

Annual Report

2020-21



Powering a
Bright Future

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About this report

This report reviews the operations of Tasmanian Networks Pty Ltd and its subsidiaries TasNetworks Holding Pty Ltd, Fortytwo24 Pty Ltd, Marinus Link Pty Ltd and Large Scale Renewables Pty Ltd for the 2020-21 financial year.

TasNetworks acknowledges the palawa (Tasmanian Aboriginal community) as the original owners and custodians of lutruwita (Tasmania). TasNetworks acknowledges the palawa have maintained their spiritual and cultural connection to the land and water. We pay respect to Elders past and present and all Aboriginal and Torres Strait Islander peoples.

About us

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 295,000 residential, commercial and industrial customers. We facilitate the transfer of electricity between Victoria and Tasmania via Basslink, the sub-sea electricity interconnector. We also provide telecommunications and technology services. We are owned by the State of Tasmania and operate as a commercial business with assets of \$3.6 billion.

Our responsibilities include:

- Keeping our people and our customers safe
- Tasmanian jurisdictional planner in the National Electricity Market (NEM)
- Maintaining and replacing network infrastructure to ensure a safe, 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 power outage 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 locations

We have two administrative offices: one in the Hobart suburb of Lenah Valley and the second in the Launceston suburb of Rocherlea. Our field-based team members are located at major resource centres at Cambridge, Rocherlea, Devonport and Burnie; substations in Trevallyn and Glenorchy; and at smaller regional depots known as response centres. Our Training Centre is located at Mornington, near Hobart.

Our subsidiaries

The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), Fortytwo24 Pty Ltd (42-24), Marinus Link Pty Ltd (MLPL) and Large Scale Renewables Pty Ltd (LSR).

Fortytwo24 Pty Ltd

42-24 provides telecommunications, information technology and data centre services to Tasmanian customers, including those in the Tasmanian electricity supply industry. This business is developing new growth opportunities within its current services and also opportunities to provide unregulated energy services.

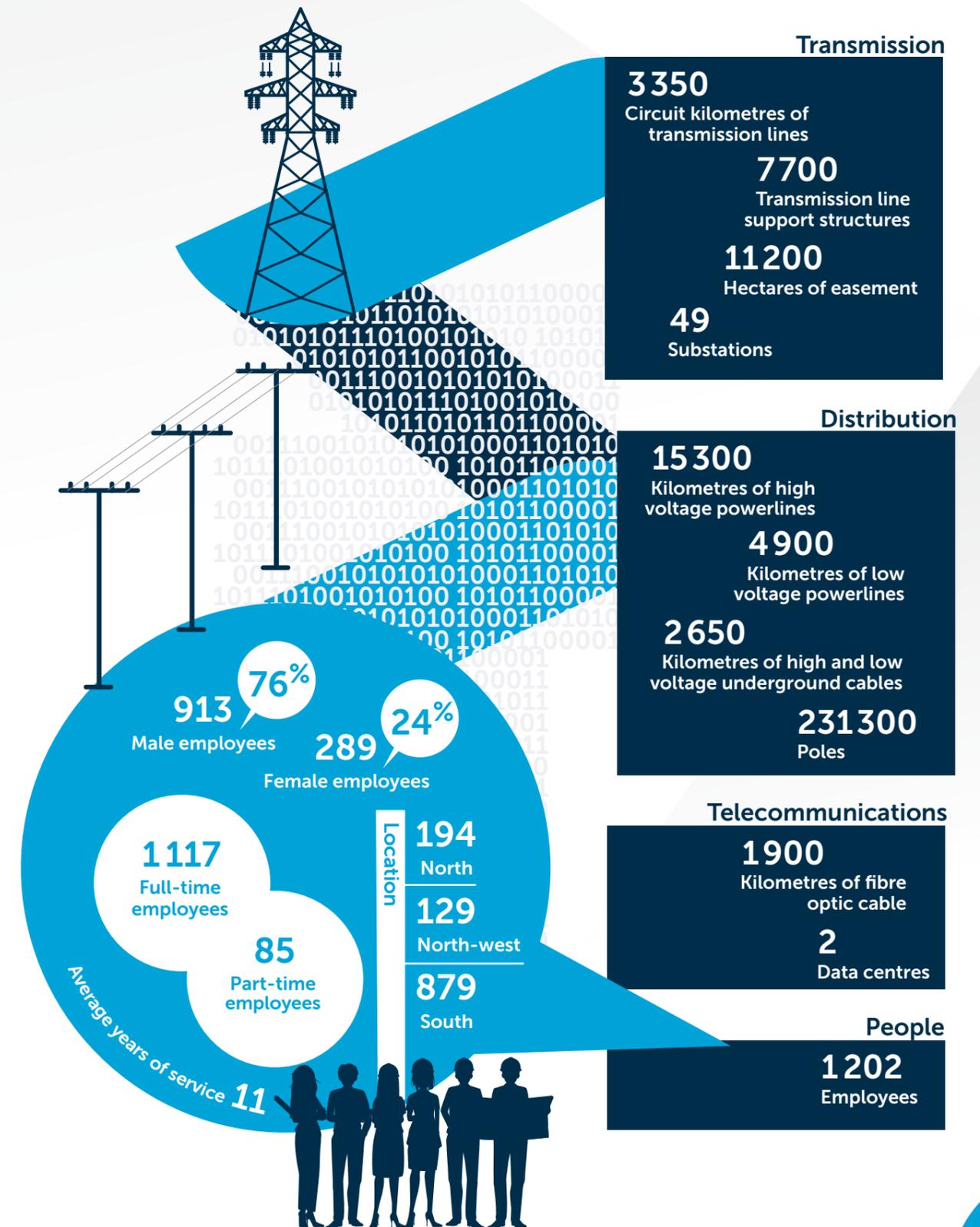
Marinus Link Pty Ltd

MLPL was established with a broad remit to allow for the Project Marinus feasibility and business case; to take any steps necessary to establish the interconnector; to build, own or operate the interconnector; and to undertake any other associated activity. The proposed interconnector, known as Marinus Link, is a 1,500 megawatt capacity undersea and underground high voltage direct current electricity and telecommunications connection that will link Tasmania's renewable energy generation and storage resources to Victoria and the rest of NEM. MLPL is presently used as the vehicle for land access and acquisitions for Marinus Link and is also the proponent for environment and planning approvals for Marinus Link.

Large Scale Renewables Pty Ltd

LSR was established to support the growth of TasNetworks' unregulated transmission connection services business, facilitating large scale generation and other large industry connections to our network. Once fully operational, contestable transmission connection services will be provided through LSR to provide customers with a 'one-stop shop' for large connections. Services to be provided include professional services to support project development (such as preliminary design) as well as build, own and operate asset services.

What it takes to deliver your power



Chairman message

Our work and mission together at TasNetworks is more important than ever.

Over the past 12 months, we've continued to witness a rapid pace of change in the Australian energy landscape. With the growth of renewables continuing at unprecedented levels, there's no doubting that we're entering some of the most exciting and challenging years in TasNetworks' history.

TasNetworks' owners, the Tasmanian Government, have established ambitious targets and projects in the pursuit of a renewable energy future. This agenda includes a 200 per cent renewable energy target by 2040 (doubling Tasmania's renewable energy generation of 10,500 gigawatt-hours to 21,000 gigawatt-hours) and a range of other policy initiatives captured in the **Tasmanian Renewable Energy Action Plan 2020**.

The Tasmanian Renewable Energy Action Plan 2020 remains the Tasmanian Government's platform to establish the state as a world-leading provider of clean, reliable and affordable energy. Importantly, the plan has a number of priorities that rely heavily on TasNetworks to deliver, including Project Marinus, a hydrogen hub, new large-scale renewable generation and further opportunities for load growth.

To play our role in achieving the Tasmanian Renewable Energy Target (TRET), TasNetworks must embark on significant upgrades to the existing transmission network. This work has already started across the north-west of Tasmania and via Project Marinus, signifying some of



Dr Dan Norton AO
Chairman

the largest construction activity undertaken in Tasmania since hydro industrialisation. North West Transmission Developments will enable new, large-scale renewable generation as well as underpinning additional load growth opportunities in the Bell Bay area. We remain conscious that this work relies on the support of as many Tasmanians as possible and we will continue our community and stakeholder engagement in impacted regions.

As the energy sector visibly evolves and we respond to that, we also respond to other changes, like the climate. When these new and unexpected challenges present themselves, we adapt and evolve. Community expectations are that industries and businesses care more about how they impact the environment and shape society. To meet these expectations, TasNetworks is aligning with the United Nations Sustainable Development Goals and I'm personally pleased that climate change is one of a number of Strategic Initiatives identified by the TasNetworks Board.

We are looking ahead and have chosen 2030 as an important milestone in the transition towards our long-term future. For us, 10 years is a relatively short timeframe

when you consider that our assets can be in service for 40, 50 or even 80 years. Our Purpose over this time is to Power a Bright Future. Although the future is uncertain, we have chosen five focus areas that will likely endure and guide TasNetworks' course towards 2030 - Safety, Resilience, Efficiency, Renewable Energy and Growth.

Everyone in our business has a crucial role to play in delivering on Tasmania's ambitions.

That includes the line-workers and field operators who respond any time, in any weather, with skill and dedication, to help keep Tasmanians safe and connected. It includes the people who build and maintain our transmission and distribution assets of today, and will build the key developments of tomorrow. It includes the people who liaise with our customers, solving complex problems, and putting our best foot forward to 'keep the lights on' right across Tasmania. It includes the network planners laying the foundations for our future grid, for Marinus Link; for hydrogen innovation; for the improvements that will help us work smarter, more efficiently and let us realise opportunities in our rapidly-changing market.

I want to pay special tribute to Lance Balcombe, our inaugural CEO, who departed TasNetworks in March. In his seven-and-a-half years in charge, Lance made

TasNetworks is aligning with the United Nations Sustainable Development Goals and I'm personally pleased that Climate Change is one of a number of Strategic Initiatives identified by the TasNetworks Board.

TasNetworks a safer, more caring, and customer-focused business. The vision we pursue is only possible because of the platform Lance left us.

I am grateful for the interim leadership provided under Acting CEO, Ross Burridge and welcome Dr Seán Mc Goldrick as the new CEO.

I would also like to thank my Board of Directors for their ongoing support and counsel over the past 12 months. I am confident TasNetworks is prepared for the transformation to a cleaner, brighter future for the energy industry and to support Tasmania's 200 per cent renewable energy target.

Tasman bridge at peak hour.



CEO message

After what has been another challenging year for all of us, I'm pleased to report that TasNetworks has remained focused on the job at hand, with another productive year the result.

Across many areas, including safety, customer service and major projects, we've met all our anticipated targets.

I am pleased to report that our safety performance continues to improve exponentially, in line with our commitment to ensure 'safety is at the heart of what we do'. Our Total Recordable Injury Frequency Rate was well under target, as was the number of incidents. This continued progress, achieved under the disruption of COVID and many new ways of working, has been particularly pleasing.

Improving our safety performance remains one of our key priorities and there can be no complacency. Any and every incident or injury is one too many, but we're making great strides towards having the very safest workplace possible.

This year, we've also worked to build improvements in our customer service, making ourselves more customer-focused and more in touch with our customers' needs and priorities. Initiatives like self-service and SMS notifications for outages have helped us communicate better and give customers more flexibility and control. In 2020-21, we met our Customer Satisfaction Target and complaints were well down. Those efforts start on the front line with our field crews, who respond any time, in any weather, to help keep the lights on right across Tasmania. This work continues behind the scenes with everyone who liaises, listens and works hard to meet and exceed our customers' needs and expectations.

We also delivered reliable network services in 2020-21



Ross Burridge AM
Acting CEO

and significantly improved our on-time performance for negotiated distribution connections, as well as basic connection applications approved in fewer than five business days. We understand the important role we play in supporting Tasmania's building sector and are improving our efficiency and responsiveness to help reduce design and construction timeframes where possible.

We proudly launched our Reflect Reconciliation Action Plan (RAP) in partnership with the Aboriginal Elders Council of Tasmania. Our RAP commits us to build respect, relationships and opportunities with Aboriginal and Torres Strait Islander peoples. Importantly, it includes our commitment to deliver and report on our progress. In particular, I am delighted to be TasNetworks' very first 'RAP Champion' and represent the business at our launch.

Our people are very passionate about protecting Tasmania's iconic birds of prey, particularly the wedge-tailed eagle. We have greatly increased our efforts to make the network safer for threatened birds in recent years, and we are encouraged by the recent drop in reported incidents. In 2020-21, there were 15 threatened bird incidents, which is three fewer than 2019-20 (18), and much lower than 2018-19 (24), and 2017-18 (33). Over the next five years, we'll invest \$4 million to install more than

260 kilometres of mitigation devices on infrastructure in high-risk areas, to help prevent collisions and electrocutions. In 2020-21, we strengthened partnerships with the Tasmanian Museum and Art Gallery, the University of Tasmania and Greening Australia to further our research efforts and provided additional financial support to the Raptor Refuge, who play a critical role in rescuing and rehabilitating injured raptors.

This year, we took major steps towards shaping a more clean and affordable future for Tasmanian drivers by recruiting 22 local participants who own an electric vehicle (EV) for a charging trial. The trial data will help chart EVs' existing impact on the energy network (at different times and loads), and prepare energy networks for rapid EV uptake most efficiently and cost-effectively. EVs are the way forward for Tasmanians in the coming years, but our island's electricity network must be ready and equipped for that significant transition.

Tasmanians rightly expect social and community contribution from their government-owned businesses. TasNetworks understands this and that duty is front-of-mind as we strive to keep people connected, keep power costs down, and make a difference in Tasmanians' lives.

We were pleased to see residential and business power prices drop for 2021-22 due to an overall downward trend. Despite making significant contributions in other areas, we never lose sight of cost and reliability as the number one priority for many Tasmanians.

Project Marinus is progressing well and meeting key milestones. Our subsidiary businesses 42-24 (which we successfully separated from TasNetworks in location and staffing in 2020-21) and Large Scale Renewables are making good progress towards their goals. We recognise our skill, innovation and efficiency is vital for Tasmania's clean energy expansion and meeting the Government's targeted 200 per cent TRET. We'll keep focusing on these ambitions as we harness opportunities from the energy transformation currently underway across the nation.

By the time our Annual Report is released, our new CEO will have commenced. It's been a privilege to serve as TasNetworks' Acting CEO following Lance Balcombe's departure in March. I commend the TasNetworks team for their efforts over the past year and look forward to tackling the challenges and opportunities ahead for our business as we continue Powering a Bright Future for Tasmanians.



Previous CEO, Lance Balcombe supporting The Mind Games.

The vision we pursue is only possible because of the platform Lance left us.

Dr Dan Norton

2020-21 highlights

Performance

Our customers

We care for our customers and make their experience easier.

Customer satisfaction

7.6/10



Network prices decreased by an average of

5.2%

Spend on local business

68%

(41% Tas based & 27% interstate with local presence)

Our people

We keep safe, build trusting relationships, and enable our people to deliver value.

Employee engagement

67%



Total recordable incident frequency rate reduced by

1.8

Gender pay gap

5.6%

A leader against the national average and electricity industry average

Our business

We manage our assets to deliver safe and reliable services, while transforming our business.

Invested back into our network

\$212.6m



Network supply availability

99.97%

Proactive bird mitigation installed on distribution lines

70km

Our owners

We operate our business to deliver sustainable shareholder outcomes.

Operating profit after tax

\$16.9m



Dividends

\$26.7m

Large scale connections revenue

\$5.6m

2030 Focus areas



Resilience of our network, and people and the community we serve.



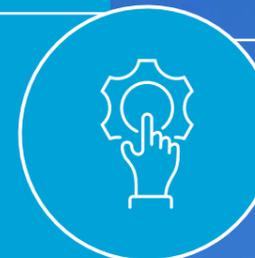
Growth at scale, in competitive energy services.



Safety of our people, the community and the environment.



Renewable energy Connecting new customers and progressing Marinus Link energy services.



Efficiency Achieve efficiencies and reinvest gains in innovation for customers and growth.



At its heart, Corporate Social Responsibility at TasNetworks is about building trust.

Our commitment to Corporate Social Responsibility

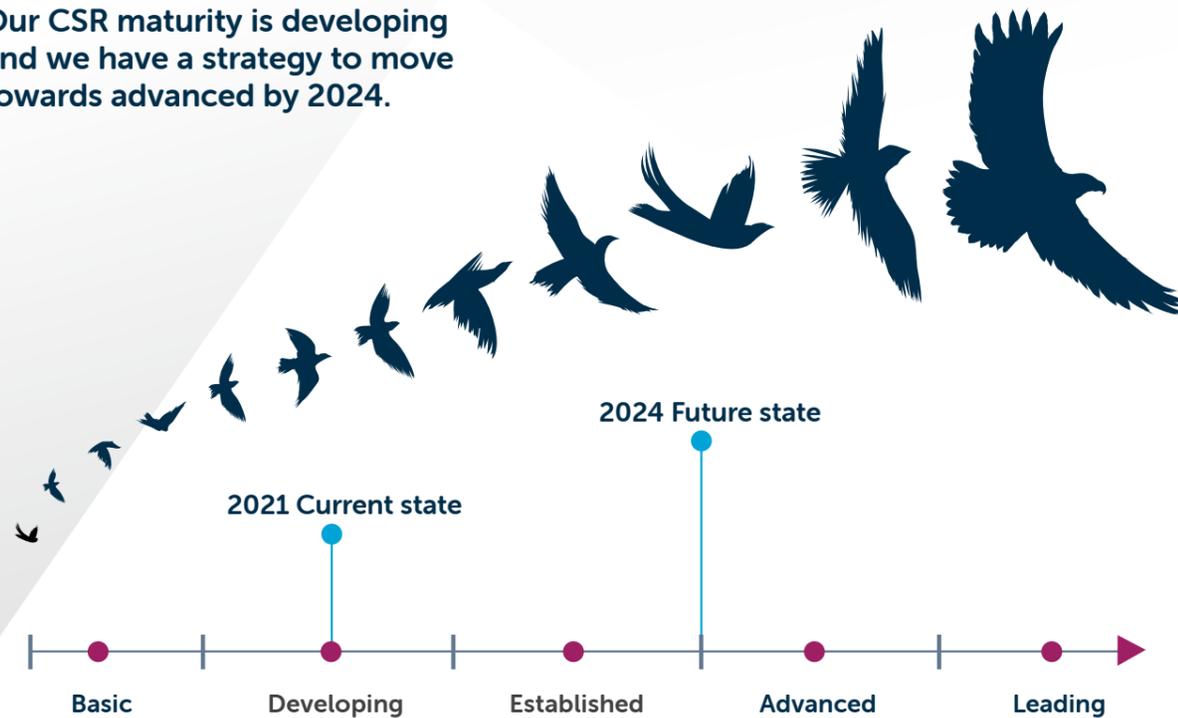
As a large business providing an essential service to all Tasmanians, we recognise our relationship to the community, the economy and the environment. At its heart, Corporate Social Responsibility (CSR) at TasNetworks is about building trust. Trust is developed by working to minimise our impact and create shared value for our customers, our people and our broader community over the long term.

At this time, our most important contribution is our role in the renewable energy transition, which can drastically

reduce carbon emissions and support the fight against climate change. Our biggest challenge is to see through this transition by upgrading our existing electricity grid so that impacted communities can benefit, and our natural environment is respected. As we navigate these challenges, we are strengthening our focus on CSR. We play an important role in shaping Australia's energy future, and as we implement our business strategy we will act responsibly and with integrity.

Our initiatives and activities contribute to and address impacts identified across our key material issues, and our four focus United Nations Sustainable Development Goals. We have outlined our commitments and progress for 2020-21 on pages 12 and 13.

Our CSR maturity is developing and we have a strategy to move towards advanced by 2024.



Our focus United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

For us the SDGs can help define our CSR impacts and opportunities, and communicate how we can deliver our Purpose of Powering a Bright Future in a way that is relevant and inspiring to our people and the Tasmanian community.

We have aligned reporting of our key CSR performance indicators with our focus SDGs.



2020-21 Sustainability snapshot



Supporting the renewable energy transition, keeping prices sustainable and taking climate action.

- Commitments**
- We commit to keeping prices at a sustainable level for our customers.
 - We commit to working with developers to support positive progress in Tasmanian renewable energy developments.
 - We will strengthen our actions on climate change, providing a solid foundation for resilience and mitigation initiatives.

- ✓ Delivered sustainable network prices for our customers. Network prices decreased by an average of 5.2% for most households and small businesses
- ✓ Developing our Electric Vehicle Strategy with commitment to increase EVs in light fleet by 25% by 2024
- ✓ Working with developers on an additional 13 large scale renewable energy projects, to those already in progress
- ✗ Customer trust decreased by 4% (70%) compared with 2019-20
- ✓ Customer Satisfaction up .1 at 7.6/10, meeting benchmark
- ✗ Vehicle fleet emissions increased by 3.7% compared with 2019-20 (152 tonnes CO2-e 1)
- ✗ Electricity use increased by 0.97% compared with 2019-20 (998 MWh)
- ✓ Project Marinus - Completed all activities in the Tender Preparation sub-phase of the Design and Approvals phase



Maintain a sustainable network resilient to disaster, reduce waste and build resilient communities.

- Commitments**
- We partner with diverse Tasmanian communities, to deliver projects and activities that address emerging social and environmental challenges.
 - We will bring agility to our distribution system for the advantage of all our customers.

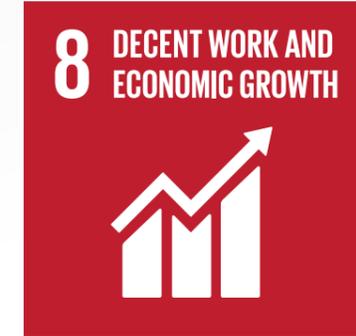
- ✓ Network supply availability - 99.97%
- ✓ Met 80% of community reliability targets
- ✓ Network Climate Change Resilience and Adaptation Strategy updated
- ✓ Completed Waste Management Current State Assessment
- ✓ Total waste to landfill decreased by 13% (127 tonnes)
- ✓ Invested \$260k in community organisations in Tasmania
- ✗ Two failures to notify life-support customers of planned outages
- ✓ Customer Outage Review Initiative progressed - system updates to improve visibility of network connections and planned power outages
- ✓ Developed our Future Network System Vision



Minimise environmental risks posed by our operations and assets and improve conservation outcomes.

- Commitments**
- We care about our environment and advocate for a sustainable future.

- ✓ Reportable Environmental Incidents reduced by 20% (8 Incidents) compared with 2019-20
- ✓ Commenced enterprise-wide Climate Change Strategy
- ✓ Number of reportable oil spills decreased by 10% (2 oil spills) compared with 2019-20
- ✓ Proactively mitigated approximately 70km of distribution lines to reduce bird strikes



Promote inclusive and sustainable economic growth, employment and decent work.

- Commitments**
- We strive for Zero Harm to our people and the public and demonstrate a strong safety culture.
 - We support diversity and inclusion and embrace our differences.
 - We promote sustainable economic growth and stimulating demand for socially-responsible products and services.

- ✓ Released our Reflect Reconciliation Action Plan
- ✓ Released first Modern Slavery Statement and implemented into procurement suite
- ✓ 68% spend on local business (41% Tas based & 27% interstate with local presence)
- ✓ NWTD Procurement Strategy developed, supporting local suppliers and employment
- ✓ Gender Pay Gap - 5.6%, a leader against the national average and electricity industry average
- ✗ Gender Balance: 24% Female and 76% Male
- ✓ Total Recordable Injury Frequency Rate reduced by 1.8 (4.8 for 20-21)
- ✓ Safety and Wellbeing maturity increased ('Established' level achieved)
- ✓ Developed a Responsible Procurement Standard
- ✓ Employee engagement - 67%, down 2% compared with 2019-20, but remaining close to the utility benchmark

Our response to COVID-19

Despite major disruption from COVID-19, our focus remains on ensuring our island's energy supply remains secure and reliable. Like the rest of the world, COVID-19 has changed the way many Tasmanians live their lives.

To stop the spread of the virus, we adapted our operations to ensure a safe and secure supply of electricity to our customers, while doing our part to protect our people and the community.

OUR PEOPLE

We're committed to protecting our people and our customers by doing our part to limit the spread of COVID-19. By July 2020, the majority of our people had returned to the office, while maintaining hybrid working arrangements.



