density and improving habitat for local native wildlife, while promoting water efficiency. The program was developed in response to our Garbutt to Alan Sherriff Transmission Line Replacement project, completed in November 2017. The greening program involved community members in tree planting events, improvements to the high-tech food garden at Heatley Secondary College and revegetating the area near the transmission line.

Planted by Council	1,250
Planted by community	750
Community volunteers	130
Community tree planting events	3

2,000
Trees Planted

Powerlink and the Bulimba Creek Catchment Coordinating Committee (B4C) committed to an ongoing maintenance phase following the completion of joint environmental rehabilitation projects in Wishart in Brisbane, near Powerlink's Runcorn to Belmont and Algester to Runcorn transmission lines.

Powerlink made a further $50,000 commitment to support the Queensland State Emergency Service (QSES) in conjunction with Energex and Ergon Energy by funding new equipment. The equipment, including stretchers, defibrillators, vehicle accessories, lighting and chainsaws, enhances the emergency response capability of groups around the state. Powerlink's support for QSES aligns with our commitment to the safety of communities and employees, and our focus on emergency response.

Powerlink joined industry partners to support the University of Queensland Women in Engineering program, which has promoted a steady increase in women participating in undergraduate engineering studies. We also continue to partner with Engineers Australia, the Planning Institute of Australia, the Local Government Association of Queensland and the Energy Users Association of Australia to achieve mutually beneficial outcomes.

More than 130 community volunteers helped to plant 750 trees.

People

Workforce strategies

We are committed to providing our people with a great work environment; one that is safe, inclusive and supports them to be the best they can be.

We have continued to implement a range of people strategies to better position the organisation, through building a high performance, constructive culture. Our success will be through our people who have exceptional skills and knowledge, and the drive to create a better future for our customers.

Powerlink has undertaken significant reform, which created a sound foundation from which we continued to evolve and adapt. Our total workforce Full Time Equivalent staffing as at 30 June 2018 was 870.

We developed our Industrial Relations Strategy for 2018 to 2021 to be a key enabler for our success. The strategy provides Powerlink with the ability to create step-change through proactive approaches to Industrial Relations, including early and positive engagement with our key stakeholders. This methodology supports a proactive approach to resourcing, to ensure we have the right people, in the right place, at the right time.

Applying a collaborative approach, we negotiated and ratified two new agreements, the *Working At Powerlink Union Collective Agreement 2018* and the *Powerlink Managers Enterprise Agreement 2018*. These agreements, which came into effect on the expiry of the previous agreements, position the business strongly for the future.

Powerlink continued to build on our strong foundation of valuing diversity and inclusion to build our capacity for innovation and productivity, and to deliver high quality services. By seeking to harness different perspectives we will create more opportunities to deliver creative thinking and solutions.

Leadership and business structure

To support our continuing journey of cultural transformation, we developed and implemented a strategy to improve leadership effectiveness and connection with our people. Within this strategy, we focused on developing our leadership capability to meet the demands of the changing context in which we operate.

Organisational culture

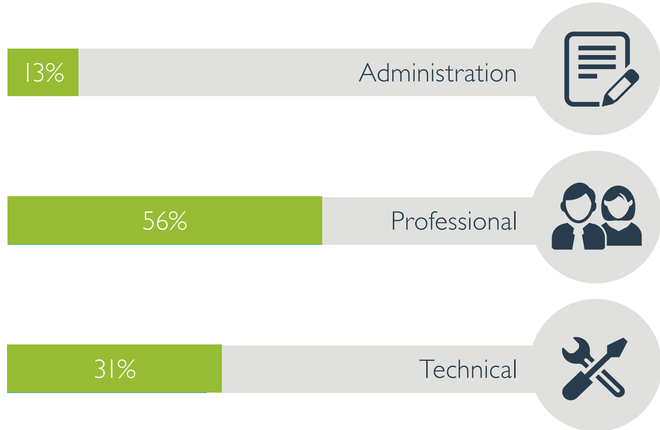
Our 2017 Culture Survey identified a number of positive improvements and sharpened the focus of our cultural transformation journey. We engaged our people in activities to share the survey findings and further expand the outcomes.

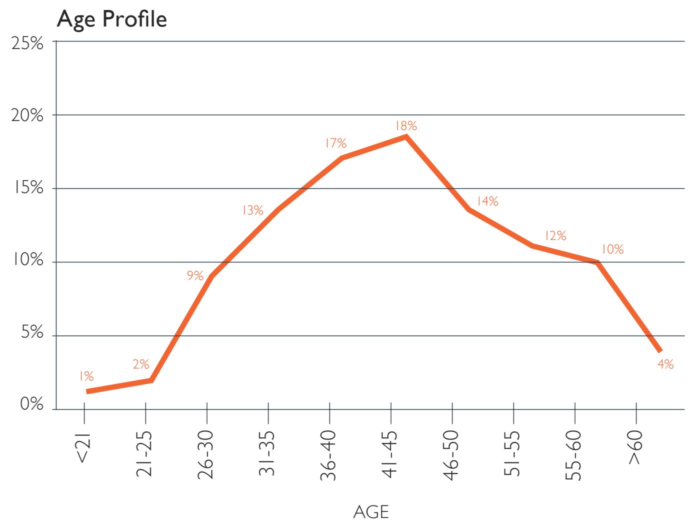
Working with our people, we developed a roadmap that provides us with clear direction for improving our culture. With a focus on engaging, empowering and enabling our people, we continue to transform our culture through our business-as-usual functions, as well as implementing specific programs to accelerate change.

We also engaged our employees in a refresh of our corporate values. The new values, to be launched in 2018/19, will better align to our business plan and our future operating environment.

MALE	
POWERLINK WIDE	75.65%
MANAGEMENT	78.90%
EXECUTIVE	67.00%

FEMALE	
POWERLINK WIDE	24.35%
MANAGEMENT	21.10%
EXECUTIVE	33.00%





Our people are our best asset and providing a great work environment is critical to our success.

Corporate governance

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

Corporate governance in Powerlink

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

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

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

The Queensland Government has published its *Corporate Governance Guidelines for Government Owned Corporations* (Guidelines) which includes a *Code of Conduct* and *Conflicts of Interest Best Practice Guide for Government Owned Corporations*. The Guidelines outline the expectations of shareholding Ministers and describe a set of comprehensive corporate governance principles, and proper disclosure and reporting arrangements that are appropriate to GOCs. There were no revisions made to the Guidelines that required changes to Powerlink's corporate governance arrangements in 2017/18.

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

The Board

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

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

Details relating to Powerlink Directors, Board Committee composition and meetings in 2017/18 are set out in the Directors' Report.

Board balance	Board tenure		Board diversity	
1 Non-Executive Chair	0–2 years	3	Female	67%
5 Non-Executive Directors	2–4 years	1	Male	33%
	4–6 years	0		
	6–8 years	1		
	8–10 years	1		

Powerlink corporate governance framework

Shareholding Ministers

Our shareholders

Powerlink has two shareholders who hold the shares on behalf of the State of Queensland.
Our shareholding Ministers, as at 30 June 2018, were:

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

Powerlink Queensland Board

Key accountabilities of the Board

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

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

Membership and meetings

- All Directors, including the Chairman, are independent, non-executive Directors appointed by the Governor in Council in accordance with the GOC Act.
- In 2017/18, Powerlink held 11 formal meetings of Directors, which were supplemented with Flying Minutes. The attendance record of the Directors at meetings of the Board is presented in the Directors' Report section in the Annual Report.

Board Committees

Audit, Risk and Compliance Committee

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

People, Culture and Remuneration Committee

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

Chief Executive

Executive Team

Executive Committees

- Executive Committee for Environment
- Executive Committee for Corporate Resilience
- Executive Committee for Health and Safety

Corporate Governance Guidelines for GOCs – Queensland Government

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

Principle 1: Foundations of management and oversight

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

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

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

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

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

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

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

Principle 2: Structure the Board to add value

At 30 June 2018, the Board comprised six independent non-executive Directors. All Directors are appointed by the Government in accordance with the GOC Act. There was a change to Powerlink's Directors in 2017/18:

- New Director Lorraine Stephenson was appointed in October 2017.

