



TasNetworks
Delivering your power

ANNUAL REPORT 2016-17

Tasmanian Networks Pty Ltd
ABN 24 167 357 299
PO Box 606, Moonah, TAS 7009
1-7 Maria Street, Lenah Valley, Tasmania 7008
1300 127 777 | tasnetworks.com.au

THREE YEARS OF PROGRESS

As Tasmania's integrated electricity network services provider, we have a focus on caring for our customers and making their experience easier. We have made great progress in delivering safe, reliable and resilient services to our customers while keeping prices as low as possible: our customers receive higher network reliability and lower prices on average than when TasNetworks started operating three years ago.

TasNetworks has successfully managed a number of challenges over the last 18 months, working with customers, Hydro Tasmania and the State Government to keep the lights on during a period of low dam levels and a six month Basslink outage. We also responded to unprecedented storm, flood and fire events that affected our customers and assets. The response of our people to these challenges has been outstanding.

As we look to the future, the electricity system supporting Australia's economy and lifestyle is experiencing change on an unprecedented scale. This transformation is being driven by changes in Australia's generation mix and by our customers, who are embracing new technologies, taking control of their energy use and supporting action on climate change. As a result, the future energy mix in the National Electricity Market and how it will be managed to maintain adequate and reliable supply is also changing.

In Tasmania we are working with customers on large and small renewable generation projects, ranging from new hydro and wind capacity to increasing numbers of solar connections on homes and businesses. We are also starting to see battery storage, electric vehicles and customers who are thinking about different ways of managing their electricity supply.

Given this backdrop, effective planning, innovation and risk management are paramount as we help restore Tasmania's energy advantage while maintaining the expected levels of system security. This advantage has been supported through the merging of the transmission and distribution networks in Tasmania, a process that has delivered a more optimised and efficient business and allowed us to focus on managing 'one' network.

THIS ANNUAL REPORT PRESENTS OUR ACHIEVEMENTS FOR 2016-17, OUR THIRD YEAR OF OPERATION, AS WELL AS OUTLINING THE STEPS WE ARE MAKING TOWARDS AN EXCITING ENERGY FUTURE AND FULFILLING OUR VISION OF BEING TRUSTED BY OUR CUSTOMERS TO DELIVER TODAY AND CREATE A BETTER TOMORROW.

Cover: Photo taken of TasNetworks transmission towers from the Batman Bridge near George Town, Tasmania, by Greg Gibson (TasNetworks Service Delivery Analyst).

2016-17 IN NUMBERS

Return to shareholders

\$176.2m

Profit

\$93.9m

above budget by \$1.2m

Customer net promoter score

+6

-1 in 2015-16

Customer complaints

12%

reduction from 2015-16

Record number of
LifeSafe observations

2,514

Delivered a future

21%

reduction in network costs for
our distribution customers

Power delivered on our
transmission network

11,119_{GWh}

in 2016-17

Maximum network demand

2,018_{MW}

On 27 June 2017
(import + export)

585

New emPOWERing You trial participants

35

Bruny Island Battery Trial participants

96.4_{MW}

Of solar generation capacity connected at 27,600 locations in Tasmania

1st

TasNetworks Enterprise Agreement

Top

25

graduate employer

Customer satisfaction

74%

Steady from 2015-16

Employee Engagement

52%

Industry benchmark – 42%

79.6%

of customer calls answered within 30 seconds



CONTENTS

THREE YEARS OF PROGRESS	3
2016-17 IN NUMBERS	4
ABOUT TASNETWORKS	8
WHAT IT TAKES TO DELIVER YOUR POWER	9
CREATING A BETTER TOMORROW	10
CHAIRMAN'S REVIEW	14
CEO'S REVIEW	16
OUR PARTNERSHIPS AND COMMUNITY SUPPORT INITIATIVES	18
OUR PERFORMANCE	19
CORPORATE GOVERNANCE	24
STATEMENT OF CORPORATE INTENT	37
DIRECTORS' REPORT	41
AUDITORS INDEPENDENCE DECLARATION	43
AUDITORS REPORT	44
CONSOLIDATED FINANCIAL STATEMENTS	48

ABOUT TASNETWORKS

Tasmanian Networks Pty Ltd (TasNetworks) delivers electricity and telecommunications network services to customers in Tasmania. TasNetworks is owned by the State of Tasmania and is a commercial business with assets of over \$3 billion.

- **Our vision:** To be trusted by our customers to deliver today and create a better tomorrow.
- **Our purpose:** We safely deliver electricity and telecommunications network services and complementary services, creating value for our customers, our owners and our community.

WHAT WE DO

TasNetworks owns, operates and maintains the electricity transmission and distribution network in Tasmania.

We deliver a safe, cost-effective and reliable electricity supply to more than 280,000 residential, commercial and industrial customers. Our responsibilities include:

- Keeping our people and our customers safe
- Maintaining and replacing network infrastructure to ensure a reliable service for our customers
- Connecting new customers to the network (including small-and large-scale generators)



- Investing in the network to support capacity growth
- Operating the network on a day-to-day basis, including all fault restoration
- Maintaining the public lighting system
- Recording and providing regulated meter data to retailers
- Providing telecommunications, Data Centre and Information Technology services to customers, including those in the Tasmanian electricity supply industry.

Our shareholders have directed us to perform some non-commercial activities, primarily funding the 'grandfathered' solar feed-in-tariff payment to customers and supporting the rollout of the National Broadband Network on the West Coast of Tasmania.

Any profits we make from delivering our services to our customers are returned back to Tasmanians in the form of returns and dividends paid directly to the State.

ABOUT THIS REPORT

This report reviews the operations of Tasmanian Networks Pty Ltd and our subsidiaries Auroracom Pty Ltd and Ezikey Group Pty Ltd for the 2016-17 financial year.

WHAT IT TAKES TO DELIVER YOUR POWER

TRANSMISSION



3,500

circuit kilometres of
transmission lines

7,700

transmission line
support structures

DISTRIBUTION



15,000

kilometres of high voltage
powerlines

5,000

kilometres of low voltage
powerlines

2,000

kilometres of high and low
voltage underground cables

230,000

poles

TELECOMMUNICATIONS



1,675

kilometres of fibre optic cable

2

data centres

CREATING A BETTER TOMORROW

There's a quiet revolution going on in the electricity market. A customer-led transition towards new technologies and generation sources is creating new challenges for electricity networks.

Additionally, on a national front, the closure of a number of large base-load generators has created heightened concern about the security and cost of the electricity system.

At TasNetworks, we're part of the solution to these challenges. We know how to develop and operate a network that transmits renewable energy: that's what we've always done. We're focussed on providing affordable and valued services, reducing transmission and distribution network charges for our customers.

Our 2025 transformation roadmap sees a future where customers control their energy use and choose their own solutions. Our roadmap outlines some of the key changes we expect to see in the future that will affect how we provide our services, and the areas in which we will continue to transform our business.

At TasNetworks our vision is: *To be trusted by our customers to deliver today and create a better tomorrow.*

We're already working towards a better tomorrow for our customers. This section highlights some of the work we are doing to take us there.



Our TasNetworks CEO Lance Balcombe with Bruny Island Battery Trial participant Brigitta Lowe.

BRUNY ISLAND BATTERY TRIAL

We found the perfect location on one of Tasmania's beautifully preserved islands to run a battery trial.

Bruny Island was selected because of the isolated nature of the local electricity network and the island's unique pattern of demand peaks. An underwater cable that connects the island to the network can get overloaded at peak times (due to an influx of tourists at holiday times) and needs back-up from a diesel generator. The Bruny Island trial will show how batteries can be put to their best use in the future (for the mutual benefit of our customers and our network).

Opposite: TasNetworks Graduate Engineer Chris Wembridge in our new distribution control room.

GOING DIGITAL

To improve oversight of our distribution network, we recently upgraded our distribution control room system from paper-based pin boards, to a fully digitised computer system.

Greater real-time visibility of our distribution network allows us to improve network service and reliability for our customers.



WORKFORCE OF THE FUTURE

Getting ready for the future is easier when you're working with the best people. That's why we're investing in attracting talented people to our business.

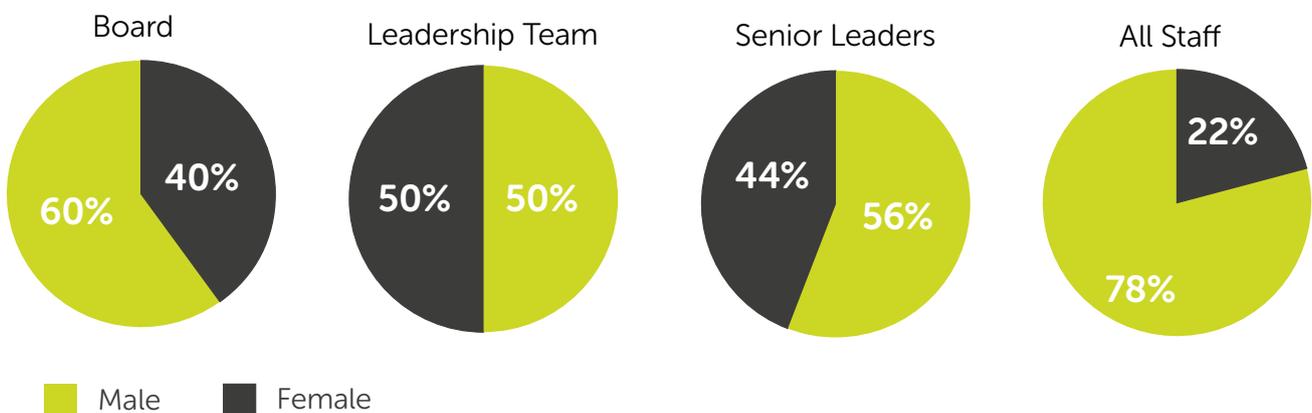
TasNetworks was honoured to be ranked number 25 in Australia's Top 75 Graduate Employers for 2017 by the Australian Association of Graduate Employers (AAGE). In another indication of our credentials in this area, we were also voted number 37 of the top intern programs in Australia by the AAGE.



2016-17 Graduate of the Year – Mandy Fish

DIVERSITY

In addition to recruiting the right people, we believe a diverse workforce builds creative, flexible and innovative teams – a critical requirement for our future business success. We are committed to improving our workplace diversity because it benefits our people, our business and our community. In particular, we are proud of the gender diversity achieved in our business - particularly in leadership roles.





A map of suburbs participating in our emPOWERing You Trial.



Our emPOWERing You Trial app.

OUR EMPOWERING YOU TRIAL

Almost 600 customers in the Brighton and Southern Midlands region are taking part in our *emPOWERing You* trial.

Using advanced meters, these customers will have the ability to make informed choices about their energy use. We're also getting valuable information about how customers interact with our network, including customers that use our network to sell solar generation. The trial is helping customers and informing our plans for the network of the future.

TRANSFORMING THE WAY WE DO BUSINESS

We believe getting ready for the future will require us to have great information and to continue to look for ways to provide value for money to our customers. To do this, we have embarked on a major transformation project, called Ajilis, to simplify decision-making and streamline operational processes throughout the company.



Our Ajilis project team.

We've made great progress on the project and once it's fully operational we'll have an efficient, integrated way of working that will deliver good outcomes for the business and, ultimately, provide improved services and better value for customers.

CHAIRMAN'S REVIEW



By 2050, up to 50 per cent of Australia's electricity will be produced by customer-owned generators. That's the expert view of the future electricity market. This prediction signals a revolution in the production and supply of electricity.

The existing system was designed for a one-way flow of electrons: from large generators to end-users. But the new system must cope with two-way flows. At TasNetworks, we're already dealing with the technical challenges that this brings as more Tasmanians install solar panels. By 2025, we estimate that up to 40,000 Tasmanian customers will have solar panels.

Over the past year, the electricity market was under close scrutiny. At the national level, the Australian Government commissioned the Chief Scientist, Dr Alan Finkel, to conduct a review. His panel published its final report in June 2017. In Tasmania, the State Government established an inquiry into energy security, chaired by Geoff Willis. This taskforce also completed its review in June 2017. We made submissions to both reviews.

These and other recent reviews arrived at similar conclusions: the industry can't continue with business as usual. We must adapt to the changes that are already under way. The question for network companies like TasNetworks is: How?

In 2016-17, we completed our own review of market trends which were informed by the external reviews. We also participated in an industry review conducted by Energy Networks Australia in collaboration with the CSIRO. The final report¹ on that review (published in April 2017), found that the transformation in the electricity market is being driven by customers as they embrace new technologies and take control of their energy use.

Our roadmap for the future notes that customers are already changing the way they use the electricity network. We must adapt to the changes, learn new skills and provide the services that customers expect. We've mapped out a plan for the road ahead. Our goals include listening to customers, improving

our productivity, adopting new forms of technology, modifying our pricing, and developing our people.

In preparing our roadmap, we engaged with customers, large and small. We listened to what they told us. We also observed what they're doing: we know what they're connecting to the network; and we've set up trials to observe how customers use the new technologies and how they may respond to new tariffs. This feedback will help us refine our transformation roadmap.

Over the past year, the TasNetworks team largely achieved its objectives. Our profit after tax result of \$93.9M was ahead of budget and we returned \$176.2 million to our owners and Government.

We achieved that result despite the expected fall in our regulated network services income which was a direct result of our strategy to create a sustainable price path for our customers. This strategy was reflected in our 2017-19 distribution revenue proposal which was approved by the Australian Energy Regulator.

1 CSIRO and Energy Networks Australia 2017, Electricity Network Transformation Roadmap: Final Report (<http://www.energynetworks.com.au/roadmap-final-report>)

In 2017-18, we expect our regulated revenue to drop by \$72 million (14%) compared with 2016-17. It's a continuation of our strategy to remove the upward pressure on electricity prices. While this creates a significant reduction in our financial forecasts we are confident that our strategy achieves the appropriate balance between sustainable price outcomes for customers and sustainable outcomes for the TasNetworks business. We have adjusted our dividend forecasts in the years ahead to take account the lower returns which result from our reduced revenues.

I take this opportunity to acknowledge the contributions of my fellow directors, the TasNetworks leadership group and the broader TasNetworks team. In particular, I commend two of the company's original directors, Don Challen AM and Mervyn Davies, whose terms expired in 2016. Don and Mervyn helped steer the new company through its early days and set course to an integrated network business that's ready for the future.

Dr Daniel Norton AO
Chairman



CEO'S REVIEW



TasNetworks CEO Lance Balcombe.

MUCH TO CELEBRATE

Looking back over the past year at TasNetworks, we have much to celebrate. We've seen strong improvement in our proactive safety measures and lifted our customer service performance; we achieved our financial objectives and continued to advance towards transforming our business.

We achieved these results while grappling with the many challenges that are rapidly changing the landscape in the electricity supply industry.

Zero harm

Our Zero Harm policy objective is to cause no harm to people and to minimise our impact on the environment. A disappointment was that we incurred eight lost time injuries to our people in 2016-17. However, a big positive was that our people reported a record number of LifeSafe observations and near hits. These proactive reports create the opportunity to remove a hazard from our operations while also reinforcing safe behaviours amongst our team.

We also experienced an increased number of reportable incidents for the year (28), with 15 of these due to threatened birds coming into contact with our Infrastructure. We are proactively working to mitigate our impact on native wildlife through implementing our Threatened Bird Strategy, including partnering with organisations such as the Trowunna Wildlife Park and Bonorong Wildlife Sanctuary to support the rehabilitation of injured birds.

Our Customers

Customer service was another area where we improved. Our customer net promoter score turned positive in 2016-17, a big change on the previous year. The number of customer complaints fell by 12% and we improved our call answering performance within our customer service and fault centres. Network performance also improved, with fewer interruptions affecting the power supply to customers.

We also received recognition, from our customers and the Australian Energy Regulator (AER), for our customer engagement program. Building our understanding of our customers through strong and proactive engagement is a key plank of our strategy and it is very pleasing to see it recognised. Our customer engagement was a cornerstone of our distribution proposal for 2017-19, which was approved by the AER, and delivered a substantial reduction in distribution network pricing from 1 July 2017.

Our People

TasNetworks achieved a key strategic milestone with the approval by the Fair Work Commission of our enterprise agreement, covering our team members and frontline leaders. The new agreement, which was approved in June 2017, removes one of the last remaining legacies of our previous businesses and paves the way for TasNetworks to operate as a truly integrated network

business into the future. Our strategy of building a constructive culture across our business will support our team members to better cope with changes upon the business and the industry and it was pleasing to see the material improvement in our constructive styles reported at the people survey in March this year. We also recorded a 10% jump in employee engagement to 52%, which is edging us closer to our aspirational target of 58% for high performing businesses.

Our Business transformation

Transforming the way we work is a constant theme at TasNetworks. A major part of that program took shape during 2016-17. Our business transformation project, Ajilis, will simplify decision-making, streamline operational processes, and provide us with an integrated IT platform. In February 2017, the Ajilis team successfully deployed release one of the project on time and on budget. We're already seeing the benefits of more efficient ways of working, benefits that will result in continuing cost savings for our customers.

The project team has now switched its focus to release two of the project which is focused on enterprise asset management and will provide our workforce with much improved mobility tools.



Dane Merkel and Mandy Fish inspecting our Creek Road substation.

Our Financial results

Hitting our financial targets is a key measure of company performance. Despite a reduction in revenues our net profit after tax for 2016-17 was almost \$94 million; against which we will be declaring a dividend of \$77.56 million. This is in excess of the dividend projected in our Statement of Corporate Intent, our Performance Agreement with our Shareholders, and delivers an excellent outcome for our owners, the people of Tasmania.

I am very proud of what the team at TasNetworks achieved in 2016-17. We improved on most measures of performance; we maintained a reliable supply for customers; and we continued to transform the business. I'd like to thank the entire TasNetworks team for their hard work and commitment.

Together, we have much to celebrate.

Stay safe,

Lance Balcombe
Chief Executive Officer

OUR PARTNERSHIPS AND COMMUNITY SUPPORT INITIATIVES

We seek to create partnerships and provide support to a diverse range of Tasmanian based community organisations. Listed below are some of the organisations we supported in the 2016-17 program year.



OUR PERFORMANCE

Our Statement of Corporate Intent (SCI) is our annual performance agreement with our Shareholders. This section reviews our performance against the SCI targets we agreed with our Shareholders for the 2016-17 year.

ZERO HARM

Our Zero Harm goals are to cause no harm to people and to minimise our impact on the environment. We assess our Zero Harm performance using various measures.

In 2016-17, unfortunately we incurred eight lost time injuries to our people. Whilst our Lost Time Injury Frequency Rate reduced during the year we are still not content with this result.

Eight lost time injuries means eight of our people came to work, were injured and were unable to come to work the next day.

We also recorded an increase in reportable incidents. A number of these incidents had environmental impacts, such as oil spills and threatened bird strikes on powerlines. Unfortunately, we reported 15 threatened bird deaths during the year from these incidents.

Whilst we missed some targets, one of the pleasing aspects was the year-on-year improvement on most measures (table 1). For example, we set a new record with the number of LifeSafe observations during the year (and an increase in the participation rate). This is one of the lead indicators that help keep us aware of safety and reinforce positive safety behaviours.

We expect our leaders to play a proactive role in safety. Whilst short of our aspirational target, our Leadership Zero Harm Interaction Rate improved throughout the year.

Our proactive measures have had an effect. The number of significant incidents decreased markedly over the past year, from 21 down to 11.

A vital part of the response is to investigate each incident, to find the cause, and learn from the experience. Where appropriate we apply corrective actions to reduce the likelihood of similar incidents in future. Achieving Zero Harm requires constant vigilance from our team members and contractors.

