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review

ANNUAL FINANCIAL REPORT 2009/10

Directors' report

The Directors present their report together with the financial report of Queensland Electricity Transmission Corporation Limited trading as Powerlink Queensland (the Company) and of the Consolidated Entity being the Company and its subsidiaries, and the Consolidated Entity's interest in associates for the financial year ended 30 June 2010 and the auditor's report thereon.

Directors

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

- Else Shepherd
- Julie Beeby
- Stuart Copeland
- John Goddard
- Kenneth Howard
- Christina Sutherland
- Walter Threlfall

Principal activities

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

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

(b) Provision of system operator services to assist AEMO (Australian Energy Market Operator) to manage power system security in the Queensland region of the National Electricity Market;

(c) Performance of the functions of Jurisdictional Co-ordinator of Sensitive Loads in Queensland, and Transmission Network Planning in Queensland, as appointed by the Queensland Government; and

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

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

Dividends

The Directors have provided for a final dividend of $100.226 million (2009: $98.808 million) being 80 percent (2009: 80%) of the profit after income tax equivalent expense excluding the contributions from equity accounted associates.

The final dividend will not be franked.

Review of operations

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

Significant changes in the state of affairs

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

Significant events subsequent to the end of the financial year

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

Likely developments and expected results of operations

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

Environmental regulation

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

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

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

Greenhouse gas and energy data reporting requirements

The Consolidated Entity is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires entities to assess their energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action they intend to take as a result. The threshold energy use for the *Energy Efficiency Opportunities Act 2006* is 0.5 petajoules. In 2008/09 Powerlink Queensland used 0.04 petajoules and was therefore identified as being exempt from the Act at this time.

The *National Greenhouse and Energy Reporting Act 2007* requires the Consolidated Entity to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required and submitted its initial report to the Greenhouse and Energy Data Officer by 31 October 2009.

Information on directors

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

Interests in shares and options

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

Company secretary

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

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 2010, and the numbers of meetings attended by each Director were:

Retirement, election and continuation in office of directors

Mr Stuart Copeland's term as a Director commenced on 1 October 2009 replacing Mr John Goddard.

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 2010 were the Hon. Stephen Robertson, Minister for Natural Resources, Mines and Energy and Minister for Trade, on behalf of the State of Queensland, and the Hon. Andrew Peter Fraser, Treasurer and Minister for Employment and Economic Development 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, and for any special meetings of the Board.

Directors are not entitled to receive any performance related remuneration.

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

Directors' fees
The current base remuneration was last reviewed with effect from 1 July 2009. The Chairman's remuneration is not inclusive of committee fees and other Directors who chair, or are a member of a committee, also receive additional yearly fees.

	Meetings of committees					
	Full meetings of directors		Audit		Remuneration	
Directors	A	B	A	B	A	B
Else Shepherd	10	11	**	**	2	2
Julie Beeby	11	11	**	**	2	2
Stuart Copeland	8	8	3	3	**	**
John Goddard	2	3	1	1	1	1
Kenneth Howard	10	11	4	4	**	**
Christina Sutherland	10	11	4	4	**	**
Walter Threlfall	10	11	**	**	2	2

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

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

Details of remuneration

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

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

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

Loans to directors and executives

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

Indemnification and Insurance of officers

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

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

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

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

The indemnity relates to any liability:

(a) to a third party (other than the Company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and

(b) for legal costs incurred in successfully defending civil or criminal proceedings or in connection with proceedings in which relief is granted under the *Corporations Act 2001*.

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

Non Audit Services

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

Auditor's independence declaration

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

Rounding of amounts

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

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

Else Shepherd

Else Shepherd AM
Chairman

Brisbane
Dated 25 August 2010

Auditor's Independence Declaration

To the Directors of Queensland Electricity Transmission Corporation Limited,

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

Independence Declaration

As lead auditor for the audit of Queensland Electricity Transmission Corporation Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been –

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

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

Yours Sincerely,

Carl Harris
(as Delegate of the Auditor-General of Queensland)

25 August 2010
Brisbane

Annual Financial Report
30 June 2010

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

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

Queensland Electricity Transmission Corporation Limited
33 Harold Street
Virginia Queensland 4014

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

The financial report was authorised for issue by the Directors on 17 August 2010. The company has the power to amend and reissue the financial report.

Income statements

For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Revenue from continuing operations	4	**734,992**	682,814	**730,126**	678,096
Less					
Expenses from continuing operations excluding finance costs expense		**(360,337)**	(326,878)	**(360,310)**	(326,867)
Finance costs	5	**(195,915)**	(180,281)	**(195,915)**	(180,281)
Share of net profits/(losses) of associates accounted for using the equity method	33(c)	**4,808**	(2,073)	**–**	–
Profit/(loss) from continuing operations before income tax equivalent expense		**183,548**	173,582	**173,901**	170,948
Income tax equivalent benefit/(expense)	6	**(54,899)**	(51,710)	**(48,933)**	(48,058)
Profit/(Loss) from continuing operations		**128,649**	121,872	**124,968**	122,890
Profit/(Loss) for the year		**128,649**	121,872	**124,968**	122,890
Profit attributed to Owners of Queensland Electricity Transmission Corporation Limited		**128,649**	121,872	**124,968**	122,890

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

Statements of comprehensive income

For the year ended 30 June 2010

		Consolidated		Powerlink Queensland	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Profit for the year		**128,649**	121,872	**124,968**	122,890
Other comprehensive income					
Gain on revaluation of land and buildings, net of tax	25(a)	**113,327**	93,867	**106,370**	85,999
Cash flow hedges	25(a)	**3,144**	(9,141)	**668**	(331)
Actuarial (losses)/gains on Defined Benefit Superannuation Fund, net of tax	15(g)	**(368)**	(8,644)	**109**	(5,709)
Adjustment Deferred Tax Liability – Associate	25(b)	**14,830**	–	**–**	–
Other comprehensive income for the year, net of tax		**130,933**	76,082	**107,147**	79,959
Total comprehensive income for the year		**259,582**	197,954	**232,115**	202,849
Total comprehensive income for the year is attributable to:					
Owners of Powerlink Queensland		**259,582**	197,954	**232,115**	202,849
		259,582	197,954	**232,115**	202,849

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

Balance sheets

As at 30 June 2010

		Consolidated		Powerlink Queensland	
		2010	2009	2010	2009
	Notes	$'000	$'000	$'000	$'000
Assets					
Current assets					
Cash and cash equivalents	7	120,344	97,614	105,392	84,116
Trade and other receivables	8	76,289	52,114	75,708	51,675
Inventories	9	31,330	31,409	31,330	31,409
Other current assets	10	3,951	7,687	3,951	7,687
Other financial assets		–	1,628	–	1,628
Total current assets		231,914	190,452	216,381	176,515
Non-current assets					
Investments accounted for using the equity method	11	56,260	38,844	–	–
Defined benefit superannuation fund asset	15	5,419	5,409	5,419	5,409
Other financial assets	12	81,331	73,467	84,055	75,455
Property, plant and equipment	13	5,636,418	5,219,870	5,636,418	5,219,870
Total non-current assets		5,779,428	5,337,590	5,725,892	5,300,734
Total assets		6,011,342	5,528,042	5,942,273	5,477,249
Liabilities					
Current liabilities					
Trade and other payables	16	70,161	100,610	69,803	100,625
Current tax equivalent liabilities	18	11,491	8,387	11,491	8,387
Provisions	17	119,025	115,754	119,025	115,754
Other liabilities	19	12,928	7,452	12,928	7,452
Total current liabilities		213,605	232,203	213,247	232,218
Non-current liabilities					
Interest bearing loans and borrowings	20	3,341,021	3,038,420	3,341,021	3,038,420
Deferred tax equivalent liabilities	22	405,470	361,964	387,461	334,391
Provisions	23	19,997	21,743	19,997	21,743
Other liabilities	21	15,608	17,427	15,608	17,427
Total non-current liabilities		3,782,096	3,439,554	3,764,087	3,411,981
Total liabilities		3,995,701	3,671,757	3,977,334	3,644,199
Net assets		2,015,641	1,856,285	1,964,939	1,833,050
Equity					
Contributed equity	24	401,000	401,000	401,000	401,000
Reserves	25(a)	556,519	440,048	515,773	408,735
Retained earnings	25(b)	1,058,122	1,015,237	1,048,166	1,023,315
Capital and reserves attributable to Owners Queensland Electricity Transmission Corporation Limited		2,015,641	1,856,285	1,964,939	1,833,050
Total equity		2,015,641	1,856,285	1,964,939	1,833,050