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

	Finance and commercial	Government and stakeholder relations	Business strategy development	Corporate governance and risk management	Industry knowledge	Human resources and industrial relations
Julie Beeby	•		•	•	•	•
Peter Hudson	•	•	•		•	
Julie Martin				•	•	
Alan Millis		•	•	•	•	
Sarah Zeljko		•	•	•		•
Lorraine Stephenson		•	•	•	•	

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

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

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

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

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

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

In addition to the 2017/18 Board meetings, the Board held Strategic Planning and Risk Workshops.

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

The Board, having undertaken its annual self-assessment for 2017/18, concluded that it is fulfilling its role with no obvious gaps in its performance, and that there was good interaction and relations with both shareholding Ministers and Powerlink management.

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

Principle 3: Promote ethical and responsible decision making

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

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

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

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

Principle 4: Safeguard integrity in financial reporting

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

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

These Committees have documented mandates that are reviewed on a regular basis, at least every two years. The membership of both committees consists of non-executive Directors. Details of Committee members at 30 June 2018, number of meetings during the year and attendance are presented in the Directors' Report.

Audit, Risk and Compliance Committee	
Chair:	Mr Alan Millis
Members:	Dr Lorraine Stephenson and Ms Sarah Zeljko (from December 2017)

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

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

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

People, Culture and Remuneration Committee	
Chair:	Ms Julie Martin
Members:	Dr Julie Beeby and Mr Peter Hudson (from December 2017)

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

Principle 5: Make timely and balanced disclosures

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

Principle 6: Respect the rights of shareholders

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

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

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

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

Powerlink's Remuneration Policy is designed to:

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

The *Working at Powerlink 2018 Union Collective Agreement* was effective from March 2018, and the Powerlink Managers Enterprise Agreement 2018 was effective from January 2018. The Agreements allow for Powerlink and its employees to respond to targets agreed with our shareholding Ministers. They continue to focus Powerlink on developing a competitive and efficient workplace. They recognise that the economic health of the corporation and the wellbeing of all employees depend upon the success of a shared commitment by all parties to these Agreements.

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

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

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

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

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

Shareholding Ministers' directions

There were no shareholding Ministers' directions in 2017/18.

Corporate entertainment and hospitality

The *GOC Corporate Entertainment and Hospitality Guidelines* establish reporting requirements for GOCs. Powerlink's corporate entertainment and hospitality expenditure for 2017/18 totalled $15,677. There were no events above the individual reporting threshold of $5,000.

Board of Directors

Dr Julie Beeby

BSc (Hons 1), PhD (Physical Chemistry), MBA, FAICD

Chair of the Board (Appointed to Chair December 2014, Board Member since 2008)

Julie has worked in the minerals and petroleum industries for more than 25 years, for major Australian and United States resources companies, including recently as Chief Executive Officer of WestSide Corporation, an ASX listed, Queensland-based coal seam gas company.

Julie commenced her career in mineral processing research. She developed her technical, strategic and business skills through successful executive positions in chemical plant, coal seam gas, explosives and mining.

Julie is currently a non-executive director of Whitehaven Coal Ltd and Moreton Bay Colleges, and previously held non-executive director positions on ASX listed companies, industry associations and research organisations.

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

Peter Hudson

BA, GAICD, CA

Director (Appointed 2016)

Peter has extensive experience in the energy, mining, transport and telecommunications sectors, as well as providing due diligence assistance to large domestic and international businesses for acquisitions, disposals and capital markets transactions.

Previously, Peter was a partner at global advisory firm KPMG where he primarily focused on government privatisations including assisting the Queensland Government's sale of QR National, Abbott Point Coal Terminal and Forests Queensland. He also worked with the South Australian Government in selling Forestry SA and the New South Wales Government in its sale of generator assets.

Peter is a non-executive director of Youngcare Limited and member of the Powerlink Board's People, Culture and Remuneration Committee.

Julie Martin

BE (Hons), MIEAust, CPEng NER, GAICD

Director (Appointed 2011)

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

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

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

Alan Millis

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

Director (Appointed 2015)

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

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

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

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

Dr Lorraine Stephenson

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

Director (Appointed 2017)

Lorraine has more than 35 years of technical, policy and managerial corporate experience with a strong strategic focus on the energy sector. Owner of Lightning Consulting Services, Lorraine works with clients to mitigate risks and create opportunities to respond to climate change challenges, including options to drive investments in low emission technologies and abatement options.

Lorraine is a Member of the Victorian Government's Interim Targets Expert Panel, non-executive director of Good Environmental Choice Australia, and Member of the NSW Climate Change Council. She was formerly the Chief Clean Energy Advisor to the Queensland Government. Lorraine is a member of the Powerlink Board's Audit, Risk and Compliance Committee.

Sarah Zeljko

LLB, GAICD

Director (Appointed 2016)

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

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

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

Executive Team

Merryn York

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

Chief Executive

Merryn has more than 25 years' experience in the Queensland electricity industry. Her career encompasses experience in strategic business development and asset management to optimise the long-term return on investment, network planning, regulatory affairs, customer management and strategic development of the transmission network.

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

Dr Stewart Bell

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

Executive General Manager Delivery and Technical Solutions

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

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

Gary Edwards

BBus, AssocDipElecEng

Executive General Manager Operations and Service Delivery

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

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

Cathy Heffernan

GradCertLegalSt, Qualified Workplace Investigator, Qualified Mediator

Executive General Manager People and Corporate Services

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

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

Kevin Kehl

BE(Hons), GradCertElecSupplyEng, GAICD

Executive General Manager Strategy and Business Development

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

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

Darryl Rowell

BCA, MBA, FCPA

Chief Financial Officer

Darryl is an experienced executive in both Australia and New Zealand with a background in both private and public sectors, including the energy industry. Prior to joining Powerlink in January 2018, Darryl was the Chief Financial Officer at Queensland Urban Utilities.

At Powerlink, Darryl manages all finance, tax, treasury, investment analysis, contract management, internal audit, insurance, and legal, business and risk services. He is also Powerlink's Company Secretary.

Statistical summary

Substations/switching stations and transformers added in 2017/18

Voltage	Substations		Transformers		
	Total number	Location	Total number	Total Rating (MVA)	Location
330kV	0		0		
275kV	0		0		
132kV	1	Springlands	2	130	Springlands
110kV	0		0		
Total	**1**		**2**	**130**	

Substations/switching stations and communication sites as at 30 June 2018

Voltage	Substations	Cable transitions	Communication sites
330kV	4	0	
275kV	43	1	
132kV	79	3	
110kV	14	5	
66kV	0	1	
Total	**140**	**10**	**85**

Capacitor banks, shunt reactors and Static VAr Compensators added in 2017/18

Voltage	Capacitor banks		Reactors		SVCs		Location
	Total	MVAr	Total	MVAr	Total	MVAr	
330kV	0	0.0	0	0.0	0	0.0	
275kV	0	0.0	0	0.0	0	0.0	
132kV	0	0.0	0	0.0	0	0.0	
110kV	-1	-50	0	0.0	0	0.0	Mudgeeraba #4 capacitor
Total	**-1**	**-50**	**0**	**0.0**	**0**	**0.0**	

Capacitor banks, shunt reactors and Static VAr Compensators as at 30 June 2018

Voltage	Capacitor banks		Reactors		SVCs	
	Total	MVAr	Total	MVAr	Total	MVAr
330kV	3	440	4	144	0	0
275kV	28	3880	18	846	8	2510
132kV	35	1555	0	0	15	1881
110kV	32†	1775.2	0	0	0	0
66kV*	5	96	2	42.4	0	0
Total	**103**	**7746.2**	**24**	**1032.4**	**23**	**4391**

* equal to or less than 66kV † decommissioned Mudgeeraba #4 Capacitor

Circuit breakers as at 30 June 2018

Voltage	Total number
330kV	30
275kV	513
132kV	554†
110kV	270†
66kV*	24
Total	**1391**