Table 1: Zero Harm

Performance measure	Target 2016-17	Result 2016-17		Result 2015-16
LifeSafe observations (#)	≥ 1,550	2,514	✓	1,814
LifeSafe participation (%)	≥ 21	19.3	✗	17.5
Significant incidents (#)	≤ 8	11	✗	21
Reportable incidents (#)	≤ 12	28	✗	18
Leadership Zero Harm interactions	100%	95%	✗	90%
Lost time injury frequency rate	0	3.2	✗	4.7

Note: Our targets for Zero Harm are ambitious and we are striving to achieve them. We are focussed on continuous improvement each year to enable us to reach the challenging goals we have set.

OUR CUSTOMERS

Our customers are central to all we do. Whether they're residential, commercial or industrial customers, we aim to win their trust by providing safe and reliable network services.

In 2016-17, we improved our service to customers on a range of performance measures (table 2). For example, our headline measure of service (customer net promoter score)² turned positive during the year. This is a pleasing turnaround compared with the previous year. Our customer satisfaction score also remained steady from the previous year. We have identified a number of opportunities to improve this score including keeping customers better informed of the status of their request and reducing the time taken to respond. Although short of our targets, these results show that our customer-focused initiatives are having the desired effect.

Other service measures tell the same story. Customer complaints were down on the previous year, performance in the call centre improved, and we maintained our strong performance on completing connection applications within agreed timeframes.

But customers expect more from us than simply meeting service and technical standards. They expect a say in what we plan to do in future, and how it might affect them. That's why we actively engage with our customers. In fact, the AER recently commended us for our efforts on customer engagement. In its decision on our latest revenue proposal, the Regulator noted:

...TasNetworks has taken important steps to engage with its customers in a very positive manner

(AER, April 2017, *TasNetworks distribution final determination 2017-19*, p55).

We put forward a distribution revenue proposal that results in a marked drop in revenue from 1 July 2017. It recognises our lower cost base together with current financial market conditions that see lower rates of return for our owners, and that's good news for customers. The AER approved our proposal noting a cut to the distribution component of the average annual residential electricity bill by about \$110.

And there's more to come. If we can help customers to take up new time of use demand tariffs to be phased in over the next few years, it's been estimated that customers will face lower network charges in the medium term. To understand what this means for Tasmanian customers, we're conducting a trial to assess the impact of the new tariffs. (For details, see page 13, emPOWERing You.)

Table 2: Customer Service

Performance measure	Target 2016-17	Result 2016-17		Result 2015-16
Customer net promoter score ²	+10	+6	X	-1
Customer satisfaction (%)	≥77	74	X	74
Customer complaints (#)	< 3,900	2,560	✓	2,925
Call centre: calls answered within 30 seconds (%)	≥ 78.7	79.6	✓	72.0
Connection applications completed on time (%)	100	100	✓	100

² Customer net promoter is a standard industry measure of overall customer service.

OUR PEOPLE

Historically, utilities have been heavily focused on the technical aspect of the network and, of course, our people are very skilled in this area because it's critical to delivering power.

Since the inception of TasNetworks, we have increased our focus on customers and encouraging our people to put themselves in the shoes of our customers to ensure we find ways to make their experience easier. We're investing in our people so that we meet customer expectations and adapt to the changing role of the network.

We're working towards improving our constructive culture that features a high level of employee engagement. The results from our people survey show that we are making good progress. Changing the culture of an organisation is not easy and progress is sometimes slow, especially in the early stages of a merger. However, our improvements to date demonstrate that we're on the right track with our employee engagement already well above the industry benchmark.

Our new Enterprise Agreement is a significant milestone on the road to managing a united network business. Following the merger in 2014, we had managed two separate enterprise agreements—a legacy from the previous businesses. We now have a single enterprise agreement for our people. The new agreement was approved by the Fair Work Commission in June 2017.

Table 3: People

Performance measure	Target 2016-17	Result 2016-17	
Culture improvement	Improvement in all constructive styles to 25th percentile with all oppositional and aggressive styles to come under 50th percentile	All four constructive styles improved with all eight aggressive and oppositional styles declining.	✓
Employee engagement improvement (%)	46	52	✓

NETWORK PERFORMANCE

We look after our networks to deliver safe and reliable services. At the same time, we're transforming our business and reducing costs.

We plan to maintain existing service levels where the network is working well, and target underperforming parts of the network to bring them up to standard. Both our transmission and distribution electricity networks performed well over the latest reporting periods (table 4). On

the standard industry measures for transmission and distribution, we achieved our targets, thereby maintaining a reliable supply to our customers. And it's not a flash in the pan: the results in transmission show strong improvement over an extended period (chart 1).

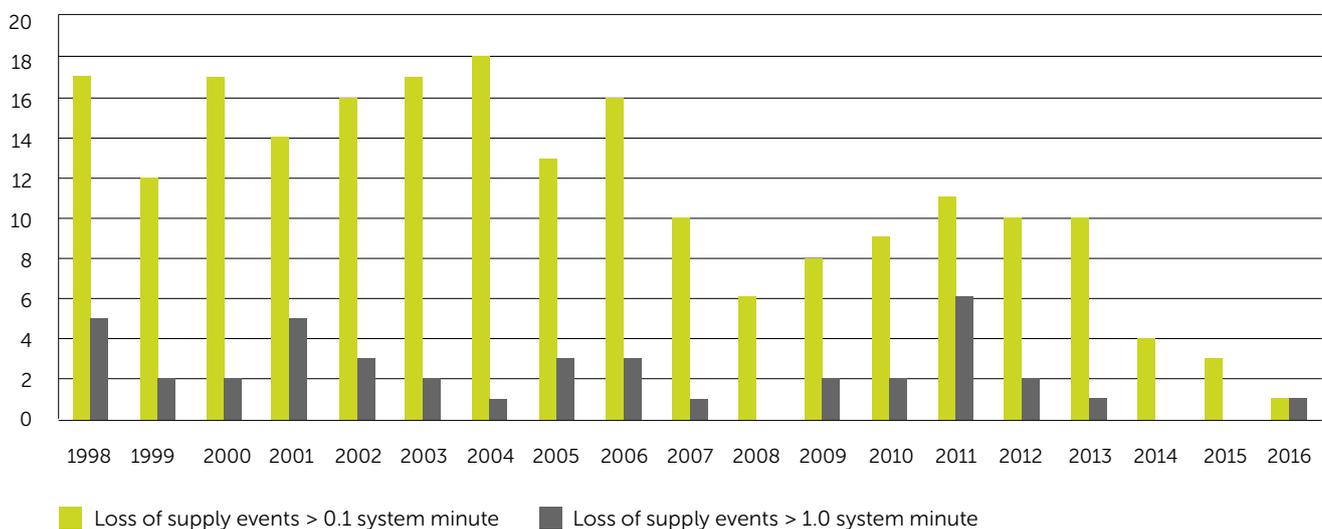
Table 4: Network Service

Performance measure	2016-17 Target	2016-17 Result		2015-16 Result
Transmission network (calendar year)				
Loss of supply events >1.0 system minute	≤ 3	1	✓	0
Loss of supply events >0.1 system minute	≤ 10	1	✓	3
Distribution network				
SAIDI (# minutes)	≤ 231	219	✓	221
SAIFI (# events)	≤ 1.9	1.77	✓	1.86
Other				
Delivery of program of work (% of scope)	> 90%	95%	✓	84%
Outcomes under the Service Target Performance Incentive Scheme (STPIS)	No net penalties	Bonus received	✓	Bonus received

Notes: We use standard industry performance measures, including:

- A system minute is the amount of energy used during one minute at the system annual maximum demand
- SAIDI: system average interruption duration index
- SAIFI: system average interruption frequency index

Chart 1: Transmission loss-of-supply events – trend



OUR OWNERS

Our owners expect us to deliver sustainable returns on their investment. Once again, we achieved that goal: net profit for 2016-17 was almost \$94 million—\$1.2m better than budget—and we recorded 10.1% return on equity (table 5).

The profit result is due in part to above-budget revenue from regulated distribution services and unregulated services. These gains were offset by lower revenue from regulated transmission services. On the expenditure side, we incurred extra operating costs due to severe weather affecting the network in July 2016 and unbudgeted costs relating to retirement benefits. We also made a strategic decision to increase expenditure on vegetation management. This decision aims to reduce the risk of our network sparking bushfires and improve supply reliability over the medium term by reducing the impact of weather events.

Our capital expenditure program for the year included investing in release one of our business transformation project (Ajilis) as well as a number of key transmission and distribution network programs. We incurred some additional capital expenditure during the year due to higher volumes of replacement expenditure and additional customer initiated works.

Looking ahead, we face a significant fall in revenue from regulated network services—our main source of revenue. In 2017-18 we expect regulated revenue to fall by \$72 million (14%) compared with 2016-17.

The fall in revenue translates into lower prices for customers. However, our owners will also receive lower profits: we have adjusted the dividend forecasts in the years ahead, reflecting the lower required rate of return.

Table 5: Financial Results

Performance measure	Target 2016-17	Result 2016-17		Result 2015-16
Earnings before interest, tax, depreciation and amortisation (\$M)	≥ 374.2	375.3	✓	418.6
Profit after tax (\$M)	≥ 92.7	93.9	✓	98.4
Return on assets (%)	≥ 6.8	6.7	✗	8.1
Return on equity (%)	≥ 9.2	10.1	✓	10.2
Return on assets commensurate with regulated Weighted Average Cost of Capital	Yes	Yes	✓	Yes
Gearing ratio (%)	≤ 63.9	65.4	✗	63.4
Opex (\$M)*	< 145.6	154.7	✗	145.8
Capex (\$M)	< 202.7	208.8	✗	156.8

* Recurring operating expenditure excluding the cost of the "grandfathered" solar feed-in tariff and unregulated service provision.

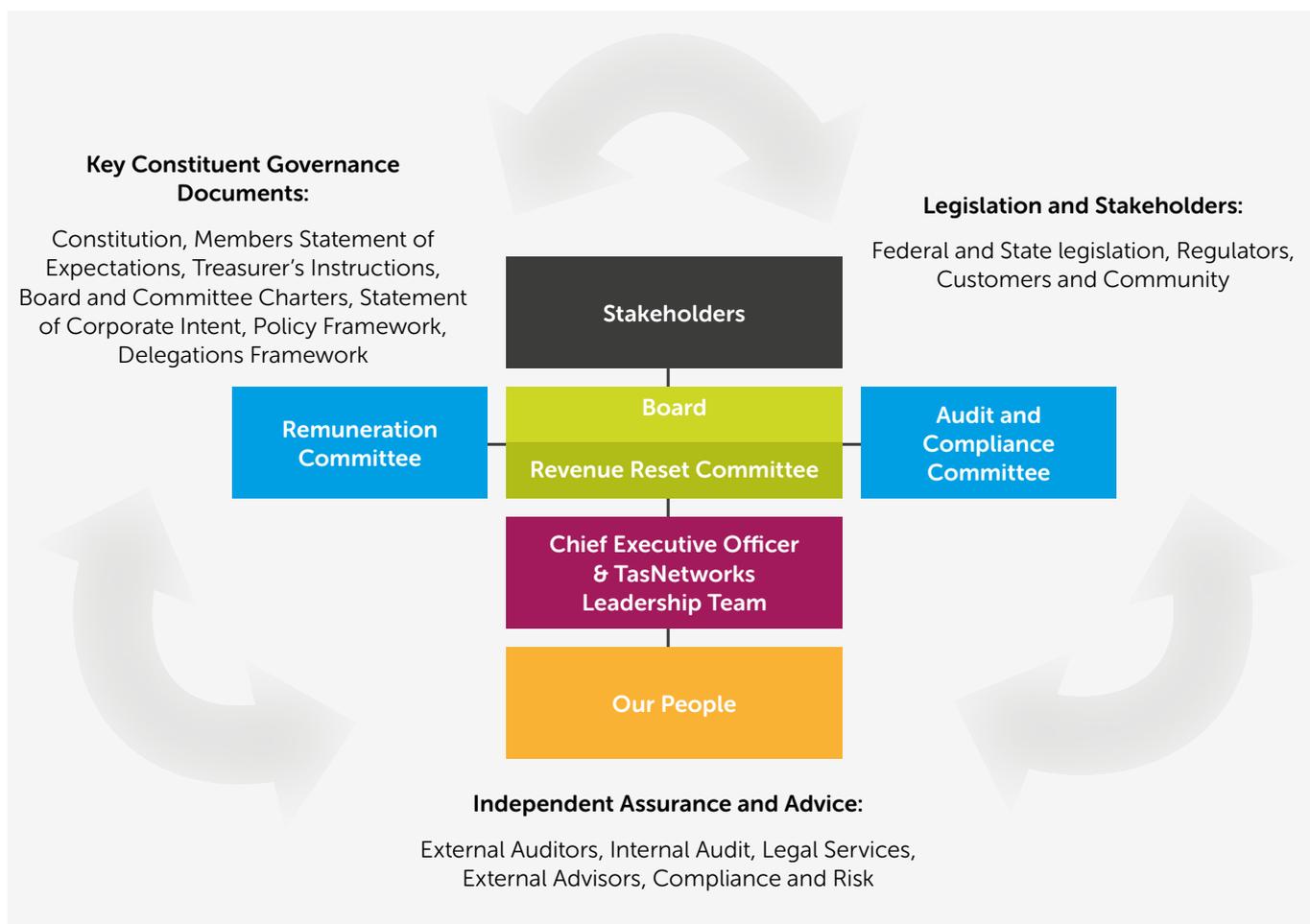
The financial results for 2016-17 enable the company to fulfil our owners' expectations on dividend and equity withdrawal, as shown in table 6.

Table 6: Financial Returns

Performance measure (\$M)	Target 2016-17	Result 2016-17		Result 2015-16
Returns to owners				
Dividend	≥ 67.4	72.6	✓	63.2
Equity withdrawal	50.0	50.0	✓	120.0
Returns to government				
Government guarantee fee	≥ 7.1	7.0	✗	11.8
Income tax equivalent	≥ 40.1	46.6	✓	55.6
Total returns	≥\$164.5	\$176.2	✓	\$250.6

CORPORATE GOVERNANCE

OUR GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

Role and responsibilities of the Board

The TasNetworks Board is responsible for the strategic guidance and oversight of the company.

TasNetworks' Board Charter provides the framework for TasNetworks' corporate governance structure and practices. The Charter describes the responsibilities of the TasNetworks Board of Directors and the TasNetworks Leadership Team.

The Board is responsible for:

- Oversight of the company, including its control and accountability systems
- Appointing and removing the CEO and Company Secretary
- Input into and final approval of corporate strategy and performance objectives developed with the TasNetworks Leadership Team
- Input into and final approval of regulatory applications
- Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct, and legal compliance
- Monitoring management's performance and implementation of strategy, and ensuring that appropriate resources are available
- Monitoring the performance and setting remuneration for the CEO and management
- Approving and monitoring the progress of major capital expenditure and capital management, and acquisitions and divestitures
- Approving and monitoring regular financial and other reports
- Approving annual financial statements and reports



Dr Daniel Norton AO
(Chairman)



Kevin Murray



Joanne Doyle



Jane Sargison



Peter McIntyre

- Communication with Members about matters that may affect TasNetworks' ability to achieve its objectives or financial targets.

Board composition

Up until 1 November 2016 the TasNetworks Board comprised six non-executive directors and subsequently five non-executive directors, who brought a variety of skills, knowledge and experience to the company.

At the Annual General Meeting on 1 November 2016, Peter McIntyre was appointed to the Board as a non-executive director, and Don Challen AM and Mervyn Davis completed their tenures as non-executive directors for TasNetworks.

Dr Daniel Norton AO (Chairman)
BAgric (Hons), MEd, PhD, Hon LLD, FAICD

Appointed 4 February 2014 (and the Network Integration Transition Board from May 2013)

Dan is also Chairman of WINconnect, a Board Member of Infrastructure Australia, and a Director of his consulting company Trinitas.

His former positions include: Chairman of the Executive Steering Committee Royal Hobart Hospital Redevelopment, Interim Chairman of Forestry Tasmania, Chairman of Tasmanian Ports Corporation (TasPorts), Chairman of Menzies Research Institute Tasmania, Chairman of the National Electricity Market Management Company (NEMMCO), Deputy Chairman of

Tasmanian Water and Sewerage Corporation (TasWater), Deputy Chairman of Aurora Energy, CEO and Managing Director of both Aurora Energy and Hydro Electric Corporation, Secretary of Department of Premier and Cabinet (Tas) and Deputy Secretary of Department of Treasury and Finance (Tas).

Kevin Murray

BEng, Dip Bus Studies, FAICD

Appointed 4 February 2014 (and the Network Integration Transition Board from June 2013)

Kevin is Chairman of TasNetworks' Remuneration Committee.

He is a past Director of Transend Networks Pty Ltd (where he also chaired the Corporate Governance Committee), Essential Energy and the Energy Industries Superannuation Scheme in NSW. He is a past Chief Executive Officer of TransGrid, the electricity transmission company in NSW.

Dr Jane Sargison

BEng(Hons), DPhil, GAICD, FIEAust, CPEng

Appointed 1 July 2014

Jane is also the Managing Director of JSA Consulting Engineers and a non-executive Director of the Ian Harrington Group. Her recent roles include Director of TasWater, the Australian Renewable Energy Agency, Southern Water and Australian Institute of Energy, Member of the AusIndustry Clean Technology Innovation Committee, Tasmanian Rhodes Scholarship Selection Committee and the National Mechanical Board of Engineers Australia. Her former roles have included Deputy Director of the Centre for Renewable Energy and Power Systems and Senior Lecturer in Mechanical Engineering at the University of Tasmania.

In 2011 Jane was named National Professional Engineer of the Year in recognition of her contribution to the profession. She read her DPhil research as a Rhodes Scholar at University of Oxford University, UK. Jane worked as a Research Fellow at the University of Tasmania from 2001.

Joanne Doyle

BCom, FCA, RCA, MAICD

Appointed 1 July 2016

Joanne is a partner of WLF Accounting & Advisory and is an audit and advisory specialist having worked in the industry for over 30 years. Through her client base Joanne has experience with audit of government owned entities, listed entities through to companies limited by guarantee. She has significant experience working with clients in the finance, manufacturing, retail, health, infrastructure and the not-for-profit sectors.

Joanne is a Trustee on the Solicitors' Trust, a Registered Company Auditor, and a past Director of Civil Construction Services Corporation.

Peter McIntyre

BSc, BE (Hons.), MBA, FIEAust, CPEng, EngExec, NER, APEC Engineer, IntPE(Aus), FAIE, FAICD

Appointed 1 November 2016

Peter is the Chief Executive Officer of Engineers Australia, having commenced that role on 5 July 2017. Peter was previously employed at TransGrid, where he served as its Managing Director for six years. Prior to that he held several executive positions, with responsibilities including regulatory strategy, revenue reset, customer engagement, asset management, network planning and system operations.

Peter is a past Deputy Chairman of the Energy Networks Association, past Chairman of Grid Australia and past Deputy Chairman of the Australian Power Institute.

Donald Challen AM

BEC(Hons), MEc, FAICD, FCPA, FCA, FIPAA

Appointed 4 February 2014 (and the Network Integration Transition Board from June 2013) – 1 November 2016

Don was also Chairman of the Motor Accidents Insurance Board, a trustee Director of the Retirement Benefits Fund and a Director of the Tasmanian Symphony Orchestra. He is a past Chairman of the Tasmanian Public Finance Corporation, Transend Networks Pty Ltd and was formerly Secretary of the Department of Treasury and Finance. His previous board positions include Hydro Electric Corporation, the Basslink Development Board, Trust Bank and the Tasmanian Development Authority.