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

Statements of changes in equity

For the year ended 30 June 2010

Consolidated	Notes	Attributable to owners of Powerlink Queensland: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2008		401,000	355,322	1,000,817	1,757,139
Total comprehensive income for the year as reported in the 2009 financial statements		–	84,726	113,228	197,954
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	26	–	–	(98,808)	(98,808)
Balance at 30 June 2009		401,000	440,048	1,015,237	1,856,285

Consolidated	Notes	Attributable to owners of Powerlink Queensland: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2009		401,000	440,048	1,015,237	1,856,285
Total comprehensive income for the year		–	116,471	143,111	259,582
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	26	–	–	(100,226)	(100,226)
Balance at 30 June 2010		401,000	556,519	1,058,122	2,015,641

Powerlink Queensland	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2008		401,000	323,067	1,004,942	1,729,009
Total comprehensive income for the year		–	85,668	117,181	202,849
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	26	–	–	(98,808)	(98,808)
Balance at 30 June 2009		401,000	408,735	1,023,315	1,833,050

Powerlink Queensland	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2009		401,000	408,735	1,023,315	1,833,050
Total comprehensive income for the year		–	107,038	125,077	232,115
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	26	–	–	(100,226)	(100,226)
Balance at 30 June 2010		401,000	515,773	1,048,166	1,964,939

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

Statements of cash flows

For the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Cash flows from operating activities					
Receipts from customers		**677,791**	649,933	**677,784**	649,933
Settlements Residue	37	**(18,624)**	(62,370)	**(18,624)**	(62,370)
Payments to suppliers and employees		**(174,875)**	(145,800)	**(174,858)**	(145,786)
Interest received		**19,152**	17,393	**4,010**	3,210
Dividends received		**187**	265	**10,425**	9,805
Finance costs paid		**(181,742)**	(178,150)	**(181,742)**	(178,150)
Income tax equivalent paid		**(43,430)**	(42,410)	**(39,001)**	(38,393)
Goods and services tax paid		**(526)**	(916)	**(526)**	(916)
Other operating receipts		**23,385**	28,183	**23,393**	28,183
Other operating payments		**(464)**	(910)	**(464)**	(910)
Net cash (outflow)/inflow from operating activities	35	**300,854**	265,218	**300,397**	264,606
Cash flows from investing activities					
Payments for property, plant and equipment		**(477,720)**	(696,762)	**(477,720)**	(696,762)
Proceeds from sale of property, plant and equipment		**1,670**	6,771	**1,670**	6,771
Proceeds/(payments) for Investments		**(5,866)**	(15,862)	**(6,863)**	(19,628)
Net cash (outflow)/inflow from investing activities		**(481,916)**	(705,853)	**(482,913)**	(709,619)
Cash flows from financing activities					
Proceeds from borrowings	20	**302,600**	522,000	**302,600**	522,000
Dividends paid to Company's shareholders	26	**(98,808)**	(84,412)	**(98,808)**	(84,412)
Net cash (outflow)/inflow from financing activities		**203,792**	437,588	**203,792**	437,588
Net increase/(decrease) in cash and cash equivalents held		**22,730**	(3,047)	**21,276**	(7,425)
Cash and cash equivalents at the beginning of the financial year		**97,614**	100,661	**84,116**	91,541
Cash and cash equivalents at end of year	7	**120,344**	97,614	**105,392**	84,116

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

1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Early adoption of standards

The Consolidated Entity has elected not to early adopt any of the accounting standards.

Historical cost convention

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

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

Critical accounting estimates

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

Financial statement presentation

The Consolidated Entity has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Consolidated Entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Powerlink Queensland ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Powerlink Queensland and its subsidiaries together are referred to in this financial report as the Consolidated Entity or the Group.

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

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

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

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

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

1 Summary of significant accounting policies

(ii) Associates

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

The Consolidated Entity's share of its associates' post acquisition profits or losses is recognised in profit or loss, and its share of post acquisition movements in reserves is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the holding entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

(iii) Joint ventures

Powerlink Queensland has entered into an Unincorporated Joint Venture Agreement in order to accommodate the future provision of telecommunication services.

In accordance with AASB 131 *Interests in Joint Ventures*, the joint venture is deemed to be a jointly controlled operation in which each venturer uses its own assets in pursuit of the joint operations. Upon commencement of activities, Powerlink Queensland's interests in the joint venture will be brought to account by recognising in its financial statements, the assets it controls, the liabilities and expenses it incurs, and its share of income that it earns from the sale of goods or services by the joint venture.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1 Summary of significant accounting policies *(continued)*

(d) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Grid sales revenue

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

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

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

(ii) Other revenue

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

(iii) Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Change in accounting policy

The Consolidated Entity has changed its accounting policy for dividends paid out of pre-acquisition profits on 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. Previously, dividends paid out of pre-acquisition profits would have been deducted from the cost of the investment. In accordance with the transitional provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

(e) Income tax equivalents

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

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

Income tax equivalent

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

1 Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

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

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

(i) Tax consolidation legislation

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

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

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

1 Summary of significant accounting policies *(continued)*

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

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

(f) Leases

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

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

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

Cross Border Lease

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

The cross border lease involved a series of hire purchase and lease transactions. The transaction comprised four (4) tranches and was completed in January 2001. The date of expiry of the lease agreement is 2 January 2027.

(g) Impairment of assets

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

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

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

1 Summary of significant accounting policies *(continued)*

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

(h) Cash and cash equivalents

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

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

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(j) Inventories

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

(k) Derivatives and hedging activities

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

The Consolidated Entity designates certain derivatives as either:

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

The Consolidated Entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking

1 Summary of significant accounting policies *(continued)*

various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(iv) Forward Starting Loans

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

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

1 Summary of significant accounting policies *(continued)*

(l) Fair value estimation

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

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

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

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

(m) Property, plant and equipment

Supply System Assets

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

Freehold Land and Buildings and Easements

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

Other Property, Plant and Equipment

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

Acquisition of Assets

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

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

Subsequent Costs

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

1 Summary of significant accounting policies *(continued)*

Revaluation

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

Within the other land and buildings category, the fair value of easements is based on historic purchase cost increased by relevant Australian Bureau of Statistics indices at the end of each financial year.

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

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

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

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

Depreciation

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

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

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

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

Derecognition and Disposal of Assets

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

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

Change in accounting policy

The Consolidated Entity has changed its accounting policy for the valuation of Work in Progress from "cost" to "fair value" effective 1 July 2009.

As Work in Progress consists almost exclusively of supply system assets under construction, and supply system assets are valued at fair value, the change aligns the Consolidated Entity's valuation policy for like assets. It is considered that the change in accounting policy results in the financial report providing more reliable and relevant information, and is consistent with the asset valuation methodology adopted by the Australian Energy Regulator.

The change in accounting policy does not have an impact on the balance sheet or the statement of comprehensive income in either current or prior periods.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 Summary of significant accounting policies *(continued)*

(o) Borrowings

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

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

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

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

(p) Borrowing costs

Borrowing costs include interest and costs incurred in connection with the arrangement of borrowings. Borrowing costs are expensed as incurred.

(q) Provisions

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

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

(r) Other liabilities

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

(s) Employee benefits

(i) Wages and salaries, annual leave and "Time off in Lieu" leave

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

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

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

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

1 Summary of significant accounting policies *(continued)*

(iii) Superannuation benefit obligations

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

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

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

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

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

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

(iv) At-risk performance remuneration

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

(v) Termination benefits on redundancy

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

(t) Contributed equity

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Dividends

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

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

1 Summary of significant accounting policies *(continued)*

(v) Goods and Services Tax (GST)

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

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

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

(w) Rounding of amounts

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

(x) Electricity market operations

National Electricity Market

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

Pursuant to the Rules, the IRSR balance is held by Powerlink Queensland and is applied to offset transmission network charges. In 2009/10 the amount of IRSR applied to offset regulated network charges totalled $66.9 million (2008/09: $104.8 million).