- We socially distanced our workforce, both in the office and in the field.
- Early in the 2020-21 financial year, we completed our phased approach to returning team members to the workplace, managed by our COVID response teams.
- We continued to work remotely where practical.
- Our new induction procedure ensured we informed all team members of new COVID-19 work practices.
- Through regular communications via multiple channels, we kept our team members informed about COVID-19. We established a COVID-19 mailbox, where team members could communicate directly with the COVID-19 team.
- We used video conferencing to keep teams connected.
- We provided free online counselling sessions run by psychologists, directly addressing the challenges of living with COVID.
- We maintained work flexibility.

OUR CUSTOMERS

We continued to deliver our essential services to customers, while maintaining COVID-19 safety.



- We maintained many COVID precautions, such as asking customers if anyone at their property had been isolating/travelling before attending fault call-outs.
- We engaged with our customer and stakeholder representative groups through online platforms. This has been a positive experience to improve accessibility.

OUR COMMUNITY

To support our community through the rapidly evolving situation we continued a number of initiatives aimed to create a better tomorrow.



- We continued to promote our Bright Sparks Online Program, allowing teachers and parents to carry out electrical safety lessons at home.
- With more people spending time at home and using more electricity than normal, we continued our partnership with the Australian Energy Foundation to help customers become more energy efficient.
- We increased our engagement activities using digital and online methods via our Talk With TasNetworks engagement platform.

OUR BUSINESS

As with any emergency, we have plans in place to ensure our business decisions are swift and in line with government and health authorities.



- We revised our workplace layout to allow 1.5m between team members and one person per 2m².
- We increased cleaning regimes and made hand sanitiser available at all locations, including in vehicles.
- We implemented a COVIDSafe Visitor induction to anyone intending to visit a TasNetworks site.
- We promoted the use of the COVIDSafe app to our corporate mobile devices and encouraged its use on personal devices.
- We continually reviewed our Business Continuity Plans in light of current situations across all states to ensure we were ready to respond.
- We implemented COVID-19 check-in QR codes at all our depots and facilities.
- We implemented travel registers and approval processes to ensure that all travel situations were low or no risk and managed appropriately.
- We regularly communicated with contractors to ensure that if any of their employees identified as higher risk, then they did not attend our facilities.
- To minimise economic impacts, we implemented a COVID-19 Procurement Policy in response to the Premier's Economic and Social Recovery Advisory Council Interim Report (PESRAC).
- We reviewed ventilation systems to ensure adequate fresh air circulates.



P&C Program Intergration Specialist, Darryl White working from home.

Renewable energy and growth

TasNetworks is preparing to connect and deliver power for the production of renewable hydrogen in Tasmania.

Preparing for hydrogen

As the operator of both the state's transmission and distribution networks, TasNetworks is preparing to connect and deliver power for the production of renewable hydrogen in Tasmania.

The emergence of a hydrogen economy creates an opportunity for Tasmania. Tasmania can use existing and future renewable energy generation assets in conjunction with water resources to become a global competitor in large-scale green hydrogen production by 2030. This opportunity is supported through the Tasmanian Government's Renewable Hydrogen Action Plan and is expected to boost economic activity in Tasmania.

To prepare for increased hydrogen production, we've strengthened our external communications, including the release of a brochure on Renewable Hydrogen Connections to the Tasmanian Electricity Network, **available on our website**. This document outlines the Tasmanian power system and its ability to supply the loads involved with producing hydrogen on an industrial scale.

Australia's National Hydrogen Strategy identifies Tasmania as having a very high potential for producing renewable hydrogen. The Tasmanian Renewable Hydrogen Action Plan sets out the State Government's vision to capitalise on its advantages to become a world leader in large-scale renewable hydrogen production. Both the National Hydrogen Strategy and the Tasmanian Renewable Hydrogen Action Plan recognise the importance of developing hydrogen production hubs to leverage existing infrastructure and develop the industry.



Bluff Point Wind Farm.

Tasmania has several potential sites for large-scale hydrogen production facilities, including the Bell Bay Advanced Manufacturing Zone (**BBAMZ**), and other locations in north-west Tasmania. For producers that don't need access to facilities like a deep-water port or Tasmania's rail network, there are many different locations around the state where the distribution network can support hydrogen production facilities.

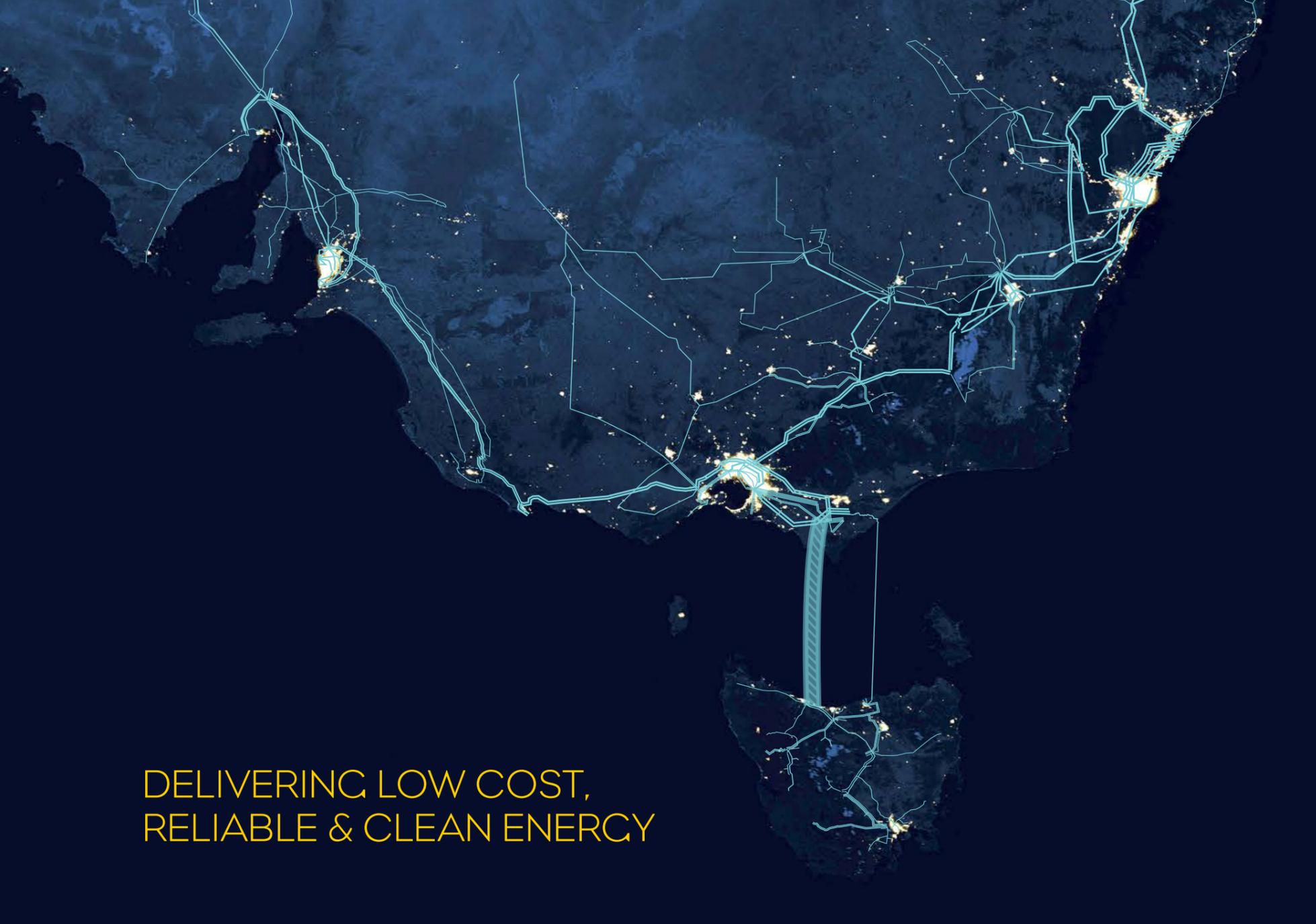
Large industrial loads, like those associated with the large-scale production of renewable hydrogen, when partnered with intermittent renewable energy generating systems, can help stabilise the power system to increase its hosting capability. We're developing flexible plans that account for this and other scenarios. We're working with stakeholders to ensure that new hydrogen production facilities are connected in a cost-effective manner that also maintains the security and resilience of the Tasmanian power system.

This work aims to minimise the impact on local landowners and the environment, maximise benefits to the local community, and create opportunities for local businesses. Regardless of size, location or voltage; as the operator of both the state's transmission and distribution networks, we're eager to connect and deliver power for the production of renewable hydrogen in Tasmania.

Large scale connections

As a state, Tasmania leads the way in offering low cost, reliable, and clean electricity resources for new and expanded industrial developments. In response to this, we continue to see an increase in large-scale connection enquiries compared to previous years. Connecting new large-scale generators and loads, such as wind farms and hydrogen plants, is crucial to achieving Tasmania's Renewable Energy Action Plan and Hydrogen Action Plan targets.

Our services offer proponents a seamless, end-to-end transmission connections solution tailored to meet each project's needs. We are proud to support Tasmania's pathway to securing a renewable energy future, growing the economy, attracting investment and creating jobs in Tasmanian regional communities.



Toward a clean, reliable energy future

Australia's transition to renewables is occurring quickly. The National Energy Market (**NEM**) needs access to affordable, 'on-demand' dispatchable energy and long-duration deep storage to ensure the lights stay on and power bills stay low.

In December 2019, TasNetworks completed a positive feasibility and business case assessment for the Project Marinus interconnector, inclusive of the 1500 MW Marinus Link and Tasmania's supporting North West Transmission Developments (**NWTD**). It showed that Project Marinus will deliver low-cost, reliable and clean energy for Tasmania, Victoria and the broader NEM. It also showed that Project Marinus will add significant economic value to regional communities in Tasmania and Victoria, and unlock a pipeline of additional investment in renewable energy and long-duration energy storage developments.

Progressing the Design and Approvals phase

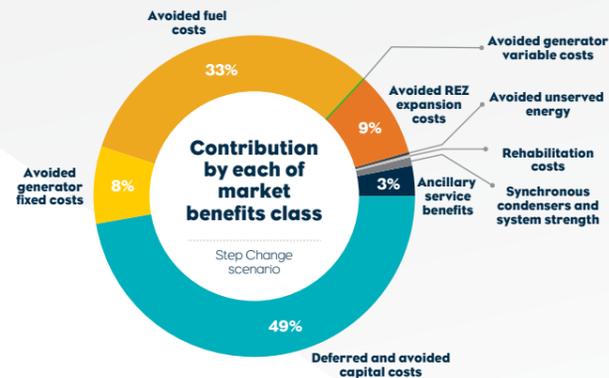
Many indicators suggest the energy transition is likely to further accelerate this decade due to factors including State policy initiatives, major trading partners setting a net zero emissions target by 2050, and sustained pressure from investors and customers to align objectives with the Paris Agreement. TasNetworks is continuing through the Design and Approvals phase, with funding support provided by the Australian Government, to position Project Marinus to be ready for 2027 and 2029 commissioning to support the NEM's transition.

Activities in Victoria, Bass Strait, and Tasmania continued throughout FY2020-2021, including marine surveys, eagle nest surveys, field surveys, economic modelling, and design. Significant community and landowner engagement campaigns were also progressed in both States, including the public release of the preferred route for Staverton to Hampshire Hills, the proposed land routes for the North West Transmission Developments and Marinus Link, and a broad route corridor across Bass Strait. The COVID-19 pandemic affected the format and timing of some project activities which the project team managed with safety of stakeholders and staff being the highest priority.

DELIVERING LOW COST,
RELIABLE & CLEAN ENERGY

PROJECT MARINUS

Completing the Regulatory Investment Test for Transmission (RIT-T)

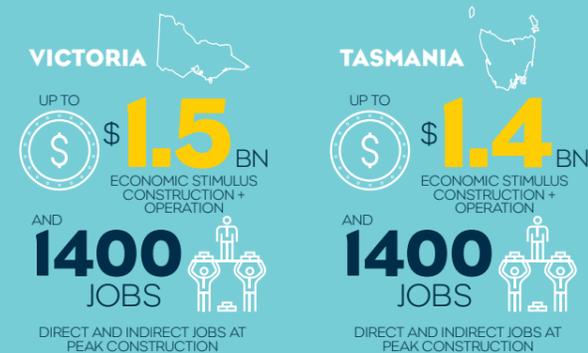


In June 2021, Project Marinus released its Project Assessment Conclusions Report (**PACR**) and wholesale pricing report (**WPR**). The PACR is the final step in the RIT-T process, required under the National Electricity Rules. Combined, these reports provide a body of detailed, independent data that demonstrates that Project Marinus satisfies the RIT-T, is technically and economically feasible, and will deliver significant positive net economic benefits to the NEM from its earliest commissioning timeline of 2027 for the first 750 MW stage, and 2029 for the second 750 MW stage. Along with price savings and increased reliability, Project Marinus will also cut emissions, deliver 2800 direct and indirect jobs in both Tasmania and Victoria, attract billions of dollars in regional investment to both states and unlock a pipeline of future renewable energy development.

New pricing arrangements will need to be agreed to achieve fair pricing outcomes. A fair cost allocation methodology for interconnectors is being investigated by the Energy National Cabinet Reform Committee. An appropriate pricing outcome is required for Project Marinus to proceed. Project Marinus proceeding will see downward pressure on wholesale prices.

Jobs and economic contribution

Project Marinus will add significant economic value to regional communities in Tasmania and Victoria, based on expert modelling.



Project Marinus is supporting workforce participation in Victoria and Tasmania by fostering the development of skills related to the energy industry as it transitions from coal-fired power generation to a greater mix of renewables and dispatchable capacity by 2035. Project Marinus is already working with representative bodies in Victoria and in Tasmania, including the Latrobe Valley Authority and Cradle Coast Authority, fostering cooperation across Bass Strait and identifying opportunities to share knowledge and resources to the mutual benefit of the North West Tasmania and Cippisland regions.

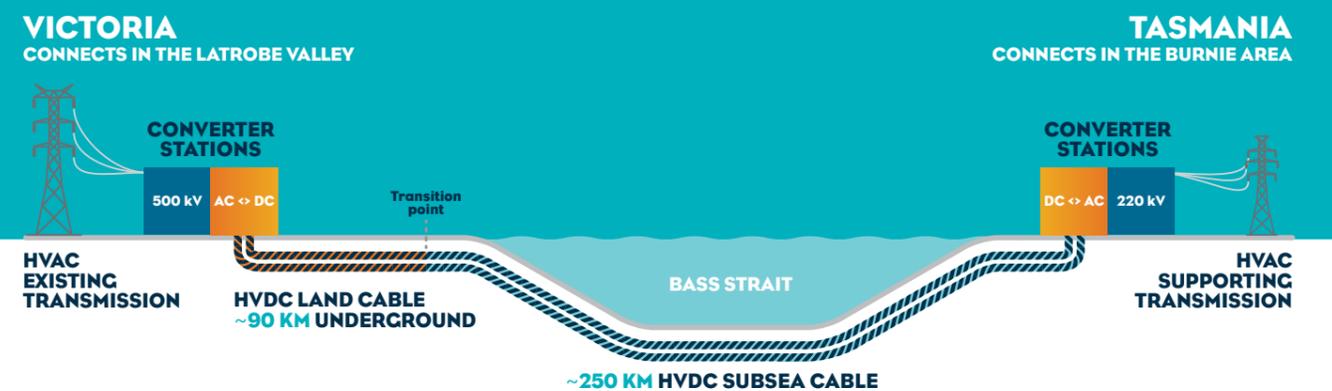
Toward net zero emissions

The Australian Energy Market Operator (**AEMO**) has identified Renewable Energy Zones (**REZ**) in Tasmania that have the potential to host significant additional renewable energy generation and storage opportunities, which Project Marinus can unlock. Tapping into such low cost/high volume dispatchable energy resources means that Project Marinus will be a significant contributor to Australia's emissions reduction ambitions, being a cost-effective means to rapidly cut emissions, leading to savings of up to 70 million tonnes of CO2 equivalent. The 200% renewable energy target announced by the Tasmanian Government in 2020 reinforces the potential for Project Marinus to provide access to low cost, clean and reliable energy resources as part of Australia's transition to a lower emissions energy future.

A priority national infrastructure project

PROJECT MARINUS HAS BEEN RECOGNISED AS A:

- ◇ National priority project by the Australian Government to stimulate economic recovery in the wake of COVID-19
- ◇ High priority initiative by Infrastructure Australia
- ◇ Major Infrastructure Development by the Tasmanian Government
- ◇ Australian Energy Market Operator Integrated System Plan 2020 actionable project, to be shovel ready from 2023



DELIVERING LOW COST, RELIABLE & CLEAN ENERGY

PROJECT **MARINUS**

North West Transmission Developments

Our network will need significant changes in coming years to support the electricity transmission developments in north-west Tasmania. These changes include building new transmission lines and substations and upgrading existing lines to increase the network's capacity. These developments will also help to improve the reliability of Tasmania's power system.

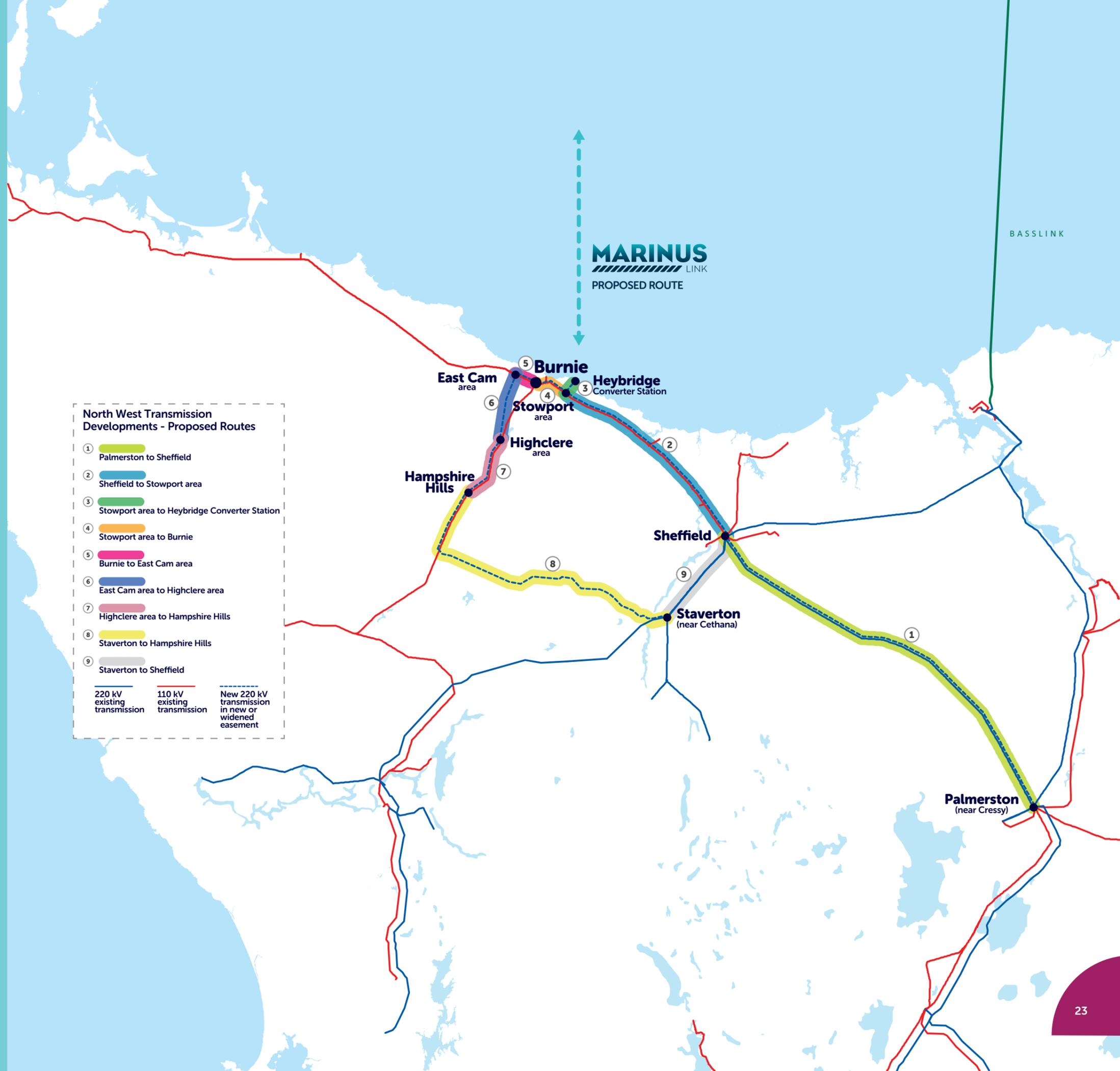
In considering future network requirements, we've developed a strategic plan for the north-west Tasmanian transmission network. The plan considers future load and generation connection requirements as well as existing and forecast transmission network constraints.

Our strategic transmission plan concluded that strengthening the transmission network in north-west Tasmania is required. To do this, we must create a double circuit 220 kilovolt (kV) 'rectangle' and tail that connects the existing Sheffield and Burnie substations with two new switching stations in Hampshire Hills and Staverton, plus upgrades down to the Palmerston Substation (near Cressy).

The NWTD are comprised of nine routes, constructed in stages to meet the connection requirements of generation customers and the delivery of Marinus Link.

We're committed to establishing trusted relationships with the landowners impacted by the proposed transmission developments, including entering into land access agreements. This includes communicating in a transparent, respectful, and timely manner.

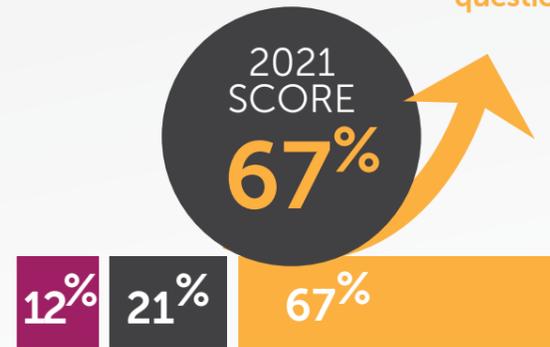
Find out about our NWTD engagement approach on our Talk with TasNetworks platform (**North West Transmission Developments | Talk With TasNetworks**).



Our people

Today more than ever, we rely on the energy, commitment and engagement of our people in order to thrive.

67% of those who participated in the survey responded favourably to the engagement questions.



Unfavourable: answered 'disagree' or 'strongly disagree'
Neutral: answered neither 'agree' or 'disagree'
Favourable: answered 'agree' or 'strongly agree'

Culture and engagement

We will continue to look at ways to improve our culture and engagement and create a more productive and constructive environment for the people in our workforce.

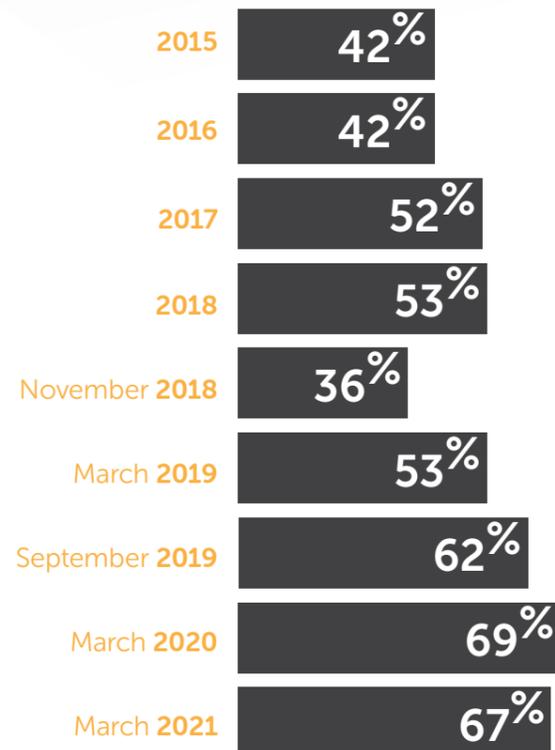
Each year we measure our culture and engagement through our People Survey. Since we formed in 2014, we have seen a strong positive change in both culture and engagement.

This includes a positive shift in the two constructive styles of achievement and self-actualising. This means our culture encourages discussions and the exchange of ideas amongst team members. This shift is also reflected in our engagement.

Engagement is close to meeting the utility industry benchmark, with a score of 67 per cent (March 2021). This score however, has dropped slightly from our 2020 engagement score of 69 per cent. Participation rates in our engagement (75 per cent) and culture (72 per cent) surveys has continued to rise.

We acknowledge that cultural change takes time and concentrated, consistent effort. We work to improve our culture by implementing action plans based on each team's profiles and dynamics and specifically target areas that need work. TasNetworks' ongoing positive culture and engaged workforce helps build a culture of trust and accountability.

