HydroTasmaniaReport 05

HYDRO TASMANIA ANNUAL REPORT 2004/2005
INCORPORATING THE INAUGURAL SUSTAINABILITY REPORT

Sustainable Development:

development that meets

the needs of the present

without compromising the

ability of future generations

to meet their own needs.

(United Nations Brundtland Commission, 1987)

Hydro Tasmania
the renewable energy business

Directors **Statement**

To the Hon Bryan Green MHA, Minister for Infrastructure, Energy and Resources, in compliance with requirements of the *Government Business Enterprises Act 1995*.

In accordance with Section 55 of the *Government Business Enterprises Act 1995*, we hereby submit for your information and presentation to Parliament the report of the Hydro-Electric Corporation for the year ended 30 June 2005. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

DM Crean
Chairman Hydro-Electric Corporation
19 October 2005

GL Willis
CEO Hydro-Electric Corporation
19 October 2005

Hydro-Electric Corporation
ARBN 072 377 158
ABN 48 072 377 158

Hydro Tasmania **Values**

We always behave with
honesty and integrity

We work together,
respect each other and value
our diversity

We strive to deliver
outstanding service

We are committed to
creating a sustainable future

Our positive and determined
approach ensures success

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Achievements and Challenges for **2004/2005**

Achievements

- Record after tax profit of $44.4 million, a 25 per cent increase over the previous record of $35.5 million in 2003/2004
- Capital expenditure of $92.8 million, including $63.8 million on asset refurbishment
- Returns to Government of $74 million
  - dividend $40 million
  - income tax equivalent $30 million
  - loan guarantee fee $4 million
- 5.5 per cent increase in sales revenue
- Formal entry to National Electricity Market on 29 May 2005
- Full year operation of Woolnorth Bluff Point Wind Farm
- Construction of 66-megawatt Cathedral Rocks Wind Farm in South Australia
- Project work for Hydro Tasmania Consulting in Papua New Guinea, South Korea, New Zealand, Malaysia, Sri Lanka and Fiji
- Restoration of meromictic Lake Fidler in World Heritage Area
- 29,000 visitors to Hydro Tasmania's information centres
- 8,000 visitors to Hands On Energy Discovery Centre

Challenges

- Prudent management of water resources, with 11 months of below average rainfall seeing inflows at 75.2 per cent of long-term average
- Greater than expected use of thermal support from the gas-fired Bell Bay Power Station
- Preparations for National Electricity Market entry
- Planning for the future of Renewables Development following the Federal Government's Mandatory Renewable Energy Target decision
- Pursuit of project approvals for the Musselroe and Heemskirk Wind Farms, and for the Smithton to Burnie transmission line
- Focused expansion of Hydro Tasmania Consulting's client base
- Revaluation of assets and impact of new accounting standards decreasing the value of assets
- Improved safety performance as measured by the Lost Time Injury Frequency Rate
- Development of systems to embed sustainability principles into business processes

In the year Hydro Tasmania continued to build on its 90-year history as a sustainable, renewable energy generator

Chairman's **Review**

The past year was one of considerable achievement for Hydro Tasmania as we progressed from a successful renewable energy producer to a producer and trader in the National Electricity Market, expanded our wind farm development in Tasmania and South Australia, and broadened our client base for specialist consulting.

In the year Hydro Tasmania continued to build on its 90-year history as a sustainable, renewable energy generator by introducing sustainability principles into its business. The Sustainability Policy articulates our commitment to continual improvement and leadership in sustainability and this year we present our first sustainability report within this annual report.

Hydro Tasmania produced an excellent financial result for the year with $44.4 million profit after tax, an increase of 25 per cent on last year's figure. This was achieved through sales revenue increasing by 5.5 per cent, expanded Consulting activities, lower debt costs and lower depreciation. Returns to Government of $74 million were 8 per cent lower than last year due to reduction in the special dividend, as agreed with Government, and to reduced tax equivalent payments. A 7 per cent increase in costs was brought about by running Bell Bay Power Station longer than expected due to low water storages and poor rainfall, continued preparation for entry to the National Electricity Market, and funding of growth in the Consulting business.