Full details of movements in the Settlements Residue balance are presented in Note 37. At 30 June 2010, the Settlements Residue balance including interest earned and net of fees was $NIL (2009: $18.6 million).

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Consolidated Entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards-Group Cash-Settled Share-based Payment Transactions [AASB 2]* (effective 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Consolidated Entity settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction. The Consolidated Entity will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2009. There will be no impact on the Consolidated Entity's or the parent entity's financial statements.

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards-Classification of Rights Issues [AASB 132]* (effective 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments:* Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Consolidated Entity will apply the amended standard from 1 July 2009. As the Consolidated Entity has not made any such rights issues, the amendment will not have any effect on the Consolidated Entity's or the parent entity's financial statements.

1 Summary of significant accounting policies *(continued)*

(iii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 addresses the classification and measurement of financials assets and may affect the Consolidated Entity's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Consolidated Entity has not yet decided when to adopt AASB 9 and is yet to assess its impact.

(iv) Revised AASB 124 *Related Party Disclosures and* AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Consolidated Entity will apply the amended standard from 1 July 2011. When the amendments are applied, the Consolidated Entity and the parent entity will need to disclose any transactions between its subsidiaries and its associates. However, the Consolidated Entity has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose in this period the financial impact, if any, of the amendment on the related party disclosures.

(v) AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Consolidated Entity will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Consolidated Entity's or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Consolidated Entity has not entered into any debt for equity swaps since that date.

(vi) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* (effective 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Consolidated Entity does not make any such prepayments. The amendment is therefore not expected to have any impact on the Consolidated Entity's financial statements. The Consolidated Entity intends to apply the amendment from 1 July 2011.

2 Financial risk management

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

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

The Consolidated Entity and the parent entity hold the following financial instruments:

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents (Note 7)	**120,344**	97,614	**105,392**	84,116
Trade and other receivables (Note 8)	**76,289**	52,114	**75,708**	51,675
Derivative financial instruments	**305**	–	**305**	–
Other financial assets	**81,331**	75,095	**84,055**	77,083
	278,269	224,823	**265,460**	212,874
Financial liabilities				
Trade and other payables (Note 16)	**70,161**	100,610	**69,803**	100,625
Borrowings (Note 20)	**3,341,021**	3,038,420	**3,341,021**	3,038,420
Derivative financial instruments	**–**	649	**–**	649
	3,411,182	3,139,679	**3,410,824**	3,139,694

(a) Market risk

(i) Foreign exchange risk

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

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

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

2 Financial risk management *(continued)*

The carrying amounts of the Group's and parent entity's financial assets and liabilities are all denominated in Australian dollars.

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

	30 June 2010		30 June 2009		
	USD $'000	EURO $'000	USD $'000	EURO $'000	SEK $'000
Forward exchange contracts – buy foreign currency (cash flow hedges)	**6,211**	**1,551**	4,352	2,312	922
Net exposure	**6,211**	**1,551**	4,352	2,312	922

All the forward foreign exchange contracts are hedging forecast purchases.

Consolidated Entity and parent entity sensitivity

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the hedged currencies, with all other variables held constant, the Consolidated Entity's post-tax profit for the year would not have been affected as the foreign forward exchange contracts are used to hedge the purchase of equipment for the construction of the Consolidated Entity's supply system assets. Equity would have been $0.723M lower/$0.884M higher (2009 – $0.628M lower/$0.767M higher) had the Australian dollar weakened/strengthened by 10% against the hedged currencies.

(ii) Other Price risk

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

(iii) Interest rate risk

Consolidated Entity and parent entity sensitivity

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

The Consolidated Entity and the parent entity borrow exclusively from QTC, a Queensland Government owned corporation. QTC manages the borrowings on behalf of the Consolidated Entity and the parent entity within agreed pre-determined benchmarks. The composition of the QTC debt instruments are managed to align, as closely as possible, with the Company's revenue outcomes from the Australian Energy Regulator (AER), which is issued by the AER every 5 years. Under the borrowing arrangements with QTC, the Company's book interest rate is reviewed annually. Movements in book interest rates reflect additional borrowings and the results of active management during the period. The next book rate review is scheduled to take affect from 30 June 2010. During 2010 and 2009, all the Consolidated Entity's borrowings were denominated in Australian Dollars.

2 Financial risk management *(continued)*

(b) Credit risk

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

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

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

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

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

Details of any impairment of financial assets are contained in Note 8.

(c) Liquidity risk

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

Surplus funds are invested with the Queensland Treasury Corporation and have on-call access.

Financing arrangements

Under the funding arrangements entered into between the Company and the Company's shareholding Ministers, any undrawn approved funding lapses at the end of each financial year. The Company seeks approval from the shareholding Ministers for funding requirements for the forthcoming year on an annual basis, and these approved borrowings form part of the State of Queensland borrowing program. For the 2010/11 year the Company has secured approval for additional borrowings to meet forecast operational requirements. Should further additional funds beyond this requirement be required to maintain liquidity and/or meet operational requirements, approval for the additional funds must be sought from the Queensland Treasurer.

2 Financial risk management *(continued)*

Maturities of financial liabilities

The tables below analyse the Consolidated Entity's and the parent entity's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which represent interest payments for both the client specific pool debt and other long-term debt held with QTC. The "Over 5 years" category contains interest payments, an estimate of the payout value of the client specific pool debt (no fixed terms of repayment) and principal repayments for other long-term fixed debt.
The Consolidated Entity does not have any interest rate swaps for which the cash flows would have been estimated using forward interest rates applicable at the reporting date.

Contractual maturities of financial liabilities	0–12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Consolidated Entity – at 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Non-interest bearing	70,161	–	–	70,161	70,161
Fixed rate	212,927	852,273	3,438,778	4,503,978	3,341,021
Total non-derivatives	283,088	852,273	3,438,778	4,574,139	3,411,182
Derivatives					
Gross settled					
– (inflow)	(305)	–	–	(305)	(305)
Total derivatives	(305)	–	–	(305)	(305)

	0–12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Consolidated Entity – at 30 June 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Non-interest bearing	100,610	–	–	100,610	100,610
Fixed rate	189,153	756,655	3,314,342	4,260,150	3,038,420
Total non-derivatives	289,763	756,655	3,314,342	4,360,760	3,139,030
Derivatives					
Gross settled					
– outflow	649	–	–	649	649
Total derivatives	649	–	–	649	649

2 Financial risk management *(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
Parent – at 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Non-interest bearing	69,803	–	–	69,803	69,803
Fixed rate	212,927	852,273	3,438,778	4,503,978	3,341,021
Total non-derivatives	282,730	852,273	3,438,778	4,573,781	3,410,824
Derivatives					
Gross settled					
– (inflow)	(305)	–	–	(305)	(305)
Total derivatives	(305)	–	–	(305)	(305)

	0 – 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
Parent – at 30 June 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Non-interest bearing	100,625	–	–	100,625	100,625
Fixed rate	189,153	756,655	3,314,342	4,260,150	3,038,420
Total non-derivatives	289,778	756,655	3,314,342	4,360,775	3,139,045
Derivatives					
Gross settled					
– outflow	649	–	–	649	649
Total derivatives	649	–	–	649	649

(d) Fair value measurements

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

As of 1 July 2009, Powerlink Queensland has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The fair value of financial instruments traded in active markets such as publicly traded derivatives is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price, the appropriate market price for financial liabilities is the current ask price.

2 Financial risk management *(continued)*

The nominal value, less estimated credit adjustment of trade receivables and payables, are assumed to approximate their fair values.

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter-derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The Consolidated Entity and the parent entity did not have any level 1 or level 3 instruments for the year ended 30 June 2010.

3 Critical accounting judgements, estimates and assumptions

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the financial results or the financial position reported in future periods.

Defined Benefit Plans

Various actuarial assumptions are required when determining the Consolidated Entity's post employment obligations. These assumptions and the relative carrying amounts are discussed in Note 15.

Employee Entitlements

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

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

Recovery of Deferred Tax Equivalent Assets

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

Revaluation of Property, Plant and Equipment

The revaluation of property, plant and equipment is affected by the application of relevant Australian Bureau of Statistics indices at the end of each financial year.