Mervyn Davies

BEng Sc, BCom

Appointed 4 February 2014 (and the Network Integration Transition Board from June 2013) – 1 November 2016

Mervyn was a Director of NT Power and Water Corporation.

He was previously a Director of Aurora Energy Pty Ltd, Electricity Networks Corporation (Western Power) and ENERGEX. He previously held senior management roles with Energy Australia and has been Principal and Managing Director of Girna Engineering Management Services, specialising in the engineering and economics of the electricity distribution industry.

BOARD SERVICE

Directors who held office during the 2016-17 financial year have served the following periods:

Director	Length of office
Dr Daniel Norton AO	3 years and 5 months
Kevin Murray	3 years and 5 months
Dr Jane Sargison	3 years
Joanne Doyle	1 year
Peter McIntyre	8 months
Donald Challen AM	2 years and 9 months ³
Mervyn Davies	2 years and 9 months ⁴

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including committee meetings) held during the financial year and the number of meetings attended by each director who held office during the 2016-17 financial year.

Director	Board of Directors		Audit and Compliance Committee		Remuneration Committee		Revenue Reset Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Dr Daniel Norton AO ⁵	12	12	2	4	2	3	6	6
Kevin Murray	12	12	-	-	5	5	6	6
Dr Jane Sargison ⁶	12	12	4	4	3	3	6	6
Joanne Doyle	12	12	6	6	-	-	6	6
Peter McIntyre	7	7	2	2	-	-	4	4
Donald Challen AM	5	5	-	-	2	2	2	2
Mervyn Davies	5	4	3	3	-	-	2	2

BOARD COMMITTEES

The Board has three standing committees: the Remuneration Committee (comprised of three and subsequently two non-executive directors⁷), the Audit and Compliance Committee (comprised of three non-executive directors) and the Revenue Reset Committee (comprised of all directors). The current composition of these Committees is as follows:

Remuneration Committee	Audit and Compliance Committee	Revenue Reset Committee
Kevin Murray (Chair)	Joanne Doyle (Chair)	
Dr Jane Sargison	Dr Daniel Norton AO	All directors
	Peter McIntyre	

³ Don Challen AM completed his tenure as a director on 1 November 2016

⁴ Mervyn Davies completed his tenure as a director on 1 November 2016

⁵ Until January 2016, Dr Norton was a member of the Remuneration Committee. From January 2016, Dan became a member of the Audit and Compliance Committee.

⁶ Until January 2016, Dr Sargison was a member of the Audit and Compliance Committee, and its Acting Chair until August 2016. From January 2016, Jane became a member of the Remuneration Committee.

⁷ From January 2016 the membership of the Remuneration Committee was reduced to two non-executive members of the board.

The responsibilities of the Audit and Compliance Committee are documented in the Audit and Compliance Committee Terms of Reference and Charter. The committee oversees and monitors TasNetworks' corporate reporting, audit and compliance obligations, and oversees the company's internal control activities.

The Audit and Compliance Committee met six times during the 2016-17 financial year and provided the Board with minutes from each meeting.

The responsibilities of the Remuneration Committee are documented in the Remuneration Committee Terms of Reference and Charter. The committee assists the Board in the oversight of TasNetworks' remuneration for the chief executive officer, general managers and employees.

The Remuneration Committee met five times during the 2016-17 financial year and provided the Board with minutes from each meeting.

The Revenue Reset Committee oversees the preparation of TasNetworks' revenue proposals to the Australian Energy Regulator.

The Revenue Reset Committee met six times during the 2016-17 financial year and provided the Board with minutes from each meeting.

SUBSIDIARY COMPANIES

TasNetworks has two wholly-owned subsidiary companies:

- **Auroracom Pty Ltd**, which is a non-trading subsidiary that holds a telecommunications carrier licence and has in place a Nominated Carrier Declaration with TasNetworks; and
- **Ezikey Group Pty Ltd**, which is a non-trading subsidiary originally established for the commercialisation of the "Cable PL" device.

The Directors of each subsidiary company are Lance Balcombe (TasNetworks CEO) and Ross Burridge (TasNetworks General Manager Finance and Business Services). The Company Secretary is Phillippa Bartlett (TasNetworks' Company Secretary and General Counsel).

DIVERSITY

Background

TasNetworks recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the business into the future.

Policy and procedures

TasNetworks has a formal diversity policy, which was launched to all TasNetworks Team Members in September 2015. The policy details TasNetworks' commitment to diversity and promotes diversity in every part of TasNetworks' business in conjunction with:

- Our Code of Conduct
- our Workplace Behaviour Policy (covering workplace harassment, discrimination, bullying, equity and equal opportunity)
- Grievance resolution procedures
- The Employee Assistance Program
- Formal inductions
- Flexible work arrangements
- Email and internet usage policies.

Under this policy, the TasNetworks Board and Leadership Team are responsible for:

- Setting annual measurable workplace diversity objectives
- Supporting the development of TasNetworks' Workplace Diversity Strategy
- Leading the implementation of the Workplace Diversity Strategy.

Please refer to page 12 for more information on diversity.

LEGISLATIVE COMPLIANCE

TasNetworks is committed to complying with all relevant legislative and regulatory obligations. To achieve this commitment, TasNetworks adheres to the Australian/New Zealand Standard of Compliance Program and has instituted a Compliance Policy and Framework, incorporating:

- Active and visible engagement in compliance by the Board, CEO and the TasNetworks Leadership Team
- The alignment of compliance policy and business strategy
- Appropriate compliance resourcing.

Further details in relation to some of TasNetworks' compliance obligations are set out below.

Right to Information

TasNetworks is subject to the *Right to Information Act 2009* (Tas) (**RTI Act**). TasNetworks' Right to Information Policy was approved by the Board in June 2014. It was reviewed and amended in 2017.

During the 2016-17 financial year, a total of three formal applications for Assessed Disclosure were received. One of these was later withdrawn by the applicant. In both of the remaining applications the information applied for was provided in part. As well as formal applications TasNetworks on several occasions released non-contentious information to members of the public upon request.



TasNetworks has embraced the objectives of the RTI Act by routinely publishing information that it considers to be of interest to the public, which is significant, appropriate, accurate and not otherwise exempt. TasNetworks' preferred method of disclosure of information is proactive disclosure via its website and Customer Service Centre.

Public Interest Disclosures

TasNetworks is subject to the *Public Interest Disclosures Act 2002* (Tas) (**PID Act**).

TasNetworks' Public Interest Disclosure Policy was updated and approved by the Board in May 2016. It is available on our website. TasNetworks had its draft procedures approved by the Ombudsman in April 2016. TasNetworks did not receive any PID Act Disclosures this financial year.

Personal Information Protection

TasNetworks is subject to the *Privacy Act 1988* (Cth), the Australian Privacy Principles and the *Personal Information Protection Act 2004* (Tas). TasNetworks' Privacy Policy, which was originally approved by the CEO in June 2014⁸, sets out how it collects, uses, discloses and otherwise manages personal information it holds. The policy has been reviewed and amended (in 2017) to cover the amendments to the Privacy Act in relation to the mandatory reporting regime which will commence in 2018.

During the 2016-17 financial year TasNetworks received several general enquires and complaints pursuant to governing legislation. All enquiries have been determined or resolved.

⁸ The Privacy Policy is a CEO approved policy. We note in the Annual Report 2015-16, it was incorrectly stated that the Board approved the Policy in 2014.

CORPORATE GOVERNANCE PRINCIPLES

TasNetworks' Board Charter is based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as adjusted to apply to an unlisted, State-owned company in line with the Tasmanian Government Business Corporate Governance Principles.

The company's corporate governance practices relating to each of these principles are summarised below.

Principle 1: Lay solid foundations for management and oversight

During the 2016-17 Financial Year, the TasNetworks Board was made up of five to six⁹ independent, non-executive directors.

The Board's responsibilities are summarised at page 25 of this report.

The responsibilities of individual directors and the company's expectations of them are set out in their letters of appointment and communicated to them at their induction. The role statements and contracts of employment for the positions of Chief Executive Officer, Company Secretary and other TasNetworks Leadership Team members set out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Board performance evaluation process is detailed below.

Principle 2: Structure the Board to add value

All TasNetworks directors are independent of management; no directors hold shares in the company. More information about individual directors and their length of service is set out at page 27 of this report. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasNetworks. The Chairman is an independent director and is not an executive of the company. There is a clear division of responsibilities between the Board's Chairman and the CEO.

Directors are selected and appointed by the Government Minister Members on the basis of their skills and experience and the needs of the business. The appointment process involves the creation of a Director Selection Advisory Panel. Candidates are required to undergo probity checks prior to appointment. An executive search firm is appointed to assist the panel in identifying potential candidates. TasNetworks maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Company Secretary has a documented procedure for inducting new directors. All directors have access to the advice and services of the Company Secretary and, in consultation with the Chairman, may take independent professional advice in connection with their duties at the company's expense.

The Remuneration Committee advises and assists the Board with reviewing the performance of the CEO and setting key performance indicators for the CEO.

TasNetworks has a process for annually evaluating the performance of the Board, its committees and individual directors. Evaluations have been conducted for the 2016-17 financial year internally, with the Board undertaking a number of questionnaires to assess and provide feedback on the performance of individual directors, Committees and the Board. Identified opportunities for development from the process are implemented with oversight by the Remuneration Committee.

⁹ Don Challen AM and Mervyn Davies retired as non-executive directors on 1 November 2016 and Peter McIntyre was appointed a non-executive director on 1 November 2016.

Principle 3: Act ethically and responsibly

TasNetworks is committed to not only complying with its legal obligations, but also to operating with the highest level of ethical and responsible behaviour.

TasNetworks' Code of Conduct applies to all our people: Board Members, Leaders, Team Members, contractors and subcontractors. The Code is published on our website at <http://www.tasnetworks.com.au/about-us/policies/code-of-conduct>. Under the Code, all people working at TasNetworks commit to:

1. work safely and in accordance with the law;
2. treat customers, the public and fellow workers with honesty, courtesy and respect;
3. perform our duties with professionalism, integrity and efficiency;
4. ensure our personal business and financial interests do not conflict with our duty to TasNetworks;
5. ensure the security and privacy of all confidential information received in the course of our work;
6. ensure we do not misuse our position;
7. ensure that TasNetworks' assets and resources are only used for proper business purposes;
8. recognise, value and effectively utilise the diversity among our people; and
9. demonstrate our care for the environment in the way we work.

TasNetworks also has a number of more specific policies that relate to our commitment to comply with our legal obligations and act ethically and responsibly. These include the Directors' Travel and Expense Policy, Directors' Conflict of Interest Protocol, Compliance Policy, Fraud and Corruption Policy, Public Interest Disclosures ("Whistleblowers") Policy, Workplace Behaviour Policy, Gifts and Benefits Policy and Zero Harm Policy.

A director who has a material personal interest in a matter relating to the affairs of TasNetworks must disclose that interest to the Board. The Company Secretary maintains a register of interests disclosed. To the extent that there is a conflict, this is managed appropriately in accordance with TasNetworks' policy and protocols.

Principle 4: Safeguard integrity in corporate reporting

The Board has a process for review and authorisation to ensure the truthful and factual representation of the company's financial position and to independently verify and safeguard the integrity of TasNetworks' financial reporting. This process includes:

- External audit
- Internal audit
- Review of the company's annual financial statements by the Audit and Compliance Committee.

The Board has established an Audit and Compliance Committee to assist the Board in exercising due care, diligence and skill in relation to financial management and reporting, audit processes, business policy and practice and compliance with applicable laws, regulations, standards and best practice guidelines. More information about the Audit and Compliance Committee is included on pages 27-28 of this report.

The TasNetworks constitution provides that the Auditor-General for Tasmania must report on and audit the accounts of the company.

TasNetworks' annual reports are tabled in each House of Parliament and are therefore subject to the scrutiny of all members of the Parliament and the community.

Principle 5: Make timely and balanced disclosure

Because TasNetworks is not a listed company, it is not required to comply with the ASX Listing Rule disclosure requirements. However, as a State-owned business, TasNetworks ensures that the Members are kept informed of all matters that may have a material impact (financial or otherwise) on the business or potential adverse implications for the State.

TasNetworks has a process for ensuring that Members are promptly advised of matters as required by the TasNetworks constitution and the Members' Statement of Expectations.

TasNetworks complies with the public disclosure obligations it has under the National Electricity Law, National Electricity Rules, TasNetworks' distribution and transmission licences and other applicable instruments.

Details about disclosures made under the Right to Information Act 2009 (Tas) are set out at page 29.

Principle 6: Respect the rights of security holders

The Board has procedures for communication with Members to ensure that they have timely access to information about the company, including its financial situation, performance, governance and any sensitive matters about which Members should be aware.

Principle 7: Recognise and manage risk

The Board has approved and oversees the TasNetworks Risk Management Policy and Risk Framework to ensure that management has developed and implemented a robust system of risk management and control.

In accordance with the Risk Management Policy, TasNetworks:

- Prepared and delivered a plan for managing risk in accordance with TasNetworks' risk appetite, the expectations of its stakeholders and the law
- Integrated effective and appropriate risk management into all business and management activities and TasNetworks policies
- Made available the necessary resources for effectively managing risk
- Provided regular reports to the Board detailing material business risks and the effectiveness of associated risk management strategies
- Reported key business risks and risk management strategies to key stakeholders.

TasNetworks' fundamental, underlying risk management principles are consistent with AS/NZS ISO 31000:2009. TasNetworks' Internal Audit Group performs regular audits of mitigating actions on internal controls identified. This group is independent of TasNetworks' management.

Principle 8: Remunerate fairly and responsibly

In accordance with the TasNetworks Constitution, directors are paid remuneration as is resolved by the Members from time to time. That remuneration is based on the Government Board and Committee Remuneration Framework administered by the Department of Premier and Cabinet, which incorporates a scale of fees.

Directors may also be reimbursed for travel and other expenses properly incurred by them, in accordance with TasNetworks' Directors Travel and Expense Policy.

The employment terms and conditions of the TasNetworks Leadership Team are contained in individual employment contracts.

The TasNetworks Remuneration Committee provides advice to the Board and assists it to fulfil its governance responsibilities in relation to remuneration strategies and policies for the CEO, members of the TasNetworks Leadership Team and Leaders contained within the scope of the TasNetworks Leaders Remuneration Policy. More information about the Remuneration Committee is included on pages 27-28 of this report.

TASNETWORKS LEADERSHIP TEAM

TasNetworks' executive management team comprises a chief executive officer and seven executive managers.

Lance Balcombe BCom, FCPA, FCA, MAICD
Chief Executive Officer

Phillippa Bartlett BA, LLB, MAICD
Company Secretary and General Counsel

Wayne Tucker Grad Dip Eng Maint, Ass Dip Elect Eng, MBA, GAICD
General Manager Strategic Asset Management

Bess Clark BCom, Grad Dip Urb Reg Plan, GAICD
General Manager Strategy and Stakeholder Relations

Natasha Brown BCom, MAICD
General Manager Works and Service Delivery

Mike Paine BEng, Grad Dip Eng, FIE Aust, GAICD
General Manager Customer Engagement and Network Operations

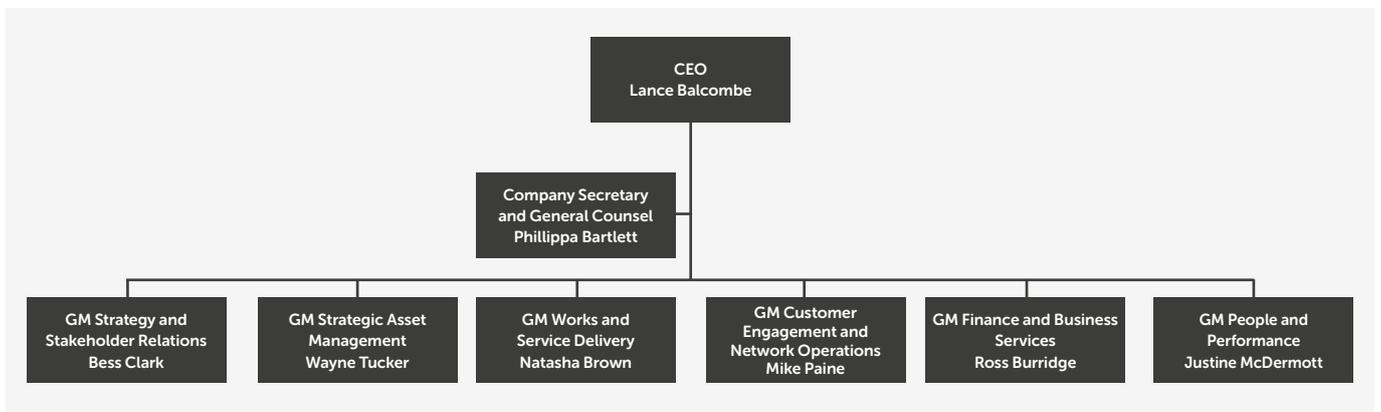


TasNetworks Leadership Team (Left to Right): Ross Burridge, Justine McDermott, Phillippa Bartlett, Lance Balcombe, Wayne Tucker, Natasha Brown, Bess Clark and Mike Paine.

Ross Burridge BCom, FCPA, FAICD, FFTP
General Manager Finance and Business Services

Justine McDermott BA (Hons Psych), MAPS (COP), FAHRI
General Manager People and Performance

ORGANISATIONAL STRUCTURE



Company Secretary and General Counsel

The Company Secretary and General Counsel group is responsible for delivering corporate governance advice and counsel to the Board, Chief Executive Officer and the business, and management of the TasNetworks Legal Services Team. This team provides legal advice and services to all parts of the business including: the engagement of legal advisers and management of legal contracts; managing complex disputes; managing obligations under right to information, privacy and relevant public interest legislation; managing wayleaves legislative obligations; and managing property law issues.

Strategy and Stakeholder Relations

Strategy and Stakeholder Relations is responsible for: corporate strategy; business performance; strategic risk; economic regulation, pricing strategy and frameworks; market reform activities; external and internal communications; brand strategy; government and shareholder relations; and stakeholder engagement.

Strategic Asset Management

Strategic Asset Management is responsible for: asset strategy and planning; network analysis and planning; operational and power system technology; smart networks; and demand-side and other new technologies.

Works and Service Delivery

Works and Service Delivery is responsible for: asset stewardship and engineering, including design and estimation; works program management, warehousing and materials management, and reporting; project and program works delivery; contract management; field operations and works scheduling; safety and environment policy, strategy and implementation; the TasNetworks Training Centre; and quality accreditation processes.

Customer Engagement and Network Operations

Customer Engagement and Network Operations is responsible for managing customer and market relationships and the operational management of the electricity network and TasNetworks' telecommunications network; retailer and customer engagement; billing and dispute resolution; customer advocacy and complaints resolution; connection access and administration; meter data management; the Customer Service Centre; the Fault Centre and dispatch; network operations and the Control Centre; network access management and emergency management.

Finance and Business Services

Finance and Business Services is responsible for: financial management and reporting, treasury; corporate modelling; risk management and compliance, insurance; procurement; fleet; property and facilities; accounts payable and receivable; audit; information management; corporate Information technology; commercial solutions and the Ajilis business transformation project.

People and Performance

People and Performance is responsible for: people & performance strategy; organisational change management; leadership development; culture and engagement; organisational capability; talent management & succession planning; industrial relations and payroll.