* equal to or less than 66kV
† minor data correction in source system from previous years

Circuit breakers added in 2017/18

Voltage	Circuit breakers	Location	
330kV	0		
275kV	0		
132kV	2	Clare South (+1), Mackay (-7), Moura (+5),	Nebo (+1), Ross (+1), Strathmore (+1)
110kV	0		
66kV*	0		
Total	**2**		

* equal to or less than 66kV

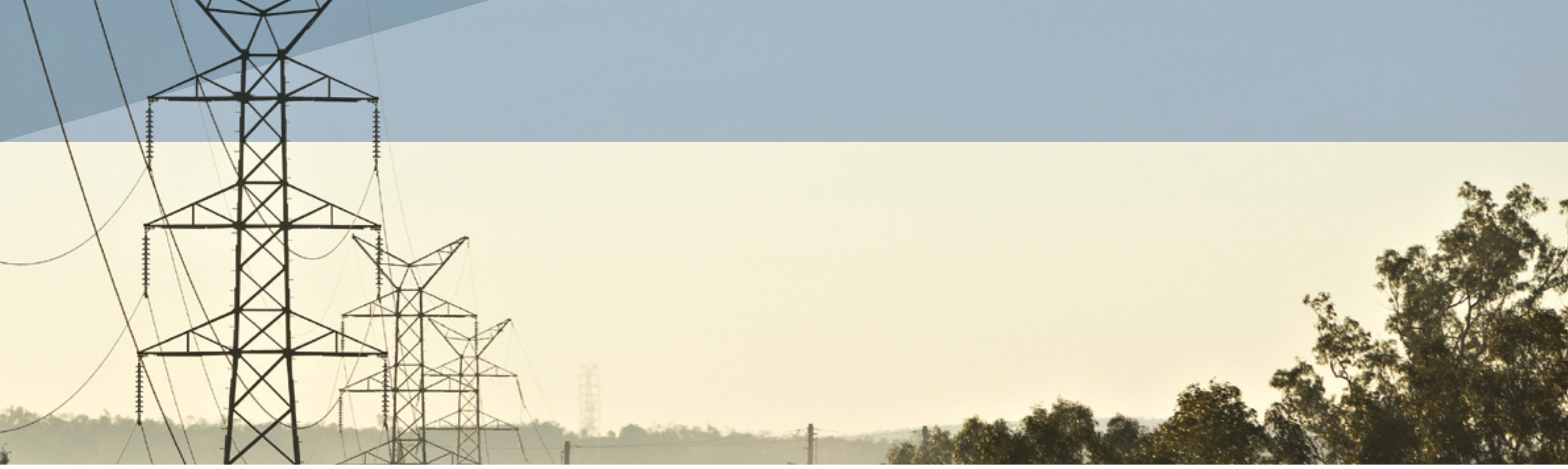
Transmission lines and underground cables added in 2017/18				
Voltage	Transmission line		Underground cable	
	Route km	Circuit km	Route km	Circuit km
330kV	0	0	0	0
275kV	0	0	0	0
132kV	-9*	-18*	0	0
110kV	0	0	0	0
66kV	0	0	0	0
Total	**-9**	**-18**	**0**	**0**

* Garbutt to Alan Sherriff transmission line rebuilt. Mackay to Proserpine transmission line partially decommissioned. Garbutt to Alan Sherriff transmission line #2 decommissioned.

Five-year history of transmission lines and underground cables as at 30 June 2018										
Voltage^	2014		2015		2016		2017		2018	
	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km	Route km	Circuit km
Transmission lines										
330kV	348	696	348	696	348	696	348	696	348	696
275kV	6512	9419	6557	9509	6693	9781	6693	9781	6693	9799†
132kV	2841	4564	2787	4458	2867	4616	2769	4420	2760	4402
110kV	215	413	215	413	215	413	215	413	215	413
66kV*	4	4	4	4	4	4	4	4	4	4
Total lines	**9920**	**15096**	**9911**	**15080**	**10127**	**15510**	**10029**	**15314**	**10020**	**15314**
Underground cables										
275kV	10	10	10	10	10	10	10	10	10	10
132kV	4	4	4	4	4	4	4	4	4	4
110kV	8	8	8	8	8	8	8	8	8	8
66kV*	1	1	1	1	1	1	1	1	1	1
Total cables	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**
Total lines & cables	**9943**	**15119**	**9934**	**15103**	**10150**	**15533**	**10052**	**15337**	**10043**	**15337**

* equal to or less than 66kV
^ as constructed voltages
† minor data correction in source system from previous years

Index and abbreviations



Powerlink Queensland

Financial Statements

2017/18

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

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

Its registered office is:
33 Harold Street
Virginia Qld 4014

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

The financial statements were authorised for issue by the Directors on 22 / 08 / 2018. The Directors have the power to amend and reissue the financial statements.

Directors' report

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries for the financial year ended 30 June 2018 and the auditor's report thereon.

Directors

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

Dr Julie Beeby
Ms Julienne Martin
Mr Alan Millis
Ms Sarah Zeljko
Mr Peter Hudson

Dr Lorraine Stephenson was appointed as a director effective from 12 October 2017 and continues in office as at the date of this report.

Principal activities

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

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

(b) Provision of metering services to measure electricity generation and use at connection points to the transmission network.

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

Dividends - Powerlink Queensland

The proposed 2017/18 final dividend ($167.3M) is based on 100% of the operating profit after income tax equivalent expense (2016/17: final dividend $201.2M being 100% of the profit after income tax equivalent expense less an amount of $150M in terms of a direction from Powerlink's shareholding Ministers). During the year the Consolidated Entity paid a special/interim dividend of $50M (2016/17: special/interim dividend of $160M). The dividends will not be franked.

Review of operations

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

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

Environmental regulation

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

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

During the period covered by this report there were some minor non compliance breaches for which corrective action is being taken. The Directors are not aware of any material breaches.

Emissions Reduction Fund

The Consolidated Entity does not trigger current thresholds for the proposed Emissions Reductions Fund "safeguarding emissions reduction" scheme which commenced on 1 July 2016.

Greenhouse gas and energy data reporting requirements

*The National Greenhouse and Energy Reporting Act 2007 (*NGER*)* requires the Consolidated Entity to report its annual greenhouse gas emissions, including emissions associated with energy use. The first measurement period for this Act commenced from 1 July 2008. The Consolidated Entity has systems and processes for the collection and calculation of the data required and submits its report to the Clean Energy Regulator each year before the 31 October deadline. Powerlink's NGER reporting methods and submissions for 2016/17 were independently reviewed.

Information on Directors

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

Company secretary

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

Mr Maurice Brennan's position of Company Secretary was revoked on 1 April 2018 upon Mr Brennan's transition to retirement.

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

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the numbers of meetings attended by each Director were:

Directors	Full meetings of directors		Meetings of Committees			
			Audit, Risk & Compliance		People, Culture & Remuneration	
	A	B	A	B	A	B
Dr Julie Beeby	11	11	2	2	5	5
Mr Peter Hudson	10	11	2	2	1	2
Ms Julienne Martin	11	11	**	**	5	5
Mr Alan Millis	11	11	4	4	**	**
Dr Lorraine Stephenson	8	9	2	2	**	**
Ms Sarah Zeljko	10	11	2	2	3	3

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office and was a member of the committee, during the year.
** Not a member of the relevant committee.

Remuneration report

Principles used to determine the nature and amount of remuneration

Directors

Responsibility for determining and reviewing compensation for the Directors resides with the shareholding Ministers, who as at 30 June 2018 were the Honourable Jacklyn Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, and the Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy, on behalf of the State of Queensland.

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

Directors are not entitled to receive any performance related remuneration.