Fair Value of Property, Plant and Equipment

Due to the absence of an active market, supply system assets, work in progress, freehold land and buildings and easements are carried at fair value where fair value is estimated using an income based approach. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In assessing fair value, a number of key estimates and assumptions are adopted for expected future cash flows. These are discussed in Note 13.

4 Revenue

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Revenues from Continuing Operations				
Grid Sales Revenue	**692,778**	633,595	**692,778**	633,595
Total Grid Sales Revenue	**692,778**	633,595	**692,778**	633,595
Other Revenue				
Interest	**19,239**	17,724	**3,948**	3,201
Dividends	**–**	–	**10,425**	9,805
Other	**22,975**	31,495	**22,975**	31,495
Total Other Revenue	**42,214**	49,219	**37,348**	44,501
Total Revenues from Continuing Operations	**734,992**	682,814	**730,126**	678,096

5 Expenses from Continuing Operations

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit before income tax equivalent includes the following specific expenses:				
Finance Costs				
Interest Expense	**189,080**	169,589	**189,080**	169,589
Other	**6,835**	10,692	**6,835**	10,692
Total Finance Costs Expensed	**195,915**	180,281	**195,915**	180,281
Operational Expenses				
Network Operations	**12,521**	11,815	**12,521**	11,815
Network Maintenance	**79,512**	73,340	**79,512**	73,340
Grid Support	**12,718**	15,080	**12,718**	15,080
Corporate/Business Support	**51,792**	46,174	**51,765**	46,163
Other	**4,813**	8,207	**4,813**	8,207
Depreciation	**198,981**	172,262	**198,981**	172,262
Total Operational Expenses	**360,337**	326,878	**360,310**	326,867
Employee benefit expense through profit or loss	**75,258**	50,450	**75,258**	50,450
Defined Contribution Superannuation Expense through profit or loss	**2,298**	1,862	**2,298**	1,862

6 Income tax equivalent expense

(a) Income tax equivalent expense

	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Current tax	**46,320**	47,960	**41,783**	43,710
Deferred tax	**7,193**	4,452	**7,150**	4,348
Associates accounted for using the equity method	**1,386**	(702)	**–**	–
	54,899	51,710	**48,933**	48,058
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 14)	**103**	(272)	**104**	(273)
(Decrease)/increase in deferred tax liabilities (Note 22)	**8,476**	4,022	**7,046**	4,621
	8,579	3,750	**7,150**	4,348

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

	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Profit from continuing operations before income tax equivalent expense	**183,548**	173,582	**173,901**	170,948
Tax equivalent at the Australian tax rate of 30% (2009: 30%)	**55,064**	52,075	**52,170**	51,284
Increase in income tax equivalent expense due to:				
Non deductible expenses	**22**	17	**22**	16
Temporary differences	**60,402**	54,164	**60,402**	54,164
Decrease in income tax equivalent expense due to:				
Tax exempt revenues	**(57)**	(52)	**(3,128)**	(2,912)
Building write-off	**(418)**	(393)	**(418)**	(393)
Temporary differences	**(64,337)**	(58,450)	**(64,338)**	(58,450)
Other movements in deferred tax	**4,223**	4,349	**4,223**	4,349
Income tax equivalent expense	**54,899**	51,710	**48,933**	48,058
Total income tax equivalent expense	**54,899**	51,710	**48,933**	48,058

(c) Amounts recognised directly in equity

	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited (credited) directly to equity (Notes 14 and 22)	**34,929**	32,609	**45,920**	34,269
	34,929	32,609	**45,920**	34,269

6 Income tax equivalent expense *(continued)*

(d) Tax consolidation legislation

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

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

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see Note 31(e)).

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
(e) Tax equivalent expense (income) relating to items of other comprehensive income				
Gains on revaluation of land and buildings (Note 25(a))	**48,574**	40,230	**45,586**	36,857
Cash flow hedges (Note 25(a))	**1,341**	(3,916)	**286**	(141)
Actuarial gains/(losses) on retirement benefit obligation	**(156)**	(3,705)	**48**	(2,447)
Prior year adjustment (Note 25(b))	**(14,830)**	–	**–**	–
	34,929	32,609	**45,920**	34,269

7 Current assets – Cash and cash equivalents

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash Balance Comprises:				
Cash on hand	**2**	7	**2**	7
Bank balances	**3,658**	3,059	**3,655**	3,057
Cash on Deposit with Qld Treasury Corporation (QTC)	**116,684**	75,924	**101,735**	62,428
Cash on Deposit with QTC – (Note 37)	**–**	18,624	**–**	18,624
Closing Cash Balance	**120,344**	97,614	**105,392**	84,116

(a) Risk exposure

The Consolidated Entity's and the parent entity's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Deposits at call

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

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

(c) Fair value

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

8 Current assets – Trade and other receivables

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Net trade receivables				
Trade receivables	**72,152**	48,486	**72,154**	48,485
Other	**4,137**	3,628	**3,554**	3,190
	76,289	52,114	**75,708**	51,675

(a) Provision for Impairment of Receivables

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

(b) Impaired Trade Receivables

The Consolidated Entity has recognised a loss of $43 thousand (2009: $3 thousand) in respect of impaired trade receivables during the year ended 30 June 2010.

8 Current assets – Trade and other receivables *(continued)*

(c) Trade receivables past due but not impaired

As of 30 June 2010, trade receivables of $1,105 thousand (2009 – $2,900 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Up to 3 months	**1,025**	708	**1,025**	708
3 to 6 months	**80**	2,192	**80**	2,192
	1,105	2,900	**1,105**	2,900

(d) Other receivables

For the parent entity, these are receivables from tax consolidated entities under the tax funding agreement, see Note 6(d) and Note 31(e).

(e) Foreign exchange and interest rate risk

Information about the Consolidated Entity's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

(f) Fair value and credit risk

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

9 Current assets – Inventories

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Maintenance and Construction Stock	**31,330**	31,409	**31,330**	31,409
	31,330	31,409	**31,330**	31,409

10 Current assets – Other current assets

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Work in Progress – Customer Works	**1,167**	702	**1,167**	702
Prepayments	**2,416**	6,920	**2,416**	6,920
Other	**368**	65	**368**	65
	3,951	7,687	**3,951**	7,687

11 Non-current assets – Investments accounted for using the equity method

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Shares in Associates (Note 33)	**56,260**	38,844	**–**	–
	56,260	38,844	**–**	–

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the subsidiary entities holding the investments (Notes 12, 33).

12 Non-current assets – Other financial assets

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Advances to Associates				
Loan Notes	**81,331**	73,467	**–**	–
Shares in Subsidiaries* (Note 32)	**–**	–	**1**	1
Unsecured Loans to Subsidiaries #	**–**	–	**84,054**	75,454
	81,331	73,467	**84,055**	75,455

* Represents investments in unlisted controlled entities at cost

Represents unsecured advances to Harold Street Holdings Pty Ltd of $84,050 thousand (2009: $75,450 thousand) and Powerlink Transmission Services Pty Ltd $4 thousand (2009: $4 thousand). Both companies are wholly-owned subsidiaries of Powerlink Queensland (Note 32).