Engagement evolution



Talent attraction

A key part of our journey towards 2030 is developing the key business capabilities to serve our customers now and into the future.

The talent of our people underpins our ability to adapt to the rapidly changing energy industry. To support this transition, we have embarked on a journey to identify and acquire the future skills, competency and capability requirements for our business.

We have broadened our recruitment methods to reach high-quality candidates. We have also strengthened our external workplace accreditations, to be recognised as a company that promotes employee safety, development and a positive workplace culture.

As part of our large-scale development planning, we are investigating opportunities to strengthen skills and capability in regional areas. We recognise that we can build community resilience and support economic development through employment.

Our Workforce Strategy supports our transition towards 2030. We aim to have the right people, in the right place, with the right capabilities to meet our long term strategic objectives.

Employer accreditations

The Circle Back Initiative

The Circle Back accreditation showcases our commitment to give candidates the experience they deserve. We will respond to every candidate every time and inform them of their application outcomes.

Summer Student program voted number 10 in Australia

This year, our Summer Student intern program placed 10th in Australia as voted by the Australian Association of Graduate Employers (AAGE). To achieve our ranking, AAGE surveyed over 1200 undergraduates to recognise those organisations that provide the most positive experience for their interns.

Work 180

Work 180 empowers women to choose workplaces where they can thrive. Our Work 180 badge highlights our commitment to supporting women in the workplace, knowing that we are committed to the ongoing development of policies that support them. We received the accreditation after a positive review of our Employee Value Proposition, including flexible working opportunities and paid parental leave.



Our talented and motivated team members assist us to achieve continued success.



Safety is at the heart of what we do.

Safety and wellbeing

We take responsibility for the safety of our people, our communities and the environment. We speak up and stop work when we believe it is unsafe. TasNetworks continues to implement its Safety and Wellbeing Strategy that commenced in 2019-20. The strategy has four pillars: Capable Leadership; Clear Systems and Structures; Continuous Improvement and Innovation; and Capable and Engaged Workforce. The strategy maintains the core aspiration of moving to a safety culture based upon behavioural safety philosophy. Our safety and wellbeing targets demonstrate our commitment to implement our new approach, lift our level of maturity and improve our current performance levels. We aim to reach our goal of no harm to our people, the public and minimise environmental impact.

Automated external defibrillators

TasNetworks is enhancing the safety of our field crews with the purchase of 98 new automated external defibrillators (AED).

Tasmania's state-wide ambulance response time is on average 12.9 minutes. When our crews work in remote locations, these response times can be longer, and access can be challenging. At 10 minutes, there is less than a 10 per cent chance of cardiac arrest survival with no access to an AED. TasNetworks acquired the AEDs in partnership with St John's Tasmania to ensure that all our team members, regardless of location, have rapid access to life-saving equipment.

We are fitting the new, fully automated AEDs into all heavy fleet and 'on call' vehicles. Once fitted, vehicles will be marked with 'AED on-board', so it will be visible to the public that these vehicles carry life-saving equipment. Our field crews are First Aid and CPR trained and in the event of a sudden cardiac arrest situation, our crews, in partnership with St Johns, are ready to offer support.

Improved health, safety and environment training programs

We all play a key role in preventing, preparing, responding and recovering from incidents, injuries and adverse environmental impacts.

Our ability to recognise health, safety and environment (HSE) hazards is key to reducing the number of incidents and how we need to manage them. TasNetworks is continuing to invest in training programs that build knowledge of HSE hazards and provide our people with tools to help prevent associated risks.

This year, we commenced HSE risk, incident and injury management training which will be rolled out across the business. This training directly supports our Safety and Wellbeing Strategy objective to improve overall HSE performance.

Our customers

We are committed to keeping network prices at a sustainable level for our customers.

Providing clearer price signals to customers

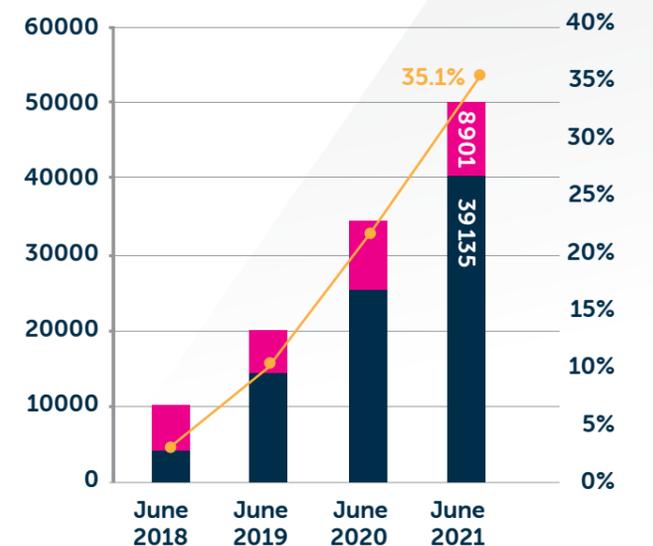
TasNetworks is continuing to reform its pricing by providing signals that better reflect our customers' use of the electricity distribution network. This is known as 'cost-reflective pricing'. Changes to our assignment rules in 2019 has allowed more customers to access cost-reflective pricing, specifically through one of our time of use network tariffs. In the last year, we saw more customers move towards cost-reflective network tariffs, with 16 per cent of residential and small business customers currently assigned to time of use pricing as at June 2021.

We are also seeing many customers save money by moving to a time of use network tariff. In 2021-22, by switching from a flat rate to a time of use network tariff, residential customers can save on average around \$14 per year and small business customers around \$190 per year. This is based on the average network charges for what is known as the 'typical' customer (a residential customer using 7,420 kWh p.a. and a small business customer using 11,405 kWh p.a.).

We recognise that with Tasmania's colder climate, the electricity bills for some households can represent a greater contribution to the cost of living. We are committed to keeping network prices at a sustainable level for our customers. In 2020-21, we delivered a decrease in distribution network charges by an average of 5.2 per cent for most Tasmanian households and small businesses.

Increasing uptake of cost-reflective tariffs over four years

Total residential customers : 253,651
Total business customers : 38,832



of business customers on cost reflective tariffs
of residential customers on cost reflective tariffs
% of customers on advanced meters

Customer Connections Refresh Program

December 2020

We enhanced our internal systems used to process applications from customers connecting embedded generation systems (e.g. solar). This change delivered a reduction in application processing timeframes for our customers.

June 2021

We aligned Electrical Works Request (EWR) and basic connection application processing within one team. This change has reduced handoffs between teams and enabled us to consistently achieve 100% of basic connection and embedded generation applications processed under five business days.

July 2021

We launched our new dedicated subdivisions team one month ahead of schedule. This team will focus on supporting developers through the connection of new subdivisions.

August 2021

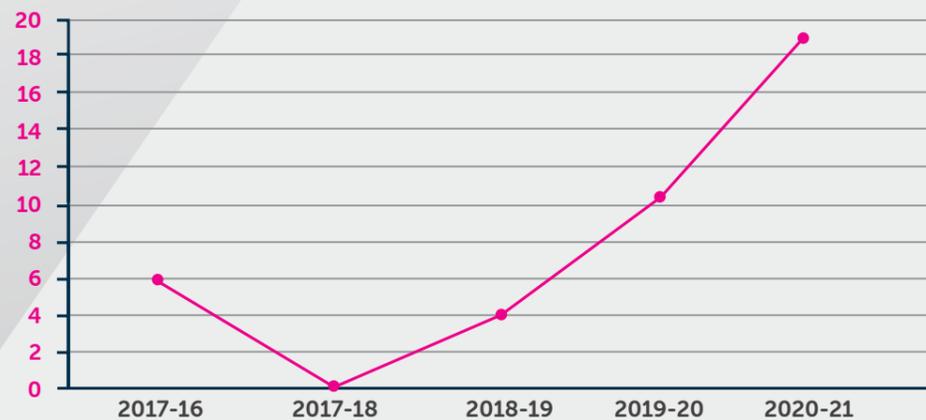
CCRP will deliver additional improvements to the connections portal and our internal IT systems, resulting in more efficient processing of applications with a further reduction in manual data entry processes.

The Customer Connections Refresh Program (CCRP) aims to deliver trusted, faster, and simpler connections for customers through consistent and transparent pricing, processes, and communications. The team has been working hard to design and deliver a new service model that aligns our people, systems and processes to drive improved customer experience.

From here, we will turn our attention to how we can improve our systems and processes to better manage more complex connection requests.

Net promoter score

This graph shows our net promoter score (NPS) trending upwards over the past four years:



NPS is a widely used measure of customer loyalty and is based on how likely a customer would be to recommend or speak highly of TasNetworks.

Net promoter score



Elena Mitsakis, TasNetworks Meter Reader.

The voice of our customers

"I can't give them any more praise. The blokes were there at 1 am to look at the job just to prepare for the work in the morning. That was great."

"Firstly I didn't get handed from person to person. The initial contact was trained and empowered to deal with the matter, and they did."

Customer satisfaction results trending upwards over four years

We measure customer satisfaction, ease of business, NPS and trust as major indicators of success across our key interactions: planned outages, new connections, general enquiries and complaints. Our results have been positive.

We are tracking well with overall satisfaction for 2020-21 at 7.6 out of 10. Our customer satisfaction performance uplift has been attributed to our Voice of the Customer Program, which aims to make the experience of customers easier. This program included the implementation of additional self-service options and SMS notifications.

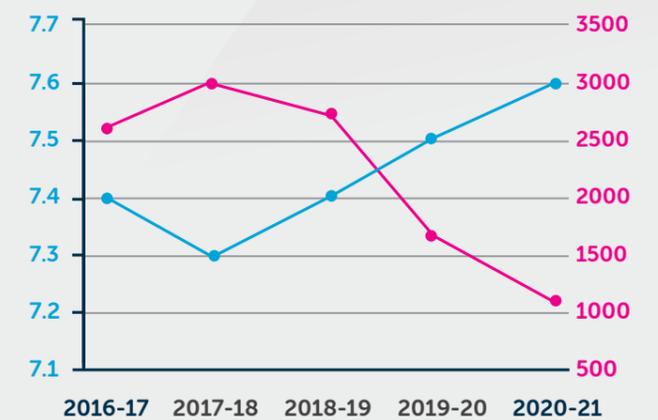
We have also seen a significant reduction in complaints over the past four years. Most notably, a reduction in complaints regarding property access for meter reading due to the increased availability of advanced meters, providing a welcome solution for customers with a history of access issues.

Energy benchmarking program

In July 2020, TasNetworks joined an energy benchmarking research program run by Customer Service Benchmarking Australia (CSBA). The program tracks, measures and compares customer experience across Tasmanian, South Australian and Victorian electricity distributors. By providing a structured approach to measuring customer satisfaction, the program helps us to further understand our customers' experience across various enquiry types. planned interactions, general enquiries and complaints are all tracking above the industry benchmark.

Customer satisfaction and complaints

This graph shows our customer satisfaction trending upwards as complaints trend down over the past four years:



Customer satisfaction
Complaints



Our community

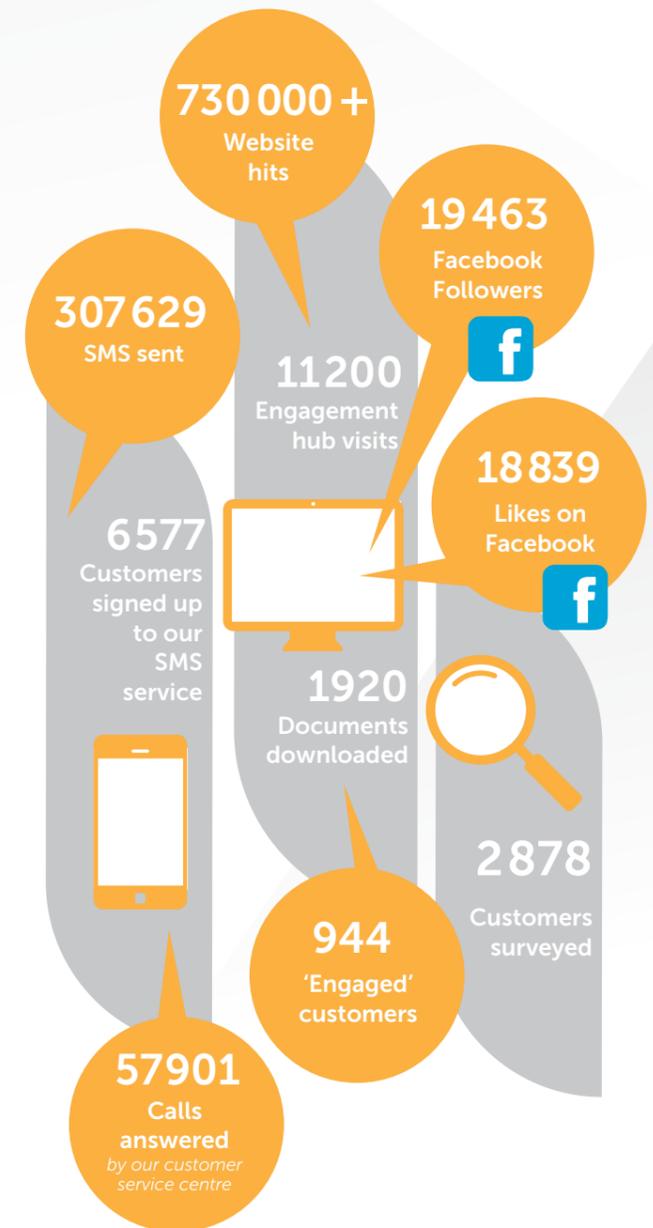
At TasNetworks, we are committed to engaging in a meaningful way with our customers and stakeholders.

Talk with TasNetworks

In May 2020, we established our digital engagement hub – **Talk with TasNetworks**. We designed Talk with TasNetworks to give our customers a convenient platform to share thoughts, feedback and stories on a range of current and developing projects. The platform is online, giving most of our customers access to make meaningful contributions and have their say, at a time that is convenient to them. Hearing about what matters to people is essential to shaping our forward plans.

This year, we continued to establish our online engagement by placing Talk with TasNetworks at the centre of our engagement process. We now conduct many surveys through Talk with TasNetworks, allowing us to cross-reference and report on data in a single location. Our Annual Customer Survey proved to be a successful pilot of large-scale engagement on Talk with TasNetworks. Our customers' contributions in that survey revealed important information about community perceptions and sentiment towards future spending.

Digital engagement has been essential during the COVID-19 pandemic, and we are grateful for our stakeholders' willingness to adopt new ways of giving feedback on our services. In 2020-21, we had 11,200 visits to the platform where stakeholders interacted in a variety of ways. Customers downloaded 1920 documents, showing their interest in understanding the specific details of our projects. Of most interest was our North West Transmission Developments. In total, 944 customers engaged in some way, a number we hope to increase as Talk with TasNetworks becomes a core platform for capturing community sentiment.



Better serving our life support customers

To maintain our network's safety and reliability, we must perform planned outages throughout the year. For our vulnerable customers reliant on medical equipment (life support machines), it's imperative that they're notified to prepare for the duration of works. Unfortunately, TasNetworks has been responsible for failing to notify a number of life support customers of a planned outage, including two customers in 2020-21 and three in 2019-20. Fortunately, none of these failures resulted in harmful circumstances but we did put these customers at risk, and did not meet our regulatory obligations.

We acknowledge that we need to do better and have committed to gaining a better understanding of how we can best serve these customers. This includes a comprehensive end-to-end review of our customer outage processes, known as the Customer Outage Review (COR). Since 2020, the COR project has improved our access to up-to-date customer information and strengthened our process for planned outages, ensuring we meet our obligations. We are also working more collaboratively with retailers and customers to ensure contact details are accurate.

This project will help deliver on our commitment to support our vulnerable customers, keep the community safe and provide a high-quality service.



Ross Burrige presenting our RAP to Luana Towner and Uncle Clyde Mansell

Launching our Reconciliation Action Plan

During Reconciliation Action Week this year, we proudly partnered with the Aboriginal Elders Council of Tasmania to launch our Reflect Reconciliation Action Plan (RAP).

The RAP is a living plan that commits us to meaningful actions to build respect, relationships and opportunities with Aboriginal and Torres Strait Islander peoples. Since October 2019, we have provided cultural learning resources and educational opportunities to support our team members to gain a deeper understanding of Tasmanian Aboriginal history and culture. We are also investing in partnerships with Aboriginal and Torres Strait Islander peoples and Aboriginal organisations in Tasmania and have supported future Aboriginal and Torres Strait Islander leaders.

We acknowledge that Aboriginal and Torres Strait Islander cultures are the oldest surviving cultures in the world, and as part of our RAP, we set out to build trust.

The truth is that there remains a gap between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians – economically, socially, and politically. We want to do our part to close that gap and to celebrate and respect Aboriginal and Torres Strait Islander history, knowledge and culture.

Reconciliation is an ongoing journey, and we all have a role to play in acknowledging our history and championing a path forward. We are honoured to be taking steps to help shape a future of equality, respect and unity with Aboriginal and Torres Strait Islander peoples.

Find out more about our RAP

As part of our RAP, we set out to build trust.

Investing in our community

Our Community Investment Framework is an important part of Corporate Social Responsibility. Each year, we invest in the community through partnerships and sponsorships that are established based on the concept of shared value.



The Energy Wise hub in action at Deloraine High School

Clean and Affordable Energy

TasNetworks has a vital role in Australia's transition to a cleaner, lower-carbon future.

We are focused on investing in projects that will help our community to adapt to challenges and opportunities arising from this transition and equip people to understand their energy needs better, now and into the future.

Alignment to the United Nations Sustainable Development Goals

7 AFFORDABLE AND CLEAN ENERGY



11 SUSTAINABLE CITIES AND COMMUNITIES



Helping the next generation wise up about energy

As part of our Energy Wise partnership with Greening Australia, we've supported the activation of a mobile energy classroom, a trailer called the 'Energy Wise Hub.'

In 2020, Greening Australia took the hub on its very first journey to the north of the state, with visits to Smithton, Wynyard and Deloraine High Schools. Over three days, they provided more than 500 students with an introduction to energy sources, the electricity network, energy efficiency and technology innovations. The Energy Wise Education Resource and lesson plans were collaboratively developed by TasNetworks, in partnership with Greening Australia.

The hub is fully insulated, solar-powered and has LED lighting. It is packed full of practical educational activities and demonstrations so students can learn about Australia's ever-evolving renewable energy landscape.

The Energy Wise hub will live at Greening Australia's Sustainable Learning Centre and form part of its integrated Energy Wise education program, which we proudly helped to develop.

Resilient and Inclusive Communities

In order to create a better tomorrow, first, we need to support our community to overcome the challenges of today.

We want to help improve the lives of Tasmanians and are focused on investing in initiatives that promote greater inclusion, build community resilience and advocate for people facing vulnerable circumstances.

Alignment to the United Nations Sustainable Development Goal

8 DECENT WORK AND ECONOMIC GROWTH



Resilient Communities Grants Program

In 2020 we sought to strengthen community resilience by developing our new Resilient Communities Grants Program, which focused on supporting the community to bounce back from emerging and unexpected challenges.

We received applications for support from 80 organisations for projects happening around the state. Congratulations to our eight grant recipients.

Dress for Success is establishing a new Career Centre, which will provide greater access to technology and support services, empowering women to achieve self-sufficiency through gainful employment.

Gran's Van is upgrading their van to a truck, which will significantly boost their service offering and further extend their reach to surrounding communities in the Devonport region.

Blueline Laundry will develop and implement a new online Learning Management System to provide employment pathways for people with disabilities, from disadvantaged backgrounds and those from culturally and linguistically diverse communities.

Live Well Tasmania is creating a more inclusive space for the community by installing a wheelchair ramp at the Community Hub, enabling people with mobile disabilities and support needs to access their health and wellbeing workshops.

Palliative Care Tasmania is developing a new online referral pathway tool, giving all Tasmanian GPs access to immediate, up to date information to better support their patients living with a life-limiting illness or chronic medical condition.

CORES – Community Response to Eliminating Suicide is delivering a training program to high school students, teachers, carers and parents in the north-west of Tasmania. They hope to provide individuals with the essential skills and resources required to identify and respond to a person at risk of suicide.

Dorset Community Association Inc is developing a new outreach program, 'Out and About' that will take their services such as no interest loans, food supplies and service provider referrals, to people located in isolated pockets of Tasmania's north east.

Agency Arts Health has delivered a number of engagement workshops and on country excursions with Aboriginal community members to develop a series of digital stories, telling of the connection to land and culture in the Central Coast region.

Life on Land

The protection and preservation of the environment is a vital part of TasNetworks' Corporate Social Responsibility.

TasNetworks' electricity and telecommunications networks spans around 35,500 Km across Tasmania. Our network can cause changes to the landscape and impact on nature, biodiversity, and threatened species. Our assets and operations produce controlled wastes and energy losses. Electricity transmission and distribution, produce greenhouse gas emissions which can impact on the climate. Through effectively managing our operations and the way we build and maintain our network, we can address goal 15. More specifically, we are taking action on targets 15.5 and 15.8 to reduce the degradation of natural habitats, halt the loss of biodiversity, prevent the extinction of threatened species and reduce pests and disease.

Alignment to the United Nations Sustainable Development Goal

15 LIFE ON LAND



Threatened bird partnerships

Understanding the eagle view
Our partnership with Greening Australia and the University of Tasmania (UTAS) will support UTAS School of Architecture students to design bird-friendly perches to be installed on our power poles as part of Greening Australia's 'Species Hotels' project near Ross.

Understanding our incidents
Our partnership with the Tasmanian Museum and Art Gallery (TMAG) is funding a new part-time TMAG technical officer, an ultra-cold freezer and a forensic light source. The new researcher and equipment will help TMAG process bird remains more effectively, enabling us to respond quickly to mitigate high-risk sites and prevent repeat incidents.

Understanding eagle populations
Our partnership with Bookend Trust supports ongoing scientific research on the population change of birds of prey in Tasmania. We are funding the development of a new app, website and long term running costs for the annual Where? Where? Wedgie! citizen science surveys. The partnership also supports Dr James Pay's research at UTAS, which includes tracking wedge-tailed eagle movement using GPS tags.

Further Support for Raptor Refuge
TasNetworks is a long-time supporter of the Raptor Refuge at Kettering. In 2020 we further extended our support through sponsorship of a bushfire suppression system.

The funding of ember protection equipment and a new sprinkler system will help protect the refuge in the event of a bushfire.

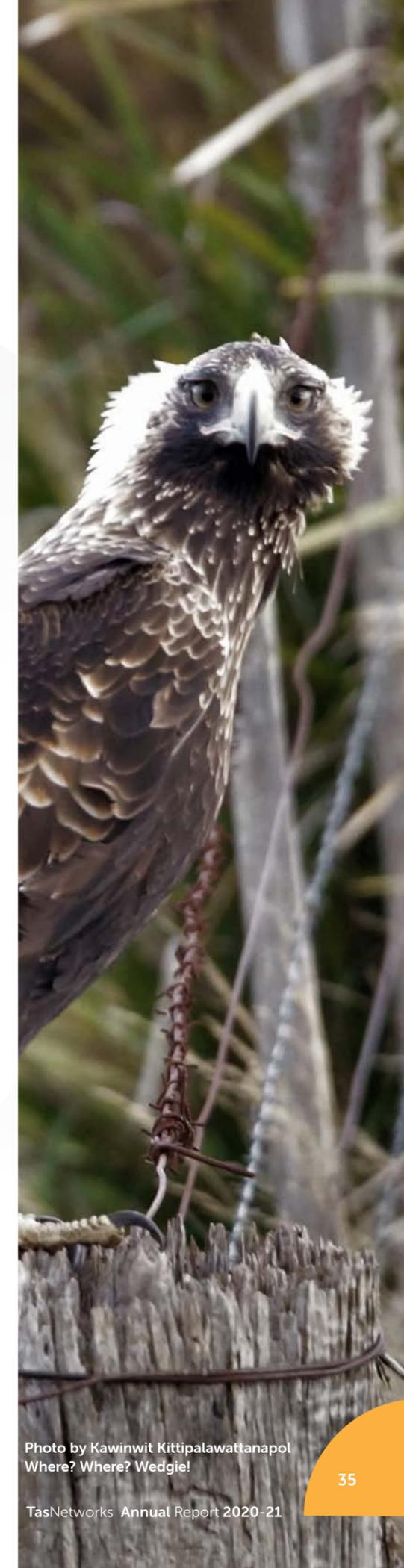


Photo by Kawinwit Kittipalawattanapol
Where? Where? Wedgie!