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

Directors' fees

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

Key management personnel pay

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

Details of remuneration

Amounts of remuneration

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

The key management personnel of the Company includes the Directors and shareholding Ministers shown above, and the following executive officers at 30 June 2018 who have authority and responsibility for planning, directing and controlling the activities of the entity:

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

Loans to Directors and Executives

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

Indemnification and insurance of Directors and Officers

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

The indemnity relates to any liability:

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

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

Indemnification and insurance of Directors and Officers (continued)

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

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

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

Non-audit services

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

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

Auditor's independence declaration

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

Rounding of amounts

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

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

Dr Julie Beeby
Chair
Brisbane
22/08/2018

Auditor's independence declaration

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

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

Independence declaration

As lead auditor for the audit of Powerlink Queensland for the financial year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

16 August 2018

Damon Olive
(as delegate of the Auditor-General)

Queensland Audit Office
Brisbane

Contents

Income statement

	Notes	Consolidated 2018 $'000	2017 $'000
Revenue from continuing operations	2	**1,025,803**	1,370,406
Other gains/(losses)	3(a)	**306**	(5,385)
Less			
Expenses from continuing operations excluding finance costs expense	3(b)	**(558,105)**	(548,730)
Finance costs	3(c)	**(224,898)**	(315,161)
Profit before income tax equivalent		**243,106**	501,130
Income tax equivalent expense	4	**(75,781)**	(149,963)
Profit for the period		**167,325**	351,167
Profit is attributable to:			
Owners of Powerlink Queensland		**167,325**	351,167

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

Statement of comprehensive income

	Notes	Consolidated 2018 $'000	2017 $'000
Profit for the period		**167,325**	351,167
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges, net of tax		**58**	(26)
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment, net of tax		**102,182**	115,862
Actuarial (losses)/gains on defined benefit superannuation fund, net of tax		**3,531**	5,491
Deferred tax on prior year depreciation over claim		**20,245**	-
Other comprehensive income for the period, net of tax		**126,016**	121,327
Total comprehensive income for the period		**293,341**	472,494

All profit and comprehensive income is attributable to the owners of the company.

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

Balance sheet

	Notes	Consolidated 30 June 2018 $'000	30 June 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**1,798**	(62)
Advances	1(g)	**230,770**	264,055
Trade and other receivables	5(b)	**76,489**	113,476
Inventories		**40,850**	39,309
Other current assets		**3,220**	3,286
Total current assets		**353,127**	420,064
Non-current assets			
Defined benefit fund asset	6(g)	**22,701**	19,373
Property, plant and equipment	6(a)	**7,906,958**	7,857,069
Total non-current assets		**7,929,659**	7,876,442
Total assets		**8,282,786**	8,296,506
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**72,287**	88,357
Current tax equivalent liabilities		**1,344**	57,937
Provisions	6(e)	**205,568**	217,597
Other current liabilities	6(c)	**13,258**	10,926
Total current liabilities		**292,457**	374,817
Non-current liabilities			
Interest bearing loans and borrowings	5(d)	**5,265,221**	5,265,221
Deferred tax equivalent liabilities	6(b)	**668,022**	662,245
Provisions	6(f)	**3,312**	25,379
Other non-current liabilities	6(d)	**263,601**	254,687
Total non-current liabilities		**6,200,156**	6,207,532
Total liabilities		**6,492,613**	6,582,349
Net assets		**1,790,173**	1,714,157
EQUITY			
Contributed equity	7(a)	**401,000**	401,000
Reserves	7(b)	**1,344,535**	1,242,295
Retained earnings	7(c)	**44,638**	70,862
Capital and reserves attributable to owners of Powerlink Queensland		**1,790,173**	1,714,157
Total equity		**1,790,173**	1,714,157

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

Statement of changes in equity

Consolidated Entity	Notes	Attributable to owners of Powerlink Queensland Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2016		401,000	1,126,459	75,370	1,602,829
Profit for the period		-	-	351,167	351,167
Other comprehensive income		-	115,836	5,491	121,327
Total comprehensive income for the period			**115,836**	**356,658**	**472,494**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(361,166)	(361,166)
Balance at 30 June 2017		**401,000**	**1,242,295**	**70,862**	**1,714,157**
Balance at 1 July 2017		401,000	1,242,295	70,862	1,714,157
Profit for the period		-	-	167,325	167,325
Other comprehensive income		-	102,240	23,776	126,016
Total comprehensive income for the period		**-**	**102,240**	**191,101**	**293,341**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	11(b)	-	-	(217,325)	(217,325)
Balance at 30 June 2018		**401,000**	**1,344,535**	**44,638**	**1,790,173**

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

Statement of cash flows

	Notes	Consolidated 2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**1,040,790**	1,342,814
Payments to suppliers and employees		**(228,461)**	(235,409)
Other operating receipts		**25,580**	8,352
Finance costs paid		**(235,302)**	(317,015)
Income tax equivalent paid		**(151,681)**	(114,462)
Interest received		**8,052**	4,462
Net Goods and services tax received/(paid)		**(3,939)**	(61)
Other operating payments		**(845)**	(288)
Net cash inflow from operating activities	8(a)	**454,194**	688,393
Cash flows from investing activities			
Payments for property, plant and equipment		**(237,403)**	(171,814)
Proceeds from sale of property, plant and equipment		**2,376**	6,058
Advances from/(to) to Queensland Treasury		**33,859**	(264,055)
Net cash (outflow) from investing activities		**(201,168)**	(429,811)
Cash flows from financing activities			
Dividends paid to company's shareholders		**(251,166)**	(378,300)
Net cash (outflow) from financing activities		**(251,166)**	(378,300)
Net increase (decrease) in cash and cash equivalents		**1,860**	(119,718)
Cash and cash equivalents at the beginning of the financial year		**(62)**	119,656
Cash and cash equivalents at end of period	5(a)	**1,798**	(62)

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The accounting policies have been applied consistently by all entities in the Consolidated Entity.

(a) Basis of preparation

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

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

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Consolidated Entity. The Consolidated Entity's assessment of the impact of these new standards and interpretations, where potentially material, is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by Group
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.AASB 15 established a comprehensive framework for determining whether, how much and when to recognise revenue arising from an entity's contracts with customers, the core principle being that an entity recognises revenue when control of a good or service transfers to a customer.	Management have undertaken a review of the impact of the new standard for each of the significant revenue streams of the Group, and identified that there will be no treatment changes other than to recognise the effects of the time value of money on the unearned revenue disclosed in Note 6(d).	The Consolidated Entity will adopt AASB 15 as at 1 July 2018.

(ii) Historical cost convention

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

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

(iii) Critical accounting estimates

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

Summary of significant accounting policies

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity. Refer to Note 18 for details.

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

(c) Foreign currency translation

Functional and presentation currency

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

(d) Revenue recognition and measurement

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

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

(i) Grid sales revenue

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

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

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

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

Pursuant to the Rules, IRSR is received by Powerlink Queensland and is a component of regulated transmission network charges. IRSR payments received are treated as revenue in the year in which they are received.

(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.

Summary of significant accounting policies

(d) Revenue recognition and measurement (continued)

(iii) Interest income

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

(e) Income tax equivalents

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

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

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

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

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

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

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

(i) Investment allowances and similar tax incentives

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

(f) Cash and cash equivalents

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

Summary of significant accounting policies

(g) Advances

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

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

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

(h) Trade receivables

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

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

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

(i) Inventories

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

(j) Fair value measurements

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

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

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

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

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

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

Summary of significant accounting policies

(k) Property, plant and equipment

(i) Supply system assets

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

(ii) Freehold land and buildings and easements

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

(iii) Other property plant and equipment

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

(iv) Acquisition of assets

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

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

(v) Subsequent costs

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

(vi) Revaluation

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

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

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

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

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

Summary of significant accounting policies

(k) Property, plant and equipment (continued)

(vii) Depreciation

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

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

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

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

(viii) Derecognition and disposal of assets

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

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

(l) Trade and other payables

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

(m) Borrowings

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

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

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

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

(n) Borrowing costs

Borrowing costs include interest and costs incurred in connection with the arrangement of borrowings. As the Consolidated Entity's policy is to value all 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.