13 Non-current assets – Property, plant and equipment

Consolidated Entity and Parent Entity	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
At 1 July 2008						
– Directors' Valuation	551,295	361,887	47,229	4,104,711	67,633	5,132,755
Accumulated depreciation	–	–	(4,176)	(493,902)	(35,598)	(533,676)
Net book amount	551,295	361,887	43,053	3,610,809	32,035	4,599,079
Year ended 30 June 2009						
Opening net book amount	551,295	361,887	43,053	3,610,809	32,035	4,599,079
Additions	674,270	–	–	–	–	674,270
Disposals	–	(1,647)	–	(1,954)	(472)	(4,073)
Revaluation increments/(decrements)	–	9,872	1,335	111,649	–	122,856
Transfers from work in progress	(667,216)	22,835	6,336	620,163	17,882	–
Depreciation charge	–	–	(1,506)	(158,598)	(12,158)	(172,262)
Closing net book amount	558,349	392,947	49,218	4,182,069	37,287	5,219,870
At 30 June 2009						
– Directors' Valuation	558,349	392,947	54,944	4,839,430	83,151	5,928,821
Accumulated depreciation	–	–	(5,726)	(657,361)	(45,864)	(708,951)
Net book amount	558,349	392,947	49,218	4,182,069	37,287	5,219,870

13 Non-current assets – Property, plant and equipment *(continued)*

Consolidated and Parent Entity	Work in Progress $'000	Freehold Land and Easements $'000	Buildings $'000	Supply System Assets $'000	Other Property, Plant and Equipment $'000	Total $'000
Year ended 30 June 2010						
Opening net book amount	558,349	392,947	49,218	4,182,069	37,287	5,219,870
Additions	465,258	–	–	–	–	465,258
Disposals	–	(887)	–	(219)	(580)	(1,686)
Revaluation increments/(decrements)	–	12,729	1,588	137,640	–	151,957
Transfers from work in progress	(508,002)	33,031	3,886	448,214	22,871	–
Depreciation charge	–	–	(1,634)	(182,281)	(15,066)	(198,981)
Closing net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418
At 30 June 2010						
– Directors' Valuation	515,605	437,820	60,660	5,429,055	100,299	6,543,439
Accumulated depreciation	–	–	(7,602)	(843,632)	(55,787)	(907,021)
Net book amount	515,605	437,820	53,058	4,585,423	44,512	5,636,418

(a) Leased assets

Supply system assets include the following amounts which are subject to a cross border lease:

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Cross Border Lease – Supply system assets				
– Directors' Valuation	**5,058,161**	4,552,079	**5,058,161**	4,552,079
Accumulated depreciation	**(780,487)**	(611,693)	**(780,487)**	(611,693)
Net book amount	**4,277,674**	3,940,386	**4,277,674**	3,940,386

(b) Valuation of property, plant and equipment

Powerlink's supply system assets, work in progress, freehold land and building and easements are carried at fair value. An income based approach to valuation was undertaken by Powerlink Queensland as at 30 June 2010 using the following key assumptions and approach:

- a major proportion of Powerlink's assets are subject to regulation in the form of a revenue cap and it is assumed that they will continue to be subject to regulation in the future;
- cash flows have been projected based on forecasts of prudent and efficient operating costs and revenue consistent with existing regulatory determinations, regulatory methodologies and existing connection and access agreements which satisfy fair value definitions contained in relevant accounting standards;
- future capital expenditure and related revenues have been excluded from the cash flows;
- residual asset values have been determined using the best information available.

14 Non-current assets – Deferred tax equivalent assets

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Accruals	**63**	34	**60**	34
Provisions	**10,214**	10,344	**10,214**	10,344
Cash flow hedges	**–**	195	**–**	195
Total deferred income tax equivalent assets	**10,277**	10,573	**10,274**	10,573
Total deferred tax equivalent assets	**10,277**	10,573	**10,274**	10,573
Set-off of deferred tax equivalent liabilities pursuant to set-off provisions (Note 22)	**(10,277)**	(10,573)	**(10,274)**	(10,573)
Net deferred tax assets	**–**	–	**–**	–

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Movements:				
Opening balance at 1 July	**10,573**	10,196	**10,573**	10,194
Credited/(charged) to profit or loss (Note 6)	**(103)**	271	**(104)**	273
Credited/(charged) to equity	**(193)**	106	**(195)**	106
Closing balance at 30 June	**10,277**	10,573	**10,274**	10,573
Deferred tax equivalent assets to be recovered within 12 months	**4,844**	4,725	**4,842**	4,725
Deferred tax equivalent assets to be recovered after more than 12 months	**5,433**	5,848	**5,432**	5,848
	10,277	10,573	**10,274**	10,573

15 Employee Benefits and Superannuation Commitments

(a) Performance Payments to Employees

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

Performance Payments – Other Key Management Personnel

Performance payments to other key management personnel are dependent on the performance of individual key management personnel against pre-agreed business and individual targets. The performance payments made in the 2009/10 year were granted/approved by the Board on 15 September 2009. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

Performance Payments – All Other Employees

Performance payments to all other employees are dependent on the performance of employees against individual/team pre-agreed performance targets. The performance payments made in the 2009/10 year were granted/approved by the Board on 15 September 2009. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

Gainsharing Payments

Gainsharing payments are available to award employees based on the Company results. The amount is a fixed sum for all eligible employees. The payment made in 2009/10 was granted/approved by the Board on 15 September 2009. There have not been any alterations of the terms and conditions to the grant since the grant/approval date.

At-Risk Performance Remuneration

The aggregate at-risk employee remuneration is as follows:

	2009/10	2008/09
Aggregate at-risk performance remuneration	**$5.697m**	$5.224m
Total salaries and wages paid	**$108.321m**	$100.240m
Number of employees receiving performance payments	**878**	849

Number of Employees

Number of employees (full-time equivalents) at year end: 952 (2009: 906)

(b) Superannuation Plan

The Consolidated Entity contributes to an industry multiple employer superannuation fund, the Electricity Supply Industry Superannuation Fund (Qld). 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 Fund 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 Fund states that, if the Fund 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 Fund, 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. 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 Fund.

15 Employee Benefits and Superannuation Commitments *(continued)*

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 Fund's actuary.

All monetary amounts are in Australian dollars and have been rounded to the nearest $1,000. Actuarial gains or losses associated with the defined benefit plan are recognised directly in retained earnings.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution section is disclosed in Note 5.

(c) Defined Benefit Plan asset recognised on the balance sheet

The amounts recognised in the balance sheets are determined as follows:

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Fair value of defined benefit plan assets	**74,782**	69,138	**74,782**	69,138
Present value of the defined benefit obligation	**(69,363)**	(63,729)	**(69,363)**	(63,729)
Net surplus in the balance sheet	**5,419**	5,409	**5,419**	5,409

(d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	%	%	**%**	%
Cash	**5.0**	7.0	**5.0**	7.0
Fixed Interest	**15.0**	16.0	**15.0**	16.0
Domestic Equities	**28.0**	21.0	**28.0**	21.0
Alternatives	**20.0**	20.0	**20.0**	20.0
International Equities	**22.0**	21.0	**22.0**	21.0
Property	**10.0**	15.0	**10.0**	15.0
	100.0	100.0	**100.0**	100.0

15 Employee Benefits and Superannuation Commitments *(continued)*

(e) Reconciliations

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:				
Balance at the beginning of the year	**(63,729)**	(56,614)	**(63,729)**	(56,614)
Current service cost	**(2,801)**	(2,654)	**(2,801)**	(2,654)
Interest cost	**(2,740)**	(2,824)	**(2,740)**	(2,824)
Contributions by members	**(849)**	(864)	**(849)**	(864)
Actuarial gains and (losses)	**(3,401)**	(4,532)	**(3,401)**	(4,532)
Benefits paid	**4,158**	2,313	**4,158**	2,313
Provisions for Contributions Tax	**(1)**	1,446	**(1)**	1,446
Balance at the end of the year	**(69,363)**	(63,729)	**(69,363)**	(63,729)

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**69,138**	70,219	**69,138**	70,219
Expected return on plan assets	**3,882**	4,351	**3,882**	4,351
Actuarial gains and (losses)	**3,558**	(5,069)	**3,558**	(5,069)
Contributions by Company	**1,762**	1,440	**1,762**	1,440
Contributions by members	**849**	864	**849**	864
Benefits paid	**(4,158)**	(2,313)	**(4,158)**	(2,313)
Other cash flow	**(249)**	(354)	**(249)**	(354)
Balance at the end of the year	**74,782**	69,138	**74,782**	69,138

(f) Defined Benefit Plan amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current service cost	**2,801**	2,654	**2,801**	2,654
Interest cost	**2,740**	2,824	**2,740**	2,824
Expected return on plan assets	**(3,882)**	(4,351)	**(3,882)**	(4,351)
Other	**249**	354	**249**	354
Total included in employee benefits expense	**1,908**	1,481	**1,908**	1,481

(g) Defined Benefit Plan amounts recognised in other comprehensive income

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Actuarial (loss)/gain recognised in the year	**(368)**	(8,644)	**109**	(5,709)
Cumulative actuarial (losses)/gains recognised in other comprehensive income	**(3,738)**	(3,370)	**(1,825)**	(1,934)

15 Employee Benefits and Superannuation Commitments *(continued)*

(h) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
Discount rate	**4.6%**	4.7%	**4.6%**	4.7%
Expected return on plan assets	**6.0%**	6.0%	**6.0%**	6.0%
Future salary increases	**4.5%**	4.5%	**4.5%**	4.5%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

(i) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the Fund's actuary. Actuarial assessments are made at no more than three yearly intervals, and the last such assessment was effective as at 1 July 2009.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective the actuary has adopted a method of funding known as the aggregate funding method.