TASMANIAN GOVERNMENT REPORTING REQUIREMENTS

Table 1 Purchases from Tasmanian Businesses

Purchases from Tasmanian Businesses	
% of purchases from Tasmanian businesses	74.9%
Value of purchases from Tasmanian businesses	\$171,255,809

Table 2 Consultancies valued at more than \$50,000 (ex GST)

Name of Consultant	Location	Description	Period of engagement	Amount (\$)
Astral Consulting Services	Southbank	Analysis of TasNetworks' electronic document and record management system requirements to inform the strategy for the records management upgrade project	July 2015 to June 2016, with payment made in 2016-17	55,431
Deloitte Access Economics	Melbourne	Provision of advisory services to inform TasNetworks' compliance strategy in response to the new AER distribution ring-fencing guideline	November 2016 to June 2017	63,741
GHD	Brisbane	Various consulting services, including advice on Vegetation Management, planned outage review and provision of STPIS report.	July 2016 to June 2017	54,105
Page Seager	Hobart	External legal advisory services	July 2016 to June 2017	164,414
Sandstone Services	Melbourne	Provision of expert advice in establishing TasNetworks' Enterprise Resource Planning (ERP) Business Transformation Project (Ajilis)	July 2016 to June 2017	211,517
Total				549,208
There were 19 Consultants engaged for \$50,000 or less totalling				373,655
Total payments to Consultants				922,863

Table 3 Accounts due or paid within each year

Measure	2016-17
Creditor Days (average days to pay)	32.8
Number of accounts due for payment	39,209
Number of accounts paid on time	33,674
Amount due for payment	\$ 381,602,482
Amount paid on time	\$ 315,414,718
Number of payments for interest on overdue accounts	-
Interest payable on overdue accounts	-

STATEMENT OF CORPORATE INTENT 2016-17

PERFORMANCE AGREEMENT

Below is our Statement of Corporate Intent for the 2016-17 year. It outlines the 2016-17 performance targets we agreed with our shareholders for the year as well as the forecasts we made for future years at that time. We continue to revise our forecasts for future years as we gain more information and revise our plans accordingly.

Our performance against the 2016-17 targets has been reported throughout the our performance section of this report.

ZERO HARM

Our targets for Zero Harm demonstrate our commitment to not only improve our current performance levels but also to reach our goal of no harm to our people, the public and minimising our impact on the environment.

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Number of Life Safe observations	≥ 1,550	≥ 1,600	≥ 1,650	≥ 1,700
Percent Life Safe participation	≥ 21%	≥ 22%	≥ 23%	≥ 24%
Number of significant incidents	≤ 8	≤ 8	≤ 7	≤ 7
Number of reportable incidents	≤ 12	≤ 12	≤ 10	≤ 10
Percent leadership zero harm interactions	100%	100%	100%	100%
Lost time injury frequency rate (12 month rolling)	0	0	0	0

OUR CUSTOMERS

Our goal is to understand our customers and make them central to all we do. We aim to increase customer satisfaction and deliver lowest sustainable prices.

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Customer net promoter score	+10	+14	+18	+22
Customer satisfaction	≥ 77%	≥ 79%	≥ 81%	≥ 83%
Customer complaints – volume	< 3,900	< 3,800	< 3,700	< 3,600
Connection applications completed within standard or agreed timeframes	100%	100%	100%	100%
Call answering – combined Fault/Service Centre *	≥ 78.7%	In accordance with performance incentive scheme targets	In accordance with performance incentive scheme targets	In accordance with performance incentive scheme targets

* Call answering targets for the first year of the planning period are aligned with current AER service target performance incentive scheme levels. Future targets will be set to align with new AER service performance targets as they become applicable for the new regulatory period commencing in 2017-18.

OUR PEOPLE

Our goal is enable our people to deliver value and stay safe. We aim to develop a constructive culture and achieve high levels of employee engagement and organisational capability.

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Culture improvement	Improvement in all constructive styles to 25th percentile with all oppositional and aggressive styles to come under 50th percentile	Improvement over 2016-17 result	Improvement over 2017-18 result	Improvement over 2018-19 result
Employee engagement improvement*	46%	50%	54%	58%

* TasNetworks employee engagement as measured in its 2016 People Survey stood at 42% which is consistent with the Utilities average. The benchmark for 'high performing' organisations is 58%.

ONE BUSINESS

Our goal is that we care for our assets, delivering safe and reliable network services while transforming our business and reducing our costs. We aim to sustain present network service performance. Just to keep costs at current levels in nominal terms requires us to find efficiencies. We also need to invest in improving our business.

NETWORK SERVICE

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Outcomes under Service Target Performance Incentive Scheme (STPIS)	No net penalties as measured by STPIS			
Transmission loss of supply event > 1.0 system minutes (measured for calendar years)	≤ 3 events	≤ 3 events	≤ 3 events	≤ 3 events
Transmission loss of supply event > 0.1 system minutes (measured for calendar years)	≤ 10 events	≤ 10 events	≤ 10 events	≤ 10 events
Distribution system average interruption duration index (SAIDI)	≤ 231minutes	≤ 231 minutes	≤ 231 minutes	≤ 231 minutes
Distribution system average interruption frequency index (SAIFI)	≤ 1.90 events	≤ 1.90 events	≤ 1.90 events	≤ 1.90 events

Note: Network service targets have been set to maintain average network performance at current levels based upon customer feedback. Future targets will be amended to align with new AER service performance targets as they become applicable for new regulatory periods.

SUSTAINED COST REDUCTION

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Operating expenditure (\$m)*	< 145.6	< 138.9	< 142.9	< 142.9
Capital expenditure (\$m)	< 202.7	< 191.9	< 184.4	< 177.8

* Excluding feed in tariff and non-regulated services costs

PROGRAM OF WORK

Performance measure	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Delivery of program of work	> 90% of scope delivered	> 92.5% of scope delivered	> 95% of scope delivered	> 97.5% of scope delivered

OUR OWNERS

Our goal is to operate our business to deliver sustainable shareholder outcomes. We aim to provide an appropriate return on assets and equity, dividends to shareholders and a resilient balance sheet while maintaining our corporate reputation.

Consistent with national competition principles, customers in Tasmania should not receive different network outcomes because of our Government ownership. To this end, our income is based on a benchmark entity, with debt levels and costs, and tax rates set independent of ownership. On the cost side, our interest costs reflect our gearing levels, and we make tax equivalent payments and guarantee fee payments to the State of Tasmania.

Financial targets	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Earnings before interest, tax, depreciation and amortisation (\$m)	≥ 374.2	≥ 331.5	≥ 352.0	≥ 355.8
Profit after tax (\$m)	≥ 92.7	≥ 57.3	≥ 62.0	≥ 58.4
Return on assets (%)	≥ 6.8%	≥ 5.1%	≥ 5.2%	≥ 5.0%
Return on assets commensurate with regulated Weighted Average Cost of Capital*	Yes	Yes	Yes	Yes
Return on equity (%)	≥ 9.2%	≥ 5.5%	≥ 5.7%	≥ 5.1%
Gearing ratio (%)	≤ 63.9%	≤ 64.2%	≤ 62.8%	≤ 61.5%

* - Calculated in accordance with methodology agreed with Department of Treasury and Finance.

Returns to government (\$m)	Target 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20
Government guarantee fee	≥ 7.1	≥ 8.0	≥ 7.4	≥ 7.7
Income tax equivalent payments	≥ 40.1	≥ 48.4	≥ 35.2	≥ 38.7
Dividends	≥ 67.4	≥ 77.0	≥ 44.4	≥ 48.5
Equity withdrawals	50.0	-	-	-
Total Returns to Government	≥ 164.5	≥ 133.3	≥ 87.0	≥ 94.9

DIRECTORS' REPORT

The directors present their report together with the financial report of Tasmanian Networks Pty Ltd (**TasNetworks**) for the financial year ended 30 June 2017.

Directors

- Dr Daniel Norton AO (Chairman and Director) – appointed 4 February 2014
- Kevin Murray – appointed 4 February 2014
- Donald Challen AM – appointed 4 February 2014, retired 1 November 2016
- Mervyn Davies – appointed 4 February 2014, retired 1 November 2016
- Dr Jane Sargison – appointed 1 July 2014
- Joanne Doyle – appointed 1 July 2016
- Peter McIntyre – appointed 1 November 2016

Principal activities

The principal activity of TasNetworks is to build, own and operate the transmission, distribution and communication networks of the Tasmanian electricity system.

Review of operations

TasNetworks recorded an after-tax profit of \$93.927 million for the year ended 30 June 2017 and the company invested \$208.9 million in a number of capital projects.

A more detailed review of the company's operations during the year is contained in this Annual report and the financial statements that follow.

Shareholders' capital reductions and distributions

During 2016-2017, \$50 million of debt liabilities were transferred to TasNetworks from Hydro-Electric Corporation (Hydro Tasmania) on 31 January 2017 pursuant to a Transfer Notice made by the Treasurer under section 10A of the *Government Business Enterprises Act*.

Changes in state of affairs

There were no significant changes in TasNetworks' state of affairs during the financial year ended 30 June 2017.

Environmental regulation

TasNetworks' operations are subject to many environmental regulatory requirements including the *Environmental Management and Pollution Control Act 1994*. There were 17 reportable environmental incidents during the financial year. Two oil spill events were reported to the Environmental Protection Authority Tasmania. There were also 12 Wedge Tailed Eagle deaths, one White Belly Sea Eagle death, one Grey Goshawk death and one

Masked Owl death reported to Department of Primary Industries, Parks, Water, and Environment.

More information on TasNetworks' environmental performance during the year is included in the Annual Report.

Dividends

TasNetworks paid to its shareholders a dividend of \$72.628 million on 31 December 2016 from after-tax profits for the 2015-2016 financial year.

In respect of the 2016-17 financial year TasNetworks' intention is to pay a dividend based upon 90 per cent of Adjusted Net Profit after Tax for the 2016-2017 year.

Indemnities and insurance

The company has indemnified the directors to the extent permitted by law against liabilities and legal costs incurred by the directors acting in their capacity as directors.

The company has insured the directors, company secretary and executive officers of the company against liabilities as permitted by the *Corporations Act 2001*.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No applications for leave under section 237 of the *Corporations Act 2001* to bring, or to intervene in, proceedings on behalf of the company were made during the financial year.

Rounding of amounts

Amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated, in accordance with ASIC Class Order 2016/191.

Auditor's independence declaration

The auditor's independence declaration is included in the Annual Report.

Signed in accordance with a resolution of the directors



Dr D T Norton AO Chairman

Date: 10/8/17

AUDITORS INDEPENDENCE DECLARATION



Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

10 August 2017

The Board of Directors
Tasmanian Networks Pty Ltd
P O Box 606
MOONAH TAS 7009

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Networks Pty Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

In accordance with the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

A handwritten signature in blue ink, appearing to read "RW".

Rod Whitehead
Auditor-General

...1 of 1

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

AUDITORS REPORT



Independent Auditor's Report

To the Members of Tasmanian Networks Pty Ltd

Report on the Audit of the Consolidated Financial Report

Opinion

I have audited the financial report of Tasmanian Networks Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Group is in accordance the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian 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.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Group on 10 August 2017 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

...1 of 4

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
---------------------------------------------------------------------------------------------	--------------------------------------------------------

Network Assets

Refer to note B2

The Group's network assets, which comprised transmission assets valued at \$1.24bn and distribution assets valued at \$1.48bn, were valued in accordance with the Australian Energy Regulator Regulated Asset Base methodology.

The Group had a substantial capital expenditure programme in the year (property plant and equipment additions of \$164.68m and intangible additions of \$42.23m) and incurred significant expenditure in relation to the development and maintenance of both infrastructure and non-infrastructure assets.

Expenditure in relation to increasing the capacity, refurbishing or enhancing the electricity transmission and distribution network assets is capitalised. Capital projects contain a combination of enhancement and maintenance activity which are not distinct and therefore the allocation of costs between capital and operating expenditure is inherently judgemental.

In addition, the determination of the useful lives of networks assets had a significant impact on the annual depreciation expense. Significant judgement was used in the selection of the depreciation method and estimation of the useful lives of assets.

- Assessing the Group's capitalisation policy to determine compliance with relevant accounting standards.
- Testing, on a sample basis, the allocation of costs between capital and operating expenditure based on the Group's capitalisation policy.
- Assessing, a selection of capital projects, the application of the capitalisation policy to the costs incurred by agreement to third party documentation and obtaining explanations and further support for any significant changes in capital expenditure from budget.
- Testing a selection of additions throughout the year.
- Evaluating management's assessment of useful lives of network assets.
- Assessing depreciation expenses for each class of asset.
- Evaluating inputs used in the Australian Energy Regulator Regulated Asset Base valuation methodology.
- Assessing the adequacy of relevant disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

...2 of 4

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I

...3 of 4

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

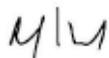
conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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



Rod Whitehead
Auditor-General

Tasmanian Audit Office

16 August 2017
Hobart

...4 of 4

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss
For the financial year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Revenue	A1	552,212	597,778
Total revenue		552,212	597,778
Operating expenses	A2(a)	(176,936)	(172,501)
Depreciation and amortisation expenses	A2(b)	(155,747)	(167,856)
Finance costs	A3	(85,442)	(110,245)
Impairment expense	B3	-	(6,652)
Total expenses		(418,125)	(457,254)
Profit before income tax equivalent		134,087	140,524
Income tax equivalent expense on profit	A4(a)	(40,160)	(42,142)
Net profit for the year		93,927	98,382

The consolidated statement of profit or loss is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Comprehensive Income
For the financial year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Net profit for the year		93,927	98,382
Items that will not be reclassified subsequently through profit or loss:			
Net fair value movements on property, plant and equipment	D3	39,184	34,629
Superannuation actuarial gains/(losses)	F2	33,107	(37,594)
Income tax equivalent expense on items that will not be reclassified subsequently through profit or loss	A4	(21,687)	998
		50,604	(1,967)
Items that may be reclassified subsequently through profit or loss:			
Hedge reserve			
- Gain/(loss) taken to equity	D3	712	(3,248)
- Transferred to profit for the year	D3	2,854	4,173
Income tax equivalent expense on items that may be reclassified subsequently through profit or loss	A4	(1,070)	(277)
		2,496	648
Total comprehensive income for the year		147,027	97,063

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	C3(a)	2,017	20,219
Trade and other receivables	E1	98,850	103,286
Inventories	E2	17,849	14,571
Current tax asset	A4(c)	-	2,086
Other current assets	E3	4,523	4,323
Total current assets		123,239	144,485
Non-current assets			
Intangible assets	B1	86,272	56,506
Property, plant and equipment	B2	3,055,527	2,996,400
Other non-current assets	E3	-	281
Total non-current assets		3,141,799	3,053,187
Total assets		3,265,038	3,197,672
Current liabilities			
Trade and other payables	E5	80,572	57,960
Borrowings	C1	142,462	155,000
Employee benefits	F1	29,682	28,436
Provisions	E4	1,816	1,205
Current tax liabilities	A4(c)	6,069	-
Other current liabilities	E6	10,336	7,678
Total current liabilities		270,937	250,279
Non-current liabilities			
Borrowings	C1	1,643,300	1,594,302
Net deferred tax equivalent liabilities	A4(d)	226,196	218,039
Employee benefits	F1	159,337	187,218
Provisions	E4	1,650	3,003
Other non-current liabilities	E6	19,531	25,143
Total non-current liabilities		2,050,014	2,027,705
Total liabilities		2,320,951	2,277,984
Net assets		944,087	919,688
Equity			
Retained earnings	D1	182,040	137,566
Contributed equity	D2	62,725	112,725
Reserves	D3	699,322	669,397
Total equity		944,087	919,688

The consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2017

	Note	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2016		112,725	675,587	(6,190)	137,566	919,688
Profit for the year		-	-	-	93,927	93,927
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	39,184	-	-	39,184
Superannuation actuarial gains/(losses)	F2	-	-	-	33,107	33,107
Hedge reserve	D3	-	-	3,566	-	3,566
Income tax relating to components of other comprehensive income	A4(b)	-	(11,755)	(1,070)	(9,932)	(22,757)
Total comprehensive income for the year		-	27,429	2,496	117,102	147,027
Transactions with owners in their capacity as owners:						
Distribution to owners	D2	(50,000)	-	-	-	(50,000)
Dividends paid	D1	-	-	-	(72,628)	(72,628)
As at 30 June 2017		62,725	703,016	(3,694)	182,040	944,087

	Note	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2015		232,725	651,238	(6,838)	129,095	1,006,220
Opening balance adjustment	1(e)	-	-	-	(395)	(395)
Profit for the year		-	-	-	98,382	98,382
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	34,629	-	-	34,629
Superannuation actuarial gains/(losses)	F2	-	-	-	(37,594)	(37,594)
Hedge reserve	D3	-	-	925	-	925
Income tax relating to components of other comprehensive income	A4(b)	-	(10,280)	(277)	11,278	721
Total comprehensive income for the year		-	24,349	648	71,671	96,668
Transactions with owners in their capacity as owners:						
Return of capital	D2	(50,000)	-	-	-	(50,000)
Distribution to owners	D2	(70,000)	-	-	-	(70,000)
Dividends paid	D1	-	-	-	(63,200)	(63,200)
As at 30 June 2016		112,725	675,587	(6,190)	137,566	919,688

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows
For the financial year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities:			
Receipts from customers		619,841	647,315
Interest received		455	69
Payment to suppliers and employees		(222,562)	(233,073)
Interest paid		(71,093)	(92,446)
Guarantee fee paid		(6,956)	(11,862)
Income tax equivalents paid		(46,596)	(55,612)
Net cash provided by operating activities	<i>C3(b)</i>	273,089	254,391
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		572	1,366
Payment for property, plant and equipment		(164,674)	(131,255)
Payment for intangible assets		(41,021)	(27,435)
Net cash used in investing activities		(205,123)	(157,324)
Cash flows from financing activities*:			
Proceeds from borrowings		343,784	1,195,146
Repayment of borrowings		(357,324)	(1,159,562)
Return of shareholder capital	<i>D2</i>	-	(50,000)
Dividends paid	<i>D1</i>	(72,628)	(63,200)
Net cash used in financing activities		(86,168)	(77,616)
Net increase/(decrease) in cash and cash equivalents		(18,202)	19,451
Cash and cash equivalents at the beginning of the financial year		20,219	768
Cash and cash equivalents at the end of the financial year	<i>C3(a)</i>	2,017	20,219

* See note C3 for non-cash financing activities.

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the consolidated financial statements For the financial year ended 30 June 2017

Tasmanian Networks Pty Ltd (TasNetworks) is a for profit private company, incorporated and operated in Australia. TasNetworks' registered address and principal place of business is 1-7 Maria Street, Lenah Valley, Tasmania, Australia 7008.

1. Statement of compliance and basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB), and the requirements of the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements of the group. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis.

TasNetworks' working capital other than short term maturities is \$5.236m deficit (2016: \$49.206m surplus). Short term maturities of \$142.462m (2016: \$155.000m) will be refinanced in line with TasNetworks' Treasury Risk Management Policy (see note C1).

The financial statements were authorised for issue by the directors on 10 August 2017.

(a) Basis of preparation

The financial statements have been prepared as consolidated financial statements to include all the external transactions for Ezikey Group Pty Ltd and AuroraCom Pty Ltd. Full provision to accommodate AASB 10 *Consolidated Financial Statements* has not been applied due to immateriality of controlled entities. Details of controlled entities are provided in note H3 and results for the parent entity are provided in note H4.