Total capital investment of $92.8 million was made in the hydro-generation assets upgrade and modernisation program and wind farm developments in Tasmania and South Australia.

A number of factors adversely affected the statement of financial position presentation of net assets. In particular, our generation assets are represented in the statement at fair value. This fair value was reassessed in 2005 to incorporate the latest revenue projections, resulting in a reduction in generation asset value by $523 million to $2.54 billion. These revised projections reflected lower than expected real electricity prices and current low pool prices.

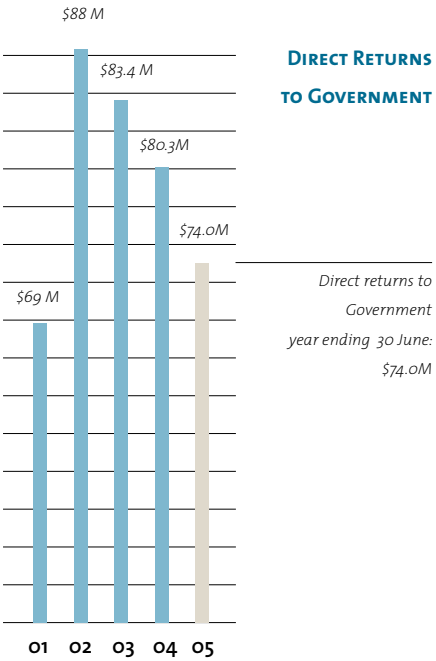
Chairman

Dr David Crean

This asset revaluation will not have any negative impact on the business cash flows, or net profit. The combined Basslink rights and obligations make a net positive contribution to the calculation of asset value.

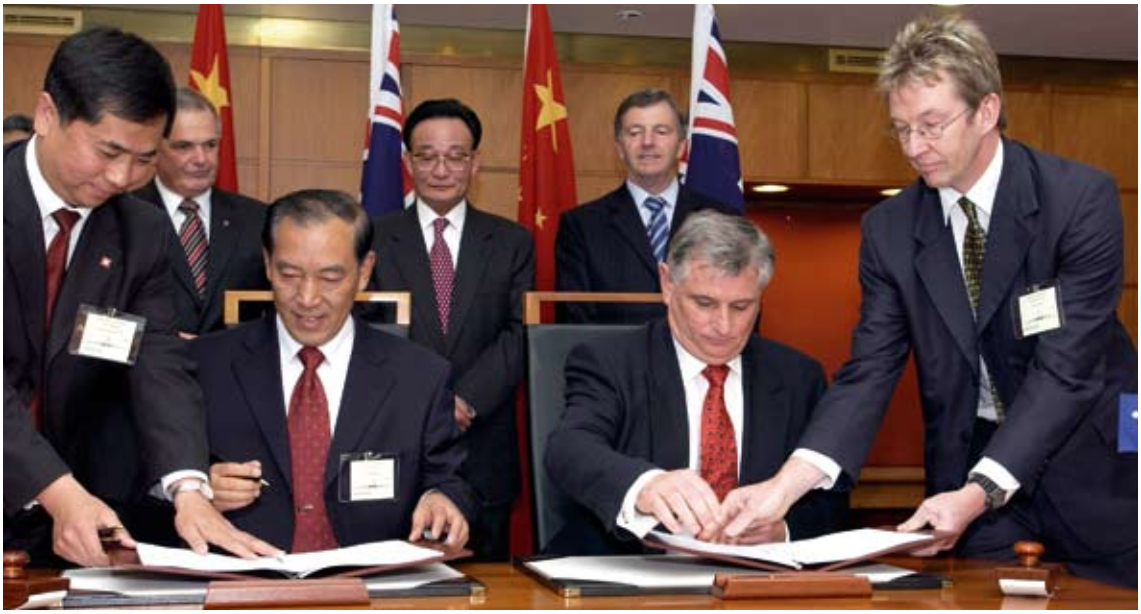
In addition, in 2005/2006 the Corporation is required to adopt new Australian Accounting Standards that are aligned to international standards. This will result in a further $548.5 million reduction in net assets, due primarily to an increase in deferred tax liability and provision for retirement benefits.