Environment and sustainability

Stepping up to care for the environment

At TasNetworks, we care about the environment and advocate for a sustainable future. As part of an environmental maturity step change, we are working hard to manage our environmental impact responsibly and improve our environmental performance, which will help Power a Bright Future for all Tasmanians.

In 2020-21, our focus has been on creating cultural change within our business and empowering our people to make environmentally sustainable decisions every day. We have developed an Environment and Sustainability Policy to embed environmentally sustainable practices across our entire business. Our Environment and Sustainability Team has grown to include three new environmental specialists who have been developing environmental awareness training material for our people, enhancing our environmental management system and developing an environmental audit plan.

As a business working for Tasmanians, we're making changes to ensure we look after our beautiful island environment for future generations.

As a business working for Tasmanians, we're making changes to ensure we look after our beautiful island environment for future generations.



We're working hard to minimise risks to birds of prey, such as this white-bellied sea eagle

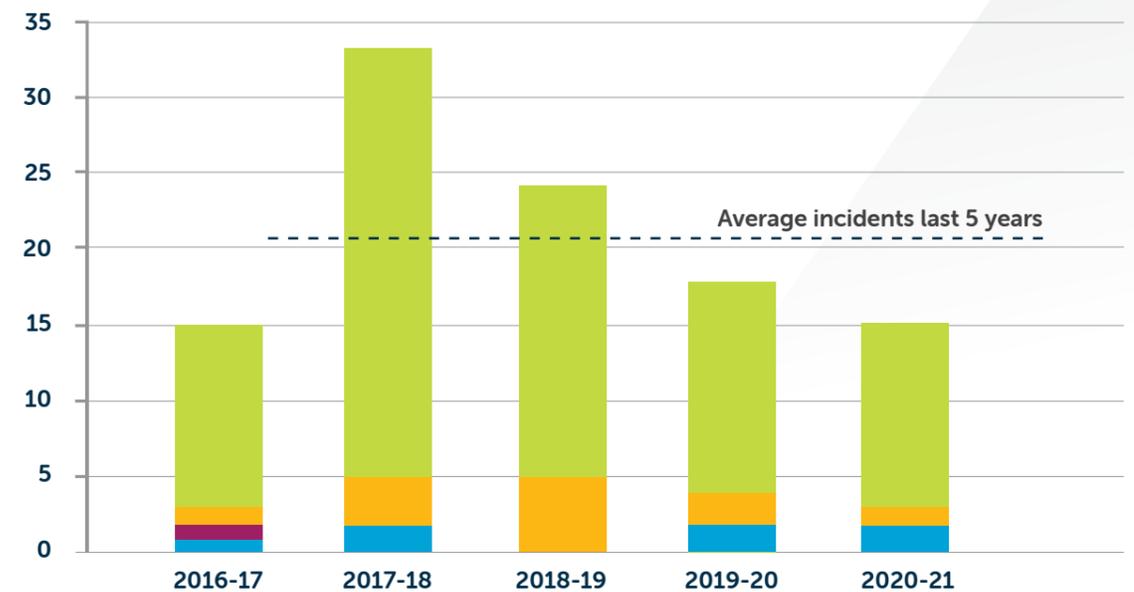
Focusing on key risks

Oil management – Our network contains over 33,000 oil-filled assets, such as transformers, and we're working hard to ensure our people understand the risks associated with oil leaks and spills. Proper oil management procedures include prevention, minimisation, and rapid spill response. Our environment team has provided support with distributing spill equipment, conducting training and clean-up efforts.

Controlled waste – TasNetworks assets and operations can produce controlled wastes, including asbestos, waste oil, arsenic ash, oil containing polychlorinated biphenyl (PCB), lead, mercury and sulphur hexafluoride gas (SF6) waste. In 2020-21, we developed Controlled Waste Training as part of relevant team members and contractor induction procedures, so our people know to do their jobs safely while keeping the environment safe.

Threatened birds - Over the last four years, we have invested over \$4 million to reduce our distribution network's impact on our threatened birdlife. This investment has primarily involved installing bird flight diverters or 'flappers' to 400km of our network and installing bird perches above high-risk poles. While we still have a lot of work to do, we are proud of our collaborative response based on the best available data and research.

Reportable threatened bird incidents - last five years



In 2020-21, TasNetworks reported 15 threatened bird incidents, 16.6% less than the previous year (18) and 37.5% less than 2018-19 (24). While recent data shows that our impact is declining, historic under-reporting of incidents means it's difficult to know the true extent of our impact, particularly in remote areas. All of our reported incidents in 2020-21 occurred on our distribution network.

Wedge-tailed eagle
White-bellied sea eagle
Masked owl
Grey goshawk

Technology

Our vision for distribution is to bring agility to our distribution system for the advantage of all our customers.

Future Distribution System Vision and Roadmap

The Future Distribution System Vision and Roadmap project is establishing a foundational plan for Tasmania's distribution network in response to the evolving needs of our customers, emerging community expectations and efficiencies from accelerating technology transformation. A major focus is facilitating customer adoption of Distributed Energy Resources (DER), which include rooftop solar photovoltaics (PV), battery storage and forthcoming electric vehicles (EV). This initial roadmap is nearing completion, enabling future steps such as external consultation, improvement and focused action.

The tools available to us are rapidly growing in capability, including advances in measurement, communications, data, computing, and analytics. Automation will deliver considerable long-term benefits in safety, efficiency, reliability and grid resilience. It is also an important enabler of efficient and sustainable DER integration and provision of customer DER services.

We will design a sustainable, coordinated and robust approach to DER that addresses hosting capacity barriers and leverages the present Australian focus on grid stability. Our principles are to share DER value equitably, use DER to improve electricity affordability and optimise access for DER connections.

To achieve our vision, we will:

- Grow and share expertise
- Modernise and adopt new technologies
- Find new ways to serve customers
- Secure customer equity, affordability and access to DER

TasNetworks Electric Vehicle Strategy

EVs are critical to a brighter, more sustainable future for Tasmanians. They're cheaper to run, quieter to drive and produce zero emissions when powered by renewable energy.

Australia is entering the age of EVs as part of a broader turn towards decarbonisation and electrification. Roughly a quarter of light vehicle sales globally by 2030 will be EVs, with significant implications for electrical utilities such as TasNetworks.

We play a critical role in this transition by ensuring we prepare our energy networks for the community's changing behaviours. We're working towards better understanding our customers' expectations and evolving needs to determine the best way to integrate EVs and emerging technology into our network. This includes hydrogen vehicle possibilities in line with the Tasmanian Government's hydrogen ambitions.

Our vision is to be an enabler of EV uptake with a whole system approach. We want our customers to easily connect to our network where they want, when they want and at an affordable cost. Some of the areas we are taking action to deliver this are:

- Increasing the availability and accuracy of our EV data to inform our near-future forecasting, monitoring and planning efforts.



The Flora, Fauna and Reserves layer highlights sections of our existing easements that have significant environmental value.

- Actively informing investment and industry policy based on the needs of our customers.
- Maximising the efficiency of our existing infrastructure by investigating the use of smart solutions.

EV Grid Trial

EVs are a rapidly developing technology. Their increased uptake will challenge our current energy network and provide many opportunities, such as increased energy security. TasNetworks is currently running the EV Grid Trial, in line with our Electric Vehicle Strategy to help further our EV knowledge.

The EV Grid Trial is a collaborative project with four other participating distribution network service providers from Vic and ACT and is partially funded by the Australian Renewable Energy Agency. The trial recruited 176 residential customers to demonstrate the capability of smart charging technology. Using real-time network capacity information, we can better prepare to manage the potential impacts from a high uptake of EVs on our electricity system.

The EV Grid Trial is helping us to understand:

- How to manage EV charging in real-time following network conditions.
- Available spare capacity in the low voltage network.
- How to appropriately integrate EVs without excessive network infrastructure upgrades.
- Technology and customer behaviour.

Managing our environmental impact with technology

As part of a broader initiative to improve the visibility of environmental information, we have upgraded our geographic information system by adding a Flora, Fauna and Reserves layer, and Eagle Strike Risk model.

The Flora, Fauna and Reserves layer highlights sections of our existing easements that have significant environmental value, such as the presence of threatened species or within a reserve. The Flora, Fauna and Reserves considerations layer provides an intuitive visual guide to help field crews, scopers, and vegetation officers understand the risk posed by our work and better enable them to protect our environment.

The Eagle Strike Risk model enables us to identify areas where Tasmanian wedge-tailed eagles are more likely to interact with our distribution network and plan the installation of bird mitigation more effectively.

42-24

Since 2018, 42-24 has been delivering quality services to our Tasmanian customers.

Our name embodies our commitment to reliability and local service: 42 degrees is Tasmania's central latitude, while 24 speaks to our round-the-clock reliability, cover and service.

The first three years of 42-24's journey as a separate business has been directed towards building a solid foundation for future success. We have successfully established ourselves as a standalone business and continue to build our brand within the Tasmanian market.

Future growth

42-24's vision for our future is bold: to be the first choice for trusted technology and energy solutions. Our Purpose is to enable, innovate and power success for our customers, and to bring agility, integrity and trust to our work. Our growth strategy is focused on two pillars: providing specialised technology services and delivering market-leading energy solutions.

We will continue to provide Tasmanians access to state-of-the-art infrastructure, whilst expanding our technology services value proposition, and leveraging our collective expertise to develop innovative energy services to the Tasmanian community. 42-24's energy division is in start-up mode and is currently assessing the market in order to determine how to execute its growth strategy.

Infrastructure

42-24 operates a state-wide optic fibre telecommunications network that offers high-reliability services to our customers. 42-24 has been working closely to develop a significant network capacity upgrade. This will enable 42-24 to deliver large capacity services between population centres and provide choice for Tasmanian businesses seeking competitive, high performance, local access services.



42-24 has completed the construction and implementation of Tasmania's first enterprise-grade Internet of Things (IoT) LoRaWAN® network. This network is a natural extension of the capacity and capability that exists today within the 42-24 asset portfolio. The network has been developed to capitalise on the increasing demand for data-driven business practices within the Tasmanian business community.

Technology solutions

Tasmania is experiencing rapid growth in the demand for local enterprise technology services. Consequently, 42-24 will continue to invest in this area, leveraging our extensive capabilities and skills.

Work continues on establishing foundational commercial offerings, with a heightened level of focus on cyber

security and the creation of a state-based Cyber Security Operations Centre that will assist in bridging the cyber skills gap within Tasmania.

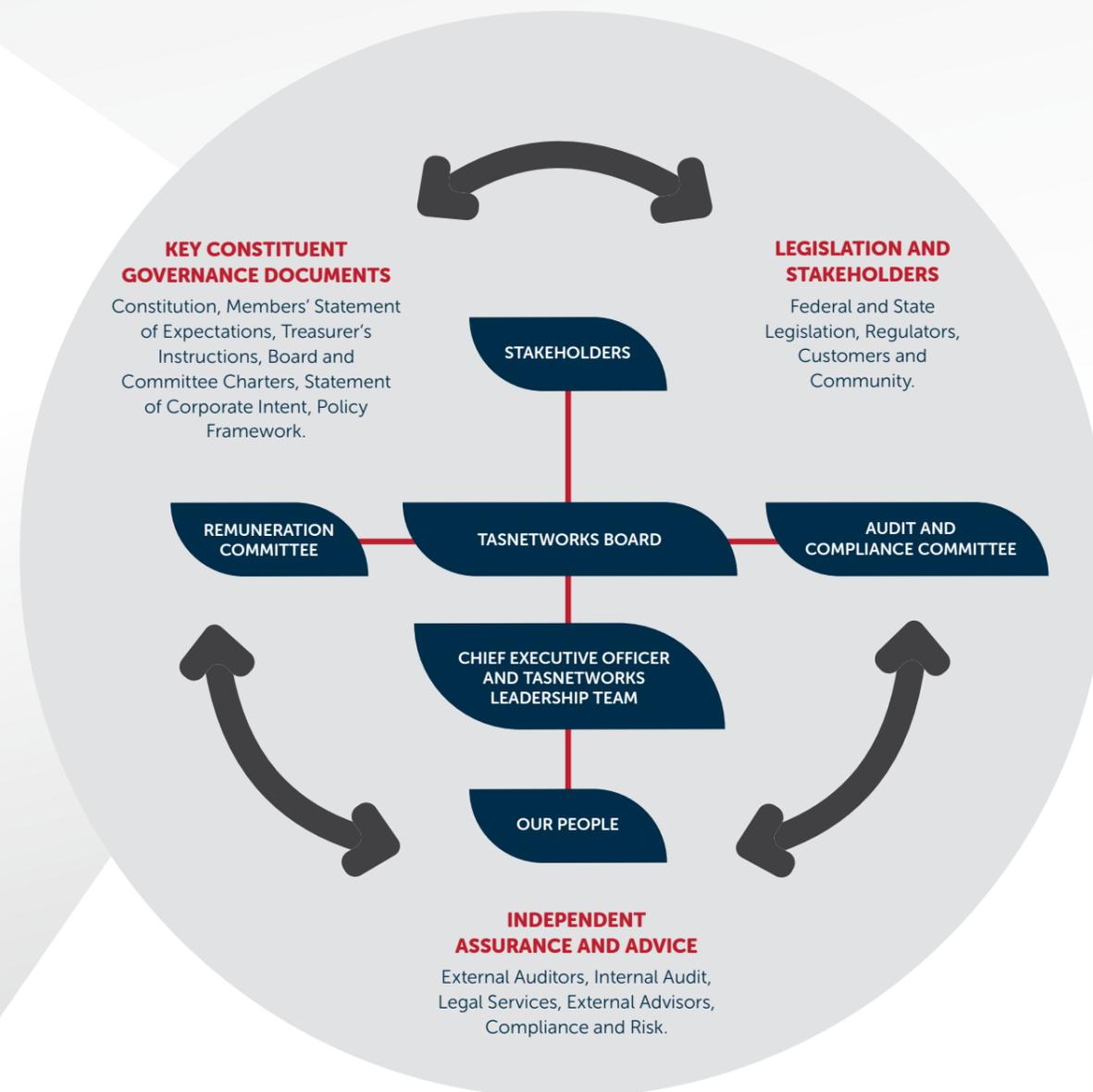
Functional separation

For 42-24 to achieve its growth strategy through the provision of additional commercial offerings, it was necessary to functionally separate from TasNetworks. We achieved this functional separation in January 2021. As part of this process, 42-24 relocated to new offices and implemented a range of changes that affected how it interacts with the broader TasNetworks business. This functional separation was conducted to satisfy the Australian Energy Regulator's Distribution Ring-fencing Guideline as we look to move into contestable energy services.

42 24

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:

- Leadership to and oversight of TasNetworks, including its risk management control and accountability systems;
- appointing and removing the CEO and Company Secretary;
- setting strategic direction by 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;
- setting the risk appetite for TasNetworks and key policy documents such as the Code of Conduct;
- monitoring organizational culture;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control;
- monitoring management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- monitoring the performance of the CEO and management;
- setting remuneration for the CEO and TasNetworks Leadership Team in accordance with TasNetworks' purpose, risk appetite, strategic objectives and Tasmanian Government Guidelines;
- ensuring succession planning for the Board Chair, CEO and TasNetworks Leadership Team;
- 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; and
- communication with Members about matters that may affect TasNetworks' ability to achieve its objectives or financial targets.

Board composition

The TasNetworks Board comprises six non-executive directors.

At the Annual General Meeting on 13 November 2020, Roger Gill and Julie Beeby were re-appointed to the Board as non-executive directors for a further three years each.

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)
Re-appointed 20 November 2018
Current term expires November 2021

Dan is a Senior Advisor at Dandolopartners International and a Director of his consulting company Trinitas Pty Ltd. Dan is also a Member of the Advisory for the Tasmanian Way (auspiced by Tasmanian Leaders Inc.). Dan is also the Chairman of TasNetworks Holding Pty Ltd.

His former positions include: Chairman of WINconnect, Board Member of Infrastructure Australia, Chairman of the Executive Steering Committee Royal Hobart Hospital Redevelopment, Interim Chairman of Forestry Tasmania, Chairman of Tasmanian Ports Corporation, Chairman of Menzies Research Institute Tasmania, Chairman of the National Electricity Market Management Company, 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).

Joanne Doyle

BCom, FCA, RCA, MAICD
Appointed 1 July 2016
Re-appointed 20 November 2018
Current term expires November 2021

Joanne is a partner of WLF Accounting and Advisory and a member of the Trans-Tasman Audit and Advisory Committee and a Trustee of the Solicitors' Trust. Joanne is an audit and advisory specialist, having worked in the industry for over 30 years. Joanne is a Fellow of the Institute of Chartered Accountants and a Registered Company Auditor, Probity Advisor, Registered SMSF Auditor and a Registered Organisation Commission Auditor, with significant experience in the manufacturing, finance, health, infrastructure and not-for-profit sectors.

Joanne is a past director of Civil Construction Services Corporation.

Peter McIntyre

BSc, BE (Hons.), MBA, FIEAust, CPEng, EngExec, FAICD
Appointed 1 November 2016
Re-appointed 26 November 2019
Current term expires November 2022

Peter is the Chief Executive Officer at the Royal Australasian College of Physicians. He was previously employed at Engineers Australia, where he held the position of Chief Executive Officer, and at TransGrid, where he served as its Managing Director for six years. Prior to that, he held several executive positions at TransGrid, 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.

Roger Gill

BE, GAICD, F.IHA
Appointed 27 November 2017
Re-appointed 13 November 2020
Current term expires November 2023

Roger has broad experience in the electricity, water, agriculture, transport, infrastructure development and construction sectors. He is Director and Principal Consultant in his Hydro Focus international consulting company specialising in renewable energy in Australia, Asia, Africa and South America.

Roger is also President of the International Hydropower Association (UK), and a Non-Executive Director of Pacific Hydro (Aust.), SPIC Pacific Energy Pty Ltd, SPIC Pacific Hydro Pty Ltd and UHE São Simão Energia S.A. (Brazil). His former extended corporate governance roles have included Non-Executive Director of Tasmanian Railway (**TasRail**), and Tasmanian Irrigation.

Dr Julie Beeby

BSc (Hons 1), PhD, MBA, FAICD, FTSE
Appointed 20 November 2018
Re-appointed 13 November 2020
Current term expires November 2023

Julie has more than 25 years of experience in the resources sector, specifically in the minerals and petroleum industries. She was recently a Non-Executive Director of Powerlink Queensland and was Chair for the last four years of her tenure. She is currently a Non Executive Director of Whitehaven Coal and a member of the Queensland Financial Provisioning Scheme Advisory Panel.

Julie has previously held non-executive director positions on the Boards of Zerogen, Gloucester Coal, Forge Group, CRC Mining, Australian Coal Association Low Emissions Technology and Australian Coal Research.

Her executive career spanned senior roles in chemicals and natural resources, including CEO of a listed public

company. Her qualifications include Bachelor of Science (Hons) in Organic Chemistry, PhD in Physical Chemistry, Graduate Diploma in Technology Management and Master of Business Administration. Julie is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Academy of Technology and Engineering.

Sarah Merridew

BEC, FCA, FAICD
Appointed 20 February 2019
Current term expires November 2021

Formerly a Partner of Deloitte, Sarah is a Chartered Accountant and experienced company director of listed public companies, government-owned corporations, private companies and community organisations. With expertise in audit, risk management, governance and business advisory services across a broad range of industries, including financial services, dairy, mining, transport and heavy manufacturing.

Sarah is a Director of the Merridew Foundation and the Supported Affordable Accommodation Trust, and a member of the Finance Risk and Investment Committee for RFDS Tasmania Ltd. Sarah's previous non-executive director roles include TasRail, MyState and subsidiary companies, Royal Flying Doctor Service Tasmania, TasWater and Tasmanian Public Finance Corporation.

TasNetworks' statement of compliance with the Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration, along with remuneration details for the Board and Senior Executive, can be found on pages 123 - 129.

Board committees

The Board has two standing committees:

- the Remuneration Committee (comprised of three non-executive directors); and
- the Audit and Compliance Committee (comprised of three non-executive directors).

Other committees are established by the Board as and when required. TasNetworks has established a Revenue Reset Committee and Project Marinus Board Committee.

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 2020-21 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 and employees.

The Remuneration Committee met seven times during the 2020-21 financial year and provided the Board with minutes from each meeting.

Remuneration Committee	Audit and Compliance Committee	Revenue Reset Committee	Project Marinus Board Committee
Dr Julie Beeby (Chair)	Joanne Doyle (Chair)		
Dr Dan Norton AO	Peter McIntyre	All Directors	All Directors
Roger Gill	Sarah Merridew		

Subsidiary companies

TasNetworks has four wholly-owned subsidiary companies:

- **TasNetworks Holdings Pty Ltd**, which is a non-trading subsidiary created to hold all shares in and oversee the subsidiary companies of TasNetworks.

The directors of TasNetworks Holdings Pty Ltd are Dr Dan Norton AO (Chairman and TasNetworks' Chairman) and Ross Burridge (TasNetworks' General Manager Strategy, Finance and Business Services), and the Company Secretaries are Phillippa Bartlett (TasNetworks' Company Secretary and General Counsel) and Michael Chan (TasNetworks' Leader Legal Services). During 2020-21, Lance Balcombe was also a Director of TasNetworks Holdings Pty Ltd prior to his resignation on 25 March 2021, at which time Ross Burridge took over.

- **Fortytwo24 Pty Ltd**, which provides telecommunications, information technology and data centre services to customers. It holds a telecommunications carrier licence and has in place a Nominated Carrier Declaration with TasNetworks.

The directors of Fortytwo24 Pty Ltd are Wayne Tucker (Interim Chair and TasNetworks' General Manager Regulation, Policy and Strategic Asset Management) and Michael Ash (TasNetworks' General Manager Network, Commercial and Major Customer) and the Company Secretaries are Phillippa Bartlett (TasNetworks' Company Secretary and General Counsel) and Michael Chan (TasNetworks' Leader Legal Services). During 2020-21, Lance Balcombe was also a Director and Chair of Fortytwo24 Pty Ltd prior to his resignation on 25 March 2021, at which time Michael Ash was appointed as a Director and Wayne Tucker appointed as Interim Chair.

- **Marinus Link Pty Ltd**, which holds real and intellectual property generated or acquired as a part of Project Marinus (the feasibility and business case assessment for a second interconnector between Tasmania and Victoria).

The directors of Marinus Link Pty Ltd are Ross Burridge (TasNetworks' General Manager Strategy, Finance and Business Services) and Wayne Tucker (TasNetworks' General Manager Regulation, Policy and Strategic Asset Management), and the Company Secretaries are Phillippa Bartlett (TasNetworks' Company Secretary and General Counsel) and Michael Chan (TasNetworks' Leader Legal Services). During 2020-21, Lance Balcombe was also a Director and Chair of Marinus Link Pty Ltd prior to his resignation on 25 March 2021, at which time Wayne Tucker was appointed as a Director and Ross Burridge appointed as Interim Chair.

- **Large Scale Renewables Pty Ltd**, which was incorporated to hold unregulated transmission connection assets.

The directors of Large Scale Renewables Pty Ltd are Ross Burridge (TasNetworks' General Manager Strategy, Finance and Business Services) and Wayne Tucker (TasNetworks' General Manager Regulation, Policy and Strategic Asset Management), and the Company Secretaries are Phillippa Bartlett (TasNetworks' Company Secretary and General Counsel) and Michael Chan (TasNetworks' Leader Legal Services). During 2020-21, Lance Balcombe was also a Director and Chair of Large Scale Renewables Pty Ltd prior to his resignation on 25 March 2021, at which time Wayne Tucker was appointed as a Director and Interim Chair.

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 and inclusion policy, which was launched to all TasNetworks Team Members in September 2019. 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);
- our Safety and Wellbeing Policy;
- grievance resolution procedures;
- the Employee Assistance Program;
- formal inductions;
- flexible work arrangements; and
- email and internet usage policies.

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

- endorsing and approving the policy;
- supporting the development of strategies and initiatives that support the policy;
- leading and championing the implementation of the policy and related initiatives; and
- modelling behaviours that promote inclusivity and 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; and
- 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 first approved by the Chief Executive Officer in June 2014, and was reviewed in 2019.