The financial statements have been prepared on the basis of historical cost except financial instruments and certain non-current assets. Network assets are recorded in accordance with the Regulated Asset Base (RAB) methodology. Cost is based on the fair values of the consideration given in exchange for assets.

In accordance with Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191 amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated. All values are expressed in Australian dollars.

Where there has been reclassification of items in the financial statements, the prior year comparatives have also been reclassified to ensure comparability with the current reporting period. Details of the reclassification are disclosed, where applicable, in the relevant note to the financial statements.

(b) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(c) Judgements, estimates and assumptions

In the application of TasNetworks' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following notes contain key assumptions and other key sources of estimation uncertainty during the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Note	Assumption and estimates
A1	Unbilled use of system
A4	Recovery of deferred tax assets
B3	Impairment testing results
E4	Workers compensation provision
F1	Long service leave
F2	Defined benefit superannuation plan

(d) Notes to the financial statements

The notes to the financial statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of TasNetworks. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of TasNetworks
- it helps explain the impact of significant changes in TasNetworks
- it relates to an aspect of TasNetworks' operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how TasNetworks' strategy is reflected in the financial performance and position of TasNetworks.

These sections comprise:

- A TasNetworks' performance
- B TasNetworks' assets
- C Financing TasNetworks' business
- D TasNetworks' equity
- E Other assets and liabilities
- F TasNetworks' people
- G Commitments
- H Other information

The accounting policies as set out in these notes, have been applied in preparing the financial statements for the financial year ended 30 June 2017 and the comparative information presented in these financial statements for the period ended 30 June 2016. The changes made to these accounting policies for the financial year ended 30 June 2017 are detailed in note H5.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

(e) Correction of prior period amounts

During the financial year it was identified, on the implementation of TasNetworks' Enterprise Resource Planning (ERP) System (release 1), that there was an error in the inventory valuation. The error commenced in the 2010-11 financial year. A significant amount of inventory is utilised in capital projects with some going to operational works. A full assessment has been completed as to the financial impact of the error which has resulted in the following entry being adjusted in the comparative year in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

	Note	2016 \$'000	Adjustment \$'000	FINAL 2016 \$'000
Statement of Financial Position Item:				
Capital works in progress	B2	45,784	3,239	49,023
Inventories	E2	18,927	(3,803)	15,124
Retained earnings	D1	137,961	(395)	137,566
Provision for deferred tax	A4	218,208	(169)	218,039

A. TasNetworks' performance

This section highlights TasNetworks' performance for the year including details of revenue and expenses as well as taxation liabilities.

A1. Revenue

	2017 \$'000	2016 \$'000
Provision of regulated distribution services	325,816	339,024
Provision of regulated transmission services	178,742	194,692
Provision of non-regulated telecommunication services	18,604	18,476
Provision of other non-regulated services	10,470	26,475
Customer contributions	12,114	12,075
Rent and lease income	995	982
Interest received	455	69
Other revenue	5,016	5,985
	552,212	597,778

Recognition and measurement

Revenue is recognised at fair value of the consideration received or receivable net of the amount of GST payable.

Provision of regulated services

Regulated services revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to TasNetworks and the revenue can be reliably measured. Revenue earned from the use of the distribution system and customers connected to the transmission network is recognised at the time of the provision of the electricity to those customers. Income earned from the provision of electricity is the value of electricity units supplied to electricity customers during the year. Included in this amount is accrued revenue for unbilled use of system charges.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

TasNetworks does not accrue or defer amounts that are allowed to be recovered from customers (or credited to them) in future years under regulatory pricing mechanisms. Revenue will be adjusted in future financial years, via resetting of revenue and prices.

Key Estimate

Unbilled Use of System

TasNetworks recognises an accrual for the unbilled use of system. Unbilled use of system is an estimate of charges to retailers between the date of the last meter reading and the year end. The estimate of the units supplied is based on the historic usage profile at the relevant tariff prices.

Provision of non-regulated services

Non-regulated services income is income received for services that are not economically regulated, including operating and maintenance, connections and external work.

Included in non-regulated services is income received in advance. This is predominately non-prescribed services revenue that has been received from customers for a long term connection to the electricity system. The income is recorded upon receipt and recognised over the life of the agreement to which it pertains, reflecting the performance of the contractual obligations. Where projects are still progressing, revenue is recognised in the statement of profit or loss in proportion to the stage of completion of TasNetworks' obligations under the contract at balance date where appropriate.

Non-regulated services revenue for 2015-16 included revenue of \$8.190m relating to the derecognition of connection income following the termination of Newwood Holdings' (formerly Forestry Tasmania's) connection agreement with TasNetworks on 30 June 2016.

Customer contributions

Contributions from customers applied to capital projects are treated as revenue under accounting Interpretation 18 *Transfer of Assets from Customers*. The amount of revenue recognised in each financial year is determined by reference to TasNetworks' obligations under each contract and the relevant stage of completion of each obligation. Where capital works are incomplete, the portion of customer contributions that have been received in advance of the works being completed is included as a liability in the statement of financial position.

Interest

Interest revenue is recognised as it accrues on a time proportionate basis that takes into account the effective yield on the financial asset.

Other revenue

Other revenue includes the profit or loss on sale of assets and inventory and is recognised in the statement of profit or loss when significant risks and rewards of ownership of the goods have passed to the buyer.

Rental income

Rental income is recognised in the statement of profit or loss on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

A2. Expenses

(a) Operating Expenses

	Note	2017 \$'000	2016 \$'000
Employee benefits expenses	A2(c)	103,007	97,037
Services ¹		53,080	50,939
Information Technology and Communications		14,284	14,420
Feed-in-tariff ² expenses		11,675	13,023
Property costs		6,164	6,153
Materials		8,323	4,321
Licence fees		6,454	5,939
Insurance		2,371	2,394
Distribution claims and payments		3,260	2,498
(Gain)/loss on disposal of property, plant and equipment		(74)	227
Other expenses		8,891	11,471
Capitalised indirect costs ³		(40,499)	(35,921)
		176,936	172,501

1. Services expenditure comprises the provision of both professional services and services incurred in maintaining TasNetworks' assets.
2. Feed-in-tariff represents the reimbursements paid to retailers under section 44I of the *Electricity Supply Industry Act 1995* which requires retailers to be reimbursed for the difference between the legacy transitional feed-in-tariff rate paid to the customer and the standard feed-in-tariff rate. The feed-in-tariff is due to expire on 1 January 2019.
3. Capitalised indirect costs includes the portion of overheads and indirect costs that have been capitalised to the statement of financial position in accordance with TasNetworks' Australian Energy Regulator (AER) approved cost allocation methodology.

(b) Depreciation and amortisation expenses

Depreciation of property, plant and equipment ¹	B2	144,250	158,302
Amortisation of intangible assets	B1	11,497	9,554
		155,747	167,856

1. The depreciation of property, plant and equipment has reduced due to the value of certain distribution network assets and short-life assets being fully depreciated at 30 June 2016.

(c) Employee benefits expenses

Post employment benefits:			
Defined benefit plan	F2	10,064	9,863
Superannuation Guarantee Contributions		8,534	8,020
		18,598	17,883
Termination benefits		1,168	1,679
Other employee benefits (salary and wages)		89,817	84,429
Total employee benefit expenses		109,583	103,991
Interest cost on defined benefit plan	F2	(6,576)	(6,954)
Employee benefits expenses in profit or loss	A2(a)	103,007	97,037

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

A3. Finance costs

	Note	2017 \$'000	2016 \$'000
Finance costs incurred during the financial year		68,675	68,167
Loss recognised on debt restructure		-	23,262
Government guarantee fee		10,191	11,862
Interest costs on defined benefit plan	F2	6,576	6,954
Total finance costs		85,442	110,245

A4. Income tax equivalents

(a) Recognised in profit or loss

Income tax equivalent (expense)/income comprises:			
Current income tax expense		(54,806)	(60,515)
Net increase/(decrease) in deferred tax equivalent liability		14,723	18,547
Prior year under/over provision		(77)	(174)
Total income tax equivalent (expense)/income		(40,160)	(42,142)
Numerical reconciliation between income tax equivalent expense and pre-tax net profit			
Profit before income tax equivalent		134,087	140,524
Income tax equivalent calculated at 30%		(40,226)	(42,157)
Increase in income tax equivalent expense due to:			
Non-deductible expenses		66	15
Total income tax equivalent (expense)/income		(40,160)	(42,142)

(b) Recognised in other comprehensive income

Items that will not be reclassified subsequently through profit or loss:			
Income tax equivalent on fair value movements		(11,755)	(10,280)
Income tax equivalent on superannuation actuarial (gains)/losses		(9,932)	11,278
Total recognised in other comprehensive income		(21,687)	998
Items that may be reclassified subsequently through profit or loss:			
Income tax equivalent on hedge reserve		(1,070)	(277)
Total recognised in other comprehensive income		(1,070)	(277)
Total income tax equivalent recognised in other comprehensive income		(22,757)	721

(c) Current tax equivalent assets and liabilities

Current tax equivalent payable/(receivable)		6,069	(2,086)
---------------------------------------------	--	-------	---------

(d) Deferred tax equivalent balances

Deferred tax equivalent assets comprise:			
Temporary differences		59,721	69,229
Deferred tax equivalent liabilities comprise:			
Temporary differences		285,917	287,268
Net deferred tax equivalent liabilities		226,196	218,039

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

(e) Movement in temporary differences during the current financial year

	Balance 1-Jul-16	Recognised in income	Recognised in equity	Prior year unders/ overs	Balance 30-Jun-17
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax equivalent liabilities:					
Property, plant and equipment	(287,268)	13,229	(11,755)	(123)	(285,917)
Inventories	-	-	-	-	-
	(287,268)	13,229	(11,755)	(123)	(285,917)
Deferred tax equivalent assets:					
Employee benefits	64,424	2,194	(9,932)	-	56,686
Provisions	1,813	(255)	-	-	1,558
Derivatives	2,616	29	(1,070)	-	1,575
Other items	376	(474)	-	-	(98)
	69,229	1,494	(11,002)	-	59,721
Net deferred tax equivalent liabilities	(218,039)	14,723	(22,757)	(123)	(226,196)

(f) Movements in temporary differences during the previous financial year

	Balance 1-Jul-15	Recognised in income	Recognised in equity	Prior year unders/ overs	Balance 30-Jun-16
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax equivalent liabilities:					
Property, plant and equipment	(295,051)	18,068	(10,280)	(5)	(287,268)
Inventories	-	-	-	-	-
	(295,051)	18,068	(10,280)	(5)	(287,268)
Deferred tax equivalent assets:					
Employee benefits	50,546	2,600	11,278	-	64,424
Provisions	3,692	(1,879)	-	-	1,813
Derivatives	2,863	30	(277)	-	2,616
Other items	648	(272)	-	-	376
	57,749	479	11,001	-	69,229
Net deferred tax equivalent liabilities	(237,302)	18,547	721	(5)	(218,039)

Notes to the consolidated financial statements (continued) For the financial year ended 30 June 2017

Recognition and measurement

Under the National Tax Equivalents Regime (NTER), TasNetworks is required to make income tax equivalent payments to the State Government. The charge for current income tax expense is based on the sum of tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity. It is calculated using the tax rates that have been enacted at the balance date.

Current income tax

Current tax equivalent is calculated by reference to the amount of income tax equivalent payable or recoverable in respect of the taxable profit or loss for the period using the legislated income tax rate. Current tax equivalent is recognised as a liability/(asset) to the extent that it is unpaid/(recoverable).

Deferred tax liabilities and assets

Deferred tax equivalent is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax equivalent assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and laws enacted at the reporting date. The measurement of deferred tax equivalent liabilities and assets reflects the tax consequences from the manner in which TasNetworks expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax equivalent assets and liabilities are offset when they relate to income tax equivalents levied by the same taxation authority and where TasNetworks intends to settle its current tax equivalent assets and liabilities on a net basis.

Current and deferred tax equivalent for the period is recognised as an expense or income in the statement of profit or loss except when it relates to items of other comprehensive income, in which case the tax equivalent is also recognised directly in other comprehensive income.

Key Assumption

Recovery of deferred tax assets

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

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

B. TasNetworks' assets

This section highlights the investments made by TasNetworks into its asset base as well as providing a summary of the impairment assessment.

B1. Intangible assets

	Note	2017 \$'000	2016 \$'000
Intangible assets - at cost			
Gross carrying value			
Opening balance		163,513	159,056
Transferred between asset classes*		7,820	-
Additions		42,234	4,457
Closing balance		213,567	163,513
Accumulated amortisation			
Opening balance		(129,986)	(120,432)
Transferred between asset classes*		(7,578)	-
Amortisation expense	A2(b)	(11,497)	(9,554)
Closing balance		(149,061)	(129,986)
Capital works in progress - at cost		21,766	22,979
Carrying amount - at cost		86,272	56,506

Recognition and measurement

Computer software, identified as intangible assets, is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives and amortisation methods are reviewed annually for appropriateness.

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

Amortisation expense is included in the line item of 'depreciation and amortisation expenses' in the statement of profit or loss. Upon implementation of the first release of TasNetworks' ERP system the effective lives of the remaining finance and payroll systems were reviewed. This resulted in accelerated depreciation of \$0.650m against the remaining asset value of these systems.

TasNetworks' ERP release one was capitalised during the 2016-17 year. The ERP was configured to reflect the terms and conditions of the pre existing Enterprise Agreements. Upon approval of TasNetworks' new Enterprise Agreement by Fair Work Australia the cost of the initial configuration of \$0.534m was expensed as part of the amortisation expense for the year.

The intangible capital works in progress includes the expenditure on the development and implementation of TasNetworks' ERP Business transformation project release two and other software replacement projects.

* The class allocation of certain assets was realigned during the transition of asset data to the ERP during 2016-17.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

B2. Property, plant and equipment

	2017 \$'000	2016 \$'000
Network assets - Transmission		
Network assets – at fair value	1,956,337	1,922,281
Accumulated depreciation	(711,505)	(642,733)
Carrying amount	1,244,832	1,279,548
Network assets - Distribution		
Network assets – at fair value	3,248,346	3,087,035
Accumulated depreciation	(1,773,342)	(1,678,318)
Carrying amount	1,475,004	1,408,717
Communication assets		
Communication assets – at fair value	56,885	49,219
Accumulated depreciation	(27,740)	(22,763)
Carrying amount	29,145	26,456
Easements		
Easements – at fair value	77,269	76,674
Accumulated impairment	(47)	(47)
Carrying amount	77,222	76,627
Land		
Land – at fair value	36,365	35,099
Buildings		
Buildings – at fair value	93,937	76,691
Accumulated depreciation	(27,363)	(12,733)
Carrying amount	66,574	63,958
Other plant and equipment		
Other plant and equipment – at cost	158,136	172,339
Accumulated depreciation	(112,326)	(115,367)
Carrying amount	45,810	56,972
Capital works in progress – at cost	80,575	49,023
Total property, plant and equipment	3,055,527	2,996,400

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Recognition and measurement

All assets acquired are initially recorded at their costs of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. TasNetworks capitalises assets that meet the capitalisation threshold of \$500 and items under this limit are treated as expenses in the current period.

The cost of assets constructed includes the cost of contracted services, materials and direct labour, and an appropriate portion of overhead costs. Costs incurred on an asset subsequent to the initial acquisition are capitalised when the original capacity of an asset has been enhanced, or the life of an asset has been extended.

The components of major assets that have materially different useful lives are accounted for as separate assets, and are depreciated separately.

Network assets

Network assets are categorised as Transmission assets (to transport electricity from generators to distribution networks and directly connected transmission customers at high voltages) and Distribution assets (to transport electricity from points along the transmission network to customers after being stepped down to lower voltages for safe use by customers).

Network assets are valued in accordance with the AER Regulated Asset Base (RAB) methodology. They are revalued to their value in use based on the regulated revenue that the assets are allowed to earn under the National Electricity Rules which best represents its fair value and income earning capacity.

Network opening asset values are escalated annually in accordance with the RAB methodology based on the Consumer Price Index (CPI) movement for the year. Revaluation can also occur if the asset base is adjusted by the AER via the regulatory process.

The AER makes a determination of asset values and the applicable weighted average cost of capital (WACC) (currently 8.28% for distribution and 6.33% for transmission post tax nominal), which is used in determining the revenue allowed to be earned in the future from the network assets.

Assets completed and transferred to completed works during the current year are valued at cost.

Communication assets

Communication assets are recorded at fair value based on the AER RAB methodology to best represent their fair value and income earning capacity.

The RAB methodology requires the opening asset values to be escalated annually based on the CPI movement for the year.

Easements

Easements are recorded at fair value based on the AER RAB methodology to best represent their fair value and income earning capacity.

The RAB methodology requires the opening assets values to be escalated annually based on the CPI movement for the year.

Land

Land is carried at fair value, less any subsequent impairment losses where applicable. Revaluations occur periodically at least every five years, or when management initiates a review due to the existence of an indicator that movement in valuation has occurred.

TasNetworks' primary operational land sites are valued in accordance with an independent valuation conducted by Opteon in February 2016. TasNetworks' land in many instances is zoned as "public utility" which is rarely transacted. Valuations do however factor in some market evidence of land with similar features, topography and location. Where no formal valuation has taken place fair value is considered to be the value as determined by the Valuer-General.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Buildings

Buildings are carried at fair value, less any subsequent accumulated depreciation and impairment losses where applicable. Revaluations occur periodically at least every five years, or when management initiates a review due to the existence of an indicator that movement in valuation has occurred.

TasNetworks' primary operational buildings are valued in accordance with an independent valuation conducted by Opteon in February 2016. The valuation is based on a notional lease at current market rates.

Where no formal valuation has taken place fair value is considered to be the value as determined by the Valuer-General.

Other plant and equipment

Other plant and equipment includes optic fibre, motor vehicles, computer equipment, office furniture and equipment. These assets are stated at cost less accumulated depreciation and impairment, where applicable. These assets are valued at written down value as they are low value, short life and high turnover assets.

Capital works in progress

Capital works in progress are recognised at cost.

Disposal of assets

The gain or loss on the disposal of assets is calculated as the difference between the carrying amount of the assets at the time of disposal (less cost of disposal) and the proceeds on disposal and is included in the statement of profit or loss in the year of disposal. Any revaluation surplus remaining in the revaluation reserve is recognised in the statement of comprehensive income.

Revaluations of non-current assets

Any revaluation of property, plant and equipment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as expenses in profit or loss, in which case the increase is credited to the statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve in relation to a previous revaluation of those assets.