We continue to progress our vision to be Tasmania's world-renowned renewable energy business, building on our skills and reputation to expand our horizons beyond Tasmania with increased business activities interstate and overseas. Underpinning this growth outside our traditional boundary is a philosophy of bringing the benefits back to Tasmania through increased revenue and returns to Government and enhanced skills and experience for our people.



Direct Returns to Government

Direct returns to Government year ending 30 June: $74.0M



Signing a co-operation agreement with Chinese electricity generation company, China Datang Corporation in Canberra in May 2005

A major highlight of the year was Tasmania's entry to the National Electricity Market (NEM) on 29 May 2005, with Hydro Tasmania meeting all of its pre-conditions to become a participating market generator. When the Basslink interconnection is commissioned in April 2006, physically linking the Tasmanian electricity system to the national grid, we will begin to realise the value of the synergy of our wind and water generation as we take advantage of market conditions to fully implement our trading strategy.

The prolonged dry conditions and resulting low water storages posed a significant problem for Hydro Tasmania during the year, when 11 of the 12 months of the year recorded below average rainfall. This continued the previous sequence of seven years of inflows below average, creating a cumulative impact on Hydro Tasmania's water resources. However, prudent management and the integration of wind energy from Woolnorth and gas generation from Bell Bay Power Station ensured that Hydro Tasmania has been able to meet the growing demand for electricity. Contingency plans are in place to manage the situation if it continues over the coming summer and autumn period. The continuing low water situation, due to below average rainfall, underlines the strategic importance of Basslink, the wind farm developments and the investigation of alternative energy options into the future.

Hydro Tasmania is well positioned to continue its leadership role in the Australian renewable energy market in which it produces some 60 per cent of Australia's electricity from renewable energy sources. The renewable development and system enhancements now in hand will strengthen this position, significantly enhancing the long-term value of the business, expanding revenues and commercial returns to Tasmania.

In Tasmania, the 54-megawatt second stage of the Woolnorth Wind Farm was completed during the year and is providing valuable energy into the system. The design of the third stage, Woolnorth Studland Bay, is progressing and construction is expected to commence in 2006. The wind farms proposed for Musselroe, in Tasmania's north-east, and Heemskirk, on the west coast, still await the development approvals required for Hydro Tasmania's Board to consider the business cases for their construction.

Interstate, the 66-megawatt Cathedral Rocks Wind Farm in South Australia commenced operating during the year and is due to be completed in September 2005. Also in South Australia, we obtained development approval for a new wind farm at Waterloo. The pleasing aspect of this project was the relatively short time-frame taken for the development approvals to be given.

Work nears completion on Woolnorth Wind Farm Stage 2

The Renewables Development business is investigating the potential for developments in New Zealand and in the rapidly growing Chinese economy, where renewable energy is being recognised as an important element of China's energy 'mix'.

Our effort to remain at the forefront of research and development continued with emphasis on new and renewable energy sources. As well as supporting Hydro Tasmania's wind farm developments, we are researching renewable energy storage and hydrogen energy, and reviewing solar, geothermal and wave technologies.

The launch of the Hydro Tasmania hydrogen laboratory at the University of Tasmania in August 2004 was an exciting development and a program of valuable research has already begun.

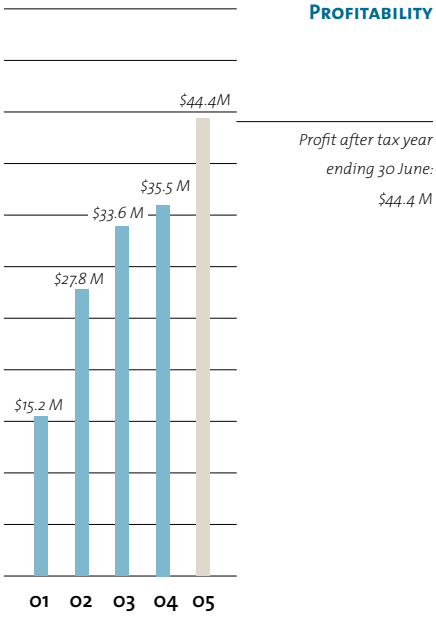
Hydro Tasmania Consulting continued to enhance the organisation's reputation for providing high-standard consulting services in renewable energy, environmental and water management and associated sciences and technologies to clients in Tasmania, throughout Australia and overseas. Hydro Tasmania Consulting has secured important work in both Australia and overseas, winning projects in Queensland and Western Australia, Sri Lanka, South Korea, Malaysia, Fiji, Papua New Guinea and New Zealand.