This funding method seeks to have benefits funded by a total contribution which is expected to be a constant percentage of members salaries and wages over their working lifetimes.

Funding recommendations made by the actuary are based on assumptions of various matters such as future salary levels, mortality rates, membership turnover and interest rates.

Using the funding method described above and the abovementioned actuarial assumptions as to plans and future experience, the Fund's actuary has not recommended that additional contributions beyond the current contribution level be made.

(j) Historic summary

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Defined benefit plan assets	**74,782**	69,138	70,219	88,891	77,081
Defined benefit plan obligation	**(69,363)**	(63,729)	(56,614)	(57,579)	(56,159)
Surplus/(deficit)	**5,419**	5,409	13,605	31,312	20,922
Experience adjustments arising on plan assets	**3,558**	(5,069)	(19,606)	7,286	5,570
Experience adjustments arising on plan liabilities	**(867)**	(544)	(3,115)	1,358	(2,059)

16 Current liabilities – Trade and other payables

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Trade payables	**70,654**	80,174	**70,296**	80,189
Deposits	**38**	38	**38**	38
Settlements Residue (refer Notes 1(y),37)	**–**	18,624	**–**	18,624
Other payables	**(531)**	1,774	**(531)**	1,774
	70,161	100,610	**69,803**	100,625

(a) Fair Value

The carrying amounts of the Consolidated Entity's and the parent entity's trade and other payables are a reasonable approximation of fair value.

17 Current liabilities – Provisions

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Employee benefits	**18,699**	16,846	**18,699**	16,846
Environmental Restoration (a)	**100**	100	**100**	100
Dividends	**100,226**	98,808	**100,226**	98,808
	119,025	115,754	**119,025**	115,754

(a) Environmental restoration

Provision is made for the estimated costs associated with the removal and destruction of polychlorinated biphenyl contaminated liquids and solid wastes from power transformers. These costs have been determined on a discounted basis based on current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

(b) Movements in provisions

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

Consolidated – 2010	Environmental Restoration $'000	Dividends $'000
Current		
Carrying amount at start of year	100	98,808
Charged/(credited) to profit or loss		
– additional provisions recognised	–	100,226
Amounts used during the year	–	(98,808)
Carrying amount at end of year	100	100,226

Powerlink Queensland – 2010	Environmental Restoration $'000	Dividends $'000
Current		
Carrying amount at start of year	100	98,808
Charged/(credited) to profit or loss		
– additional provisions recognised	–	100,226
Amounts used during the year	–	(98,808)
Carrying amount at end of year	100	100,226

17 Current liabilities – Provisions *(continued)*

(c) Amounts not expected to be settled within the next 12 months

The current provision for annual leave 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. However, based on past experience, the Consolidated Entity does not expect all employees to take the full amount of accrued annual leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Annual leave obligation expected to be settled after 12 months	**1,570**	2,615	**1,570**	2,615

18 Current liabilities – Current tax equivalent liabilities

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Income tax equivalents	**11,491**	8,387	**11,491**	8,387
Total current tax equivalent liabilities	**11,491**	8,387	**11,491**	8,387

19 Current liabilities – Other current liabilities

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Unearned revenue	**1,786**	4,412	**1,786**	4,412
Derivative financial instruments	**–**	649	**–**	649
Other	**11,142**	2,391	**11,142**	2,391
Total other current liabilities	**12,928**	7,452	**12,928**	7,452

20 Non-current liabilities – Interest bearing loans and borrowings

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Unsecured				
Queensland Treasury Corporation	3,341,021	3,038,420	3,341,021	3,038,420
Total non-current borrowings	3,341,021	3,038,420	3,341,021	3,038,420

(a) Fair value

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

	At 30 June 2010		At 30 June 2009	
Consolidated Entity	Carrying amount	Fair value	Carrying amount	Fair value
On-balance sheets (i)				
QTC Loans	3,341,021	3,351,096	3,038,420	3,097,789
	3,341,021	3,351,096	3,038,420	3,097,789

	At 30 June 2010		At 30 June 2009	
Powerlink Queensland	Carrying amount	Fair value	Carrying amount	Fair value
On-balance sheets (i)				
QTC Loans	3,341,021	3,351,096	3,038,420	3,097,789
	3,341,021	3,351,096	3,038,420	3,097,789

(i) On-balance sheets

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

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

(b) Risk exposures

Information about the Group's and parent entity's exposure to interest rate changes is provided in Note 2.

21 Non-current liabilities – Other financial liabilities

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Unearned Revenue	14,524	16,343	14,524	16,343
Other	1,084	1,084	1,084	1,084
Total other financial liabilities	15,608	17,427	15,608	17,427

22 Non-current liabilities – Deferred tax equivalent liabilities

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**392,106**	343,130	**392,106**	343,130
Receivables	**350**	211	**350**	211
	392,456	343,341	**392,456**	343,341
Other				
Defined Benefit Fund Surplus	**1,626**	1,623	**1,626**	1,623
Inventories	**3,562**	–	**3,562**	–
Cash flow hedges (Note 25)	**91**	–	**91**	–
Associates Accounted for using the Equity Method	**16,879**	26,484	**–**	–
Interest receivable	**1,133**	1,089	**–**	–
Subtotal other	**23,291**	29,196	**5,279**	1,623
Total deferred tax equivalent liabilities	**415,747**	372,537	**397,735**	344,964
Set-off of deferred tax equivalent assets pursuant to set-off provisions (Note 14)	**(10,277)**	(10,573)	**(10,274)**	(10,573)
Net deferred tax equivalent liabilities	**405,470**	361,964	**387,461**	334,391

	Consolidated		Powerlink Queensland	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Movements:				
Opening balance at 1 July	**372,537**	335,801	**344,964**	305,968
Charged/(credited) to profit or loss (Note 6)	**5,701**	3,863	**4,271**	4,462
Charged/(credited) to equity (Notes 24, 25)	**34,734**	32,714	**45,725**	34,375
Prior year adjustment	**2,775**	159	**2,775**	159
Closing balance at 30 June	**415,747**	372,537	**397,735**	344,964
Deferred tax equivalent liabilities to be settled within 12 months	**5,136**	1,300	**4,003**	211
Deferred tax equivalent liabilities to be settled after more than 12 months	**410,611**	371,237	**393,732**	344,753
	415,747	372,537	**397,735**	344,964

23 Non-current liabilities – Provisions

	Consolidated 2010 $'000	Consolidated 2009 $'000	Powerlink Queensland 2010 $'000	Powerlink Queensland 2009 $'000
Employee Benefits	**19,652**	20,197	**19,652**	20,197
Environmental Restoration	**345**	1,546	**345**	1,546
	19,997	21,743	**19,997**	21,743

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

Consolidated – 2010	Environmental Restoration $'000
Non-current	
Carrying amount at start of year	1,546
Amounts used during the year	(1,201)
Carrying amount at end of year	345

Consolidated – 2009	Environmental Restoration $'000
Non-current	
Carrying amount at start of year	2,291
Amounts used during the year	(745)
Carrying amount at end of year	1,546

Powerlink Queensland – 2010	Environmental Restoration $'000
Non-current	
Carrying amount at start of year	1,546
Amounts used during the period	(1,201)
Carrying amount at end of year	345

Powerlink Queensland – 2009	Environmental Restoration $'000
Non-current	
Carrying amount at start of year	2,291
Amounts used during the period	(745)
Carrying amount at end of year	1,546

24 Contributed equity

	Powerlink Queensland		Powerlink Queensland	
	2010	2009	**2010**	2009
	Shares '000	Shares '000	**$'000**	$'000
(a) Share capital				
Ordinary shares				
Fully paid	**401,000**	401,000	**401,000**	401,000
	401,000	401,000	**401,000**	401,000

(b) Capital risk management

The Consolidated Entity's and the parent 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 for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in line with shareholding Minister expectations.