Summary of significant accounting policies

(o) Provisions

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

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

(p) Other liabilities

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

(q) Employee benefits

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

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

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

(ii) Other long-term employee benefit obligations

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

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

(iii) At-risk performance remuneration

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

(iv) Termination benefits

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

(v) Superannuation benefit obligations

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

Summary of significant accounting policies

(q) Employee benefits (continued)

(v) Superannuation benefit obligations (continued)

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

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

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

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

Past service costs are recognised immediately in profit or loss.

(r) Contributed equity

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

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

(s) Dividends

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

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

(t) Goods and Services Tax (GST)

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

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

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

(u) Rounding of amounts

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

(v) Comparatives

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

2 Revenue

	Consolidated 2018 $'000	2017 $'000
Revenues from continuing operations		
Grid sales revenue	987,706	1,346,784
Other revenue		
Interest	8,052	4,445
Other items	30,045	19,177
Total revenues from continuing operations	**1,025,803**	1,370,406

3 Other income and expense items

(a) Other gains/(losses)

	Consolidated 2018 $'000	2017 $'000
Other gains/(losses)		
Net gain/(loss) on disposal of property, plant and equipment	**306**	(5,385)
Total other gains/(losses)	**306**	(5,385)

(b) Expenses from continuing operations excluding finance costs expense

	Consolidated 2018 $'000	2017 $'000
Profit before income tax equivalent includes the following specific expenses:		
Continuing operating expenses		
Network operations	**16,424**	15,676
Network maintenance	**119,236**	128,703
Corporate/business support	**76,707**	89,000
Other	**10,980**	8,291
Depreciation and amortisation expense	**334,758**	307,060
Total expenses from continuing operations excluding finance costs expensed	**558,105**	548,730
Employee benefits expenses		
Employee benefit expense through profit or loss	**108,837**	126,175

(c) Finance costs

	Consolidated 2018 $'000	2017 $'000
Finance costs		
Interest expense	**159,270**	262,309
Other	**65,628**	52,852
Total finance costs expensed	**224,898**	315,161

4 Income tax equivalent expense

(a) Income tax equivalent expense

	Notes	Consolidated 2018 $'000	2017 $'000
Income tax equivalent expense			
Current tax on profits for the year		**90,930**	160,198
Deferred tax		**(15,149)**	(10,235)
Total income tax equivalent expense		**75,781**	149,963
Deferred income tax (revenue)/ equivalent included in income tax equivalent expense comprises:			
(Increase)/decrease in deferred tax equivalent assets	6(b)(i)	**2,477**	251
(Decrease)/increase in deferred tax equivalent liabilities	6(b)(ii)	**(17,626)**	(10,486)
		(15,149)	(10,235)

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

	Consolidated 2018 $'000	2017 $'000
Profit from continuing operations before income tax equivalent expense	**243,106**	501,129
	243,106	501,129
Tax equivalent at the Australian tax rate of 30.0% (2017 - 30.0%)	**72,932**	150,339
Increase in income tax equivalent expense due to:		
Other differences	**2**	559
Fixed assets and WIP reinstatement	**3,604**	-
	76,538	150,898
Decrease in income tax equivalent expense due to:		
Building capital allowances	**-**	(831)
Prior year adjustments	**(757)**	(104)
	(757)	(935)
Total income tax equivalent expense	**75,781**	149,963

(c) Amounts recognised directly in equity

	Notes	Consolidated 2018 $'000	2017 $'000
Aggregate current and deferred tax equivalent arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Net deferred tax equivalent - debited (credited) directly to equity		**45,330**	51,997
Deferred tax on prior year depreciation over claim	4(f)	**(20,245)**	-
		25,085	51,997

Income tax equivalent expense

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

	Notes	Consolidated **2018** **$'000**	2017 $'000
Gains on revaluation of property, plant and equipment	7(b)	**43,792**	49,655
Cash flow hedges	7(b)	**25**	(11)
Remeasurement of defined benefit fund asset		**1,513**	2,353
Deferred tax on prior year depreciation over claim	4(f)	**(20,245)**	-
		25,085	51,997

(e) Tax consolidation legislation

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

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

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

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

(f) Correction to prior year

Management of Powerlink Queensland, while preparing financial statements of the Company for the year ended 30 June 2018, identified a prior year error in relation to the tax base and tax depreciation of self-constructed assets in property, plant and equipment.

Management of Powerlink did not deem the prior year error as material to the financial statements. As such, the correction of the prior year error has been made in the current year financial statements. Powerlink Queensland has adjusted all opening amounts presented in the current year balance sheet which were affected by the prior year error. The impact to current year profit due to the prior year error was a decrease of $3.6M.

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Cash balance comprises:		
Cash on hand	**1**	1
Bank balances	**573**	192
Cash on deposit with Qld Treasury Corporation (QTC)	**1,224**	(255)
Closing cash balance	**1,798**	(62)

(i) Reconciliation to cash flow statement

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

(ii) Classification as cash equivalents

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

(iii) Deposits at call

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

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

(iv) Fair value

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

(v) Risk exposure

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

(b) Current assets - Trade and other receivables

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Trade and other receivables		
Trade receivables	**74,714**	111,881
Prepayments	**1,775**	1,595
Total trade and other receivables	**76,489**	113,476

(i) Classification as trade and other receivables

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

(ii) Provision for Impairment of Receivables

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

Financial assets and financial liabilities

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

(iii) Foreign exchange and interest rate risk

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

(iv) Fair value and credit risk

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

(c) Current liabilities - trade and other payables

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Trade and other payables		
Trade payables	**40,531**	46,839
Deposits	**3,097**	1,703
Other payables	**28,659**	39,815
Total trade and other payables	**72,287**	88,357

Trade payables are unsecured.

(i) Fair value

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

(d) Interest bearing loans and borrowings

	Consolidated					
	30 June 2018			30 June 2017		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured borrowings						
Queensland Treasury Corporation	**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221
Total unsecured borrowings	**-**	**5,265,221**	**5,265,221**	-	5,265,221	5,265,221

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

(i) Compliance with loan covenants

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods, see Note 11 for details.

Financial assets and financial liabilities

(d) Interest bearing loans and borrowings (continued)

(ii) Fair value

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

Consolidated Entity	**At 30 June 2018**		At 30 June 2017	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
On balance sheet				
Queensland Treasury Corporation	**5,265,221**	**5,354,926**	5,265,221	5,370,264
Total on balance sheet	**5,265,221**	**5,354,926**	5,265,221	5,370,264

(iii) On-balance sheets

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

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

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

(iv) Risk exposures

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

6 Non-financial assets and liabilities

(a) Property, plant and equipment

Consolidated Entity	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
At 1 July 2016						
Cost or fair value	281,006	651,761	100,590	9,165,740	161,444	10,360,541
Accumulated depreciation	-	(1,221)	(23,834)	(2,375,440)	(128,156)	(2,528,651)
Net book amount	281,006	650,540	76,756	6,790,300	33,288	7,831,890
Year ended 30 June 2017						
Opening net book amount	281,006	650,540	76,756	6,790,300	33,288	7,831,890
Revaluation surplus	-	14,031	1,874	149,612	-	165,517
Additions	177,070	-	-	-	-	177,070
Transfers	(1,069)	-	-	-	-	(1,069)
Disposals	-	(5,096)	-	(4,060)	(123)	(9,279)
Depreciation charge	-	-	(2,876)	(287,216)	(16,968)	(307,060)
Transfers from work in progress	(161,610)	11,778	5,671	124,067	20,094	-
Closing net book amount	295,397	671,253	81,425	6,772,703	36,291	7,857,069

Non-financial assets and liabilities

(a) Property, plant and equipment (continued)

Consolidated Entity	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
At 30 June 2017						
Cost or fair value	295,397	672,474	108,642	9,480,588	170,314	10,727,415
Accumulated depreciation	-	(1,221)	(27,217)	(2,707,885)	(134,023)	(2,870,346)
Net book amount	295,397	671,253	81,425	6,772,703	36,291	7,857,069