The achievements of the year would not have been possible without the contribution of all employees, the senior management team, our Chief Executive Officer and my fellow Board Directors. Collectively, we have worked to build an organisation that is actively pursuing its vision to be a world-renowned renewable energy business.

Undoubtedly we are entering exciting and challenging times with great opportunities. Next year we will consolidate our entry into the National Electricity Market with the advent of Basslink. Without well above average rainfalls, we may face new challenges in managing the production of electricity and the protection of lake storages. We will see the continued expansion of our wind generation, both in Tasmania and interstate, and potentially in international markets. The Consulting business will grow further, both in Australia and overseas. We will meet all these challenges with our collective minds clearly and firmly on the quest to become a truly sustainable business that is able to provide for the needs of today without sacrificing the resources that will be required for the future.

I am confident that Hydro Tasmania has the people, resources, innovation and initiative to confidently and successfully meet all the challenges that will confront us and grasp the opportunities that will undoubtedly be revealed.

Profitability



Profit after tax year ending 30 June: $44.4 M

By any measure, the past year has been one of great success for Hydro Tasmania

Chief Executive's **Report**

By any measure, the past year has been one of great success for Hydro Tasmania, but with great challenges for the present and future arising from poor rainfall and resulting low water storages.

In financial terms, our energy sales increased in line with the growth in the Tasmanian economy, the Consulting business achieved higher sales to external customers and Renewables Development gained revenues from the full year of operations at the Woolnorth Wind Farm.

This all contributed to an extremely good financial result. The higher sales were reflected in improved profitability for the business and a very strong cash flow for the year. Importantly, we will be able to employ that revenue to create business opportunities that will enhance Hydro Tasmania's long-term sustainability.

Hydro Tasmania's capital program, designed to maintain and improve our assets and support growth opportunities such as wind power, is a demanding one. Because of the ongoing high capital requirements for wind power projects, Hydro Tasmania is unable to fund these projects on its own balance sheet and will be seeking 50 per cent equity partnerships in all future projects, as has occurred with the Cathedral Rocks Wind Farm in South Australia.

Future 50 per cent equity partnerships are not only important from a financial point of view but from a commercial point of view as well. Hydro Tasmania must consider the strategic and commercial advantages of any future equity partnerships.

The three lines of business model – Energy, Consulting and Renewables Development, supported by strong Corporate services – was well bedded in during the year. This structure has enabled the organisation to move forward at a good pace and to do so on a broad front.

The impact of the water situation on our business should not be underestimated. Eleven months of below average rainfall made 2004/2005 the eighth year in succession where inflows have been less than the average needed to meet electricity demand.

Accordingly, Hydro Tasmania has been obliged to make significant investment in both extensive operation of the gas-fired Bell Bay Power Station and supplementary generation to support the system in the period up to the commencement of Basslink. These steps will draw heavily on next year's cash flow.

In reporting our progress this year, we have chosen a new and more transparent approach. As well as reporting on the accomplishments of our business, we are also providing detail on our performance as a sustainable organisation.

CEO

Geoff Willis

As a generator of clean, green renewable energy, Hydro Tasmania produces sustainable energy from our water and wind resources. So it was a logical step forward for us to embrace sustainability in all our activities and combine sustainable practices with the production of sustainable energy products.

This year, for the first time, Hydro Tasmania's performance and activities across the business have been assessed against the principles of sustainability and our successes and shortcomings are reported in the sustainability report. Through the measurement and evaluation of the business' processes, activities and performance in accordance with a series of sustainability indicators, Hydro Tasmania is able to benchmark its performance against industry best practice.