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

The capital structure of the Consolidated Entity consists of debt, which includes borrowings disclosed in Note 20, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in Notes 24,25(a) and (b) respectively.

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

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

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

There has not been any changes in strategy or policy subsequent to the previous period (2008/09 financial year).

Gearing ratio

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

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Total debt	**3,341,021**	3,038,420	**3,341,021**	3,038,420
Fixed Assets	**5,636,418**	5,219,870	**5,636,418**	5,219,870
Gearing ratio	**59.3%**	58.2%	**59.3%**	58.2%

The increase in the gearing ratio during 2010 resulted primarily from the increased borrowings to finance the Consolidated Entity's capital expenditure program.

Debt is defined as long and short-term borrowings. For 2009/10 the Consolidated Entity had only long-term borrowings.

Fixed Assets is Property, Plant and Equipment (Note 13).

24 Contributed equity *(continued)*

(c) Issued and Paid Up Capital

Consists of 2 "A" Class voting shares of $1.00 each and 400,999,998 "B" Class non-voting shares of $1.00 each.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital, and issued shares do not have a par value.

There was no movement in the issued and paid up capital during the 2009/10 financial year.

(d) Terms and Conditions of Contributed Equity – Ordinary Shares

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

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

25 Reserves and retained earnings

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Revaluation surplus – property, plant and equipment	**562,484**	449,157	**515,560**	409,190
Cash flow hedges	**(5,965)**	(9,109)	**213**	(455)
	556,519	440,048	**515,773**	408,735

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Movements:				
Revaluation surplus – property, plant and equipment				
Balance 1 July	**449,157**	355,290	**409,190**	323,191
Revaluation – gross (Note 13)	**151,956**	122,856	**151,956**	122,856
Deferred tax (Note 22)	**(45,586)**	(36,857)	**(45,586)**	(36,857)
Revaluation – associate (Note 33)	**9,945**	11,241	**–**	–
Deferred tax – associate (Note 22)	**(2,988)**	(3,373)	**–**	–
Balance 30 June	**562,484**	449,157	**515,560**	409,190

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Movements:				
Cash flow hedges				
Balance 1 July	**(9,109)**	32	**(455)**	(124)
Revaluation – gross	**954**	(472)	**954**	(472)
Deferred tax (Notes 14 and 22)	**(286)**	141	**(286)**	141
Associate	**3,531**	(12,586)	**–**	–
Deferred tax – associate (Notes 14 and 22)	**(1,055)**	3,776	**–**	–
Balance 30 June	**(5,965)**	(9,109)	**213**	(455)

25 Reserves and retained earnings *(continued)*

(b) Retained Earnings

Movements in retained earnings were as follows:

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Opening retained earnings	**1,015,237**	1,000,817	**1,023,315**	1,004,942
Net profit attributable to members of Powerlink Queensland	**128,649**	121,872	**124,968**	122,890
Dividends provided for or paid	**(100,226)**	(98,808)	**(100,226)**	(98,808)
Actuarial gains/(losses) on defined benefit plans recognised directly in retained earnings(Note 15(g))	**(368)**	(8,644)	**109**	(5,709)
Correction of prior year error relating to share in the deferred tax balance of associates	**14,830**	–	**–**	–
Balance 30 June	**1,058,122**	1,015,237	**1,048,166**	1,023,315

(c) Nature and purpose of reserves

(i) Revaluation surplus – property, plant and equipment

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

(ii) Cash flow hedges

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

26 Dividends

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Unfranked final dividend proposed	**100,226**	98,808	**100,226**	98,808
	100,226	98,808	**100,226**	98,808

In consultation with the shareholding Ministers, dividends have been recommended at 80% (2009: 80%) of the operating profit after income tax equivalents excluding the contributions from equity accounted associates.

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

27 Key management personnel disclosures

(a) Directors

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

(i) Chairman

- Else Shepherd

(ii) Directors

- Julie Beeby
- Stuart Copeland
- John Goddard
- Kenneth Howard
- Christina Sutherland
- Walter Threlfall

(b) Other key management personnel

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

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

27 Key management personnel disclosures *(continued)*

(i) Renumeration of other key management personnel

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

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

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

Other key management personnel are employed under employment agreements. Their current employment agreements do not have an expiry date. The agreements provide for a five (5) week notice period and provision for severance payment should the Company elect to terminate the agreement. The severance payment is based on years of service and is capped at seventy-five (75) weeks of salary.

(c) Details of remuneration

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

2010	Short Term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Else Shepherd	56	5	61
Julie Beeby	32	3	35
Stuart Copeland	25	2	27
John Goddard	8	1	9
Kenneth Howard	32	3	35
Christina Sutherland	32	3	35
Walter Threlfall	33	3	36
Total	**218**	**20**	**238**

2009	Short Term	Post employment	
Name	Fixed Remuneration $'000	Superannuation $'000	Total $'000
Else Shepherd	53	5	58
Julie Beeby	20	2	22
John Goddard	34	3	37
Kenneth Howard	28	3	31
Christina Sutherland	31	3	34
Walter Threlfall	30	3	33
Total	**196**	**19**	**215**

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.

27 Key management personnel disclosures *(continued)*

(ii) Other key management personnel

Details of the nature and amount of each major element of the remuneration to each of the other key management personnel, exclusive of performance payments are:

2010	Short Term	Post employment	
	Fixed Remuneration	Superannuation#	Total
Position	$'000	$'000	$'000
Chief Executive	501	92	593
Chief Operating Officer	382	79	461
Chief Financial Officer	274	50	324
Human Resources and Development Manager	220	45	265
Total	1,377	266	1,643

2009	Short Term	Post employment	
	Fixed Remuneration	Superannuation#	Total
Name	$'000	$'000	$'000
Chief Executive	453	77	530
Chief Operating Officer	318	102	420
Chief Financial Officer	255	43	298
Human Resources and Development Manager	210	35	245
Total	1,236	257	1,493

Includes both employee and employer superannuation contributions

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

(d) Director Term and Appointment

Else Shepherd
Current Term – 3 years commencing October 2008 – First appointed September 1994.

Julie Beeby
Current Term – 3 years commencing October 2008 – First appointed October 2008.

Stuart Copeland
Current Term – 3 years commencing October 2009 – First appointed October 2009.

John Goddard
Current Term – 3 years 3 months commencing July 2006 – First appointed July 2006. Term completed September 2009.

Kenneth Howard
Current Term – 3 years commencing October 2009 – First appointed January 2007.

Christina Sutherland
Current Term – 3 years commencing October 2008 – First appointed July 2001.

Walter Threlfall
Current Term – 3 years commencing October 2009 – First appointed September 1994.

28 Remuneration of auditors

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

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

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Queensland Audit Office				
Audit and review of financial reports	**225**	201	**216**	193
Non-audit services (Deloitte Touche Tohmatsu) consultancy services	**39**	20	**39**	20
Total remuneration	**264**	221	**255**	213

The audit and review of the financial reports of the Consolidated Entity and Powerlink Queensland is conducted by Deloitte Touche Tohmatsu as Delegate of the Auditor-General of Queensland, Queensland Audit Office.

29 Contingent Assets and Contingent Liabilities

There were no known contingent assets or contingent liabilities of a material nature as at 30 June 2010 (2009:NIL).

30 Expenditure Commitments

(a) Capital Expenditure Commitments

Estimated capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Property, plant and equipment				
Payable:				
Not later than one year	187,949	207,412	187,949	207,412
Later than one year but not later than five years	–	20,279	–	20,279
	187,949	227,691	187,949	227,691

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Other				
Payable:				
Not later than one year	1,979	–	–	–
	1,979	–	–	–

(i) Non-cancellable operating leases

The Consolidated Entity leases property primarily for the placement of communication equipment. The leases are non-cancellable operating leases expiring within one to twenty-six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Not later than one year	1,495	1,869	1,495	1,869
Later than one year but not later than five years	834	924	834	924
Later than five years	367	445	367	445
	2,696	3,238	2,696	3,238

31 Related party transactions

(a) Parent entities

The parent entity within the Consolidated Entity is Powerlink Queensland. The ultimate Australian parent entity is the State of Queensland which at 30 June 2010 owned 100% (2009: 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), director related entities and associates.