Consolidated Entity	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
Year ended 30 June 2018						
Opening net book amount	295,397	671,253	81,425	6,772,703	36,291	7,857,069
Revaluation surplus	-	12,919	1,558	131,500	-	145,977
Additions	243,878	-	-	-	-	243,878
Transfers	23	-	-	-	-	23
Disposals	(3,051)	(364)	-	(1,805)	(11)	(5,231)
Depreciation charge	-	-	(3,623)	(311,813)	(19,322)	(334,758)
Transfers from work in progress	(125,491)	3,556	140	83,596	38,199	-
Closing net book amount	**410,756**	**687,364**	**79,500**	**6,674,181**	**55,157**	**7,906,958**
At 30 June 2018						
Cost or fair value	410,756	688,585	110,787	9,744,456	161,660	11,116,244
Accumulated depreciation	-	(1,221)	(31,287)	(3,070,275)	(106,503)	(3,209,286)
Net book amount	**410,756**	**687,364**	**79,500**	**6,674,181**	**55,157**	**7,906,958**

(i) Historical cost of property, plant and equipment

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Freehold land and easements	**464,538**	461,266
Buildings	**66,718**	69,965
Supply system assets	**5,211,850**	5,371,141

Non-financial assets and liabilities

(a) Property, plant and equipment (continued)

(ii) Valuation of property, plant and equipment

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

The Consolidated Entity has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is contained in Note 1(j). Property, Plant and Equipment has been classified under level 3 in determining fair value.

An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2018 using the following key assumptions and approach:

Regulated Assets

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

Non-regulated assets

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

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

(b) Deferred tax balances

(i) Deferred tax equivalent assets

		Consolidated	
	Notes	**30 June 2018 $'000**	30 June 2017 $'000
The balance comprises temporary differences attributable to:			
Accruals		**200**	219
Provisions		**14,491**	16,949
Cash flow hedges		**3**	11
Total deferred tax equivalent assets		**14,694**	17,179
Set-off of deferred tax equivalent liabilities pursuant to set-off provisions	6(b)(ii)	**(14,694)**	(17,179)
Net deferred tax equivalent assets		**-**	-

Non-financial assets and liabilities

(b) Deferred tax balances (continued)

(i) Deferred tax equivalent assets (continued)

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Movements:		
Opening balance	**17,179**	17,419
Credited/(charged) to profit or loss	**(2,477)**	(251)
Credited/(charged) to equity	**(8)**	11
Closing balance	**14,694**	17,179
Deferred tax assets expected to be recovered within 12 months	**13,668**	9,059
Deferred tax assets expected to be recovered after more than 12 months	**1,026**	8,120
	14,694	17,179

(ii) Deferred tax equivalent liabilities

	Notes	Consolidated 30 June 2018 $'000	30 June 2017 $'000
The balance comprises temporary differences attributable to:			
Property, plant and equipment		**669,533**	663,228
Receivables		**164**	139
Prepayments		**28**	32
		669,725	663,399
Other			
Defined benefit fund surplus		**6,810**	5,812
Inventories		**6,164**	10,213
Cash flow hedges		**17**	-
Sub-total other		**12,991**	16,025
Total deferred tax equivalent liabilities		**682,716**	679,424
Set-off of deferred tax liabilities pursuant to set-off provisions	6(b)(i)	**(14,694)**	(17,179)
Net deferred tax equivalent liabilities		**668,022**	662,245

	Notes	30 June 2018 $'000	30 June 2017 $'000
Movements:			
Opening balance		**679,424**	637,902
Reclassification to retained earnings	4(f)	**(20,245)**	-
Reclassification to current tax liabilities	4(f)	**(4,158)**	-
Charged/(credited) to profit or loss		**(17,627)**	(10,487)
Charged/(credited) to equity		**45,322**	52,009
Closing balance		**682,716**	679,424
Deferred tax liabilities expected to be settled within 12 months		**6,373**	10,383
Deferred tax liabilities expected to be settled after more than 12 months		**676,343**	669,041
		682,716	679,424

Non-financial assets and liabilities

(c) Current liabilities - other

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Other current liabilities		
Unearned revenue	**13,246**	10,888
Other	**12**	38
Total other current liabilities	**13,258**	10,926

(d) Non-current liabilities - other

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Other non-current liabilities		
Unearned revenue	**263,493**	253,509
Other	**108**	1,178
Total other non-current liabilities	**263,601**	254,687

(e) Current liabilities - provisions

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Current provisions		
Dividends	**167,325**	201,166
Employee benefits	**34,470**	11,631
Onerous contracts	**161**	159
Restructuring costs	**1,047**	1,024
Unresolved Easement Compensation	**2,336**	3,229
Other	**229**	388
Total current provisions	**205,568**	217,597

Non-financial assets and liabilities

(e) Current liabilities - Provisions (continued)

Information about individual provisions:

(i) Movements in provisions

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

Consolidated Entity	Dividends $'000	Onerous contracts $'000	Restructuring obligations $'000	Other $'000	Unresolved Easement Compensation $'000
Carrying amount at the start of the year	201,166	159	1,024	388	3,229
- additional provisions recognised	217,325	161	1,047	-	34
- unused amounts reversed	-	-	-	(60)	(88)
- unwinding of discount	-	14	-	-	-
Amounts used during the year	(251,166)	(173)	(1,024)	(99)	(839)
Carrying amount at end of period	**167,325**	**161**	**1,047**	**229**	**2,336**

(ii) Employee benefits

The current provision for employee entitlements includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Consolidated Entity estimates that $22.938M of the current provision for employee entitlements will be settled more than 12 months after the reporting date.

(iii) Onerous contracts

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

(iv) Restructuring costs

The Consolidated Entity undertook a review of its organisational structure and organisational responsibilities. As part of this review, a number of positions were identified as surplus to requirements and negotiations are ongoing with affected staff as to voluntary redundancy compensation arrangements. The provision reflects the estimated staff restructuring costs identified as at 30 June 2018.

(v) Unresolved easement compensation

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

(vi) Other

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

Non-financial assets and liabilities

(f) Non-current liabilities - Provisions

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Non-current provisions		
Employee benefits	**2,266**	24,268
Onerous contracts	**1,046**	1,111
Total non-current provisions	**3,312**	25,379

(i) Movements in provisions

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

Consolidated Entity	**Onerous contracts $'000**
Carrying amount at start of year	1,111
- unwinding of discount	96
Amounts used during the year	(161)
Carrying amount at end of period	**1,046**

(g) Superannuation commitments

(i) Superannuation plan

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

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

The 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 3(b).

(ii) Defined benefit plan balance sheet amounts

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

Non-financial assets and liabilities

(g) Superannuation commitments (continued)

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Fair value of defined benefit plan assets	**70,290**	70,727
Present value of the defined benefit obligation	**(47,589)**	(51,354)
Net surplus/(deficit) in the balance sheet	**22,701**	19,373

(iii) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was made as at 30 June 2016.

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.

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

7 Equity

(a) Contributed equity

	Notes	Powerlink Queensland		Powerlink Queensland	
		30 June 2018 Shares	30 June 2017 Shares	**30 June 2018 $'000**	30 June 2017 $'000
Ordinary shares					
Fully paid		**401,000,000**	401,000,000	**401,000**	401,000
Total Contributed Equity		**401,000,000**	401,000,000	**401,000**	401,000

Issued and paid up capital - ordinary shares

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

There was no movement in the issued and paid up capital during the financial year ended 30 June 2018.

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.