Useful lives and depreciation

Depreciation on property, plant and equipment other than land is based on the straight-line method so that assets are written off over their expected useful lives. The estimated useful lives, residual values, depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in the current and future periods.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

The useful lives assigned to TasNetworks' assets are listed below and have not changed from the prior year:

Transmission Network assets:

Transmission lines	45-60 yrs
Underground cables	45 yrs
Substation establishment	60 yrs
Transmission substation switch bays	45 yrs
Transmission capacitors	45 yrs
Transmission transformers	45 yrs
Control and protection schemes	15 yrs

Distribution Network assets:

Distribution overhead lines	35 yrs
Underground cables	60 yrs
Distribution substations	40 yrs
Zone substations	40 yrs
Meters	30 yrs
Service connections	35 yrs

Communication assets:

Communication equipment	10-40 yrs
-------------------------	-----------

Other plant and equipment:

Buildings	40 yrs
Optic fibre	20 yrs
Other plant and equipment	3-15 yrs

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

	2017										Total
	Transmission network at fair value	Distribution network at fair value	Communication at fair value	Easements at fair value	Land at fair value	Buildings at fair value	Other plant & equipment at cost	Capital works in progress at cost			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value											
At beginning of financial year	1,922,281	3,087,035	49,219	76,674	35,099	76,691	172,339	49,023			5,468,361
Transfer between classes*	(8,641)	(1,662)	199	(546)	1,266	16,316	(15,660)	1,017			(7,711)
Additions during the year	-	-	-	-	-	-	-	164,680			164,680
Disposals	-	-	-	-	-	-	(1,790)	-			(1,790)
Transfers of WIP to non-current assets	13,992	109,250	6,726	-	-	930	3,247	(134,145)			-
Net revaluation increments/ (decrements)	28,705	53,723	741	1,141	-	-	-	-			84,310
Balance at end of financial year	1,956,337	3,248,346	56,885	77,269	36,365	93,937	158,136	80,575			5,707,850
Accumulated depreciation and impairment losses											
At beginning of financial year	(642,733)	(1,678,318)	(22,763)	(47)	-	(12,733)	(115,367)	-			(2,471,961)
Transfer between classes*	4,501	1,665	(134)	-	-	(11,897)	13,335	-			7,470
Disposals	-	-	-	-	-	-	1,544	-			1,544
Net revaluation increments/ (decrements)	(9,573)	(35,210)	(343)	-	-	-	-	-			(45,126)
Impairment losses charged to profit	-	-	-	-	-	-	-	-			-
Depreciation charge for the year	(63,700)	(61,479)	(4,500)	-	-	(2,733)	(11,838)	-			(144,250)
Balance at end of financial year	(711,505)	(1,773,342)	(27,740)	(47)	-	(27,363)	(112,326)	-			(2,652,323)
Carrying amount at 30 June 2017	1,244,832	1,475,004	29,145	77,222	36,365	66,574	45,810	80,575			3,055,527
Carrying amount of assets had they been recognised at cost											
Balance at 30 June 2017	1,195,692	1,422,723	28,209	73,690	33,841	59,658	45,810	80,575			2,940,198

* The class allocation of certain assets was realigned during the transition of asset data to the ERP during 2016-17.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

	2016							Total
	Transmi- -sion network at fair value at fair value	Distribution network at fair value at fair value	Commun- -ication at fair value at fair value	Easements at fair value at fair value	Land at fair value at fair value	Buildings at fair value at fair value	Other plant & equipment at cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value								
At beginning of financial year	1,871,377	2,965,703	44,273	75,321	32,549	68,232	173,486	44,405
Transferred at fair value	-	3,950	-	-	-	(1,854)	(2,096)	-
Opening balance adjustment	-	-	-	-	-	-	-	3,239
Additions during the year	-	-	-	-	-	-	-	132,392
Disposals	-	-	-	-	-	-	(7,735)	-
Transfers of WIP to non-current assets	23,536	93,199	4,200	81	279	1,034	8,684	(131,013)
Net revaluation increments/(decrements)	27,368	24,183	746	1,272	2,271	9,279	-	-
Balance at end of financial year	1,922,281	3,087,035	49,219	76,674	35,099	76,691	172,339	49,023
Accumulated depreciation and impairment losses								
At beginning of financial year	(568,411)	(1,576,194)	(19,074)	-	-	(9,648)	(109,372)	-
Transferred	-	(16)	-	-	-	-	16	-
Disposals	-	-	-	-	-	-	6,182	-
Net revaluation increments/(decrements)	(8,214)	(21,815)	(320)	-	-	(141)	-	-
Impairment losses charged to profit	(5,712)	-	(2)	(47)	-	(891)	-	-
Depreciation charge for the year	(60,396)	(80,293)	(3,367)	-	-	(2,053)	(12,193)	-
Balance at end of financial year	(642,733)	(1,678,318)	(22,763)	(47)	-	(12,733)	(115,367)	-
Carrying amount at 30 June 2016	1,279,548	1,408,717	26,456	76,627	35,099	63,958	56,972	49,023
Carrying amount of assets had they been recognised at cost								
Balance at 30 June 2016	1,246,581	1,372,652	25,702	74,236	32,575	56,583	56,972	49,023
								2,914,324

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Assets measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised with the fair value hierarchy as shown below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, TasNetworks determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 3 significant valuation inputs and relationship to fair value

Asset	Fair Value as at 30 June 2017 \$'000	Fair Value as at 30 June 2016 \$'000	Significant inputs	Range of inputs	Relationship of inputs to fair value
RAB assets (including Network assets, Communication assets and Easements)	2,826,203	2,791,348	CPI	+/- 1%	A 1% increase in CPI increases the fair value of assets by \$28m
			AER Determination	N/A	AER determination of the asset values via regulatory revenue reset process
Buildings - Office buildings	66,574	63,958	Notional lease for 10 years at a current market rent	+/- expected rental growth and occupancy rates	The higher the expected rental growth and occupancy rates the greater the fair value
Buildings - Other			Notional lease for 5 years at a current market rent	+/- expected rental growth and occupancy rates	The higher the expected rental growth and occupancy rates the greater the fair value

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

B3. Impairment of assets

	2017	2016
	\$'000	\$'000
Impairment expense - network assets	-	5,761
Impairment expense - buildings	-	891
	-	6,652

Recognition and measurement

At each reporting date, TasNetworks reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may have suffered an impairment loss. If an indication of impairment exists, the recoverable amount of the asset is estimated to determine the extent of any impairment losses. Where the asset does not generate cash flows that are independent from other assets, TasNetworks estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

If there is an impairment indicator, value in use is calculated based upon management's most recent cash flow forecasts for five years using a terminal growth rate and a discount rate which reflects the risks specific to TasNetworks' assets and prevailing market conditions at the time of the calculation.

Key Estimates and Assumptions

Impairment testing results

TasNetworks undertakes an assessment for impairment of all assets at each reporting date. If an indication of impairment exists, an estimate of the recoverable amount for each cash generating unit is made. This estimate is based on the revenue allowance as determined by the AER to determine future recoverable cash flows if any.

Significant events

During the year there were no significant asset impairment events.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

C. Financing TasNetworks' business

This section provides information relating to TasNetworks' capital structure and exposure to financial risks and how those risks are managed.

C1. Borrowings

All borrowings have been transacted through the Tasmanian Public Finance Corporation (TASCORP). All borrowings are secured by a floating charge on all present and future trade and other receivables.

	2017 \$'000	2016 \$'000
Current:		
Overnight borrowings	6,449	-
Borrowings	136,013	155,000
	142,462	155,000
Non-current:		
Borrowings	1,643,300	1,594,302
	1,643,300	1,594,302
Total Borrowings	1,785,762	1,749,302

TasNetworks' Treasury Risk Management Policy is to benchmark the debt portfolio to the Australian Energy Regulator's benchmark used in determining the revenue allowance, which is to have 1/10th of the portfolio repricing each year from year 1 to 10. In 2015-16, in recognition of the low interest rate environment, the Board resolved to exclude the \$100.000m of 30 year long term debt to 2046 from the benchmark debt portfolio. The current borrowings of \$136.013m (2016: \$155.000m) that are classified as current will be refinanced in line with this policy. See below for details of the borrowing facilities.

Unused borrowing facilities at balance date

	Limit 2017 \$'000	Drawn 2017 \$'000	Undrawn 2017 \$'000	Limit 2016 \$'000	Drawn 2016 \$'000	Undrawn 2016 \$'000
Unsecured bank overdraft facility	1,005	-	1,005	2,000	-	2,000
Corporate MasterCard	3,500	255	3,245	3,500	237	3,263
Guarantee facility	10,000	25	9,975	10,000	173	9,827
TASCORP Master Loan Facility	1,900,000	1,785,762	114,238	1,900,000	1,749,302	150,698

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Non-current borrowings are those borrowings that have a maturity beyond one year of the reporting date. All borrowings that are not non-current borrowings are current borrowings.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

C2. Financial instruments

(a) Classification and fair value measurement of financial instruments

Comparison between carrying amount as disclosed in the statement of financial position and their fair value in the current year

	Note	Carrying Amount			Fair Value		
		Hedging Instrument \$'000	Loans and Receivables \$'000	Other Liabilities \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets not measured at fair value:							
Cash and cash equivalents	C3(a)	-	2,017	-	n/a	n/a	n/a
Trade and other receivables	E1	-	98,850	-	n/a	n/a	n/a
Total financial assets		-	100,867	-			
Financial liabilities measured at fair value:							
Interest rate swaps	E6	5,251	-	-	-	5,251	-
Financial liabilities not measured at fair value:							
Trade and other payables	E5	-	-	80,572	n/a	n/a	n/a
Borrowings - fixed rate		-	1,659,313	-	-	1,714,164	97,151
Borrowings - floating rate		-	126,449	-	-	128,346	-
Total financial liabilities		5,251	1,785,762	80,572	-	1,847,761	97,151

Comparison between carrying amount as disclosed in the statement of financial position and their fair value in the previous year

	Note	Carrying Amount			Fair Value		
		Hedging Instrument \$'000	Loans and Receivables \$'000	Other Liabilities \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets not measured at fair value:							
Cash and cash equivalents	C3(a)	-	20,219	-	n/a	n/a	n/a
Trade and other receivables	E1	-	103,286	-	n/a	n/a	n/a
Total financial assets		-	123,505	-			
Financial liabilities measured at fair value:							
Interest rate swaps	E6	8,719	-	-	-	8,719	-
Financial liabilities not measured at fair value:							
Trade and other payables	E5	-	-	57,960	n/a	n/a	n/a
Borrowings - fixed rate		-	1,629,302	-	-	1,675,234	104,715
Borrowings - floating rate		-	120,000	-	-	122,565	-
Total financial liabilities		8,719	1,749,302	57,960	-	1,806,518	104,715

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Fair values of financial instruments

The carrying amount of financial assets and liabilities recorded in the financial statements, except for the borrowings from TASCORP, approximate their fair values.

The fair value of derivative instruments is calculated using quoted prices, or where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Derivative transactions are for the purpose of managing financial exposures that arise from underlying business positions. Therefore fair values should not be assessed in isolation. The overall impact should take into account the underlying exposures being held.

The fair value disclosed in note C2(a) for borrowings is the market value provided by TasNetworks' external borrowings provider TASCORP. The market value for level 2 fair value amounts is determined as the discounted cash flows of the instruments using the applicable yield curve.

The valuation methodology of the level 3 borrowings are disclosed below:

Valuation technique and key input(s)	Significant input(s)	Relationship of inputs to fair value
Discounting the expected future cash flows using an estimated market yield derived from TASCORP's 2024 and 2026 bond issuances.	Estimated market yield of 2046 bond due to no observable market rate.	Fair value represents an estimated market yield of the 2046 bonds.

Recognition and measurement

Derivative financial instruments

TasNetworks enters into various financial instruments including interest rate swaps, forward start borrowing agreements, forward rate agreements and foreign exchange contracts in order to manage financial exposures arising from its operations. In accordance with its Treasury Risk Management Policy, TasNetworks does not hold or issue derivative financial instruments for trading purposes.

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 each reporting date. The resulting gain or loss is immediately recognised in profit or loss on the statement of comprehensive income unless the derivative is designated and effective as a hedging instrument.

On the date the contract is entered, each contract is recorded in TasNetworks' hedge accounting system where the relevant effectiveness tests and documentation is created and all further designation and valuation data is recorded.

The fair value of a hedging instrument is presented as current or non-current based on the timing of the contractual cash flows, with cash flows expected to be realised or settled after 12 months classified as non-current and cash flows expected to be realised or settled within 12 months classified as current. Other derivatives are presented as current assets or current liabilities.

Compliance with policies and exposure limits are reviewed on an ongoing basis and any breaches are reported in a timely manner to the Board. Compliance is also reviewed by TasNetworks' internal auditors in accordance with TasNetworks' internal audit program.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Foreign currency transactions

Realised and unrealised gains and losses on foreign currency exposures are brought to account in the year to which they apply. Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at exchange rates in effect at that date. The gains and losses from hedging equipment exposures are transferred to the equipment accounts to become part of the acquisition cost of the assets. All exchange gains and losses relating to other hedge transactions are brought to account in the statement of comprehensive income in the same period as the exchange differences on the items covered by the hedge transactions. As a policy objective TasNetworks hedges its exposure to foreign currencies in excess of AUD \$1.000m.

(b) Financial risk management objectives

Exposures to market, credit, interest rate and liquidity risks arise in the normal course of TasNetworks' business. Financial instruments and management policies are used by TasNetworks to manage these risks in a manner that is consistent with TasNetworks' risk appetite and policies.

Capital management

TasNetworks' capital management policy is to maintain an appropriate capital structure to ensure it will continue as a going concern while maximising the return to shareholders through an appropriate balance of debt and equity

	Note	2017 \$'000	2016 \$'000
Debt to total capital ratio			
Debt (borrowings)	C1	1,785,762	1,749,302
Cash and cash equivalents	C3(a)	2,017	20,219
Net debt		1,783,745	1,729,083
Total capital (net debt + total equity)		2,727,832	2,649,166
Debt to total capital ratio		65%	65%

Risk management

TasNetworks does not enter into financial instruments for speculative purposes. Any foreign exchange or interest rate hedging is undertaken for the risk management of TasNetworks' business activities. The risks arising from TasNetworks' financial instruments are recognised and managed as discussed below:

Credit risk

Credit risk represents the potential loss at reporting date due to the change in fair value of credit exposure to a group of counterparties due to a change in the market perception of credit quality of that exposure, and the potential for credit default i.e. the probability that a counterparty to a financial instrument or contract will not adhere to the terms of the contract when payment is due. TasNetworks is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments.

The Credit Risk Management Policy establishes credit limits for parties depending on their credit rating. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents TasNetworks' maximum exposure to credit risk. Where collateral (e.g. cash deposit) is held by TasNetworks on behalf of counterparties, a corresponding liability is recognised.

The majority of TasNetworks' credit risk is to Australian based banks, financial institutions, electricity generators and electricity retailers and customers.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2017

Liquidity risk

The liquidity risk management parameters contained in the Treasury Risk Management Policy establishes a framework that has been developed to ensure there are sufficient funds to meet TasNetworks' financial commitments in a timely manner. It is also associated with planning for unforeseen events which may impact on cash flow and cause pressure on liquidity.

TasNetworks manages its liquidity risk by regularly reviewing its short term cash flow forecasts to ensure it has sufficient cash to meet its day-to-day operations and by matching the maturity profiles of financial assets and financial liabilities

The maturity analysis for TasNetworks' financial instruments is disclosed below.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. TasNetworks' foreign exchange risk arises from the purchase of goods and services from overseas parties.

TasNetworks uses forward exchange contracts to hedge its currency exposure where the exposure is in excess of AUD \$1.000m in line with the Treasury Risk Management Policy.

TasNetworks did not enter into any forward foreign exchange contracts during the year ended 30 June 2017 (nil in 2016).

Interest rate risk

The objective of TasNetworks' interest rate risk management is to manage within TasNetworks' approved appetite the potential adverse financial impact from unfavourable movements in interest rates. This is primarily achieved through setting an interest rate exposure profile for the portfolio aligned to the regulatory regime within which TasNetworks operates. The AER uses a benchmark portfolio to determine the revenue allowance for the return on debt. The benchmark portfolio has 1/10th of the portfolio face value repricing each financial year from year 1 to 10 and therefore has a weighted average term to repricing (WATR) of 5 years.

TasNetworks' exposure to interest rates on financial assets and financial liabilities is detailed below.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Interest rate exposures and liquidity for the current financial year

TasNetworks' exposure to interest rate risk on financial instruments and contractual maturity of financial liabilities and expected maturity for financial assets as at 30 June 2017:

	Note	Weighted average effective interest rate	0 to 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	5+ years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets:								
Cash and cash equivalents	C3(a)	1.50%	2,017	-	-	-	-	2,017
Trade and other receivables	E1	n/a	-	-	-	-	98,850	98,850
Total financial assets			2,017	-	-	-	98,850	100,867
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	80,572	80,572
Borrowings - fixed rate		3.73%	137,792	88,813	439,886	1,246,829	-	1,913,320
Borrowings - floating rate		2.36%	2,816	32,760	92,039	-	-	127,615
Interest rate swaps		4.08%	3,201	2,843	428	-	-	6,472
Total financial liabilities			143,809	124,416	532,353	1,246,829	80,572	2,127,979
Net financial assets/(liabilities)			(141,792)	(124,416)	(532,353)	(1,246,829)	18,278	(2,027,112)

The above table reflects both interest amounts payable and principal. TasNetworks is able to manage these exposures within the Master Loan Facility Agreement with TASCORP. Amounts maturing in 5+ years include principal and interest amounts to year 2046.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Interest rate exposures and liquidity for the previous financial year

TasNetworks' exposure to interest rate risk on financial instruments and contractual maturity of financial liabilities and expected maturity for financial assets as at 30 June 2016 was as follows:

	Note	Weighted average effective interest rate	0 to 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	5+ years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets:								
Cash and cash equivalents	C3(a)	1.75%	20,219	-	-	-	-	20,219
Trade and other receivables	E1	n/a	-	-	-	-	103,286	103,286
Total financial assets			20,219	-	-	-	103,286	123,505
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	57,960	57,960
Borrowings - fixed rate		3.83%	187,439	142,794	534,824	1,258,225	-	2,123,282
Borrowings - floating rate		2.31%	33,223	1,817	94,115	-	-	129,155
Interest rate swaps		4.52%	2,855	3,502	3,271	-	-	9,628
Total financial liabilities			223,517	148,113	632,210	1,258,225	57,960	2,320,025
Net financial assets/(liabilities)			(203,298)	(148,113)	(632,210)	(1,258,225)	45,326	(2,196,520)

Interest rate sensitivity analysis

The impact to TasNetworks of a 1% movement in interest rates is shown in the table below:

	Profit before tax		Equity after tax	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
1% increase in interest rates	-	-	2,575	2,634
1% decrease in interest rates	-	-	(2,655)	(2,742)

There was no floating interest rate exposure in either 2016 or 2017 due to the effectiveness of the hedges in place. There would be no impact on the profit before tax if there was a change in interest rates.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

(c) Hedging

Interest rate swaps

TasNetworks enters into interest rate swap contracts to manage the interest rate risk of the debt portfolio. Interest rate swap transactions allow TasNetworks to swap floating rate exposure to fixed rate exposure and vice versa.

The following table details the notional principal amounts, remaining terms of interest rate swap contracts outstanding as at reporting date and their fair values.