(b) Directors

Directors' Shareholdings

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

Loans to Directors

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

(c) Subsidiaries and Associates

Interests in subsidiaries are set out in Note 32.

Interests in Associates are set out in Note 33.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Sales of goods and services				
Parent Entity	**711,544**	625,814	**711,544**	625,814
Associates	**186**	1,077	**186**	1,077
Director Related Entities	**–**	1,459	**–**	1,459
	711,730	628,350	**711,730**	628,350

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Purchases of goods				
Parent Entity	**91,784**	61,549	**91,784**	61,549
Associates	**49**	1,563	**49**	1,563
Director Related Entities	**–**	60	**–**	60
	91,833	63,172	**91,833**	63,172

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Dividend revenue				
Subsidiaries	**–**	–	**10,425**	9,805
Associates	**187**	265	**–**	–
	187	265	**10,425**	9,805

31 Related party transactions *(continued)*

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Interest Revenue				
Parent Entity	**3,552**	3,664	**3,172**	3,153
Associates	**14,909**	14,003	**–**	–
	18,461	17,667	**3,172**	3,153

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Other transactions				
Dividends paid to ultimate Australian parent entity (State of Queensland)	**98,808**	84,412	**98,808**	84,412
Borrowing Costs – Parent Entity	**195,941**	178,713	**195,941**	178,713
	294,749	263,125	**294,749**	263,125

(e) Outstanding balances arising from sales/purchases of goods and services

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

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Current receivables (sales of goods and services)				
Parent Entity	**301**	2,226	**301**	2,226
Associates	**3**	113	**3**	113
Director Related	**–**	385	**–**	385
	304	2,724	**304**	2,724
Current payables (purchases of goods)				
Parent Entity	**523**	1,358	**523**	1,358
Director Related	**–**	3	**–**	3
	523	1,361	**523**	1,361

31 Related party transactions *(continued)*

(f) Loans to/from related parties

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Loans to subsidiaries				
Balance at the beginning of the year	**–**	–	**75,454**	62,954
Loans advanced	**–**	–	**8,600**	12,500
End of year	**–**	–	**84,054**	75,454

	Consolidated		Powerlink Queensland	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Loans from ultimate parent entity				
Balances at the beginning of the year	**3,038,420**	2,516,420	**3,038,420**	2,516,420
Loans advanced	**302,600**	522,000	**302,600**	522,000
Interest charged	**195,941**	178,713	**195,941**	178,713
Interest paid	**(195,941)**	(178,713)	**(195,941)**	(178,713)
End of year	**3,341,020**	3,038,420	**3,341,020**	3,038,420

No provisions for impairment of debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(g) Terms and conditions

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

32 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding**	
			2010	2009
			%	%
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.

33 Investments in associates

(a) Carrying amounts

Information relating to associates is set out below.

Name of company	Ownership Interest		Consolidated		Powerlink Queensland	
	2010 %	2009 %	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Unlisted						
ElectraNet Pty Ltd	41.11	41.11	55,983	38,653	–	–
ElectraNet Transmission Services Pty Ltd	41.11	41.11	277	191	–	–
			56,260	38,844	–	–

	Consolidated	
	2010 $'000	2009 $'000
(b) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	38,844	46,720
Share of profit/(loss) after income tax	4,808	(2,073)
Reversal of dividends received/receivable	(187)	(265)
Share of actuarial gain/(loss) in Defined Benefit Fund	(681)	(4,193)
Share of increment on revaluation of property, plant & equipment	9,959	8,479
Share of increment/decrement of hedge reserve	3,517	(12,632)
Share in error for restatement of prior year balances	–	2,808
Carrying amount at the end of the financial year	56,260	38,844

(c) Share of associates' profits or losses

Profit/(loss) before income tax	7,774	(312)
Income tax expense	(2,966)	(1,761)
Profit after income tax	4,808	(2,073)

33 Investments in associates *(continued)*

(d) Summarised financial information of associates

The Consolidated Entity's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Consolidated Entity's share of: Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2010					
ElectraNet Pty Ltd	**41.11**	**734,598**	**679,798**	**112,746**	**4,535**
ElectraNet Transmission Services Pty Ltd	**41.11**	**14,127**	**13,850**	**71,513**	**273**
		748,725	**693,648**	**184,259**	**4,808**
2009					
ElectraNet Pty Ltd	41.11	680,215	642,746	103,203	(2,260)
ElectraNet Transmission Services Pty Ltd	41.11	10,762	10,571	64,361	187
		690,977	653,317	167,564	(2,073)

All of the above associates are incorporated in Australia.

The Consolidated Entity's proportion of voting power held in each associate is the same as the ownership interest.

The Consolidated Entity's investments in the associates are accounted for in accordance with the accounting policy described in Note 1(b)(ii).

Both associates are proprietary companies, are incorporated in Australia and have 30 June reporting dates.

The Consolidated Entity's investments in the associates were not impaired during the year (2009: NIL).

	Consolidated 2010 $'000	2009 $'000
(e) Share of associates' expenditure commitments, other than for the supply of inventories		
Capital commitments	**1,573**	1,130
Operating Lease commitments	**19,758**	6,952
	–	–
	21,331	8,082

(f) Contingent liabilities of associates

There were no known contingent liabilities of a significant nature as at 30 June 2010 (2009: NIL).

34 Events occurring after the reporting period

No events have occurred subsequent to 30 June 2010 (2009: NIL) that materially affect the results disclosed in these financial statements.

35 Reconciliation of profit after income tax equivalent to net cash provided from operating activities

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Profit from continuing operations after income tax equivalent	**128,649**	121,872	**124,968**	122,890
Depreciation	**198,981**	172,262	**198,981**	172,262
Net (gain)/loss on sale of non-current assets	**(194)**	(3,316)	**(194)**	(3,316)
Share of (profit)/loss of associates not received as dividends or distributions	**(4,808)**	2,073	**–**	–
Dividends received from associates	**187**	265	**–**	–
Change in operating assets and liabilities				
(Increase)/Decrease in debtors	**(24,280)**	13,391	**(24,131)**	13,731
(Increase)/Decrease in inventories	**79**	(3,896)	**79**	(3,896)
(Increase)/Decrease in prepayments	**4,503**	(88)	**4,503**	(88)
(Increase)/Decrease in deferred tax assets	**102**	(271)	**104**	(273)
Increase/(Decrease) in creditors	**(12,385)**	(47,998)	**(12,395)**	(47,991)
Increase/(Decrease) in provision for income taxes payable	**3,103**	7,865	**2,735**	7,763
Increase/(Decrease) in deferred tax liabilities	**8,263**	1,710	**7,093**	2,175
Increase/(Decrease) in other provisions	**(1,346)**	1,349	**(1,346)**	1,349
Net cash inflow/(outflow) from operating activities	**300,854**	265,218	**300,397**	264,606

36 Non-cash investing and financing activities

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

37 Settlements Residue

	Consolidated		Powerlink Queensland	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Opening Balance	**18,624**	80,994	**18,624**	80,994
Residue transferred from AEMO	**48,269**	42,348	**48,269**	42,348
Interest Earned	**5**	80	**5**	80
Transfer to Powerlink Queensland – to offset network charges	**(66,898)**	(104,798)	**(66,898)**	(104,798)
Balance at end of year	**–**	18,624	**–**	18,624

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

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and

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

This declaration is made in accordance with a resolution of the directors.

Else Shepherd AM
Chairman

Brisbane
Dated 25 August 2010

To the Members of Queensland Electricity Transmission Corporation Limited

Matters relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Queensland Electricity Transmission Corporation Limited for the financial year ended 30 June 2010 included on the Queensland Electricity Transmission Corporation Limited website. The directors are responsible for the integrity of the Queensland Electricity Transmission Corporation Limited website. I have not been engaged to report on the integrity of the Queensland Electricity Transmission Corporation Limited website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Queensland Electricity Transmission Corporation Limited, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of Queensland Electricity Transmission Corporation Limited, which comprises the balance sheets as at 30 June 2010, and income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards,* which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with.

Auditor's Opinion

In my opinion –

the financial report of Queensland Electricity Transmission Corporation Limited is in accordance with the *Corporations Act 2001*, including –

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Carl Harris
(as Delegate of the Auditor-General of Queensland)

25 August 2010
Brisbane

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