Equity

(b) Reserves

Nature and purpose of reserves

(i) Revaluation surplus - property, plant and equipment

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

(ii) Cash flow hedges

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Reserves		
Revaluation surplus - property, plant and equipment	**1,344,503**	1,242,321
Cash flow hedges	**32**	(26)
Total reserves	**1,344,535**	1,242,295

		Consolidated	
	Notes	**30 June 2018 $'000**	30 June 2017 $'000
Movements:			
Revaluation surplus - property, plant and equipment			
Opening balance		**1,242,321**	1,126,459
Revaluation - gross	6(a)	**145,974**	165,517
Deferred tax	4(d)	**(43,792)**	(49,655)
Closing balance		**1,344,503**	1,242,321
Cash flow hedges			
Opening balance		**(26)**	-
Revaluation - gross		**83**	(38)
Deferred tax	4(d)	**(25)**	12
Closing balance		**32**	(26)

Equity

(c) Retained earnings

Movements in retained earnings were as follows:

	Notes	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Opening balance		**70,862**	75,370
Net profit for the period		**167,325**	351,167
Dividends	11(b)	**(217,325)**	(361,166)
Actuarial gains/(losses) and tax on remeasurement of defined benefit plan assets		**4,118**	6,448
Defined benefit fund contributions tax		**(587)**	(957)
Deferred tax on prior year depreciation over claim		**20,245**	-
Closing balance		**44,638**	70,862

8 Cash flow information

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

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Profit for the year from continuing operations after income tax equivalent	**167,325**	351,167
Depreciation	**334,758**	307,060
Net (gain)/loss on sale of non-current assets	**(306)**	5,385
Change in operating assets and liabilities:		
(Increase)/decrease in trade receivables	**36,388**	(20,613)
(Increase)/decrease in inventories	**(1,540)**	4,086
(Increase)/decrease in deferred tax equivalent assets	**2,477**	251
(Decrease)/increase in trade and other payables	**(7,212)**	10,347
(Decrease)/increase in provision for income taxes equivalent payable	**(56,593)**	45,736
(Decrease)/increase in deferred tax equivalent liabilities	**(21,783)**	(10,488)
(Decrease)/increase in other provisions	**656**	(4,052)
(Increase)/decrease in prepayments	**24**	(486)
Net cash inflow/(outflow) from operating activities	**454,194**	688,393

(b) Non-cash investing and financing activities

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

9 Critical accounting judgements, estimates and assumptions

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

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

Critical accounting judgements, estimates and assumptions

(a) Defined benefit plan

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

(b) Employee entitlements

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

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

(c) Depreciation of property, plant and equipment

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

(d) Recovery of deferred tax equivalent assets

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

(e) Fair value of property, plant and equipment

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

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

10 Financial risk management

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

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as trading or speculative instruments. The Consolidated Entity has an immaterial number and amount of derivatives existing at the end of the financial period.

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

For hedged forecast transactions that result in the recognition of a non-financial asset, the Consolidated Entity has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(b) Market risk

(i) Foreign exchange risk

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

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

Financial risk management

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

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

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

(ii) Other Price risk

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

(iii) Interest rate risk

Consolidated Entity sensitivity

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

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

(c) Credit risk

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

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

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

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

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

(i) Trade receivables past due but not impaired

As of 30 June 2018, trade receivables of $6 million (2017: $3 million) were past due. These relate to a number of independent customers for whom there is no previous history of default. The ageing analysis of these trade receivables is as follows:

Financial risk management

(c) Credit risk (continued)

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

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Up to 3 months	**6,005**	2,697
3 to 6 months	**6**	27
Greater than 6 months	**26**	418
	6,037	3,142

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

(ii) Impaired trade receivables

The Consolidated Entity has recognised a loss of $273k (2017: $NIL) in respect of impaired trade receivables during the year ended 30 June 2018.

(d) Liquidity risk

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

Surplus funds are invested with QTC and have on call access.

Financing arrangements

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

Maturities of financial liabilities

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

Maturities of financial liabilities

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

(d) Liquidity risk (continued)

Maturities of financial liabilities (continued)

Contractual maturities of financial liabilities	0 - 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
At 30 June 2017	$'000	$'000	$'000	$'000	$'000
Non-derivatives					
Trade and other payables	88,358	-	-	88,358	88,358
Interest bearing loans and borrowings	175,386	646,031	5,265,221	6,086,638	5,265,221
Total non-derivatives	263,744	646,031	5,265,221	6,174,996	5,353,579

11 Capital management

(a) Capital risk management

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

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

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

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

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

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

The Consolidated Entity believes its forecast cash flows for the 2018/19 financial year will be sufficient to meet operational requirements including the payment of the dividend for the 2017/18 year.

There have not been any material changes in strategy or policy subsequent to the previous year ended 30 June 2017.

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Total debt	**5,265,221**	5,265,221
Property, plant and equipment	**7,906,958**	7,857,069
Gearing ratio	**66.6 %**	67.0 %

Powerlink Queensland has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting periods.

Capital management

(a) Capital risk management (continued)

The minor movement in the gearing ratio for the year ended 30 June 2018 resulted primarily from an increase in the value of property, plant and equipment with no additional borrowings required to finance the operations of the Consolidated Entity.

Debt is defined as long and short term borrowings. For the financial year ended 30 June 2017, the Consolidated Entity had only long term borrowings.

(b) Dividends

(i) Ordinary shares

	Consolidated	
	2018	2017
	$'000	$'000
Ordinary shares		
Unfranked interim dividend	**50,000**	160,000
Unfranked final dividend proposed	**167,325**	201,166
	217,325	361,166

The 2017/18 final dividend is based on 100% of operating profit after income tax equivalent expense (2017: 100% of the operating profit after income tax equivalent expense, less an amount of $150 million in terms of a direction from Powerlink's shareholding Ministers). A special/interim dividend of $50 million (2017: $160 million) was paid during the financial year in accordance with shareholder expectations.

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

12 Employee benefits

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

(i) Performance payments - other key management personnel

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

The performance payments made in the 2017/18 year were granted/approved by the Board on 26 September 2017. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(ii) Performance payments - all other employees

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

The performance payments made in the 2017/18 year were granted/approved by the Board on 26 September 2017. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iii) Gainsharing payments

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2017/18 was granted/approved by the Board on 26 September 2017. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

(iv) At-Risk performance remuneration

The aggregate at-risk performance remuneration is as follows:

12 Employee benefits (continued)

	2017/18	2016/17
Aggregate at-risk performance remuneration paid	**$3.268m**	$3.441m
Total salaries and wages paid	**$131.6m**	$139.6m
Number of employees receiving performance payments	**736**	846

(v) Number of employees

Number of employees (full time equivalents) at year end: 863 (2017: 815)

13 Key management personnel disclosures

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

(a) Shareholding Ministers

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

• The Honourable Jacklyn Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (from 12 December 2017)
• The Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy (from 12 December 2017)
• The Honourable Curtis Pitt MP, Treasurer, Minister for Trade and Investment (to 11 December 2017)
• The Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports, and Minster for Energy, Biofuels and Water Supply (to 9 August 2017 and 27 September 2017 to 11 December 2017)
• The Honourable Annastacia Palaszczuk MP, Premier of Queensland (from 10 August to 26 September 2017)

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

(b) Directors

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

Directors of Powerlink Queensland		First appointed	Appointment expiry date
Julie Beeby	Chair	October 2008	30 September 2018
Peter Hudson	Non-Executive Director	December 2016	30 September 2019
Julienne Martin	Non-Executive Director	October 2011	30 September 2020
Alan Millis	Non-Executive Director	October 2015	30 September 2018
Lorraine Stephenson	Non-Executive Director	October 2017	30 September 2020
Sarah Zeljko	Non-Executive Director	December 2016	30 September 2019

(c) Other key management personnel

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

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

Key management personnel disclosures

(c) Other key management personnel (continued)

2016/17 Key management personnel	
Chief Executive	M E York
Chief Financial Officer	M D Brennan
Executive General Manager Delivery and Technical Solutions	S C Bell (from 23 January 2017)
Executive General Manager Operations and Service Delivery	G Edwards (from 1 December 2016)
Executive General Manager People and Corporate Services	C A Heffernan (from 18 January 2017)
Executive General Manager Strategy and Business Development	K S Kehl (from 3 January 2017)
Executive Manager Infrastructure Delivery and Technical Services	G Rice (to 20 January 2017)
Executive Manager Investment and Planning	K G Mulherin (to 16 December 2016)
Executive Manager Stakeholder Relations and Corporate Services	M Palmer (to 20 January 2017)
Executive Manager People and Culture	J K Smith (to 14 January 2017)
Executive Manager Operations and Field Services	G Edwards (from 1 Oct to 30 Nov 2016)

(i) Remuneration of other key management personnel

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

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

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

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

(d) Details of remuneration

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

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

Key management personnel disclosures

(d) Details of remuneration (continued)

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

2017	Short term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Julie Beeby	99	9	108
Joanna Brand	14	1	15
Peter Hudson	29	3	32
Paul Lucas	20	2	22
Julienne Martin	51	5	56
Alan Millis	52	5	57
Sarah Zeljko	29	3	32
Total	**294**	**28**	**322**

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

(ii) Other key management personnel

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

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

[1] Includes both employee and employer superannuation contributions.