We have made considerable progress. Overall, the business achieved a level of performance that meets most sustainability criteria. However, the assessment did reveal that we are yet to achieve some aspects of hydropower industry best practice standards. The recommendations and opportunities flowing out of the examination of the past year's performance are now to be incorporated into the organisation's strategic planning process for the development of next year's Corporate Plan.

Hydro Tasmania views this as an issue of leadership.

We are determined to attain our goal and in doing so encourage others in our industry, our partners and suppliers, to take the same journey.

We should be under no illusions. This is a vital business initiative. Building a sustainable future for Hydro Tasmania is a proactive strategy that will enable us to achieve long-term business success and meet community and stakeholder expectations in a transparent, balanced application of economic, environmental and social tests to our business decisions and activities.

Our safety record for the year represented an improvement on the previous year, but we are still to reach best practice targets. A potentially serious diving incident at Lake Macintosh during power station operations resulted in a review of diving safety procedures. While the diver was fortunately not seriously affected, important lessons were learned such that safety procedures now require notification when underwater activity is taking place and power station operations are suspended for the duration of any dive.

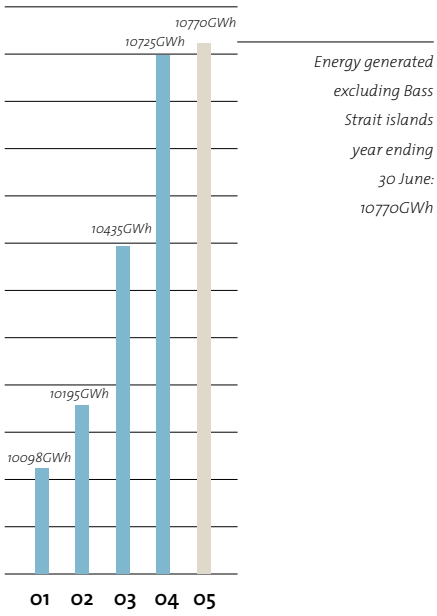
A number of environmental incidents occurred during the year and we have put systems in place to prevent similar problems occurring in the future.

A review by the Auditor-General into corporate credit card use across a sample of Government businesses revealed some issues for Hydro Tasmania. As a result, we have tightened our processes to ensure we have appropriate management controls in place.

In March, Hydro Tasmania appeared before the Parliament's annual Government Businesses Scrutiny Committee and provided detailed information on the operations of the business. These hearings are an important part of the public reporting of our business activities. They enable us to respond to the Parliament as representatives of our owners, the people of Tasmania, on issues such as the Basslink power cable project, Hydro Tasmania's financial position, our business performance, wind power developments and our ability to continue to meet electricity demand in a time of poor rainfall and low water storages.

Undoubtedly, the major achievement for the Energy business during the year was the successful transition into the National Electricity Market. We met all our milestones and achieved the long-scheduled entry on 29 May 2005. We are now preparing for more vigorous national marketplace activity when Basslink is connected in April 2006.

Energy Generated



Energy generated excluding Bass Strait islands year ending 30 June: 10770GWh

Meanwhile, the major upgrade of our hydro generation assets progressed, with completion of the Trevallyn station project, albeit at a higher than budgeted cost. Work advanced at Gordon and Poatina, and new works were approved at Tungatinah. The delay in Basslink is unfortunate. In an environment of low water storages as a result of the dry autumn and lack of winter rains, the original schedule would have provided a valuable fallback. The unforeseen setback, as a result of transformer damage during shipment from Germany, brings an enormous challenge for the Energy business and all of Hydro Tasmania in that, with Basslink delayed, it will face an extra summer and autumn period when it will be required to meet Tasmania's electricity demand from existing water, wind and thermal energy sources.

The Consulting business devoted considerable energy to enhancing business operations and taking our expertise out to new markets. The benefits of this work will be realised during the next few years, as improved systems streamline our workplace and the opening up of new markets provides an improved balance of internal and external projects.