	Average contracted fixed interest rate 2017 %	Average contracted fixed interest rate 2016 %	Notional principal amount 2017 \$'000	Notional principal amount 2016 \$'000	Fair value 2017 \$'000	Fair value 2016 \$'000
Outstanding floating for fixed contracts						
Less than one year	4.73	4.02	30,000	45,000	(60)	(506)
One to two years	5.00	4.73	75,000	30,000	(4,290)	(924)
Three to five years	2.85	4.19	45,000	120,000	(901)	(7,289)
			150,000	195,000	(5,251)	(8,719)

Recognition and measurement

TasNetworks designates interest rate swap derivatives as hedges of highly probable forecast transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gains or losses relating to ineffective portions are recognised immediately in profit or loss. Amounts deferred in equity are charged to the profit or loss as a classification adjustment in the statement of comprehensive income in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

C3. Notes to the consolidated statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and 11 am cash (investments), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:

	Note	2017 \$'000	2016 \$'000
Cash at bank		1,772	1,019
Cash investment		245	19,200
		2,017	20,219

(b) Reconciliation of net profit for the year to net cash flows from operating activities

Net profit for the year		93,927	98,382
Depreciation and amortisation of non-current assets	A2(b)	155,747	167,856
(Gain)/loss on sale of property, plant and equipment	A2(a)	(74)	227
Impairment expense	B3	-	6,652
Increase/(decrease) in tax equivalent liabilities		16,312	(19,060)
(Increase)/decrease in receivables		4,436	2,214
(Increase)/decrease in inventories		(3,279)	(1,345)
(Increase)/decrease in other assets		80	1,351
Increase/(decrease) in creditors and accrued expenses		3,166	8,279
Increase/(decrease) in provisions and employee benefits		5,728	1,976
Increase/(decrease) in other liabilities		(2,954)	(12,141)
Net cash provided by operating activities		273,089	254,391

(c) Non-cash financing activities

There was an increase in debt of \$50.000m (2016: \$70.000m) as a result of a transfer of debt from Hydro-Electric Corporation to TasNetworks mandated by a Transfer Notice issued by the Treasurer under section 10A of the *Government Business Enterprises Act 1995*. This was transacted by TASCORP on TasNetworks' behalf.

Recognition and measurement

Cash and cash equivalents are highly liquid cash investments with maturity less than 3 months and comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents are carried at face value of the amounts deposited. The carrying amounts of cash and cash equivalents approximate net fair value.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

D. TasNetworks' equity

This section provides information on TasNetworks' owners and the transactions with TasNetworks' owners.

D1. Retained earnings

	Note	2017 \$'000	2016 \$'000
Balance at beginning of financial year		137,566	129,095
Opening balance adjustment	1(e)	-	(395)
Net profit for the year		93,927	98,382
Actuarial gains/(losses)	F2	33,107	(37,594)
Deferred tax effect on actuarial movement	A4(b)	(9,932)	11,278
Dividends paid during the year		(72,628)	(63,200)
Balance at end of financial year		182,040	137,566

Retained earnings comprises the transfer of net profit for the year and characterises the profit available for distribution as dividends in future years.

D2. Contributed equity

	Note	2017 \$'000	2016 \$'000
Balance at beginning of financial year		112,725	232,725
Capital reductions		-	(50,000)
Distribution to owners		(50,000)	(70,000)
Balance at end of financial year		62,725	112,725

TasNetworks reduced its contributed equity by \$50.000m (2016: \$70.000m) as a result of a transfer of debt from Hydro-Electric Corporation to TasNetworks mandated by a Transfer Notice issued by the Treasurer under section 10A of the of the *Government Business Enterprises Act 1995*.

During 2015-16 TasNetworks made two Shareholder mandated capital reductions of \$10.000m each (on 16 November 2015 and 16 May 2016) pursuant to Transfer Notices issued by the Treasurer under section 10A of the *Government Business Enterprises Act 1995*. This was in accordance with a Shareholder direction provided to Transend Networks Pty Ltd in June 2011 and resulted in a total transfer of \$20.000m from TasNetworks to Tasmanian Railway Pty Ltd (TasRail) in 2015-16. There was an equity transfer of \$30.000m to Forestry Corporation (Forestry Tasmania) made on 1 July 2015 pursuant to a Transfer Notice also issued under section 10A of the *Government Business Enterprises Act 1995*.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

D3. Reserves

	Note	2017 \$'000	2016 \$'000
Reserves comprise:			
Asset revaluation reserve		703,016	675,587
Hedge reserve		(3,694)	(6,190)
		699,322	669,397
Asset revaluation reserve			
Balance at beginning of financial year		675,587	651,238
Revaluation of assets during the year		39,184	34,629
Deferred tax liability arising on revaluation	A4(b)	(11,755)	(10,280)
Balance at end of financial year		703,016	675,587
Revaluation of assets during the year			
Revaluation of gross carrying value	B2	84,310	65,119
Revaluation of gross accumulated depreciation	B2	(45,126)	(30,490)
Net fair value movements on property, plant and equipment		39,184	34,629

The revaluation reserve comprises revaluation increments and decrements arising from property, plant and equipment, measured at fair value in accordance with applicable Australian Accounting Standards. The reserve can be used to pay dividends only in limited circumstances.

Hedge reserve			
Balance at beginning of financial year		(6,190)	(6,838)
Gain/(loss) recognised in equity		712	(3,248)
Transferred to profit or loss		2,854	4,173
Deferred tax arising on hedges	A4(b)	(1,070)	(277)
Balance at end of financial year		(3,694)	(6,190)

The hedging reserve represents hedging gains and losses recognised on the effective portion of hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

D4. Issued capital

TasNetworks issued two \$1 fully paid ordinary shares which are held in trust for the Crown in Right of the State of Tasmania. One share was issued to each of the Treasurer and the Minister for Energy.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

E. Other assets and liabilities

This section provides information on the other assets and liabilities of TasNetworks.

E1. Trade and other receivables

	2017 \$'000	2016 \$'000
Current:		
Trade receivables	15,141	18,784
Accrued income	42,134	39,917
Unbilled use of system (UoS)	41,878	44,959
Allowance for impairment	(303)	(374)
	98,850	103,286
Movement in the allowance for impairment of debts		
Balance at beginning of financial year	(374)	(234)
Impairment gain/(loss) recognised on receivables	(121)	(306)
Amounts written off as uncollectable	192	166
Balance at the end of the year	(303)	(374)
Ageing of trade receivables that were past due but not impaired		
Less than 30 days overdue	2,311	3,886
Between 31 and 60 days overdue	171	463
Between 61 and 90 days overdue	904	3,324
Greater than 90 days overdue	2,265	3,752
	5,651	11,425

Recognition and measurement

Trade receivables and other receivables are recorded at amounts due less any allowance for impairment. An allowance for impairment is recognised when there is objective evidence that the receivable may not be able to be collected. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. An algorithm is applied to debtor balances that determines gross doubtful debts, based on the age of those debts and past collection history. This is then adjusted for proportionate recoveries. Any other known contingencies are taken into consideration. Bad debts are written off in the year in which they are identified. Construction work in progress receivable is stated at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings

Unbilled use of system is the accrual for the revenue TasNetworks expects to receive from retailers (see note A1 key estimate).

Analysis of aging and collectability

TasNetworks believes that amounts that are past due by more than 30 days and not impaired are collectable in full, based on historical payment behaviour and analysis of customer credit risk.

Information on TasNetworks' exposure to credit and market risks for trade and other receivables is included in note C2.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

E2. Inventories

	Note	2017 \$'000	2016 \$'000
Inventory		18,384	18,927
Opening period adjustment	1(e)	-	(3,803)
Allowance for impairment on inventory		(535)	(553)
		17,849	14,571

During the financial year ended 30 June 2017, \$2.138m (2016: \$2.243m) of inventory was expensed in the statement of profit or loss including inventory issued to non-regulated services.

Movement in the allowance for impairment of inventory			
Balance at beginning of financial year		(553)	(265)
Impairment loss provided for		(38)	(336)
Inventory written off during the year		56	48
Balance at the end of the year		(535)	(553)

Recognition and measurement

Inventories are carried at the lower of cost or net realisable value, with an allowance being maintained for loss on disposal of surplus and obsolete stores.

The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of the stores. Inventories are not held for the purpose of resale and are used primarily in the maintenance and construction of the distribution, transmission and telecommunication networks.

Costs are assigned to inventory using the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis. Inventory is valued at net realisable value where it has been determined that inventory is surplus to requirements. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

E3. Other assets

	Note	2017 \$'000	2016 \$'000
Current:			
Prepayments		4,508	4,317
Other		15	6
		4,523	4,323
Non-Current:			
Prepayments		-	281
		-	281
		4,523	4,604

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

E4. Provisions

Provisions for the current financial year

	Workers Compensation \$'000	Metered Services \$'000	Onerous Contracts \$'000	Total \$'000
Balance at 1 July 2016	1,155	-	3,053	4,208
Provision made during the year	433	-	-	433
Provision used during the year	(498)	-	(677)	(1,175)
Balance at 30 June 2017	1,090	-	2,376	3,466
Current provisions	1,052	-	764	1,816
Non-current provisions	38	-	1,612	1,650
	1,090	-	2,376	3,466

Provisions for the previous financial year

	Workers Compensation \$'000	Metered Services \$'000	Onerous Contracts \$'000	Total \$'000
Balance at transfer on 1 July 2015	1,128	4,621	4,645	10,394
Provision made during the year	1,095	-	574	1,669
Provision used during the year	(1,068)	(4,621)	(2,166)	(7,855)
Balance at 30 June 2016	1,155	-	3,053	4,208
Current provisions	502	-	703	1,205
Non-current provisions	653	-	2,350	3,003
	1,155	-	3,053	4,208

Recognition and measurement

Provisions are recognised when TasNetworks has a present obligation (legal or constructive) as a result of a past event, it is probable that TasNetworks will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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.

Workers compensation

The provision for workers compensation relates to the final workers compensation premium adjustments for the three prior financial years. These claims are subject to variation as outstanding workers compensation claims are settled. It is expected that payment of these amounts will be required.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Key Estimates

Workers compensation provision

The workers compensation provision is based on an estimate provided by the insurance broker of claims that are expected to be settled. This actuarial calculation is based on historical claims performance within set minimum and maximum bands.

Onerous contracts

In 2010 Aurora Energy entered into a 10 year lease for its office premises and the office space is surplus to TasNetworks' requirements.

A portion of the space is being sublet for the longer term whilst the remainder of the building is vacant. TasNetworks is actively seeking tenants. However, the likelihood of recovering the full costs of the lease from other parties has been assessed as low.

The provision has been calculated as the obligation for future lease payments, net of expected rental income.

E5. Trade and other payables

	2017 \$'000	2016 \$'000
Current:		
Trade payables	15,081	13,036
Accrued payables	31,944	14,104
Accrued expenses	5,277	4,069
GST payable	2,122	3,022
Accrued interest	26,148	23,729
	80,572	57,960

Recognition and measurement

Trade payables and other accounts payable, including accruals for accounts not yet billed, are recognised when obligations to make future payments have occurred for goods received or services provided. Due to their short-term nature they are not discounted.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

E6. Other liabilities

	Note	2017 \$'000	2016 \$'000
Current:			
Income received in advance		7,850	5,483
Derivative contracts		2,486	2,195
		10,336	7,678
Non-current:			
Income received in advance		16,766	18,619
Derivative contracts		2,765	6,524
		19,531	25,143
Total:			
Income received in advance		24,616	24,102
Derivative contracts	C2	5,251	8,719
		29,867	32,821

Recognition and measurement

Income received in advance

Income received in advance is predominantly non-prescribed services revenue that has been received from customers for a long term connection to the electricity system. The income is recorded upon receipt and recognised over the life of the agreement to which it pertains (note A1).

The balance of income received in advance is from construction projects currently being undertaken. This income is recognised in line with the stage of completion of the project.

Derivative contracts

Derivative contracts are interest rate swaps. See note C2 for TasNetworks' exposure to risk and fair value information for these swaps.

Derivative contracts include a capital loss of \$0.019m (2016: \$0.087m) that is being amortised over a 10 year period.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

F. TasNetworks' people

This section provides information relating to a range of employment and post employment benefits provided to TasNetworks' people, as well as information on the key management personnel of TasNetworks.

F1. Employee benefits

	Note	2017 \$'000	2016 \$'000
Current:			
Annual leave		9,590	8,808
Long service leave		12,097	11,002
Defined benefits superannuation	F2	4,450	5,605
Other employee benefits		3,545	3,021
		29,682	28,436
Non-current:			
Long service leave		3,312	3,305
Defined benefits superannuation	F2	155,508	182,765
Other employee benefits		517	1,148
		159,337	187,218
		189,019	215,654

Recognition and measurement

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. The provision represents the amount that TasNetworks has an obligation to pay resulting from employees' services provided up to the balance date.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by TasNetworks in respect of services provided by employees up to reporting date. These amounts are discounted to determine their present value.

Salaries, annual and long service leave

Annual leave and long service leave provisions are classified as current where the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. This does not imply that there is an expectation that the current provision will be paid out within the next twelve months.

Adjustments to these provisions are included in the cost of labour and charged directly to capital jobs or cost centres, and correspondingly, the provisions absorb the cost when employees utilise their benefits. An annual adjustment is made to the provisions in order to represent the fair value of the provision at year-end.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Key Estimates

Long service leave

The long service leave provision requires management judgement of the key assumptions including:

- future increases in salaries and wages;
- future on-cost rates;
- experience of employee departures and periods of service; and
- application of an appropriate discount rate where liabilities are more than 12 months due.

Termination payments

Termination payments are calculated in accordance with the relevant employee agreements. Provisions are made when it is probable that settlement will be required and they are capable of being measured reliably.

Workers compensation

TasNetworks is insured by an external insurance provider for liabilities arising from workers compensation claims.

Sick leave

No provision for sick leave is allowed for in the financial statements as sick leave is non-vesting and employee benefits only exist when employees become sick.

Accumulated superannuation plans

TasNetworks makes contributions for employees to an accumulation superannuation plan in accordance with the Commonwealth's *Superannuation Guarantee (Administration) Act 1992*. Contributions are expensed when incurred.

Defined benefit superannuation plans

The balance of employees are provided with superannuation benefits through a defined benefit superannuation scheme (the Scheme) administered by the Retirement Benefits Fund (RBF) (note F2).

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, net of the fair value of the plan's assets. The net assets, operating costs and investment returns of the RBF are allocated to TasNetworks based on the percentage of funded past service liabilities for TasNetworks compared to the funded past service liabilities for the whole of government. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

F2. Defined benefit superannuation plan

The Retirement Benefits Fund (RBF) is a defined benefit fund that pays lump sum benefits on resignation and lump sum or pension benefits to members upon retirement, death or invalidity (which are calculated as a multiple of the members' final average salaries). The RBF has contributory members, compulsory preserved members and pensioners. The defined benefit section of RBF is closed to new members.

TasNetworks employees who joined the Tasmanian public sector or one of TasNetworks' antecedent businesses Transend Networks or Aurora Energy prior to 1 July 1999 may be members of the defined benefit fund. All other employees are provided with superannuation benefits through accumulation schemes for which TasNetworks meets its employer obligations by periodic contributions. Consequently, TasNetworks does not carry any liability for superannuation in relation to all post 1 July 1999 employees.

The Scheme operates under the *Public Sector Superannuation Reform Act (2016)* and the *Public Sector Superannuation Reform Regulations (2017)*.

Although the Scheme is not formally subject to the Superannuation Industry Supervision (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the Scheme in accordance with the spirit of the SIS legislation. As an exempt public sector superannuation scheme, the Scheme is not subject to any minimum funding requirements.

RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the fund's taxable income is taxed at a concessional rate of 15%. However RBF is also a public sector superannuation scheme which means that employer contributions may not be subject to the 15% tax (if the Tasmanian Government and RBF elects) up to the amount of "untaxed" benefits paid to members in the year.

Prior to 1 April 2017 the RBF Board was responsible for the governance of the Scheme. From 1 April 2017 the Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

Defined benefit superannuation risks

There are a number of risks to which the Scheme exposes TasNetworks. The more significant risks relating the defined benefits are:

- Investment risk - The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.
- Salary growth risk - The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.
- Inflation risk - The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.
- Benefit options risk - The risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.
- Pensioner mortality risk - The risk that pensioner mortality will be lower than expected, resulting in pensions being paid for a longer period.
- Legislative risk - The risk that legislative changes could be made which increase the cost of providing the defined benefits.

Significant events

During 2016 the Tasmanian Government passed the *Public Sector Superannuation Reform Act (2016)*, which reforms the administration arrangements for the provision of public sector superannuation in Tasmania. Whilst this legislation changed the entities responsible for the governance of the Scheme it did not affect the contributions payable to or the benefits payable by the Scheme.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Key Assumptions

Defined benefit superannuation plan

The actuarial assessment and key assumptions that have been used in determining this are as per the State Actuary's (Mercer) report, dated 14 July 2017 and are set out below:

	2017 %	2016 %
Assumptions to determine defined benefit cost and start of year defined benefit obligation		
Discount rate (active members)	3.55	4.80
Discount rate (pensioners)	3.55	4.80
Expected salary increase rate	3.00	3.00
Expected rate of increase of compulsory preserved amounts	4.50	4.50
Expected pension increase rate	2.50	2.50
Assumptions to determine end of year defined benefit obligation		
Discount rate (active members)	4.35	3.55
Discount rate (pensioners)	4.35	3.55
Expected salary increase rate	3.00	3.00
Expected rate of increase of compulsory preserved amounts	3.00	4.50
Expected pension increase rate	2.50	2.50

Fair value of Scheme assets

	2017** \$'000
Asset category:	
International equities	8,239
Diversified fixed interest	2,117
Property	5,754
Alternative investments	11,522
Cash and cash equivalents	6,780
Australian equities	7,072
	41,484

*Estimated based on assets allocated to TasNetworks as at 30 June 2017 and asset allocation of the RBF Scheme as at 31 March 2017.

+ 2016 comparative information was not available.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

The following table shows the percentage of each class of asset that have a quoted market price in an active market for RBF as a whole as at 30 June 2016.

	30 June 2016 ⁺			
	Total	Quoted prices in active markets for identical assets - Level 1	Significant observable inputs - Level 2	Unobservable inputs - Level 3
Asset category:				
Cash and cash equivalents	100%	45.3%	54.7%	0.0%
Equity instruments	100%	7.0%	85.0%	8.0%
Debt instruments	100%	0.0%	100.0%	0.0%
Derivatives	100%	0.1%	99.9%	0.0%
Real estate	100%	34.1%	63.7%	2.2%

⁺2017 information was not available

Fair value of own financial instruments

The fair value of Scheme assets includes no amounts relating to:

- any of TasNetworks' own financial instruments
- any property occupied by, or other assets used by TasNetworks.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, we have used the Government Bond yield of 3.30%, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Amounts included in the balance sheet arising from TasNetworks' obligation in respect of its defined benefit plan

	Note	2017 \$'000	2016 \$'000
Present value of defined benefit obligations		201,442	227,324
Total defined benefit obligation		201,442	227,324
RBF contributory scheme assets		(41,484)	(38,954)
Deficit/(surplus)		159,958	188,370
Movements in net liabilities			
Net liabilities at beginning of year		188,370	144,508
Employee benefits expense recognised in profit or loss	A2(c)	10,064	9,863
Employee benefits (gain)/loss recognised in other comprehensive income		(33,107)	37,594
Actual employer contributions		(5,369)	(3,595)
Net liability/(asset)		159,958	188,370
Current net liability	F1	4,450	5,605
Non-current net liability	F1	155,508	182,765
		159,958	188,370
Profit or loss amounts			
Employer service cost		3,488	2,909
Net interest cost	A3	6,576	6,954
Expense recognised		10,064	9,863
Other comprehensive income amounts			
Recognised actuarial gains/(losses)	D1	33,107	(37,594)
Other comprehensive income recognised		33,107	(37,594)

Employee benefits expense is included in the direct expenses line item of the statement of profit or loss and superannuation actuarial gains/(losses) line item in the statement of comprehensive income. Interest costs are included within finance costs.