During the 2020-21 financial year, five formal applications for Assessed Disclosure were received. In three out of the five formal applications received, all information sought was provided to the applicant. In the other two applications, there were no records responsive to the first request, and in the second, commercial in confidence information of both TasNetworks and a third party as well as personal information was redacted from the records provided to the applicant. 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 November 2019 to incorporate new requirements regarding whistleblowing under the Corporations Act 2001 (Cth). It was renamed the Whistleblower Policy. In April 2021, TasNetworks also adopted the Ombudsman's new Model Procedures with minor modifications approved by the Ombudsman. A copy of these procedures is available on TasNetworks' website. There were three protected disclosures received during this financial year. All three had investigations commenced, with:

- one still under investigation as at 30 June 2021;
- one investigation subsequently discontinued (which decision was reviewed by the Ombudsman as required under the PID Act); and
- one completed, with insufficient evidence identified to substantiate the alleged conduct.

One disclosure, received during 2019-20, was still under investigation as at 30 June 2020. That investigation was completed during 2020-21, with sufficient evidence to substantiate the alleged conduct. Disciplinary action occurred as well as a strengthening of the controls in place to prevent such conduct.

There were no other matters arising during the year that are reportable under s86 of the PID Act.

Privacy and 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 2014 and last updated in May 2018, sets out how it collects, uses, discloses and otherwise manages personal information it holds. This policy has recently been reviewed and amended and is likely to be republished in August 2021. Given the recommendations made by the Federal Attorney General Office, it is expected that the *Privacy Act 1988* (Cth) will be substantially overhauled in 2022, and as a consequence, TasNetworks will review its statutory obligations arising from the amended act at that time.

TasNetworks did not receive any enquiries in relation to the PIP Act this financial year.

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 Businesses 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 2020-21 Financial Year, the TasNetworks Board was made up of six independent, non-executive directors.

The Board's responsibilities are summarised at page 41 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 Chair, on all matters to do with the proper functioning of the Board.

The Board performance evaluation process is detailed below in Principle 2: Structure the Board to be effective and add value.

The executive performance evaluation process is detailed at page 128 of this report.

Principle 2: Structure the Board to be effective and 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 44 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, which is managed in accordance with a Conflict of Interest Protocol. 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 2020-21 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.

An internal review was also commenced for assessing the performance of the subsidiary Boards.

Principle 3: Instil a culture of acting lawfully, 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, Whistleblower Policy, Workplace Behaviour Policy, Gifts and Benefits Policy, Quality Policy, Environment and Sustainability Policy and Safety and Wellbeing 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 the Director's Conflict of Interest Protocol.

Principle 4: Safeguard the 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; and
- 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 page 45 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 47.

Principle 6: Respect the rights of shareholders

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. This includes review of material incidents and oversight of TasNetworks' insurance program.

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 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; and
- 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.

Information in relation to the indemnity arrangements provided by TasNetworks to Board members can be found on page 60 of this annual report.

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 and Enterprise Agreement employees. During 2020-21 the Remuneration Committee considered the performance and remuneration reviews of the TasNetworks Leadership Team undertaken by the CEO and referenced against the Mercer Tasmanian General Market, for subsequent Board approval.

TasNetworks Leadership Team

TasNetworks' executive management team comprises a chief executive officer, an executive assistant and eight executive managers.

(Names listed left to right as shown in below photo)

Phillippa Bartlett BA, LLB
Company Secretary and General Counsel (full year except as noted below)

Acting General Manager People, Culture and Community (from 13 November 2020 to 29 March 2021)

Mike Paine BEng, Grad Dip Eng, FIE Aust, GAICD
General Manager Operations and Customer Service Delivery

Michele Percey
Executive Assistant, Office of the CEO

Michael Westenberg
General Manager Technology and Performance

Ross Burrige AM BCom, FCPA, FAICD, FFTP
Acting Chief Executive Officer (from 26 March 2021)
General Manager Strategy, Finance and Business Services (until 25 March 2021)

Renee Anderson BBus, CAHRI
General Manager People, Culture and Community (from 29 March 2021)

Bess Clark BCom, Grad Dip Urb Reg Plan, GAICD
General Manager Marinus Link

Amy-Marie Parker BCom, CA
Acting General Manager Strategy, Finance and Business Services (from 26 March 2021 to 30 June 2021)

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

Michael Ash
General Manager Network, Commercial and Major Customer

(The following are not pictured below)

Michael Chan BA, LLB, MEc
Acting Company Secretary and General Counsel (from 13 November 2020 to 29 March 2021)

Justine McDermott BA (Hons Psych), MAPS (COP), FAHRI
General Manager People, Culture and Community (until 13 November 2020)

Lance Balcombe BCom, FCPA, FCA
Chief Executive Officer (until 25 March 2021)



TasNetworks Leadership Team as at 30 June 2021.

Organisational structure



Company Secretary and General Counsel

The Company Secretary and General Counsel 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 and, since March 2021, the Government Relations and Communications Team. The Group provides legal, governance, media, communications and government relations support to all parts of the business including: the engagement of legal advisers; preparation of government briefs; managing complex disputes; managing obligations under right to information, privacy and relevant public interest legislation; managing wayleaves legislative obligations; managing property law issues; and preparing internal communications.

Regulation, Policy and Strategic Asset Management

Regulation, Policy and Strategic Asset Management manages transmission and distribution assets, champions the development of asset management strategies and leads forecasting and modelling activities so that we understand and are prepared to meet future system demands. It is also responsible for regulatory management and looking at other new technologies.

Network Commercial and Major Customer

Network Commercial and Major Customer (NCMC) group creates value for our customers, community and owners by building expert commercial strategies and marketing capabilities that create unprecedented opportunities. The team translates longer term strategies into an effective rolling Program of Work (POW) - optimised for safe and efficient delivery.

NCMC is made up of three teams: Enterprise Asset Management, Engineering and Network Business Development with a focus on optimisation of the POW from a long-term and short-term perspective and the management and delivery of major customer connection work.

Operations and Customer Service Delivery

Operations and Customer Service Delivery is responsible for: network operations and the Control Centre; network access management; managing our relationships with

customers and the market; retailer liaison; the Customer Contact Centre; connection point management and billing; meter data management and publishing; billing enquiries and dispute resolution; field operations; EHV line work (transmission); line work capital and maintenance and response (distribution); ground services work (substations and turrets); meter reading; design; and project delivery.

Strategy, Finance and Business Services

Strategy, Finance and Business Service's role is to build TasNetworks' financial strength by delivering sound, independent advice and analysis and by directing financial strategies, capital structure development, debt portfolio and business risk management.

The main areas of responsibility are: business strategy; treasury; corporate modelling; financial reporting; management accounting; risk management and insurance; audit and compliance; procurement; fleet and facilities; accounts payable and receivable; payroll; information management; and 42-24 complimentary services business.

People, Culture and Community

People, Culture and Community is responsible for: safety and wellbeing; talent leadership and capability; people and culture (including recruitment, performance management systems and industrial relations); operational and technical capability (registered training organisation); and corporate social responsibility (including environment and stakeholder relations).

Technology and Performance

Technology and Performance aims to provide solutions that improve performance, utilising secure, reliable and innovative technology. The group is responsible for cyber security; information technology; operational technology; performance (facilitating the ideation, prioritisation, execution and governance of change (outside the network program or work); and telecommunications services.

Project Marinus

The Project Marinus group is investigating the benefits and costs for building a second Bass Strait interconnector between Tasmania and Victoria.

Performance against our Statement of Corporate Intent

Performance measure		2020-21 target	2020-21 result	
Safety and Wellbeing	Safety and Wellbeing Plan	Lift Safety and Wellbeing maturity to 'Established' level	'Established' level achieved ¹	✓
	Total recordable injury frequency rate	< 7	4.8	✓
	Significant incidents ²	< 13	7	✓
	Reportable incidents ³	< 45	36 (4 safety, 32 environmental)	✓
Our Customers	Customer net promoter score (NPS)	> +5	+ 19	✓
	Customer satisfaction	> 7.6	7.6	✓
	Customer complaints volume	< 2,000	1,123	✓
Our People	Employee engagement	≥ 70%	67%	On track
Our Business	Network service			
	Service incentive bonuses earned - Transmission and Distribution (\$m)	≥ 3.71	~ 6.29	✓
	Sustained cost management			
	Operating expenditure (excludes Project Marinus) (\$m)	< 164.3	169.8	✗
Capital expenditure (\$m)	228.7	212.6	✓	

¹As determined through internal review and discussion with Ernst and Young.

²Significant incidents are incidents with an actual or credible potential for major or severe health, safety, or environment consequences as defined by TasNetworks' risk matrix.

³Incidents that require notification to a government authority, including Worksafe Tasmania for health and safety incidents, Environment Protection Authority and Department of Primary Industries, Parks, Water and Environment for environmental incidents, and the Australian Energy Regulator (AER) for outages for life-support customers without required period of notice.

Performance measure		2020-21 target	2020-21 result	
Our Owners	TasNetworks consolidated performance			
	Earnings before interest, tax and depreciation and amortisation (EBITDA) (\$m)	≥ 285.9	286.5	✓
	Operating profit after tax (\$m)	≥ 13.2	16.9	✓
	Return on assets (%)	≥ 2.8	3.0	✓
	Return on equity (%)	≥ 1.3	1.7	✓
	Regulated services return consistent with AER decision*	Not applicable in 2020-21		
	Dividends (\$m)	≥ 20.4	26.7	✓
	Gearing ratio (%) – debt to total assets	< 66.7	66.6	✓
	Large unregulated connections			
	Revenue (\$m)	≥ 5.2	5.6	✓
	EBITDA (\$m)	≥ 1.4	3.7	✓
	Project Marinus - business case assessment/design and approvals phases			
	Project milestones	Progress the Design and Approvals phase	On track	✓
	Fortytwo24 Pty Ltd (includes unregulated telecommunications, data centre and IT services)			
	Revenue (\$m)	≥ 18.1	18.8	✓
EBIT (\$m)	≥ 3.7	4.8	✓	

*TasNetworks over recovered regulated revenue in 2019-20. To ensure fair outcomes for customers, TasNetworks has reduced revenue recovery in 2020-21 to offset the over-recovery. This results in lower returns in 2020-21. We are on track to achieve returns for regulated services consistent with the AER decision over the five year revenue period.

Performance commentary

Safety and Wellbeing

The initiatives implemented in the Safety and Wellbeing Plan resulted in positive changes in safety behaviours and actions with outcomes reflected in the Total Recordable Injury Frequency Rate, Significant incidents and Reportable safety incidents, all achieving targets.

The Significant incidents included one employee lost time injury, four safety incidents caused by either asset failure or procedure failure and two failures to notify life-support customers of planned outages. TasNetworks is undertaking a Customer Outage Review Initiative to effect step change improvements to reduce the likelihood of further notification failures to life support customers.

The 36 Reportable incidents comprised of 32 Reportable environmental incidents and four Reportable safety incidents. The safety incidents include a condemned pole incident, an incident where an employee received burns from an arc flash and two occasions when life-support customers were not notified of planned outages. The 32 Reportable environmental incidents included 15 impacts to listed threatened fauna species (comprising 12 wedge-tailed eagles, one white-bellied sea eagle and two grey goshawks) and 17 oil spills or leaks reportable to the Environmental Protection Authority (EPA). Following each threatened bird incident, ongoing risks are reduced by installation of bird flight diverters (flappers) or pole top perches. Oil releases are attended to by our Oil Spill Response teams to ensure appropriate oil clean-up was achieved.

Our Customers

In 2020-21 we achieved another significant reduction in customer complaints; 1,123 for the year, which was 877 less than our target of 2,000. In comparison, 1,687 were registered in 2019-20 and 2,730 were registered in 2018-19. This reduction is attributed to process improvements and efficiencies, including additional self-service options and SMS notifications. We have also seen a significant reduction in complaints regarding property access for meter reading from the increased availability of advanced meters, providing a welcome solution for customers with a history of access issues.

Our 12-month rolling average customer net promoter score (NPS) at the end of June 2021 was +19, well above the target of +5. This is largely attributed to the addition of our online customer interactions and planned outages to our survey program, both of which are scored favourably by our customers.

Our People

The employee engagement across TasNetworks in March 2021 was slightly below target at 67% to the stretched high performing benchmark target. The score was 69% in March 2020 and 53% in March 2019.

Our Business

Network service

Good overall network service provided to our customers resulted in TasNetworks earning a service incentive bonus within the range of \$6.29 million, exceeding the ≥ \$3.71 million annual target; the bonus comprises ~\$4.0 million for Distribution network services and \$2.29 million for Transmission network services (achieved in 2020).

Sustained cost management

The full year operating expenditure was \$5.5 million higher than budget; this includes \$3 million of year-end accounting adjustments. Excluding the impact of these one-off, year-end accounting adjustments (including, additional claims, redundancies, and vehicle recovery adjustments), the adjusted operating expenditure is \$166.8 million. This result is \$2.5 million above budget, with services costs for delivering the program of work being higher than budgeted.

The full-year capital expenditure was \$16.1 million below budget. A number of projects included in the budget did not proceed during the year, and several were delayed. Delayed projects will be completed during the next year.

Our Owners

TasNetworks consolidated performance

All performance measures were met.

Large unregulated connections

Large unregulated connections met its revenue and EBITDA targets.

Project Marinus

Project Marinus milestones are broadly on track with some excellent achievements, in particular, the AEMO Integrated System Plan outcome in July 2020 that included Marinus as an Actionable Project with Decision Rules and the Major Infrastructure Development Approvals Act (MIDAA) order passed by both houses of the Tasmanian Parliament in August 2020.

Another key milestone was the Project Assessment Conclusions Report (PACR). The PACR is the final step in the regulatory investment test for transmission (RIT-T) process, required under the National Electricity Rules. The PACR was released in June 2021 and showed that Project Marinus satisfies the RIT-T.

Fortytwo24 Pty Ltd

Fortytwo24 Pty Ltd met its revenue and EBITDA targets. Functional separation was completed, and the unit was relocated to a separate office in Moonah.

Tasmanian Government reporting requirements

Purchases from Tasmanian Businesses during 2020-21

% of Tasmanian purchases	70.2%
Value of Tasmanian purchases	\$185,663,785

Accounts due or paid during 2020-21

Creditor days (average days)	23
Number of accounts due for payment	36,078
Number of accounts paid on time	32,135
Amount due for payment	\$277,315,956
Amount paid on time	\$233,526,843
Number of payments for interest on overdue accounts	-
Interest payable on overdue accounts	-

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

Name of Consultant	Location	Description	Period of Engagement	Amount (\$)
Engaged by TasNetworks for Project Marinus				
Herbert Smith Freehills	Melbourne, VIC	Provision of external legal advisory services - miscellaneous	July 2020 - June 2021	789,050.36
Coffey Services Australia	Chatswood, NSW	Provision of environment, land use planning and heritage advisory services	July 2020 - June 2021	462,640.00
Jacobs Group (Australia) Pty Ltd	Melbourne, VIC	Provision of technical, engineering & project management services	July 2020 - June 2021	129,833.00
Total engaged by Project Marinus				1,381,523.36

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

Name of Consultant	Location	Description	Period of Engagement	Amount (\$)
Engaged by TasNetworks for Business as usual operations				
Partners In Performance International Pty Ltd.	Australia Square, NSW	Diagnostic and process re-design of TasNetworks planned electricity outage process to meet National Energy Retail Rules obligations.	July 2020*	540,000.00
HWL Ebsworth.	Hobart, TAS	External legal advisory services - litigation	July 2020 - June 2021	214,678.00
Deloitte Touche Tohmatsu	Hobart, TAS	Diagnostic review of the HCM and Payroll modules within SAP and provide recommendations on options to address identified pain points and increase SAP optimisation.	August 2020 - February 2021	176,100.00
Deloitte Financial Advisory Pty Ltd	Sydney, NSW	Review of the corporate structure and operating model options to support large scale connections business.	July 2020 - November 2020	103,000.00
HWL Ebsworth.	Hobart, TAS	External legal advisory services - miscellaneous	July 2020 - June 2021	100,837.66
Edge Legal Holdings Pty Ltd	Hobart, TAS	External legal advisory services - miscellaneous	July 2020 - June 2021	69,551.73
Ernst & Young.	Melbourne, VIC	Provided recommendations and advice on TasNetworks Safety and Wellbeing Maturity Assessment	July 2020	50,470.00
			Total engaged by TasNetworks for business as usual operations	1,254,637.39
			TOTAL	2,636,160.75
			There were 32 Consultants engaged for \$50,000 or less totalling	644,765.26
			TOTAL PAYMENTS TO CONSULTANTS	3,280,926.01

*Payments made in the 2020-21 financial year reflect work performed over the full period of their engagement May 2020-July 2020.

Directors' report

The directors present their report together with the financial report of Tasmanian Networks Pty Ltd (**TasNetworks**) and its subsidiaries for the financial year ended 30 June 21.

The directors of TasNetworks during the financial year 2020-21, and details of their tenures, are listed below:

Director	Appointment	Re-appointment	Term Expiration	Length of Service
Dr Daniel Norton AO (Chairman and Director)	4 February 2014	20 November 2018	November 2021	7 years and 5 months
Joanne Doyle	1 July 2016	20 November 2018	November 2021	5 years
Peter McIntyre	1 November 2016	26 November 2019	November 2022	4 years and 8 months
Roger Gill	27 November 2017	13 November 2020	November 2023	3 year and 7 months
Dr Julie Beeby	20 November 2018	13 November 2020	November 2023	2 year and 7 months
Sarah Merridew	20 February 2019		November 2021	2 year and 4 months

Consolidation

During financial year 2020-21, TasNetworks had four subsidiaries within its corporate group:

- TasNetworks Holdings Pty Ltd;
- Fortytwo24 Pty Ltd;
- Marinus Link Pty Ltd; and
- Large Scale Renewables Pty Ltd (together, the **TasNetworks Group**).

This Annual Report reports on a consolidated basis for the TasNetworks Group.

Principal activities

The principal activities of the TasNetworks Group are to:

- build, own and operate the transmission, distribution and communication networks of the Tasmanian electricity system; and
- provide telecommunications services and infrastructure as a service.

Review of operations

The TasNetworks Group recorded an after-tax profit of \$16.91 million for the year ended 30 June 2021 and the company invested \$212.59 million across many capital projects.

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

Changes in state of affairs

There have been no significant changes in the TasNetworks Group's state of affairs during the financial year 2020-2021. The situation with the COVID-19 pandemic continues to evolve. In considering the financial statements, reasonable assessments and judgements have been made based on available data and current assumptions. The situation and impacts on the TasNetworks Group will continue to be monitored.

Environmental regulation

The TasNetworks Group's operations are subject to many environmental regulatory requirements including the Environmental Management and Pollution Control Act 1994 and the Threatened Species Protection Act 1995.

There were 33 reportable environmental incidents¹ during the financial year. 16 were impacts to listed threatened fauna species (comprising 13 Wedge-tailed Eagles, one White Bellied Sea Eagle and two Grey Goshawks) and 17 oil spills or leaks reportable to the Environment Protection Authority (EPA). Following each threatened bird incident, ongoing risks were reduced by installation of bird flight diverters (flappers) or pole top perches. Oil releases were attended to by our Oil Spill Response teams to ensure appropriate oil clean-up was achieved.

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

Matters arising since end of financial year

The governance structure of Project Marinus was amended from 1 July 2021 to enable the transition of the Project to the next phase. In this next phase it is proposed that TasNetworks will continue to deliver the North West Transmission Developments component of Project Marinus, and a special purpose entity with Commonwealth Government ownership will likely deliver the Marinus Link component. There have been no other matters or circumstances arising since 30 June 2021 that have significantly affected, or may significantly affect, the TasNetworks Group's future operations.

Likely developments and future results

As noted above, it is proposed that TasNetworks will continue to deliver the North West Transmission component of Project Marinus, and a special purpose entity will likely deliver the Marinus Link component. TasNetworks does not foresee any other material changes or likely developments in its operations.

¹Subsequent to the Directors' Report being approved by the Board on 11 August 2021, the reportable environmental incidents were revised down to 32, following advice from TMAG after a post-mortem examination that a wedge-tailed eagle death reported in August 2020 was likely due to vehicle collision and not power line collision.

Dividends

TasNetworks paid to its shareholders a dividend of \$26.738 million on 31 December 2020 from after-tax profits during the financial year 2019-20.

In respect of the financial year ended 30 June 2021 TasNetworks' intention is to pay a dividend based upon 90 per cent of Net Profit after Tax adjusted for contributions from distribution customers for capital works, in accordance with the dividend methodology agreed with shareholders.

Indemnities and insurance

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

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

The TasNetworks Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of a group 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 a group 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 and forms part of this Director's Report.

Directors' meetings

The following table sets out the number of TasNetworks directors' meetings (including committee meetings) held during the financial year and the number of meetings attended by each TasNetworks director who held office during the financial year ended 30 June 2021. Director and Company Secretary qualifications are set out in the Corporate Governance section of the Annual Report.

Director	Board of Directors		Audit and Compliance Committee		Remuneration Committee	
	Eligible to Attend as a Member	Attended	Eligible to Attend as a Member	Attended	Eligible to Attend as a Member	Attended
Dr Daniel Norton AO	14	14		1	7	7
Joanne Doyle	14	14	6	6		
Peter McIntyre	14	14	6	6		1
Roger Gill	14	13		1	7	7
Dr Julie Beeby	14	14		1	7	7
Sarah Merridew	14	13	6	6		

Signed in accordance with a resolution of the TasNetworks directors.



Dr D T Norton AO

Chairman

Date: 11 August 2021

Auditor's independence declaration



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

11 August 2021

The Board of Directors
Tasmanian Networks Pty Ltd
PO 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 2021, 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
- (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

Rod Whitehead
Auditor-General

Independent Auditor's 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 2021, 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 with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 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 (including Independence Standards)* (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 Company on 11 August 2021 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.

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 <i>Refer to note A2(b) and B2</i>	
<p>At 30 June 2021, the Group's network assets, which comprised transmission assets valued at \$1.29bn and distribution assets valued at \$1.74bn. Fair value was determined in accordance with the Australian Energy Regulator (AER) Regulated Asset Base (RAB) methodology. This is on the basis that under a fair value approach a market participant would have its revenue requirement determined using the building block model of regulation.</p> <p>This methodology is similar to an income approach, as regulated revenue is determined under the National Electricity Rules according to the income earning capacity of the assets. Under this approach the AER makes an annual determination of the applicable weighted average cost of capital applied to asset values.</p> <p>Network opening asset values are indexed annually in accordance with the RAB methodology based on the Consumer Price Index (CPI) movement. Revaluation can also occur if the asset base is adjusted by the AER via the regulatory process.</p> <p>The validity of assumptions used in, and underpinning, the valuation framework requires particular audit attention.</p> <p>The determination of the useful lives of</p>	<ul style="list-style-type: none"> • Evaluating management's judgement that a market participant would value the network assets by reference to the RAB. • Evaluating, on a sample basis, inputs into the RAB valuation and confirming the resulting calculations. • Evaluating management's assessment of useful lives of network assets. • Performing a substantive analytical review of depreciation expense for each class of asset. • Assessing the adequacy of disclosures in the financial report.

<p>networks assets has a significant impact on the annual depreciation expense. Management exercises judgement in the selection of the depreciation method and estimation of the useful lives of assets.</p>	
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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 2021, but does not include the financial report and my auditor's report thereon.

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 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, actions taken to eliminate threats or safeguards applied.