[2] Long term benefits represents the net movement in the leave balances during the year. Amounts paid in the year are included in Fixed Remuneration.

[3] During the year a new Chief Financial Officer was appointed. Amounts shown represent the remuneration paid to the active KMP during the year.

Key management personnel disclosures

(d) Details of remuneration (continued)

(ii) Other key management personnel (continued)

2017	Short term		Post employment	Long term benefits[2]		
Position	Fixed Remuneration $'000	At Risk Payments $'000	Superannuation[1] $'000	Annual and Long service leave $'000	Termination benefits $	Total $'000
Chief Executive	645	75	116	29	-	865
Chief Financial Officer	342	28	60	10	-	440
Executive Manager Investment and Planning [3]	599	34	29	-	602	1,264
Executive Manager Stakeholder Relations and Corporate Services [3]	211	23	24	-	300	558
Executive Manager People and Culture [3]	207	28	18	-	75	328
Executive Manager Delivery and Technical Services [4]	195	33	21	-	140	389
Executive General Manager Strategy and Business Development	172	-	29	8	-	209
Executive General Manager Delivery and Technical Solutions	119	-	23	3	-	145
Executive General Manager Operations and Service Delivery [4]	186	-	33	6	-	225
Executive General Manager People & Corporate Services	128	-	22	15	-	165
Total	**2,804**	**221**	**375**	**71**	**1,117**	**4,588**

[1] Includes both employee and employer superannuation contributions.

[2] Long term benefits represents the net increase in the balance accrued during the year. Amounts paid in the year are included in Fixed Remuneration.

[3] Positions were made redundant during the 2016/17 financial year.
Fixed Remuneration includes payout of leave entitlements on termination.
Total remuneration disclosed reflects earnings and termination entitlements of incumbent s up to the date of termination.

[4] Prior to their appointment to KMP positions, incumbents held non-KMP positions within the Consolidated Entity. Amounts shown represent their total remuneration applicable to their appointments to KMP positions in the reporting period.

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

14 Remuneration of auditors

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

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

	Consolidated	
	30 June 2018 $	30 June 2017 $
Queensland Audit Office		
Audit of financial statements	**216,000**	211,000
Total remuneration for audit and other services	**216,000**	211,000

15 Contingencies

(a) Contingent assets

The Consolidated Entity had no contingent assets of a material nature as at 30 June 2018 (2017:NIL)

(b) Contingent liabilities

The Consolidated Entity had no contingent liabilities of a material nature as at 30 June 2018 (2017:NIL)

16 Commitments

Capital expenditure commitments

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Capital expenditure commitments		
Property, plant and equipment	**24,952**	18,554
Total capital expenditure commitments	**24,952**	18,554

17 Related party transactions

(a) Parent entities

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2018 owned 100% (2017: 100%) of the issued ordinary shares of Powerlink Queensland.

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

(b) Directors

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

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

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 18.

(d) Transactions with related parties

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

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

	Consolidated	
	2018 $'000	2017 $'000
Sales of goods and services (includes GST)		
Entities controlled by the State of Queensland	**747,689**	1,171,609
Purchases of goods and services (includes GST)		
Entities controlled by the State of Queensland	**98,844**	79,744
Interest revenue		
Entities controlled by the State of Queensland	**8,044**	3,921
Other Transactions		
Dividend paid to ultimate parent entity	**251,166**	378,300
Borrowing costs - entities controlled by the State of Queensland	**224,534**	315,013
	475,700	693,313

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

(e) Outstanding balances

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

Related party transactions

(e) Outstanding balances (continued)

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Entities controlled by the State of Queensland		
Trade and other receivables (sales of goods and services)	**51,075**	71,184
Trade and other payables (purchases of goods and services)	**(831)**	-
Cash and cash equivalents	**1,224**	(255)
	51,468	70,929

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

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

(f) Cash Advances to related parties

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Cash Advances to the ultimate parent entity		
Advances	**230,770**	264,055

(g) Loans to/from related parties

	Consolidated	
	2018 $'000	2017 $'000
Loans from ultimate parent entity		
Beginning of the year	**5,265,221**	5,265,221
Finance costs charged	**224,534**	315,162
Finance costs expensed	**(224,534)**	(315,162)
	5,265,221	5,265,221

(h) Terms and conditions

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

18 Subsidiaries

Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding ** 2018 %	2017 %
Harold Street Holdings Pty Ltd *	Australia	Ordinary	**100**	100
Powerlink Transmission Services Pty Ltd *	Australia	Ordinary	**100**	100

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

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

19 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to the period end that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years (2017:NIL).

20 Parent entity (Powerlink Queensland) financial information

(a) Summary financial information

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

	30 June 2018 $'000	30 June 2017 $'000
Balance sheet		
Current assets	**353,142**	420,040
Non-current assets	**7,929,658**	7,876,443
Total assets	**8,282,800**	8,296,483
Current liabilities	**292,496**	374,820
Non-current liabilities	**6,200,156**	6,207,532
Total liabilities	**6,492,652**	6,582,352
Shareholders' equity		
Issued capital	**401,000**	401,000
Revaluation surplus - property, plant and equipment	**1,344,503**	1,242,321
Cash flow hedges	**32**	(26)
Retained earnings	**44,612**	70,836
Total equity	**1,790,147**	1,714,131
Profit or loss for the period	**167,325**	351,167
Total comprehensive income	**293,341**	472,493

(b) Determining the parent entity financial information

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

Directors' declaration

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

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dr Julie Beeby
Chair
Brisbane
22/08/2018

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Independent auditor's report

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

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Powerlink Queensland and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

b) complies with the *Corporations Act 2001*, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the balance sheet as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

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

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

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

Key audit matters

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

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

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

Key audit matter	How my audit addressed the key audit matter
Powerlink used a complex discounted cash flow model to ensure that the carrying value of property plant and equipment did not differ materially from its fair value. The model involved significant judgements for: • estimating future cash flows and terminal values • setting discount rates.	My procedures included, but were not limited to: • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. • Performing a sensitivity analysis for discount rates to develop a reasonable range for fair value. • Back testing the previous year's cash flow forecasts against subsequent actual results to identify potential deficiencies in the forecasting methodology. • Assessing the reasonableness of cash flow forecasts relative to the regulator-approved determination, board approved budgets, non-regulated revenue contracts, historical growth trends, and other relevant internal and external evidence. • Evaluating whether discount rates were within a reasonable range, with reference to market data and industry research. • Verifying the mathematical accuracy of net present value calculations.

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Useful lives estimated for depreciation expense ($335 million)

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

Key audit matter	How my audit addressed the key audit matter
The straight-line depreciation method used by Powerlink requires significant judgements for: • identifying the significant parts of the supply system that have different useful lives • estimating the remaining useful lives of those significant parts.	My procedures included, but were not limited to: • Evaluating management's approach for componentising supply system assets into parts with different useful lives for reasonableness, having regard to recent replacement projects and long-term asset management plans. • Evaluating remaining useful life estimates for reasonableness with reference to historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Other information

Other information comprises the information included in the company's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

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

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

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

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

Responsibilities of the company for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.

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- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

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

24 August 2018

Damon Olive
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Contact us

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