Fair value of plan assets			
Fair value of plan assets at beginning of financial year		38,954	41,114
Interest Income		1,357	1,941
Actual return on plan assets less interest income		2,559	(1,833)
Employer contributions		5,369	6,626
Contributions by plan participants		1,035	1,089
Benefits paid		(7,424)	(9,599)
Taxes, premiums and expenses paid		(366)	(384)
Fair value plan assets at year end		41,484	38,954

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

	2017 \$'000	2016 \$'000
Defined benefit obligations inclusive of contributions tax for disclosure purposes		
Defined benefit obligation at beginning of year	227,324	185,622
Employer service costs plus operating costs	3,488	2,909
Interest costs	7,932	8,895
Actual participants' contributions	1,035	1,089
Actual benefit paid	(7,424)	(6,567)
Taxes, premiums and expenses paid	(366)	(384)
Expected defined benefit obligation at year end	231,989	191,564
Actuarial (gain)/loss arising from changes in demographic assumptions	(3,247)	-
Actuarial (gain)/loss arising from changes in financial assumptions	(24,688)	38,266
Actuarial (gain)/loss arising from liability experience	(2,612)	(2,506)
Actual total defined benefit obligations at year end	201,442	227,324

Effect of the asset ceiling

The asset ceiling has no impact on the net defined benefit liability/(asset).

Sensitivity Analysis

The defined benefit obligation as at 30 June 2017 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to expected pension increase rate sensitivity.

Scenario A: 1% pa lower discount rate assumption

Scenario B: 1% pa higher discount rate assumption

Scenario C: 1% pa lower expected pension increase rate assumption

Scenario D: 1% pa higher expected pension increase rate assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-1% pa discount rate	+1% pa discount rate	-1% pa pension increase rate	+1% pa pension increase rate
Discount rate	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase rate	2.5% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (\$'000)	201,442	233,030	176,051	182,376	223,845

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Asset-Liability matching strategies

TasNetworks is not aware of any asset and liability matching strategies adopted by the Fund.

Funding arrangements

TasNetworks contributes a percentage of each lump sum or pension benefit payment. This percentage may be amended by the Treasurer on the advice of the Actuary.

Expected contributions

TasNetworks expects to pay employer contributions for the year ended 30 June 2018 of \$4.450m (2017: \$5.605m).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for TasNetworks is 14.6 years.

F3. Key management personnel compensation

The key management personnel of TasNetworks during the year were:

Dr Daniel Norton AO (Chairman and Director)
Mr Donald Challen AM (Director) until 3 November 2016
Mr Kevin Murray (Director)
Mr Mervyn Davies (Director) until 3 November 2016
Dr Jane Sargison (Director)
Mrs Joanne Doyle (Director) from 1 July 2016
Mr Peter McIntyre (Director) from 3 November 2016
Mr Lance Balcombe (Chief Executive Officer)
Ms Bess Clark (General Manager Strategy and Stakeholder Relations)
Mr Wayne Tucker (General Manager Strategic Asset Management)
Ms Natasha Brown (General Manager Works and Service Delivery)
Mr Mike Paine (General Manager Customer Engagement and Network Operations)
Mr Ross Burrige (General Manager Finance and Business Services)
Ms Justine McDermott (General Manager People and Performance)
Mrs Phillippa Bartlett (Company Secretary and General Counsel)

The aggregate compensation to key management personnel of TasNetworks is set out below:

	2017	2016
	\$'000	\$'000
Short-term employee benefits	2,561	2,574
Post-employment benefits	233	236
Other long-term benefits	38	38
Termination benefits	-	-
	2,832	2,848

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Director remuneration for the financial year

	Directors' Fees \$'000	Committee Fees \$'000	Super -annuation ¹ \$'000	Other \$'000	Total \$'000
Dr D Norton AO	113	-	11	-	124
Mr D Challen AM	19	-	2	-	21
Mr K Murray	52	-	5	-	57
Mr M Davies	19	-	2	-	21
Dr J Sargison	52	-	5	-	57
Mrs J Doyle ²	57	-	-	-	57
Mr P McIntyre	33	-	3	-	36
	345	-	28	-	373

1. Superannuation means the contribution to the superannuation fund of the individual.
2. Mrs J Doyle's directors fees were paid directly to her employer.

Director remuneration for the previous financial year

	Directors' Fees \$'000	Committee Fees \$'000	Super -annuation ¹ \$'000	Other \$'000	Total \$'000
Dr D Norton AO	111	-	11	-	122
Mr D Challen AM	52	-	5	-	57
Mr K Murray	52	-	5	-	57
Mr M Davies	52	-	5	-	57
Dr J Sargison	52	-	5	-	57
Mr P Lowe	20	-	2	-	22
	339	-	33	-	372

1. Superannuation means the contribution to the superannuation fund of the individual.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Executive remuneration for the financial year

	Commencement Date	Salary ^{1,8} \$'000	Short Term Incentives ² \$'000	Termination Benefits ³ \$'000	Superannuation ⁴ \$'000	Vehicle Allowances ⁵ \$'000	Other Benefits ⁶ \$'000	Total Cash \$'000	Other non-monetary benefits ⁷ \$'000	Total \$'000
Mr L Balcombe	14-Oct-13	455	-	-	20	-	-	475	(12)	463
Ms B Clark	17-Feb-14	251	-	-	24	-	-	275	4	279
Mr W Tucker	17-Feb-14	235	-	-	29	-	-	264	2	266
Ms N Brown	18-Apr-14	284	-	-	27	-	-	311	39	350
Mr M Paine	11-Feb-14	259	-	-	25	-	-	284	(10)	274
Mr R Burridge	31-Mar-14	271	-	-	34	-	-	305	11	316
Ms J McDermott	05-Feb-14	268	-	-	25	-	-	293	(21)	272
Mrs P Bartlett	17-Mar-14	225	-	-	21	-	-	246	(7)	239
		2,248	-	-	205	-	-	2,453	6	2,459

- Salary received includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
- Short term incentive payments are non-recurrent payments which depend on achieving specific performance goals within specified timeframes.
- Termination benefits include all forms of benefits paid or accrued as a consequence of termination.
- Superannuation means the contribution to the superannuation fund of the individual. This balance includes defined benefit amounts which were calculated using a notional superannuation rate of 12.5%
- Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, maintenance cost, fuel and other consumables. TasNetworks no longer administers vehicle allowances. The business use component is paid directly to the Novated Lease vendor.
- Other benefits include all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.
- Other non-monetary benefits include annual and long service leave movements and non monetary benefits expensed.
- Executive remuneration may vary year to year due to the timing of refunds on expired novated vehicle lease contracts.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Executive remuneration for the previous year

	Commencement Date	Salary ¹ \$'000	Short Term Incentives ² \$'000	Termination Benefits ³ \$'000	Superannuation ⁴ \$'000	Vehicle Allowances ⁵ \$'000	Other Benefits ⁶ \$'000	Total Cash \$'000	Other non-monetary benefits ⁷ \$'000	Total \$'000
Mr L Balcombe	14-Oct-13	446	-	-	19	-	-	465	13	478
Ms B Clark	17-Feb-14	253	-	-	23	-	-	276	17	293
Mr W Tucker	17-Feb-14	239	-	-	30	-	-	269	(5)	264
Ms N Brown	18-Apr-14	286	-	-	26	-	-	312	28	340
Mr M Paine	11-Feb-14	250	-	-	24	-	-	274	-	274
Mr R Burridge	31-Mar-14	260	-	-	33	-	-	293	(14)	279
Ms J McDermott	05-Feb-14	265	-	-	25	-	-	290	(1)	289
Mrs P Bartlett	17-Mar-14	219	-	-	20	-	-	239	(14)	225
Acting Senior Executive:										
Mrs A Parker	26 Aug 15 to 14 Oct 15	28	-	-	3	-	-	31	3	34
		2,246	-	-	203	-	-	2,449	27	2,476

1. Salary received includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
2. Short term incentive payments are non-recurrent payments which depend on achieving specific performance goals within specified timeframes.
3. Termination benefits include all forms of benefits paid or accrued as a consequence of termination.
4. Superannuation means the contribution to the superannuation fund of the individual. This balance includes defined benefit amounts which were calculated using a notional superannuation rate of 12.5%
5. Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, maintenance cost, fuel and other consumables. TasNetworks no longer administers vehicle allowances. The business use component is paid directly to the Novated Lease vendor.
6. Other benefits include all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.
7. Other non-monetary benefits include annual and long service leave movements and non monetary benefits expensed.

Notes to the consolidated financial statements (continued) For the financial year ended 30 June 2017

Director remuneration principles

The level of fees paid to directors is administered by the Department of Premier and Cabinet.

Director remuneration arrangements

Directors are appointed by the Shareholding Ministers following Cabinet approval. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to directors. Directors are entitled to reimbursement of expenses incurred while attending to Board business. Directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

Executive remuneration principles

Remuneration levels for Executive staff (including the Chief Executive Officer (CEO)) of TasNetworks are competitively set to attract and retain appropriately qualified and experienced Executives. TasNetworks' Board obtains independent advice on the appropriateness of remuneration packages of all Executive positions given trends in comparative entities both locally and interstate and the objectives of TasNetworks' remuneration policy. Remuneration levels for future CEO and Executives of TasNetworks will be set in accordance with the Director and Executive Remuneration Guidelines, as revised in October 2015. The appointment and setting of the initial remuneration for TasNetworks current CEO and Executive team predates the June 2014 Shareholder's Direction to comply with the guidelines, and the establishment of the Executive Remuneration Panel.

The remuneration structures take into account:

- the capability and experience of the relevant Executive; and
- achievement of measurable organisational and individual goals.

Executive remuneration arrangements

The employment terms and conditions of Executive staff including the CEO are contained in individual employment contracts which prescribe total remuneration, superannuation, annual and long service leave, allowances and salary sacrifice provisions. TasNetworks' Executive remuneration structure is comprised of fixed total remuneration which is reviewed at least annually by the CEO with approval from the Board. TasNetworks does not currently provide any short term incentive payments. The performance and remuneration package of each senior executive, including the CEO, is reviewed annually by the Board.

Acting arrangements

When members of key management personnel are on leave or unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are included as members of key management personnel when acting arrangements are for more than a period of one month.

Statement of compliance

TasNetworks has complied with the Government's Director and Executive Remuneration Guidelines for the year ended 30 June 2017 with the exception of three variations. These are the confidentiality and termination provisions contained in executive contracts and the setting of initial remuneration for TasNetworks current CEO which pre-date the June 2014 Shareholders Direction to comply with the Guidelines.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

F4. Related party disclosures

Equity interest in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note H3 to the financial statements.

Key management personnel compensation

Details of key management personnel compensation are disclosed in note F3 to the financial statements.

Transactions with key management personnel and related parties

Some key management persons, or their related parties, transacted with TasNetworks in the reporting period as residents or owners of properties to which TasNetworks provides network services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

Where a matter for resolution was discussed in respect of such a transaction, the Board considered whether a material conflict of interest existed to determine whether a Director should not be present in the meeting for consideration of the matter.

Apart from the details disclosed in note F3, no director or executive has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' or executives' interests subsisting at year end.

There are no material related party transactions requiring disclosure in accordance with the Tasmanian Government Business Guideline.

Controlling entity

The shares of the parent entity of Tasmanian Networks Pty Ltd are held in trust for the Crown in Right of the State of Tasmania.

The group transmits and distributes electricity and provides telecommunication services and undertakes other transactions with government entities on an arm's length basis in the normal course of business and on commercial terms and conditions.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

G. Commitments

This section contains information about the commitments TasNetworks has made.

G1. Leases

Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 \$'000	2016 \$'000
Within one year	1,469	1,452
One year or no later than five years	4,516	3,946
Greater than five years	783	405
	6,768	5,803

TasNetworks leases communication sites, land and some office space and communications equipment under operating leases.

Sublease

The future minimum sublease payments expected to be received is \$1.934m (2016: \$2.385m) until the lease expires in 2020.

Operating leases as lessor

TasNetworks leases out part of its business premises and transmission system assets and power poles under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

Within one year	2,713	2,565
One year or no later than five years	9,455	9,587
Greater than five years	20,763	21,831
	32,931	33,983

Finance leases

TasNetworks has no finance lease liabilities.

Recognition and measurement

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership to TasNetworks. All other leases are classified as operating leases.

Operating lease payments are recognised as expenses on a straight-line basis as this reflects the pattern in which economic benefits of the leased assets are consumed.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

G2. Commitments for expenditure

	2017	2016
	\$'000	\$'000
Capital expenditure commitments:		
Property, plant and equipment		
Within one year	63,885	61,782
One year or later and no later than five years	33,126	18,969
Greater than five years	-	-
	97,011	80,751
Operating expenditure commitments*:		
Other expenses (excluding leases disclosed in note G1)		
Within one year	21,071	15,974
One year or later and no later than five years	8,753	10,269
Greater than five years	655	895
	30,479	27,138

*Operating expenditure commitments relate predominately to asset maintenance services.

G3. Contingent liabilities and contingent assets

Claims related to property loss, personal injury (excluding claims by employees for personal injuries), contractual and other matters, and with an estimated potential cost to TasNetworks of \$0.525m (2016: \$0.805m) were outstanding at the date of publication of these accounts. TasNetworks is actively defending these claims and the directors are of the opinion, based on legal advice, that no provision is required.

TasNetworks is seeking damages against ABB Australia Pty Ltd for supply of defective products between 1996 and 2012. A Supreme Court writ has been issued against the supplier. The full value of the amount recoverable cannot be reliably estimated and as such the directors have determined that no provision is required.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

H. Other information

This sections includes additional information that is required by either accounting standards or Guidelines for Tasmanian Government Businesses.

H1. Auditor's remuneration

	2017	2016
	\$	\$
Amounts received, or due and receivable by the Auditor-General for services provided to TasNetworks:		
Audit of financial statements	245,150	230,930
Audit of regulatory financial statements	12,370	12,130
Audit of revenue reset Regulatory Information Notice*	307,000	299,000
	564,520	542,060

*A revenue reset Regulatory Information Notice is an annual data gathering instrument that is issued by the Australian Energy Regulator to all network businesses. This is a mandatory requirement that must be complied with.

H2. Overseas travel

	2017	2016	2017	2016
	No. of trips	No. of trips	\$	\$
Travel undertaken	2	7	5,645	51,473
Travel paid (not yet taken)	1	1	13,534	13,756
Travel by CEO	1	0	1,546	13,892*
Travel by Board	0	0	-	-
			20,725	79,121

*Costs associated with travel taken in 2017

H3. Consolidated entity

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the Group, being the company (the parent entity) and its controlled entities. Controlled entities are all those entities over which the parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control that entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group, are eliminated in full.

Reference to TasNetworks in these financial statements is referring to the Group except in note H4 when it relates to the parent entity only.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Name of entity	Country of incorporation	Ownership interest	
		2017 %	2016 %
Parent entity			
Tasmanian Networks Pty Ltd	Australia		
Subsidiaries			
Ezikey Group Pty Ltd	Australia	100	100
Auroracom Pty Ltd	Australia	100	100

H4. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2017, the parent entity of the Group was Tasmanian Networks Pty Ltd.

	Parent	
	2017 \$'000	2016 \$'000
Result of parent entity		
Profit for the period	93,927	98,382
Other comprehensive income	53,100	(1,319)
Total comprehensive income for the period	147,027	97,063
Financial position of parent entity at year end		
Current assets	124,685	145,931
Non current asset	3,141,799	3,053,187
Total assets	3,266,484	3,199,118
Current liabilities	272,383	251,725
Non current liabilities	2,050,014	2,027,705
Total liabilities	2,322,397	2,279,430
Total equity of the parent entity comprising of:		
Contributed equity	62,725	112,725
Reserves	699,322	669,397
Retained earnings	182,040	137,566
Total equity	944,087	919,688

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Parent entity contingent liabilities

Contingent liabilities of the parent entity are set out in note G3, and are the same for the consolidated entity.

Parent entity capital commitments for the acquisition of property plant and equipment

		Parent	
		2017	2016
		\$'000	\$'000
	Within one year	63,885	61,782
	One year or later and no later than five years	33,126	18,969
	Greater than five years	-	-
		97,011	80,751

H5. Changes in accounting policies

Accounting standards adopted

In the current year, TasNetworks has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. TasNetworks has reviewed, and where relevant, adopted the following standard:

AASB amendment	Affected standard	Nature of change to accounting policy
AASB 2015-2	Disclosure Initiative: Amendments to AASB 101 <i>Presentation of Financial Statements</i>	Amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Includes amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements. (Removes the requirement to disclose immaterial information).
AASB 2015-6	AASB 124 <i>Related Party Disclosures</i>	Extends the scope of AASB 124 to public sector entities. TasNetworks has made all disclosures as set out in this standard.
AASB 2014-4	AASB 116 <i>Property, Plant & Equipment</i> and AASB 138 <i>Intangible Assets</i>	Amends AASB 116 and AASB 138 to provide additional guidance on acceptable methods for calculating depreciation or amortisation. This standard does not have a material impact on the financial statements as TasNetworks calculates depreciation and amortisation on a straight line basis over the life of the asset. This is in line with acceptable methods.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

Future pronouncements

The following standards and amendments were available for early adoption but have not been applied by TasNetworks in these financial statements.

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 2016-2	AASB 107 <i>Statement of Cash Flows</i>	Amendments will require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	30 June 2018
AASB 15	Revenue from contracts with customers	New standard replaces AASB 118 <i>Revenue</i> . Requires revenue to be recognised in line with contractual obligations. Management are in the process of undertaking a full assessment of the potential impact of the new standard and amendments. Preliminary analysis indicates that there will be no material changes to revenue recognition in the financial statements.	1 January 2018	30 June 2019
AASB 2014-5	Amendments to standards arising from AASB 15			
AASB 2016-3	Amendments to Standards - Clarification to AASB 15			
AASB 9	Financial Instruments	<p>The final version of AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>. Introduces new requirements for classifying and measuring financial assets, maintains the existing amortised cost measurement basis for financial liabilities.</p> <p>A new impairment model based on expected credit losses will apply.</p> <p>A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities.</p> <p>A full review of the impact of this standard is being undertaken. However, management expect it will not have a material impact on TasNetworks.</p>	1 January 2018	30 June 2019

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2017

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 16	Leases	This standard replaces AASB 117 <i>Leases</i> . Requires entities to bring leases onto the Statement of Financial Position. As TasNetworks holds minimal leases as a lessee, management expects it will not have a material impact on the financial statements. A full review is being undertaken by management.	1 January 2019	30 June 2020

Management is currently reviewing the impact of these standards. It is management's expectation that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of TasNetworks. The introduction of *AASB 15 Revenue from Contracts with Customers* will see significantly increased disclosure requirements.

These standards and interpretations will be first applied in the financial report of TasNetworks that relates to the annual reporting period beginning after the effective date of each pronouncement.

H6. Subsequent events

Dividends

Subsequent to the end of the financial year, the Board recommended a dividend of \$77.560m (2016: \$72.628m) in respect to the current financial year. The dividend recommended is in line with the Tasmanian Government Dividend Policy. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017.

Other

Aside from the items discussed above, 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 to affect significantly the operations of TasNetworks, the result of those operations or the state of affairs of TasNetworks in future financial years.

DIRECTORS' DECLARATION

for the year ended 30 June 2017

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that Tasmanian Networks Pty Ltd will be able to pay its debts as and when they become due and payable;

(b) the financial statements comply with international financial reporting standards as disclosed in these notes to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including being in compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of Tasmanian Networks Pty Ltd.

(d) the directors have been provided with declarations from the Chief Executive Officer and the General Manager Finance and Business Services for the financial year.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the directors



Dr Dan Norton AO

Chairman

Hobart

10 August 2017

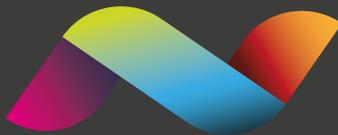


Mrs Joanne Doyle

Director

Hobart

10 August 2017



TasNetworks
Delivering your power