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

13 August 2021
Hobart

Consolidated financial statements

Consolidated Statement of Profit or Loss For the financial year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue	A1	479,180	492,105
Total revenue		479,180	492,105
Operating expenses			
Employee benefit expenses		(123,749)	(120,917)
Employee benefit expenses - Project Marinus		(7,932)	(5,420)
Other operating expenses		(46,059)	(38,566)
Other operating expenses - Project Marinus		(14,951)	(16,589)
Total operating expenses	A2(a)	(192,691)	(181,492)
Depreciation and amortisation expenses	A2(b)	(179,002)	(174,496)
Finance costs	A3	(81,748)	(84,000)
Total expenses		(453,441)	(439,988)
Profit before income tax equivalent		25,739	52,117
Income tax equivalent expense on profit	A4(a)	(8,828)	(15,105)
Net profit for the year		16,911	37,012

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 2021

	Note	2021 \$'000	2020 \$'000
Net profit for the year		16,911	37,012
Items that will not be reclassified subsequently through profit or loss:			
Net fair value movements on property, plant and equipment	D3	24,000	67,808
Superannuation actuarial gains/(losses)	F2	10,191	(1,212)
Income tax equivalent expense on items that will not be reclassified subsequently through profit or loss	A4(b)	(10,257)	(19,979)
		23,934	46,617
Items that have or may be reclassified subsequently through profit or loss:			
Hedge reserve			
- Gain/(loss) recognised in equity	D3	40	157
- Reversal of prior year losses	D3	359	371
Income tax equivalent expense on items that have or may be reclassified subsequently through profit or loss	D3, A4(b)	(120)	(158)
		279	370
Total comprehensive income for the year		41,124	83,999

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 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	C5(a)	6,455	7,451
Trade and other receivables	E1	74,731	73,094
Inventories	E2	32,497	27,890
Tax asset	A4(c)	4,593	-
Other assets	E3	9,779	3,619
Total current assets		128,055	112,054
Non-current assets			
Intangible assets	B1	92,097	100,216
Property, plant and equipment	B2	3,408,721	3,344,754
Right-of-use assets	B3	2,271	2,320
Other assets	E3	360	561
Total non-current assets		3,503,449	3,447,851
Total assets		3,631,504	3,559,905
Current liabilities			
Trade and other payables	E5	63,856	66,513
Borrowings	C1	203,700	175,300
Lease liabilities	C2	394	379
Employee benefits	F1	36,729	34,719
Provisions	E4	962	-
Tax liabilities	A4(c)	-	3,035
Contract liabilities	E6	33,974	28,472
Other liabilities	E7	-	402
Total current liabilities		339,615	308,820
Non-current liabilities			
Borrowings	C1	1,846,300	1,802,300
Lease liabilities	C2	2,434	2,506
Net deferred tax equivalent liabilities	A4(d)	197,856	206,872
Employee benefits	F1	183,875	191,158
Provisions	E4	-	184
Contract liabilities	E6	34,423	35,450
Total non-current liabilities		2,264,888	2,238,470
Total liabilities		2,604,503	2,547,290
Net assets		1,027,001	1,012,615
Equity			
Retained earnings	D1	141,196	143,889
Contributed equity	D2	62,724	62,724
Reserves	D3	823,081	806,002
Total equity		1,027,001	1,012,615

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 2021

	Note	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2020		62,724	806,281	(279)	143,889	1,012,615
Profit for the year		-	-	-	16,911	16,911
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	24,000	-	-	24,000
Superannuation actuarial gains/(losses)	F2	-	-	-	10,191	10,191
Hedge reserve	D3	-	-	399	-	399
Income tax relating to components of other comprehensive income	A4(b)	-	(7,200)	(120)	(3,057)	(10,377)
Total comprehensive income for the year		-	16,800	279	24,045	41,124
Transactions with owners in their capacity as owners:						
Dividends paid	D1	-	-	-	(26,738)	(26,738)
As at 30 June 2021		62,724	823,081	-	141,196	1,027,001

		Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2019		62,724	758,815	(649)	136,774	957,664
Effect of AASB 16 on adoption	D1	-	-	-	(201)	(201)
Tax effect of AASB 16 adoption	D1	-	-	-	60	60
Opening balance at 1 July 2019		62,724	758,815	(649)	136,633	957,523
Profit for the year		-	-	-	37,012	37,012
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	67,808	-	-	67,808
Superannuation actuarial gains/(losses)	F2	-	-	-	(1,212)	(1,212)
Hedge reserve	D3	-	-	528	-	528
Income tax relating to components of other comprehensive income	A4(b)	-	(20,342)	(158)	363	(20,137)
Total comprehensive income for the year		-	47,466	370	36,163	83,999
Transactions with owners in their capacity as owners:						
Dividends paid	D1	-	-	-	(28,907)	(28,907)
As at 30 June 2020		62,724	806,281	(279)	143,889	1,012,615

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities:			
Receipts from customers		525,998	568,431
Interest received		102	92
Payment to suppliers and employees		(251,320)	(250,930)
Interest paid		(68,045)	(69,606)
Guarantee fee paid		(7,157)	(7,275)
Income tax equivalents paid		(35,849)	(29,771)
Net cash provided by operating activities	C5(b)	163,729	210,941
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		2,774	1,641
Payment for property, plant and equipment		(196,663)	(202,516)
Payment for intangible assets		(15,932)	(18,201)
Net cash used in investing activities		(209,821)	(219,076)
Cash flows from financing activities:			
Proceeds from borrowings		802,846	798,281
Repayment of borrowings		(730,446)	(756,851)
Payment of lease principal		(566)	(489)
Dividends paid	D1	(26,738)	(28,907)
Net cash provided by financing activities	C3	45,096	12,034
Net increase/(decrease) in cash and cash equivalents		(996)	3,899
Cash and cash equivalents at the beginning of the financial year		7,451	3,552
Cash and cash equivalents at the end of the financial year	C5(a)	6,455	7,451

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 2021

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 consolidated 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*. These consolidated financial statements comprise the financial statements of TasNetworks and entities controlled by TasNetworks (note H3). 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 debt maturities is \$7.860million (m) deficit (2020: \$21.466m deficit). Short term debt maturities of \$203.700m (2020: \$175.300m) will be refinanced in line with TasNetworks' Treasury Risk Management Policy and within the Tasmanian Public Finance Corporation (TASCORP) Master Loan Facility Agreement limits and covenants. TasNetworks held \$150.000m of undrawn borrowing capacity at 30 June 2021 (2020: \$172.400m) (note C1).

The financial statements were authorised for issue by the directors on 11 August 2021.

(a) Basis of preparation

The financial statements have been prepared as consolidated financial statements. 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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

1. Statement of compliance and basis of preparation (continued)

(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.

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
B2	Asset useful lives
B3	Lease terms
B4	Impairment testing results
C2	Lease liability
E1	Expected credit losses
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; or
- 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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

1. Statement of compliance and basis of preparation (continued)

The accounting policies as set out in these notes, have been applied in preparing the financial statements for the financial year ended 30 June 2021 and the comparative information presented in these financial statements for the period ended 30 June 2020. The policies have been consistently applied by each entity in the consolidated group. Any changes made to these accounting policies for the financial year ended 30 June 2021 are detailed in note H5.

COVID-19 Impact

On 31 January 2020 the World Health Organisation (WHO) declared COVID-19 a global pandemic. The effects of the coronavirus are widespread and relate to entities in every sector. TasNetworks has undertaken a review of its assumptions and estimates when preparing these financial statements to ensure the effect of the coronavirus has been taken into consideration and any impact has been declared at the appropriate note in these financial statements.

TasNetworks' performance

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

A1. Revenue	Note	2021 \$'000	2020 \$'000
(a) Revenue from contracts with customers			
Provision of regulated distribution services		259,361	269,516
Provision of regulated transmission services		148,091	160,089
Provision of other non-regulated services		26,160	21,826
Customer contributions		16,041	12,819
(b) Other revenue			
Rent and lease income		1,859	1,128
Interest received		102	91
Grants received - Project Marinus	A1	22,883	18,500
Other grant and subsidies		712	215
Gain on disposal of property, plant and equipment		633	1,091
Other revenue	A1	3,338	6,830
		479,180	492,105

Recognition and measurement

TasNetworks derives its revenue from contracts with customers for the transfer of goods and services both over time and upon completion. The 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 from customers connected to the transmission network is recognised at the time of the provision of the electricity to those customers. Revenue 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.

TasNetworks operates under a revenue cap with total allowed revenue to be charged for regulated distribution services for the 2019-2024 regulatory period of \$1,276.400m. The total allowed revenue to be charged for regulated transmission services for the 2019-2024 regulatory period is \$736.100m. 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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

A1. Revenue (continued)

Key estimate

Unbilled use of system

Included in regulated revenue from contracts with customers, 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 revenue is income received for services that are not economically regulated, including telecommunication services, operating and maintenance, connections and external work. The majority of this income is for the provision of services over time.

This predominately includes non-prescribed services revenue that has been received from customers for a long term connection to the electricity system including large scale renewable energy transmission connections. The revenue is recorded as a liability upon cash receipt and recognised over the life of the agreement to which it pertains, reflecting the performance of the contractual obligations. This revenue received in advance constitutes a significant financing arrangement on which TasNetworks is required to recognise an interest expense on the financing received from the customer. The rate used to calculate this interest is the borrowing rate at which TasNetworks would have been able to secure for borrowings over the term of the agreement.

Where projects are still progressing, or where customer contributions for capital works have been received in advance, revenue will only be recognised once the performance obligation has been met. Revenue that has been received in advance will be included as a liability in the statement of financial position until the performance obligation has been met.

Customer contributions

As a regulated network service provider, customers are required to contribute to the costs of specifically requested services where there is no clear benefit to the general customer base. Contributions from customers applied to capital projects are treated as revenue and recognised once the performance obligation under the contract has been completed, which is when the asset is commissioned. 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 until the performance obligation has been met. The value of the network regulated asset base which is used for determining TasNetworks' allowable revenue to be recovered from customer is reduced by the value of customer contributions received.

Rent and lease income

TasNetworks enters into lease arrangements as a lessor with respect to some of its properties.

Leases for which TasNetworks is a lessor can be classified as finance or operating leases. Whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

TasNetworks does not have any leases as a lessor which are classified as financing leases.

Interest

Interest revenue is recognised as it accrues on a time proportionate basis at the effective yield on the financial asset.

Grants received

Grants are recognised as revenue on a systematic basis over the periods in which TasNetworks recognises as expenses the related costs for which the grants are intended to compensate.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

A1. Revenue (continued)

Grants received - Project Marinus

In 2020 the Commonwealth Government committed \$56.000m to the State of Tasmania to fund activities for the Design and Approvals phase of Project Marinus. The State has indicated that \$50.000m of these funds will be provided to TasNetworks. During the 2019-20 financial year TasNetworks undertook preparation activities for the Design and Approvals phase and \$15.000m of funding was received from the State, in line with the achievement of qualifying conditions. For the year ended 30 June 2021 \$22.883m has been recognised as revenue in line with expenditure incurred. TasNetworks commenced the Project Marinus Design and Approvals phase on 1 July 2020. The State and Commonwealth Governments are working together to finalise the balance of the funding to complete the Design and Approvals phase for the Marinus Link and North West Transmission Developments project components. Note: The Design and Approvals phase activities relating to Staverton to Hampshire Hills are not accessing grant funding.

TasNetworks invested \$7.009m to support the Project Marinus feasibility study and business case assessment in the 2019-20 year, of which ARENA contributed \$3.500m of funding towards this phase of the project.

Other grant revenue

TasNetworks receives grant and subsidy revenue for apprentice wage subsidies and training.

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.

Other revenue in 2019-20 included a performance bonus of \$3.500m for the completion of a major construction project.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

A2. Expenses	<i>Note</i>	2021	2020
		\$'000	\$'000
(a) Operating expenses			
Employee benefits	A2(c)	123,749	120,917
Services ¹		46,640	48,408
Information technology and communications		12,444	13,079
Feed-in-tariff ²		-	1,387
Property costs		6,867	5,824
Materials		5,514	4,538
Licence fees		7,570	7,315
Insurance		4,587	2,937
Claims and payments		3,229	3,565
Other		11,696	12,468
Capitalised indirect costs ³		(52,488)	(60,955)
		169,808	159,483
Operating expenses - Project Marinus⁴			
Employee benefits	A2(c)	7,932	5,420
Services ¹		11,143	14,365
Other		3,808	2,224
		22,883	22,009
Total operating expenses		192,691	181,492
(b) Depreciation and amortisation expenses			
Depreciation of property, plant and equipment	B2	154,545	151,998
Amortisation of intangible assets	B1	24,051	22,113
Amortisation of right-of-use assets	B3	406	385
		179,002	174,496

1. Services expenditure comprises the provision of both the cost of 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 ceased on 31 December 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. 2020-21 capitalised indirect costs are lower due to lower overhead and capital expenditure incurred compared to the prior year.
4. All costs relating to Project Marinus have been expensed with the exception of land and building assets.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

A2. Expenses (continued)

	<i>Note</i>	2021	2020
		\$'000	\$'000
(c) Employee benefits expenses*			
Post employment benefits			
Defined benefit plan	F2	8,366	8,602
Superannuation Guarantee Contributions		12,172	11,660
		20,538	20,262
Termination benefits		1,126	981
Other employee benefits (salary and wages)		115,958	111,074
Total employee benefit expenses		137,622	132,317
Net interest cost on defined benefit plan	F2	(5,941)	(5,980)
Employee benefits expenses in profit or loss	A2(a)	131,681	126,337

*includes Project Marinus employee expenses of \$7.932m (2020: \$5.420m).

A3. Finance costs

		2021	2020
		\$'000	\$'000
Finance costs incurred during the financial year		67,218	69,587
Government guarantee fee		7,042	7,201
Net interest costs on defined benefit plan	F2	5,941	5,980
Interest on finance leases and long term revenue contracts		1,547	1,232
Total finance costs		81,748	84,000

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

A4. Income tax equivalents	Note	2021 \$'000	2020 \$'000
(a) Recognised in profit or loss			
Income tax equivalent (expense)/income comprises:			
Current income tax expense		(28,221)	(38,801)
Net (increase)/decrease in deferred tax equivalent liability		19,393	23,696
Total income tax equivalent (expense)/income		(8,828)	(15,105)
Numerical reconciliation between income tax equivalent expense and pre-tax net profit:			
Profit before income tax equivalent		25,739	52,117
Income tax equivalent calculated at 30%		(7,722)	(15,635)
Increase in income tax equivalent expense due to:			
Non-deductible expenses		-	(67)
Prior year under/over provision		(261)	164
Other changes		(845)	433
Total income tax equivalent (expense)/income		(8,828)	(15,105)
(b) Recognised in other comprehensive income			
Items that will not be reclassified subsequently through profit or loss:			
Income tax equivalent on fair value movements	D3	(7,200)	(20,342)
Income tax equivalent on superannuation actuarial (gains)/losses	D1	(3,057)	363
Total recognised in other comprehensive income		(10,257)	(19,979)
Items that have or may be reclassified subsequently through profit or loss:			
Opening balance adjustments:			
Income tax equivalent on AASB 16 adoption	D1	-	60
Other items:			
Income tax equivalent on hedge reserve	D3	(120)	(158)
Total recognised in other comprehensive income		(120)	(98)
Total income tax equivalent recognised in other comprehensive income		(10,377)	(20,077)
(c) Current tax equivalent assets and liabilities			
Current tax equivalent payable/(receivable)		(4,593)	3,035

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

A4. Income tax equivalents (continued)

(d) Deferred tax equivalent balances	2021 \$'000	2020 \$'000		
Deferred tax equivalent liabilities comprise:				
Temporary differences	(284,772)	(293,451)		
Deferred tax equivalent assets comprise:				
Temporary differences	86,916	86,579		
Net deferred tax equivalent liabilities	(197,856)	(206,872)		
(e) Movement in temporary differences during the current financial year				
	Balance 1-Jul-20 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-21 \$'000
Deferred tax equivalent liabilities:				
Property, plant and equipment	(293,451)	15,879	(7,200)	(284,772)
	(293,451)	15,879	(7,200)	(284,772)
Deferred tax equivalent assets:				
Employee benefits	74,568	1,420	(3,057)	72,931
Provisions	1,270	(69)	-	1,201
Derivatives	121	(1)	(120)	-
Inventory	402	65	-	467
Other items	10,218	2,099	-	12,317
	86,579	3,514	(3,177)	86,916
Net deferred tax equivalent liabilities	(206,872)	19,393	(10,377)	(197,856)
(f) Movements in temporary differences during the previous financial year				
	Balance 1-Jul-19 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-20 \$'000
Deferred tax equivalent liabilities:				
Property, plant and equipment	(290,047)	16,938	(20,342)	(293,451)
	(290,047)	16,938	(20,342)	(293,451)
Deferred tax equivalent assets:				
Employee benefits	71,904	2,301	363	74,568
Provisions	848	422	-	1,270
Derivatives	278	1	(158)	121
Inventory	-	402	-	402
Other items	6,526	3,632	60	10,218
	79,556	6,758	265	86,579
Net deferred tax equivalent liabilities	(210,491)	23,696	(20,077)	(206,872)

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

A4. Income tax equivalents (continued)

Tax consolidation

Income tax legislation allows groups, comprising a parent entity and its Australian wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes.

TasNetworks and its wholly owned Australian resident subsidiaries have consolidated for tax purposes under this legislation and have elected to be taxed as a single entity. The head entity within the tax consolidation group is Tasmanian Networks Pty Ltd.

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 prevailing tax rates 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 2021

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	2021 \$'000	2020 \$'000
Intangible assets - at cost			
Gross carrying value			
Opening balance		192,507	178,120
Transferred from work in progress		9,760	14,387
Closing balance		202,267	192,507
Accumulated amortisation			
Opening balance		(96,420)	(74,307)
Amortisation expense	A2(b)	(24,051)	(22,113)
Closing balance		(120,471)	(96,420)
Capital works in progress - at cost			
Opening balance		4,129	315
Additions for the year		15,932	18,201
Transferred to assets		(9,760)	(14,387)
Closing balance		10,301	4,129
Carrying amount - at cost		92,097	100,216

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment	2021	2020
	\$'000	\$'000
Network assets - Transmission		
Network assets – at fair value	2,305,607	2,252,981
Accumulated depreciation	(1,018,056)	(943,786)
Carrying amount	1,287,551	1,309,195
Network assets - Distribution		
Network assets – at fair value	3,895,795	3,752,799
Accumulated depreciation	(2,158,056)	(2,072,167)
Carrying amount	1,737,739	1,680,632
Communication assets		
Communication assets – at fair value	74,358	72,355
Accumulated depreciation	(47,034)	(42,180)
Carrying amount	27,324	30,175
Easements		
Easements – at fair value	82,331	81,597
Accumulated impairment	(49)	(49)
Carrying amount	82,282	81,549
Land		
Land – at fair value	47,360	39,578
Buildings		
Buildings – at fair value	117,644	105,456
Accumulated depreciation	(40,257)	(36,823)
Carrying amount	77,387	68,633
Other plant and equipment		
Other plant and equipment – at cost	194,090	183,228
Accumulated depreciation	(136,338)	(129,558)
Carrying amount	57,752	53,670
Capital works in progress – at cost	91,326	81,322
Total property, plant and equipment	3,408,721	3,344,754

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

Recognition and measurement

All assets acquired are initially recorded at their cost 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 and Distribution assets. Transmission assets are used to transport electricity from generators to distribution networks and directly connected transmission customers at high voltages. Distribution assets are used to transform the power from transmission high voltage and further stepping the power down via distribution transformers for supplying low voltage consumers.

Regulated 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 their fair value and income earning capacity. These are level 3 inputs (note B2 - Assets measured at fair value) in the fair value hierarchy and their key significant unobservable inputs are detailed below.

Network opening asset values are indexed 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 an annual determination of applicable weighted average cost of capital (WACC) applied to asset values. As at balance date this was 4.95% for transmission and 4.78% for distribution post tax nominal (2020: 5.14% transmission and 4.91% distribution).

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 indexed 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 asset values to be indexed 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 2021. 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.

The fair value measurement of land has been categorised as level 2 (note B2 - Assets measured at fair value) in the fair value hierarchy as its value is derived from observable inputs.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

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 2021. 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 and minor assets such as motor vehicles, computer equipment, office furniture and equipment. These assets are stated at cost less accumulated depreciation and impairment, where applicable. These assets other than optic fibre are valued at written down value as they are low value, short life and high turnover assets. Optic fibre is valued at written down value as they are non regulated assets and not subject to the RAB methodology.

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.

Key estimate

Asset useful lives

Asset useful lives are aligned with the asset classes and lives as determined by the AER.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

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 and poles	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
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Buildings:

Buildings	40 yrs
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Other plant and equipment:

Optic fibre	20 yrs
Minor assets including intangible assets	3-15 yrs

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

2021

	Transmission network at fair value	Distribution network at fair value	Communication assets 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	Total
Gross value	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	2,252,981	3,752,799	72,355	81,597	39,578	105,456	183,228	81,322	6,569,316
Additions during the year	-	-	-	-	-	-	-	196,663	196,663
Disposals	(419)	(6,138)	-	-	-	-	(3,274)	-	(9,831)
Transfers of WIP to non-current assets	32,772	131,388	1,352	-	1,982	5,029	14,136	(186,659)	-
Net revaluation increments/(decrements)	20,273	17,746	651	734	5,800	7,159	-	-	52,363
Balance at end of financial year	2,305,607	3,895,795	74,358	82,331	47,360	117,644	194,090	91,326	6,808,511
Accumulated depreciation and impairment losses									
At beginning of financial year	(943,786)	(2,072,167)	(42,180)	(48)	-	(36,823)	(129,558)	-	(3,224,562)
Disposals	161	4,898	-	-	-	-	2,621	-	7,680
Net revaluation increments/(decrements)	(8,884)	(19,071)	(407)	(1)	-	-	-	-	(28,363)
Depreciation charge for the year	(65,547)	(71,716)	(4,447)	-	-	(3,434)	(9,401)	-	(154,545)
Balance at end of financial year	(1,018,056)	(2,158,056)	(47,034)	(49)	-	(40,257)	(136,338)	-	(3,399,790)
Carrying amount at 30 June 2021	1,287,551	1,737,739	27,324	82,282	47,360	77,387	57,752	91,326	3,408,721
Carrying amount of assets had they been recognised at cost									
Balance at 30 June 2021	1,182,956	1,647,224	26,325	73,690	39,036	65,856	57,752	91,326	3,184,165

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

2020

	Transmission network at fair value	Distribution network at fair value	Communication assets 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	Total
Gross value	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	2,110,377	3,575,294	67,344	80,154	37,443	103,833	173,552	99,534	6,247,531
Additions during the year	-	-	-	-	-	-	-	202,516	202,516
Disposals	-	-	-	-	(175)	(15)	(3,452)	-	(3,642)
Transfers of WIP to non-current assets	98,682	101,172	3,798	-	2,310	1,638	13,128	(220,728)	-
Net revaluation increments/(decrements)	43,922	76,333	1,213	1,443	-	-	-	-	122,911
Balance at end of financial year	2,252,981	3,752,799	72,355	81,597	39,578	105,456	183,228	81,322	6,569,316
Accumulated depreciation and impairment losses									
At beginning of financial year	(863,255)	(1,963,174)	(36,936)	(48)	-	(33,592)	(123,547)	-	(3,020,552)
Disposals	-	-	-	-	-	1	3,090	-	3,091
Net revaluation increments/(decrements)	(16,591)	(37,773)	(739)	-	-	-	-	-	(55,103)
Depreciation charge for the year	(63,940)	(71,220)	(4,505)	-	-	(3,232)	(9,101)	-	(151,998)
Balance at end of financial year	(943,786)	(2,072,167)	(42,180)	(48)	-	(36,823)	(129,558)	-	(3,224,562)
Carrying amount at 30 June 2020	1,309,195	1,680,632	30,175	81,549	39,578	68,633	53,670	81,322	3,344,754
Carrying amount of assets had they been recognised at cost									
Balance at 30 June 2020	1,207,358	1,583,318	28,953	73,690	37,054	63,290	53,670	81,322	3,128,655

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B2. Property, plant and equipment (continued)

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.

There have been no transfers between levels in the in the fair value hierarchy during the year.

Level 3 significant valuation inputs and relationship to fair value

Asset	Fair Value as at 30 June 2021 \$'000	Fair Value as at 30 June 2020 \$'000	Significant inputs	Range of inputs	Relationship of inputs to fair value
RAB assets (including Network assets, Communication assets and Easements)	3,134,896	3,101,551	CPI	+/- 1%	A 1% increase in CPI increases the fair value of assets by \$31m
			AER Determination	N/A	AER determination of the asset values via regulatory revenue reset process
Buildings	77,387	68,633	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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B3. Right-of-use assets

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

The communication land sites are long term leases that typically run for a period of 10 years with options to renew the lease for further terms. Lease payments are renegotiated every 3-5 years to reflect changes in the value of land (with the value determined by the Valuer-General).

TasNetworks leases a number of land sites on which substation infrastructure has been constructed. These leases were entered many years ago and are leases of 50-100 years. Lease payments are renegotiated every 3-5 years to reflect changes in value of the site.

The depot sites are leases that run for a period of 3-5 years with options to renew the lease for further terms. Lease payments are increased annually to reflect changes in CPI.

TasNetworks also leases IT equipment for contract terms of 3 years, as well as fibre optic equipment for a contract term of 25 years.

	Telecommunication sites \$'000	Substation sites \$'000	Depots \$'000	Equipment \$'000	Total \$'000
2021					
Opening balance at 1 July 2020	212	237	186	1,685	2,320
Revaluation of leases	15	-	6	73	94
Depreciation charge for the year	(18)	(8)	(83)	(297)	(406)
Additions to right-of-use assets	15	-	248	-	263
Balance at 30 June 2021	224	229	357	1,461	2,271

	Telecommunication sites \$'000	Substation sites \$'000	Depots \$'000	Equipment \$'000	Total \$'000
2020					
Opening balance at 1 July 2019	-	-	-	2,108	2,108
Adoption of AASB 16	186	245	233	557	1,221
Balance at 1 July 2019	186	245	233	2,665	3,329
Revaluation of lease	-	-	-	(665)	(665)
Depreciation charge for the year	(15)	(8)	(47)	(315)	(385)
Additions to right-of-use assets	41	-	-	-	41
Balance at 30 June 2020	212	237	186	1,685	2,320

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

B3. Right-of-use assets (continued)

Recognition and measurement

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Key assumption

Lease terms

Lease terms and the potential to exercise options to extend lease terms are assessed at inception of the lease to determine the full lease term and the underlying asset value. The option to extend leases at inception to include the option in the term are based on management assumptions on the future operations of TasNetworks based on information known at the time.

B4. Impairment of assets

Recognition and measurement

At each reporting date, TasNetworks reviews the carrying amounts of its tangible and intangible assets, including leases 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 or other non regulated revenue contracts to determine future recoverable cash flows if any.

Impairment testing amid COVID-19

TasNetworks has considered the impact of COVID-19 on its business operations as part of undertaking the annual impairment assessment. TasNetworks' modelling under current assumptions indicates minimal impact to revenue, expenses and cash flows. The projections indicate TasNetworks will recover its full regulated revenue entitlement (distribution and transmission) across the current regulatory period to 2024, with minor overall negative impact to date on electricity consumption and demand. TasNetworks has relative certainty over its future regulated revenue streams until 2024, however they remain subject to change in economic conditions impacting the interest rate environment and TasNetworks' cost of capital.

The impairment factors due to COVID-19 considered for property, plant and equipment include:

- Material reduction in future cash flows that would lead to an impairment of network assets;
- Review of intangible and assets under construction; and
- Material changes in the value of land and buildings.

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 2021

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 TASCORP with the exception of operational banking facilities which are drawn upon as required. All borrowings are secured by a floating charge on all present and future trade and other receivables.

	2021	2020
	\$'000	\$'000
Current:		
Overnight borrowings	38,700	4,300
Borrowings	165,000	171,000
	203,700	175,300
Non-current:		
Borrowings	1,846,300	1,802,300
	1,846,300	1,802,300
Total borrowings	2,050,000	1,977,600

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. The current borrowings of \$165m (2020: \$171m) that are classified as current will be refinanced in line with this policy. See below for details of the borrowing facilities. In 2015-16, in recognition of the low interest rate environment, the Board resolved to exclude the \$100m of 30 year long term debt to 2046 from the benchmark debt portfolio.

Unused borrowing facilities at balance date

	Limit 2021 \$'000	Drawn 2021 \$'000	Undrawn 2021 \$'000	Limit 2020 \$'000	Drawn 2020 \$'000	Undrawn 2020 \$'000
Unsecured bank overdraft facility	1,000	-	1,000	1,005	-	1,005
Corporate MasterCard	1,500	230	1,270	1,500	205	1,295
Guarantee facility	1,000	23	977	1,000	-	1,000
TASCORP Master Loan Facility	2,200,000	2,050,000	150,000	2,150,000	1,977,600	172,400

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 2021

C2. Lease liability

TasNetworks assesses whether a contract is or contains a lease, at inception of the contract. TasNetworks recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with terms of less than 12 months) and leases of low value assets. For these leases TasNetworks recognises the lease payments as an operating expense on a straight-line basis over the term or the lease.

TasNetworks has leases of property for depots, infrastructure sites and for office equipment.

Lease of equipment not in the legal form of a lease

TasNetworks has an arrangement where it has exclusive use to the fibre optic telecommunications network owned by the State Government. As TasNetworks controls a 'more than insignificant amount of output or other utility of the asset' and as TasNetworks is responsible for the repair, upgrades and maintenance of the asset and has the ability to restrict others access to it, other than those entities specified in the agreement it is deemed that the arrangement contains a lease.

TasNetworks pays a fixed annual fee over the term of the arrangement plus a variable charge based on revenue generated by the asset outside of Tasmania.

Finance lease liabilities

The maturity analysis of lease liabilities is as follows:

	Present value of future minimum lease payments	
	2021 \$'000	2020 \$'000
Year 1	394	379
Year 2	226	168
Year 3	165	106
Year 4	159	107
Year 5	135	111
Ongoing	1,749	2,014
	2,828	2,885
Analysed as:		
Current lease liability	394	379
Non-current lease liability	2,434	2,506
	2,828	2,885

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C2. Lease liability (continued)

Recognition and measurement

The lease liability is initially measured at the present value of future lease payments, discounted using the rate implicit in the lease. If this rate cannot be readily determined, TasNetworks uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if there is reasonable certainty that the option will be exercised; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of the option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

TasNetworks remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment or exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate, a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate; and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

A lease for office equipment was extended for 12 months beyond the original term and will expire in October 2022. The right of use assets and liabilities were remeasured to reflect the extension of time.

A number of property leases are subject to CPI increases and as a result they were remeasured to reflect the revised lease payments.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C3. Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below details changes in TasNetworks' liabilities and equity arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in TasNetworks' statement of cash flows as cash flows from financing activities.

	Borrowings	Finance leases	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2020	1,977,600	2,885	143,889	1,947,045
Changes from financing cash flows:				
Proceeds from borrowings	802,846	-	-	802,846
Repayment of borrowings	(730,446)	-	-	(730,446)
Principal lease payments	-	(566)	-	(566)
Payment of dividend	-	-	(26,738)	(26,738)
Total changes from financing cash flows	72,400	(566)	(26,738)	45,096
Non-cash changes				
Liability changes				
Lease modifications, new leases and interest	-	509	-	509
Total liability changes	-	509	-	509
Equity related changes:				
Net actuarial gain/(loss)	-	-	7,134	7,134
Profit for year	-	-	16,911	16,911
Total equity related changes	-	-	24,045	24,045
Closing balance at 30 June 2021	2,050,000	2,828	141,196	2,016,695

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C3. Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Borrowings	Finance leases	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2019	1,936,170	2,456	136,774	1,898,071
Changes from financing cash flows:				
Proceeds from borrowings	798,281	-	-	798,281
Repayment of borrowings	(756,851)	-	-	(756,851)
Principal lease payments	-	(489)	-	(489)
Payment of dividend	-	-	(28,907)	(28,907)
Total changes from financing cash flows	41,430	(489)	(28,907)	12,034
Non-cash changes				
Liability changes				
Lease liability	-	918	(141)	777
Total liability changes	-	918	(141)	777
Equity related changes:				
Net actuarial gain/(loss)	-	-	(849)	(849)
Profit for year	-	-	37,012	37,012
Total equity related changes	-	-	36,163	36,163
Closing balance at 30 June 2020	1,977,600	2,885	143,889	1,947,045

(a) Non-cash financing activities

During the year TasNetworks entered into 4 new leases which resulted in the recognition of right-of-use assets of \$0.263m, and a corresponding lease liability of \$0.263m (2020: nil).

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. 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 at the end of the current financial year

	Note	2021			Fair value		
		Carrying amount			Level 1	Level 2	Level 3
		Hedging instrument	Financial assets at amortised cost	Other liabilities			
		\$'000	\$'000	\$'000	\$'000	\$'000	
Financial assets not measured at fair value:							
Cash and cash equivalents	C5(a)	-	6,455	-	n/a	n/a	n/a
Trade and other receivables	E1	-	74,731	-	n/a	n/a	n/a
Total financial assets		-	81,186	-	-	-	-
Financial liabilities measured at fair value:							
Lease liabilities	C2	-	-	2,828	-	2,828	-
Financial liabilities not measured at fair value:							
Trade and other payables	E5	-	-	63,856	n/a	n/a	n/a
Borrowings - fixed rate		-	2,011,300	-	2,052,052	128,478	
Borrowings - floating rate		-	38,700	-	38,717	-	
Total financial liabilities		-	2,050,000	66,684	2,093,597	128,478	

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. Financial instruments (continued)

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

	Note	2020			Fair value		
		Carrying amount			Level 1	Level 2	Level 3
		Hedging instrument	Financial assets at amortised cost	Other liabilities			
		\$'000	\$'000	\$'000	\$'000	\$'000	
Financial assets not measured at fair value:							
Cash and cash equivalents	C5(a)	-	7,451	-	n/a	n/a	n/a
Trade and other receivables	E1	-	73,094	-	n/a	n/a	n/a
Financial assets measured at fair value:							
FX forward agreements	E3	3	-	-	-	3	-
Total financial assets		3	80,545	-	-	3	-
Financial liabilities measured at fair value:							
Interest rate swaps	E6	402	-	-	-	402	-
Lease liabilities	C2	-	-	2,885	-	2,885	-
Financial liabilities not measured at fair value:							
Trade and other payables	E5	-	-	66,513	n/a	n/a	n/a
Borrowings - fixed rate		-	1,948,300	-	-	2,031,544	132,428
Borrowings - floating rate		-	29,300	-	-	29,485	-
Total financial liabilities		402	1,977,600	69,398	-	2,064,316	132,428

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. Financial instruments (continued)

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 C4(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 TASCORP's valuation curve derived from market yields of TASCORP's as well as other Central Financing Authority (CFA) bond issuances.	Market yields of TASCORP's and other CFA bond issuances.	Fair value represents an estimated market yield of the 2046 bonds.

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 2021

C4. Financial instruments (continued)

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, TasNetworks hedges its exposure to foreign currencies in excess of AUD \$1m.

(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.

Debt to total capital ratio	Note	2021 \$'000	2020 \$'000
Debt (borrowings)	C1	2,050,000	1,977,600
Cash and cash equivalents	C5(a)	6,455	7,451
Net debt		2,043,545	1,970,149
Total capital (net debt + total equity)		3,070,546	2,982,764
Debt to total capital ratio		66.6%	66.1%

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.

Where collateral (e.g. cash deposit) is held by TasNetworks on behalf of counterparties, a corresponding liability is recognised.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. Financial instruments (continued)

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.

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 \$1m in line with the Treasury Risk Management Policy.

TasNetworks entered into two forward foreign exchange contracts during the year ended 30 June 2021 (two in 2020, valued at \$0.225m). No forward foreign exchange contract remained at 30 June 2021.

Interest rate risk

The objective of TasNetworks' interest rate risk management is to manage within TasNetworks' approved risk 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.

Master loan facility agreement

TasNetworks has a Master Loan Facility agreement (MLFA) with TASCORP. This agreement covers a number of borrowing covenants that TasNetworks must operate within including interest ratio limits, non TASCORP permitted third party debt limits and net asset movements.

All MLFA covenants are closely monitored with all requirements met for the 2020-21 year.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. Financial instruments (continued)

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 2021:

		2021						
	Note	Weighted average effective interest rate	0 to 1 year	1 to 2 years	2 to 5 years	5+ years	Non-interest bearing	Total
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Cash and cash equivalents	C5(a)	0.10%	6,455	-	-	-	-	6,455
Trade and other receivables	E1	n/a	-	-	-	-	74,731	74,731
Total financial assets			6,455	-	-	-	74,731	81,186
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	63,856	63,856
Borrowings - fixed rate		3.25%	230,338	239,240	833,323	1,119,271	-	2,422,172
Borrowings - floating rate		0.55%	38,700	-	-	-	-	38,700
Finance leases		3.98%	394	226	165	2,043	-	2,828
Total financial liabilities			269,432	239,466	833,488	1,121,314	63,856	2,527,556
Net financial assets/ (liabilities)			(262,977)	(239,466)	(833,488)	(1,121,314)	10,875	(2,446,370)

This disclosure is presented on an undiscounted basis and therefore will not agree to amounts presented in the consolidated statement of financial position as they incorporate principal and associated future interest payments. TasNetworks is able to manage these borrowing exposures within the Master Loan Facility Agreement with TASCORP and the covenants it has in place. 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 2021

C4. Financial instruments (continued)

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 2020 was as follows:

		2020						
	Note	Weighted average effective interest rate	0 to 1 year	1 to 2 years	2 to 5 years	5+ years	Non-interest bearing	Total
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Cash and cash equivalents	C5(a)	0.25%	7,451	-	-	-	-	7,451
Trade and other receivables	E1	n/a	-	-	-	-	73,094	73,094
Total financial assets			7,451	-	-	-	73,094	80,545
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	66,513	66,513
Borrowings - fixed rate		3.01%	213,335	226,883	740,974	1,214,635	-	2,395,827
Borrowings - floating rate		0.92%	29,799	29,799	29,799	29,799	-	119,196
Interest rate swaps		2.92%	363	363	363	363	-	1,452
Finance leases		3.98%	379	168	106	2,232	-	2,885
Total financial liabilities			243,876	257,213	771,242	1,247,029	66,513	2,585,873
Net financial assets/ (liabilities)			(236,425)	(257,213)	(771,242)	(1,247,029)	6,581	(2,505,328)

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

C4. Financial instruments (continued)

Interest rate sensitivity analysis

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

	Profit before tax		Equity after tax	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
1.0% increase in interest rates	270	43	-	88
0.10% decrease in interest rates	(27)	(4)	-	(9)

(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.

TasNetworks held no hedges at 30 June 2021.

Outstanding floating for fixed contracts	Average contracted fixed interest rate	Average contracted fixed interest rate	Notional principal amount	Notional principal amount	Fair value	Fair value
	2021	2020	2021	2020	2021	2020
	%	%	\$'000	\$'000	\$'000	\$'000
Less than one year	-	2.92	-	25,000	-	(402)
			-	25,000	-	(402)

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 2021

C5. 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	2021 \$'000	2020 \$'000
Cash at bank		6,455	7,425
Cash investment		-	26
		6,455	7,451

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

Net profit for the year		16,911	37,012
Depreciation and amortisation of non-current assets	A2(b)	179,002	174,496
(Gain)/loss on sale of property, plant and equipment	A1(b)	(633)	(1,091)
Increase/(decrease) in tax equivalent liabilities		(26,901)	(14,573)
(Increase)/decrease in trade and other receivables		(1,637)	13,894
(Increase)/decrease in inventories		(4,607)	(7,079)
(Increase)/decrease in other assets		(5,959)	746
Increase/(decrease) in trade and other payables		(2,618)	(14,560)
Increase/(decrease) in provisions		778	(967)
Increase/(decrease) in employee benefits		4,918	7,548
Increase/(decrease) in contract liabilities		4,475	15,515
Net cash provided by operating activities		163,729	210,941

Recognition and measurement

Cash and cash equivalents are highly liquid cash investments with maturity less than three 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. Under AASB9 cash and cash equivalents and trade and other receivables are classified as financial assets at amortised cost.

The cash and cash equivalents are held with bank and financial institution counterparties with credit ratings of AA- to AA+ based on Standard and Poor's ratings, and as such TasNetworks considers that its cash and cash equivalents have low credit risk.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

TasNetworks' equity

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

D1. Retained earnings	Note	2021 \$'000	2020 \$'000
Balance at beginning of financial year		143,889	136,774
Opening balance adjustments:			
Effect of AASB 16 on adoption	H5	-	(201)
Deferred tax effect on AASB 16 adoption	A4(b)	-	60
Opening balance at 1 July:		143,889	136,633
Net profit for the year		16,911	37,012
Superannuation actuarial gains/(losses)	F2	10,191	(1,212)
Deferred tax effect on actuarial movement	A4(b)	(3,057)	363
Dividends paid during the year		(26,738)	(28,907)
Balance at end of financial year		141,196	143,889

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

Balance at beginning of financial year	62,724	62,724
Balance at end of financial year	62,724	62,724

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

D3. Reserves	<i>Note</i>	2021	2020
		\$'000	\$'000
Reserves comprise:			
Asset revaluation reserve		823,081	806,281
Hedge reserve		-	(279)
		823,081	806,002
Asset revaluation reserve			
Balance at beginning of financial year		806,281	758,815
Revaluation of assets during the year		24,000	67,808
Deferred tax liability arising on revaluation	<i>A4(b)</i>	(7,200)	(20,342)
Balance at end of financial year		823,081	806,281
Revaluation of assets during the year			
Revaluation of gross carrying value	<i>B2</i>	52,363	122,911
Revaluation of gross accumulated depreciation	<i>B2</i>	(28,363)	(55,103)
Net fair value movements on property, plant and equipment		24,000	67,808

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		2021	2020
Balance at beginning of financial year		(279)	(649)
- Gain/(loss) recognised in equity		40	157
- Reversal of prior year losses		359	371
Deferred tax asset arising on hedges	<i>A4(b)</i>	(120)	(158)
Balance at end of financial year		-	(279)

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.

Each subsidiary has 100 fully paid \$1 shares issued, please refer to note H3 for group ownership interests.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

Other assets and liabilities

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

E1. Trade and other receivables	2021	2020
	\$'000	\$'000
Current:		
Trade receivables	6,839	8,217
Accrued receivables	2,529	-
Accrued income	44,016	36,495
Unbilled use of system (UoS)	21,615	28,581
Allowance for impairment	(268)	(199)
	74,731	73,094

Movement in the allowance for impairment of debts	2021	2020
Balance at beginning of financial year	(199)	(329)
Impairment gain/(loss) recognised on receivables	(153)	(29)
Amounts written off as uncollectable	86	162
Previously written off amounts recovered	(2)	(3)
Balance at end of financial year	(268)	(199)

Ageing of trade receivables that were past due but not impaired	2021	2020
Less than 30 days overdue	808	239
Between 31 and 60 days overdue	405	56
Between 61 and 90 days overdue	-	436
Greater than 90 days overdue	424	987
	1,637	1,718

Recognition and measurement

Trade receivables and other receivables pertain to goods and services sold as part of operating activities and are initially recorded at fair value and thereafter amortised cost. An allowance for impairment is recognised annually utilising the Expected Credit Loss model. TasNetworks applies a simplified approach in calculating expected credit losses, and therefore as a result does not specifically track changes in credit risk, but instead recognise a loss allowance based on lifetime expected credit losses at each reporting date. TasNetworks has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors groupings and the economic environment. Bad debts are written off in the year in which they are identified.

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

Analysis of ageing and collectability

TasNetworks believes that amounts that are past due over and above the allowance for impairment by more than 30 days and not impaired are collectable in full, based on historical payment behaviour and analysis of customer credit risk, no interest is applied to overdue amounts.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

Impairment of financial assets

Key judgement

Impairment of financial assets

TasNetworks uses judgement to assess how changes in economic factors will impact the expected credit losses which are determined on a probability-weighted basis as required under AASB 9.

Customers are grouped based on services provided including electricity retailers, transmission network customer, telecommunications customers and other customers. These groups are then assessed on their expected credit losses which remain very low for electricity customers, and low for telecommunication customers. The other customers which make up a small percentage of revenue are then assigned a weighted average loss rate.

Credit risk

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.

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

For the current financial year

	Trade receivables days past due					Total
	Current	Less than 30 days	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0.50%	2.38%	15.98%	29.33%	37.23%	
Gross carrying amount \$'000	5,202	808	405	-	424	6,839
Lifetime expected credit loss \$'000	26	19	65	-	158	268

For the previous financial year

	Trade receivables days past due					Total
	Current	Less than 30 days	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0.28%	1.19%	7.05%	12.76%	12.04%	
Gross carrying amount \$'000	6,500	239	56	435	987	8,217
Lifetime expected credit loss \$'000	18	3	4	55	119	199

Impact of COVID-19

TasNetworks has undertaken detailed analysis on the impact of COVID-19 on its expected credit losses model and the expected credit loss rate in the table above reflect any changes identified.

Notes to the consolidated financial statements (continued)
For the financial year ended 30 June 2021

E2. Inventories

	Note	2021 \$'000	2020 \$'000
Inventory		34,053	29,229
Allowance for impairment on inventory		(1,556)	(1,339)
		32,497	27,890

During the financial year ended 30 June 2021 \$1.093m (2020: \$2.069m) of inventory was expensed in the statement of profit or loss including inventory issued to non-regulated services.

TasNetworks has reviewed its inventory strategy and increased minimum stock on hand holdings to mitigate the impact of supplier risk and material shortages in delivering its works program.

Impact of COVID-19

In order to reduce supply risk due to COVID-19 additional inventory was purchased in the later half of the 2019-20 financial year and remains in stock at 30 June 2021.

Movement in the allowance for impairment of inventory

Balance at beginning of financial year	(1,339)	(313)
Impairment gain/(loss) provided for	(834)	(1,165)
Inventory written off during the year	617	139
Balance at end of financial year	(1,556)	(1,339)

The impairment provision includes some obsolete items that were identified for disposal increasing the impairment provision for the year.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

E3. Other assets	Note	2021 \$'000	2020 \$'000
Current:			
Prepayments		9,719	3,562
FX forward agreements	C4	-	3
Other		60	54
		9,779	3,619
Non-current:			
Prepayments		360	561
		360	561
Total:		10,139	4,180

The increase in prepayments in the 2020-21 year is due to a number of items for which delivery was not made by the supplier prior to 30 June 2021 due to COVID-19.

E4. Provisions

Workers compensation			
Opening balance		184	882
Provision increase/(decrease) during the year		1,084	558
Provision used during the year		(306)	(1,256)
Closing balance		962	184
Onerous contracts			
Opening balance		-	269
Provision increase/(decrease) during the year		-	(26)
Provision used during the year		-	(243)
Closing balance		-	-
Total provisions		962	184
Shown as:			
Current provisions		962	-
Non-current provisions		-	184
		962	184

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

E4. Provisions (continued)

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

TasNetworks' workers compensation is insured by an external insurance provider. The policy provides for a minimum premium (fixed component paid in the insured year) and a variable component up to an agreed maximum premium. The variable component of the premium is paid in arrears and will vary depending upon TasNetworks' workers compensation performance. TasNetworks is provided an estimate of the outstanding premium at 30 June each year based upon latest available information. This estimate forms the basis of the workers compensation provision that is required at 30 June 2021.

Key estimate

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.

E5. Trade and other payables	Note	2021 \$'000	2020 \$'000
Current:			
Trade payables		15,725	13,633
Accrued payables		16,897	16,063
Accrued expenses		3,414	7,408
GST payable		1,329	1,976
Accrued interest		26,491	27,433
		63,856	66,513

Recognition and measurement

Trade payables and other accounts payable, including accruals for services 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 2021

E6. Contract liabilities	Note	2021 \$'000	2020 \$'000
Current:			
Revenue received in advance		33,974	28,472
Non-current:			
Revenue received in advance		34,423	35,450
		68,397	63,922

Recognition and measurement

Revenue received in advance

Revenue received in advance is predominantly regulated distribution and unregulated transmission 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 revenue received in advance is from construction projects currently being undertaken. This income is recognised as revenue when the work has been completed.

E7. Other liabilities

	2021 \$'000	2020 \$'000
Current:		
Derivative contracts	-	402
	-	402

Derivative contracts

The value of derivative contracts at the end of each reporting period are recognised in the statement of financial position as either an asset or a liability. The value reflects the projected future cash flows (discounted) on the derivative contract. The other side of the derivative valuation net of tax effect is reflected in the hedge reserve (note D3).

Derivative contracts are interest rate swaps. See note C4 for TasNetworks' exposure to risk and fair value information for these swaps.

There were no interest rates swaps at 30 June 2021.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

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	2021 \$'000	2020 \$'000
Current:		
Annual leave	12,583	11,880
Long service leave	13,589	12,776
Defined benefits superannuation	6,013	5,775
Other employee benefits	4,544	4,288
	36,729	34,719
Non-current:		
Long service leave	4,952	4,382
Defined benefits superannuation	178,151	186,093
Other employee benefits	772	683
	183,875	191,158
	220,604	225,877

Impact of COVID-19

The number of hours of leave taken during the 2019-20 and 2020-21 financial years was less than previous years predominately due to COVID-19 and subsequent travel restrictions. This has resulted in an increase to leave liability balances at 30 June 2021. These leave balances are being actively managed by TasNetworks.

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.

Movements 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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F1. Employee benefits (continued)

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.

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.

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 Fund 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.

*I, Acting CEO, Ross Burridge certify that TasNetworks has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* (Cth) in respect of any employee who is a member of a complying superannuation scheme to which TasNetworks contributes.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

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, or upon reaching preservation age after resignation (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, Hydro Electric Commission (subsequently Hydro Electric Corporation) (Hydro Tasmania) 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 far as practicable.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), 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.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F2. Defined benefit superannuation plan (continued)

Significant events

There were no Scheme amendments affecting the defined benefits payable, curtailments or settlements during the year.

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 2021 and are set out below:

Assumptions to determine defined benefit cost and start of year defined benefit obligation	2021 %	2020 %
Discount rate (active members)	3.15	3.25
Discount rate (pensioners)	3.15	3.25
Expected salary increase rate	3.00	3.00
Expected rate of increase of compulsory preserved amounts	3.00	3.00
Expected pension increase rate	2.25	2.50
Assumptions to determine end of year defined benefit obligation	2021 %	2020 %
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected salary increase rate	3.00	3.00
Expected rate of increase of compulsory preserved amounts	3.00	3.00
Expected pension increase rate	2.25	2.25

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F2. Defined benefit superannuation plan (continued)

Fair value of Scheme assets

	30 June 2021*		
	Total	Significant observable inputs - Level 2	Unobservable inputs - Level 3
	\$'000	\$'000	\$'000
Cash deposits	-	-	-
Australian equities	6,950	6,950	-
International equities	8,798	8,798	-
Infrastructure	5,719	1,452	4,267
Diversified fixed interest	10,954	10,954	-
Property	8,314	616	7,698
Alternative investments	3,255	3,255	-
TOTAL	43,990	32,025	11,965

*Estimated based on assets allocated to TasNetworks as at 30 June 2021 and asset allocation of the RBF Scheme as at 30 June 2020.

Fair value of own financial instruments

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

- any of TasNetworks' own financial instruments; and
- 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 2.15%, 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 2021

F2. Defined benefit superannuation plan (continued)

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

	Note	2021 \$'000	2020 \$'000
Present value of obligations at beginning of financial year		228,154	231,142
Total defined benefit obligation		228,154	231,142
RBF contributory scheme assets		43,990	39,274
Net liability at end of financial year		184,164	191,868
Movements in net liabilities			
Net liability at beginning of financial year		191,868	186,116
Expense recognised in profit or loss	A2(c)	8,366	8,602
Other comprehensive income recognised		(10,191)	1,212
Employer contributions paid by TasNetworks		(5,879)	(4,062)
Net liability at end of financial year		184,164	191,868
Current net liability	F1	6,013	5,775
Non-current net liability	F1	178,151	186,093
		184,164	191,868
Expense recognised in profit or loss			
Employer service cost		2,425	2,622
Net interest cost	A2(c), A3	5,941	5,980
Expense recognised in profit or loss		8,366	8,602
Other comprehensive income recognised			
Superannuation actuarial losses	D1	(10,191)	1,212
Other comprehensive income recognised		(10,191)	1,212

Employee benefits expense is included in the operating expenses line item of the statement of profit or loss and the superannuation actuarial gains/(losses) line item in the statement of comprehensive income. Interest costs are included within finance costs. Employer contributions of \$5.879m (2020: \$4.062m) reflects the amount paid by TasNetworks.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F2. Defined benefit superannuation plan (continued)

	2021 \$'000	2020 \$'000
Fair value of plan assets		
RBF contributory scheme assets at beginning of financial year	39,274	41,520
Interest Income	1,213	1,326
Actual return / (diminution) on plan assets less interest income	5,045	(2,469)
Employer contributions received	5,879	5,574
Contributions by plan participants	782	807
Benefits paid	(8,198)	(7,479)
Taxes, premiums and expenses paid	(5)	(5)
RBF contributory scheme assets at end of financial year	43,990	39,274
Defined benefit obligations inclusive of contributions tax for disclosure purposes		
Present value of obligation at beginning of financial year	231,142	227,636
Employer service costs	2,425	2,622
Interest costs	7,154	7,306
Contributions by plan participants	782	807
Benefits paid	(8,198)	(5,967)
Taxes, premiums and expenses paid	(5)	(5)
Expected defined benefit obligation at year end	233,300	232,399
Actuarial (gain)/loss arising from changes in demographic assumptions	-	(1,777)
Actuarial (gain)/loss arising from changes in financial assumptions	(1,554)	(3,141)
Actuarial (gain)/loss arising from liability experience	(3,592)	3,661
Present value of defined benefit obligation at end of financial year	228,154	231,142

Effect of the asset ceiling

The asset ceiling has no impact on the net defined benefit liability

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F2. Defined benefit superannuation plan (continued)

Sensitivity analysis

The defined benefit obligation as at 30 June 2021 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 rate	+1% pa pension rate
Discount rate	3.20%	2.20%	4.20%	3.20%	3.20%
Pension increase rate	2.25%	2.25%	2.25%	1.25%	3.25%
Defined benefit obligation (\$'000)	228,154	262,696	200,284	206,091	254,803

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

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 2022 of \$6.013m (2021: \$5.775m).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for TasNetworks is 14.0 years.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation

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

Benefits paid	Director Remuneration		Executive Remuneration		Consolidated	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	391	391	2,871	2,755	3,262	3,146
Post-employment benefits	31	31	264	243	295	274
Other long-term employment benefits	-	-	73	(24)	73	(24)
Termination Benefits	-	-	239	-	239	-
	422	422	3,447	2,974	3,869	3,396

For Director remuneration, short term employment benefits includes Director fees, Committee fees and other benefits. Post employment benefits represents superannuation contributions.

For Executive remuneration, short-term employment benefits includes base salary, vehicles, other benefits and other non-monetary benefits. Post employment benefits represents superannuation contributions and other long-term employee benefits includes leave movements. Termination benefits are as provided for below.

Remuneration for the Board of Directors

The following tables disclose the remuneration details for each person that acted as a director during the current and previous financial year:

2021 Director Remuneration¹

Name	Position	Period	Director Fees	Committee Fees	Superannuation ²	Total
			\$'000	\$'000	\$'000	\$'000
Non-Executive Directors						
Dr D Norton AO	Chairperson	Full term	116	-	11	127
Mrs J Doyle ³	Director	Full term	59	-	-	59
Mr P McIntyre	Director	Full term	54	-	5	59
Mr R Gill	Director	Full term	54	-	5	59
Dr J Beeby	Director	Full term	54	-	5	59
Mrs S Merridew	Director	Full term	54	-	5	59
Total			391	-	31	422

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

2020 Director Remuneration¹

Name	Position	Period	Director Fees	Committee Fees	Superannuation ²	Total
			\$'000	\$'000	\$'000	\$'000
Non-Executive Directors						
Dr D Norton AO	Chairperson	Full term	116	-	11	127
Mrs J Doyle ³	Director	Full term	59	-	-	59
Mr P McIntyre	Director	Full term	54	-	5	59
Mr R Gill	Director	Full term	54	-	5	59
Dr J Beeby	Director	Full term	54	-	5	59
Mrs S Merridew	Director	Full term	54	-	5	59
Total			391	-	31	422

Board remuneration notes and statements

1. Amounts are all forms of consideration paid, payable or provided by TasNetworks.
2. Superannuation means the contribution to the superannuation fund of the individual.
3. Mrs J Doyle's directors fees were paid directly to her employer.

Non-Executive Directors

Non-executive 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 in accordance with the relevant *Guidelines for Tasmanian Government Businesses - Board Appointments*. The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet.

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 reasonable expenses incurred while attending to Board business. Non-executive Directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

Executive Remuneration

The following tables disclose the remuneration details for each person that acted as a senior executive during the current and previous financial years:

2021 Executive Remuneration

Name	Position	Period	Base Salary ¹	Superannuation ²	Vehicles ³	Total Remuneration Package	Termination Benefits ⁴	Other Long-term Benefits ⁵	Total ⁶
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr L Balcombe	Chief Executive Officer	To 25/03/2021	389	17	-	406	124	-	530
Ms B Clark	General Manager Project Marinus	Full year	306	29	-	335	-	4	339
Mr W Tucker	General Manager Regulation, Policy and Strategic Asset Management	Full year	297	38	-	335	-	26	361
Mr M Paine	General Manager Operations and Customer Service Delivery	Full year	320	30	-	350	-	13	363
Mr R Burridge	General Manager Strategy, Finance and Business Services; and Acting Chief Executive Officer	To 25/03/2021	349	41	-	390	-	18	408
		From 26/03/2021 To 30/06/2021							
Ms J McDermott	General Manager People, Culture and Community	Until 13/11/2020	132	22	-	154	115	-	269
Mrs P Bartlett	Company Secretary and General Counsel	Full year (except as noted below)	273	26	-	299	-	(9)	290
		From 13/11/2020 to 29/03/2021							
Mr M Westenberg	General Manager Technology and Performance	Full year	296	22	-	318	-	11	329
Mr M Ash	General Manager Network, Commercial and Major Customer	Full year	317	22	-	339	-	6	345
Mrs R Anderson	General Manager People, Culture and Community	from 29/03/2021	66	6	-	72	-	5	77
Sub-total			2,745	253	-	2,998	239	74	3,311

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

Name	Position	Period	Base Salary ¹ \$'000	Superannuation ² \$'000	Vehicles ³ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁴ \$'000	Other Long-term Benefits ⁵ \$'000	Total ⁶ \$'000
Acting arrangements									
Mr M Chan	Acting Company Secretary and General Counsel	From 13/11/2020 to 29/03/2021	68	6	-	74	-	-	74
Ms A Parker	Acting General Manager Strategy, Finance and Business Services	From 26/03/2021 to 30/06/2021	58	5	-	63	-	(1)	62
Sub-total			126	11	-	137	-	(1)	136
Total			2,871	264	-	3,135	239	73	3,447

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

2020 Executive Remuneration

Name	Position	Period	Base Salary ¹ \$'000	Superannuation ² \$'000	Vehicles ³ \$'000	Total Remuneration Package \$'000	Termination Benefits ⁴ \$'000	Other Long-term Benefits ⁵ \$'000	Total ⁶ \$'000
Mr L Balcombe	Chief Executive Officer	Full year	488	21	-	509	-	(32)	477
Ms B Clark	General Manager Project Marinus	Full year	282	27	-	309	-	7	316
Mr W Tucker	General Manager Regulation, Policy and Strategic Asset Management	Full year	276	35	-	311	-	(1)	310
Mr M Paine	General Manager Operations and Customer Service Delivery	Full year	295	28	-	323	-	7	330
Mr R Burridge	General Manager Strategy, Finance and Business Services	Full year	298	38	-	336	-	(12)	324
Ms J McDermott	General Manager People, Culture and Community	Full year	293	28	-	321	-	(6)	315
Mrs P Bartlett	Company Secretary and General Counsel	Full year	254	24	-	278	-	2	280
Mr M Westenberg	General Manager Technology and Performance	Full year	275	21	-	296	-	8	304
Mr M Ash	General Manager Network, Commercial and Major Customer	Full year	294	21	-	315	-	3	318
Sub-total			2,755	243	-	2,998	-	(24)	2,974

Executive remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by TasNetworks.

1. Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
2. Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 12.95% (2020: 12.95%).
3. Includes total cost of providing and maintaining vehicles provided for private use, including registration, insurance, fuel and other consumables, maintenance cost and parking (including notional value of parking provided at premises that are owned or leased and fringe benefits tax).
4. Termination benefits include all forms of benefits paid or accrued as a consequence of termination.
5. Other long-term benefits consists of annual and long service leave movements.
6. Executive remuneration may vary year to year due to the timing of refunds or reimbursements on expired novated vehicle lease contracts.

TasNetworks does not pay bonuses or any other short term incentive payments to any member of key management personnel.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

Executive Remuneration

Remuneration levels for key management personnel of TasNetworks are competitively set to attract and retain appropriately qualified and experienced Executives. The remuneration and salary review structure takes into account the capability and experience of the relevant Executive and the achievement of measurable organisational and individual goals.

Remuneration levels for future key management personnel will be set in accordance with the Director and Executive Remuneration Guidelines, (revised version dated June 2021). Under these Guidelines, remuneration bands for Chief Executive Officers (CEOs) are approved by the Treasurer, and are developed taking into consideration the principles outlined in the Guidelines, including the legal, regulatory and industrial environment, shareholder and community expectations and remuneration of the State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the remuneration band of the CEO. The appointment and setting of the initial remuneration for TasNetworks' former CEO and some of the existing Executive team predates the June 2014 Shareholder Direction to comply with the guidelines.

The CEO is appointed by the Board. Any proposed remuneration package above the approved remuneration band or terms of employment inconsistent with the Guidelines, must be approved by the Treasurer.

The employment terms and conditions of senior executives are contained in individual employment contracts, which prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, TasNetworks also provides non-monetary benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the CEO, is reviewed annually which includes a review of their remuneration package.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Termination benefits

Termination payments during the current year included:

- Ms J McDermott ceased employment effective 10 November 2020 and was paid \$115,496 representing the balance of her accrued annual and long service leave entitlements (\$14,690), plus a termination payment of (\$100,806) representing three months of pay in lieu of notice and one month's ex gratia payment.
- Mr L Balcombe ceased employment effective 15 March 2021 and was paid \$124,226 representing the balance of his accrued annual and long service leave entitlements.

Acting arrangements

When members of key management personnel are 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 considered members of key management personnel when acting arrangements are for more than a period of one month.

During the current financial year the following acting arrangements were in place:

- Mr R Burridge performed the duties of the CEO upon the departure from the business by Mr L Balcombe and continued until the new CEO is able to take up his appointment on 2nd August 2021.
- Ms P Bartlett performed the executive duties of the role of General Manager People, Culture and Community following the departure of Ms McDermott until the position was subsequently filled by Ms R Anderson.
- Ms A Parker performed the duties of the General Manager Strategy, Finance and Business Services whilst Mr Burridge undertook the CEO position.
- Mr M Chan performed the duties of the Company Secretary and General Counsel whilst Mrs Bartlett was performing the General Manager People, Community and Culture role.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

F3. Key Management Personnel compensation (continued)

Statement of compliance

TasNetworks has complied with the Government's Director and Executive Remuneration Guidelines, applicable at the time, for the year ended 30 June 2021 with the exception of three variations. These are the confidentiality and termination provisions contained in executive contracts and the setting of initial remuneration of the TasNetworks former CEO which pre-date the June 2014 Shareholders Direction to comply with the Guidelines.

F4. Related party disclosures

For all Tasmanian Government businesses, related parties are considered to include:

- a subsidiary or joint venture;
- key management personnel or close family members of key management personnel;
- Ministers or close family members of Ministers;
- any entities controlled or jointly controlled by key management personnel or their close family members; and
- any entities controlled or jointly controlled by Ministers or their close family members.

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.

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.

Balances and transactions between TasNetworks and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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 2021

Commitments

This section contains information about the commitments TasNetworks has made.

G1. Leases

Leases as lessee

TasNetworks leases communication sites, land and some office space and equipment under various leases (note B3).

(a) Amounts recognised in the profit or loss

	2021	2020
	\$'000	\$'000
Interest on lease liability	(151)	(121)
Amortisation of lease assets	(406)	(385)
Expenses relating to short-term leases	(8)	(43)
Expenses relating to low value assets	(25)	(4)
	(590)	(553)

(b) Amounts recognised in the statement of cash flows

Total cash outflow for leases	(566)	(489)
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(c) Extension options

Some leases contain extension options exercisable by TasNetworks up to one year before the end of the initial period. Where practicable, TasNetworks assesses at lease commencement whether it is reasonably certain to exercise the options. TasNetworks reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes.

Operating leases as lessor

TasNetworks leases out part of its business premises, transmission system assets and distribution power poles under operating leases.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021	2020
	\$'000	\$'000
Less than 1 year	3,741	3,790
1 to 2 years	3,616	3,741
2 to 3 years	3,488	3,616
3 to 4 years	3,358	3,488
4 to 5 years	3,366	3,358
More than five years	41,654	45,019
	59,223	63,012

Recognition and measurement

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 2021

G2. Commitments for expenditure

	2021	2020
	\$'000	\$'000
Capital expenditure commitments⁺:		
Property, plant and equipment		
Within one year	90,653	88,939
One year or later and no later than five years	26,558	37,164
Greater than five years	228	48
	117,439	126,151
Operating expenditure commitments[*]:		
Other expenses (excluding leases disclosed in note G1)		
Within one year	58,427	43,931
One year or later and no later than five years	37,031	13,552
Greater than five years	1,250	13
	96,708	57,496

*Operating expenditure commitments relate predominately to asset maintenance services and contracts relating to Project Marinus.

+Capital expenditure commitment increases predominately relate to contracts entered to purchase long-lead time materials required for the future capital program.

G3. Contingent liabilities and contingent assets

At the time of publication of these accounts there were no contingent claims related to property loss, where TasNetworks is the defendant, personal injury (with the exception of claims by employees for personal injuries related to legacy herbicide exposure as mentioned below), contractual and other matters with TasNetworks (2020: nil). The directors are of the opinion, based on legal advice, that no provision for a liability is required.

The ARENA grant funding agreement contains certain repayment conditions where the grant revenue of \$10.0m received to support the Project Marinus second interconnector feasibility study and business case would be required to be repaid to ARENA.

TasNetworks has completed its investigation of a legacy herbicide exposure attributable to former Hydro Electric Commission (Hydro) employees spraying vegetation dating back to the 1960-70's. The possible exposure passes to TasNetworks under the respective transfer notices for business restructuring in 1998 (from Hydro to Transend Networks Pty Ltd) and 2014 (from Transend Networks Pty Ltd) respectively. An Action group was established together with a Claims Settlement Protocol and a Quantum Framework. TasNetworks currently has paid two claims for compensation in the 2020-21 year and has received a new claim which has been accrued as an expense in the 2020-21 financial year. Future claims are anticipated, however the number or quantum cannot currently be quantified.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

Other information

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

H1. Auditor's remuneration	2021	2020
	\$	\$
Amounts received, or due and receivable:		
Audit of financial statements for the group	235,090	228,240
Audit of Regulatory Information Notice*	230,000	237,700
	465,090	465,940

*A 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

	2021	2020	2021	2020
	No. of trips	No. of trips	\$	\$
Travel undertaken	-	3	-	51,615
Travel by CEO	-	1	-	10,997
Travel by Board	-	-	-	-
			-	62,612

All overseas trips in the 2019-20 financial year related to the Marinus Project, other planned trips were either cancelled or deferred as a result of COVID-19 travel restrictions.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H3. Consolidated entity (continued)

Name of entity	Footnote	Country of incorporation	Ownership interest	
			2021	2020
			%	%
Parent entity				
Tasmanian Networks Pty Ltd		Australia		
Subsidiaries				
TasNetworks Holdings Pty Ltd	1	Australia	100	100
Fortytwo24 Pty Ltd*	2	Australia	100	100
Marinus Link Pty Ltd*	3	Australia	100	100
Large Scale Renewables Pty Ltd*	4	Australia	100	100

* Fortytwo24 Pty Ltd, Marinus Link Pty Ltd and Large Scale Renewables Pty Ltd are 100% owned subsidiaries of TasNetworks Holdings Pty Ltd.

Footnotes

1. TasNetworks Holdings Pty Ltd was incorporated on 24 May 2018.
2. Fortytwo24 Pty Ltd was incorporated on 14 February 2006.
3. Marinus Link Pty Ltd was incorporated on 23 November 2018.
4. Large Scale Renewables Pty Ltd was incorporated on 20 May 2019 and is not operational.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H4. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2021, the parent entity of the Group was Tasmanian Networks Pty Ltd.

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

	Parent	
	2021	2020
	\$'000	\$'000
Result of parent entity		
Profit for the year	13,673	33,547
Other comprehensive income for the period	24,213	46,987
Total comprehensive income for the period	37,886	80,534
Financial position of parent entity at year end		
Current assets	120,944	104,124
Intercompany receivable	-	301
Non-current assets	3,498,127	3,444,880
Intercompany loan	5,027	3,003
Total assets	3,624,098	3,552,308
Current liabilities	337,397	307,253
Intercompany payable	412	-
Non-current liabilities	2,262,527	2,235,905
Total liabilities	2,600,336	2,543,158
Net assets	1,023,762	1,009,150
Total equity of the parent entity comprising of:		
Contributed equity	62,724	62,724
Reserves	823,081	806,002
Retained earnings	137,957	140,424
Total equity	1,023,762	1,009,150

Parent entity notes

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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H4. Parent entity disclosures (continued)

Capital commitments for the acquisition of property plant and equipment for the parent are as below:

	2021	2020
	\$'000	\$'000
Capital expenditure commitments+:		
Property, plant and equipment		
Within one year	90,563	88,926
One year or later and no later than five years	26,396	37,164
Greater than five years	28	48
	116,987	126,138

+Capital expenditure commitment increases predominately relate to contracts entered to purchase long-lead time materials required for the future capital program.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

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 adopted the following relevant standards:

AASB amendment	Affected standard	Nature of change to accounting policy
AASB 2018-7	Definition of Material	These amendments address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> . These amendments did not have a material impact on TasNetworks.
AASB 2019-1	Conceptual Framework	This amendment makes changes to the various accounting standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting.
AASB 2018-6	Definition of a business	Amends AASB 3 <i>Business Combinations</i> to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.
AASB 2019-5	AASB 1054 Australian Additional Disclosures	This amendment adds a requirement to AASB 1054 for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> for the potential effect of each IFRS pronouncement that has yet been issued by the AASB.

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 2020-2	Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.	This changes the reporting requirements for certain for-profit private sector entities which will no longer be allowed to prepare special purpose financial statements. They will be required to prepare financial statements which comply with Australian Accounting Standards. There will be no change for TasNetworks as it will continue to apply Treasury Instruction GBE 08-51-07 Application of Australian Accounting Standards.	1 July 2021	30 June 2022

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H5. Changes in accounting policies (continued)

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 1060	General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	A new stand alone disclosure standard applies in the preparation of financial statements. This replace Special Purpose Financial Statements for For-Profit entities and General Purpose Financial Statements Reduced Disclosure Regime currently prepared by Tier 2 For-Profit entities.	1 July 2021	30 June 2022
AASB 2020-1	AASB 101 Presentation of financial statements	This amendment clarifies the classification of liabilities as current or non-current based on the rights in existence at reporting date regardless of whether these rights will be exercised. This is not expected to have a material impact on TasNetworks.	1 January 2023	30 June 2024
AASB 2014-10	Amendments to Australian Accounting Standards - Sale or Contribution of Assets between and investor and its associate or joint venture	Addresses a conflict between the requirements of AASB 128 <i>Investments in associates and joint ventures</i> AASB 10 Consolidated financial statements and clarifies that in a transaction involving an associate or joint venture, the extent of the gain or loss recognised depends on whether the assets sold or contributed constitute a business.	1 January 2022	30 June 2023
AASB 2020-3	Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments.	Makes amendments to a number of standards including: <ul style="list-style-type: none"> AASB 116 <i>Property Plant and Equipment</i> to prohibit deducting from the cost of an item of PPE any proceeds from selling items produced while bringing that asset to location and condition for use; instead such proceeds must be recognised in the profit or loss; and AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> to specify what the costs of fulfilling an onerous contract comprise. 	1 January 2022	30 June 2023

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H5. Changes in accounting policies (continued)

Pronouncements issued by the IASB or IFRS Interpretations Committee where an equivalent pronouncement has not been issued by the AASB

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 2021-2	Amendment of Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates	<p>This amendment impacts a number of standards as follows:</p> <ul style="list-style-type: none"> • AASB 7 - clarifies measurement basis for financial instruments is expected to be material to an entities financial statements. • AASB 101 - requires an entity to disclose material accounting policies rather than significant accounting policies • AASB 108 - clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates. • AASB 134 - to identify material accounting policy information as a component of a complete set of financial statements; and • AASB Practice Statement 2 - to provide guidance on how to apply the concept of materiality to accounting policy disclosures. 	1 January 2023	30 June 2024

Pronouncements issued by the IASB or IFRS Interpretations Committee where an equivalent pronouncement has not been issued by the AASB

Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks	
IAS 12	Income Taxes	<p>Amends IAS 12 <i>Income Taxes</i> to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.</p> <p>The amendments clarify that the initial recognition of deferred tax exemption does not apply to transactions where both an asset and a liability are recognised in a single transaction. It is not expected to have a material impact on TasNetworks.</p>	1 January 2023	30 June 2024

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2021

H6. Subsequent events

Dividends

Subsequent to the end of the financial year, the Board recommended a dividend of \$5.122m (2020: \$26.738m) 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 2021.

Project Marinus

The governance structure of Project Marinus was amended from 1 July 2021 to enable the transition of the Project to the next phase. In this next phase it is proposed that TasNetworks will continue to deliver the North West Transmission Developments component of Project Marinus, and a special purpose entity with Commonwealth Government ownership will likely deliver the Marinus Link component.

COVID-19

The situation with the COVID-19 pandemic is continuing to evolve and the full impact is yet to be realised. In considering the financial statements, reasonable assessments and judgements have been made based on available data and current assumptions. The situation and impacts on the TasNetworks Group will continue to be monitored.

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 2021

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; and
- (d) the directors have been provided with declarations from the Chief Executive Officer and the General Manager Strategy, 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

11 August 2021



Mrs Joanne
Doyle
Director
Hobart

11 August 2021



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Bright Future

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