The quality of consulting assignments reached an extremely high level with strong contributions from the Environmental Team on water management and wind farm approval projects, the Renewables Team on wind, hydrogen and research and development activities, and the Power Engineering team with innovative solutions on a range of projects for Hydro Tasmania, Transend Networks and the NEM entry program.

Work on hydro generation assets at Trevallyn Power Station

The Renewables Development business led Hydro Tasmania's wind project activity, with the Cathedral Rocks Wind Farm in South Australia coming on line, Waterloo in that State gaining development approvals and approvals progressing for Musselroe in Tasmania's north-east. The Commonwealth decision not to extend the Mandatory Renewable Energy Target program forced us to look beyond Australia for wind farm opportunities. In a positive and determined response to this adverse decision, we have identified opportunities for developments in Asia as well as several good prospects in New Zealand. This approach will continue, along with our current and planned projects in Tasmania and interstate.

The Corporate team provided important support for the business throughout the year. The gaining of the Australian Financial Services Licence, lower interest expense, adoption of new international accounting standards, improved purchasing procedures and enhancement of our information technology systems have combined to contribute to a stronger support structure for all our activities. The strengthened human resource processes have provided us with a clear people development agenda for the forthcoming year. This will ensure that we have the people and skills necessary to move forward with renewed confidence and determination.

The results of our employee survey and associated cultural audit were disappointing. The number of our people who reported they did not feel fully engaged in our business provides a clear indication that we have work to do across the organisation, listening and responding to our people. We remain committed to continuous improvement and are now placing a major focus, and devoting considerable effort, to lifting the level of internal communication and engagement of our people.

Hydro Tasmania's people achieved a great deal during 2004/2005 and contributed significantly to our success. Employees responded to the changes and realignment of our business in a very positive way as demonstrated by their ongoing commitment measured in the Staff Feedback Survey. I am confident that at all levels our people are well equipped and ready to confront the challenges of the future. The enhancements we are undertaking or have planned will ensure that Hydro Tasmania can move forward and continue to perform its essential and valuable role for Tasmania.

Hydro Tasmania is uniquely placed to build on a 90-year history as a renewable energy producer. In our quest for sustainability, we are now working to integrate sustainable practices with our sustainable production of electricity generated by water and wind. We have commenced the journey with a determination and confidence that this path will lead to a secure future for Hydro Tasmania, its people and the Tasmanian community.

Reporting **Scope**

Lake Burbury, part of the King River Power Development on Tasmania's west coast

The Annual Report for the financial year 2004/2005 incorporates a new approach to public reporting by Hydro Tasmania. The report has been compiled using sustainability reporting guidelines and stakeholder input, and fulfils the requirements of an annual report under the *Government Business Enterprises Act 1995*, including the audited financial statements and the Statement of Corporate Intent.

By adopting a Sustainability Policy and articulating our vision for a sustainable future, Hydro Tasmania has committed to wider reporting on the social, environmental and economic dimensions of the business. This change is in line with society's growing expectations that business will look beyond its profits for the year to contribute to the long-term wellbeing of the community in which it operates. Our community is principally Tasmania, with a growing responsibility through our wind farm developments and consulting services in mainland Australia and internationally.

Identification of what to include in this Annual Report presented a significant challenge. Traditionally, the Annual Report has reflected the main activities of each business area and fulfilled financial reporting requirements. These remain, as do reports from the Chair and the Chief Executive Officer, the annual accounts and the Statement of Corporate Intent. This report includes a separate section incorporating the Sustainability Report, an assessment of our performance and activities based on a policy initiated by the Board and a framework developed by our own people. It sets the Corporation on the path to embedding sustainability reporting across the organisation.

It is important to emphasise that this is the first step in combining sustainability reporting with traditional reporting. It is based on our currently available information and approaches international sustainability reporting guidelines suggested by the Global Reporting Initiative (GRI), the International Hydropower Association (IHA) Sustainability Guidelines, IHA Compliance Protocols and stakeholder feedback.

As with all new initiatives there is a settling-in period and this report is no different. While the process has been thorough, it must be noted that it is not exhaustive and some areas of the business have not been fully assessed in the time available. These will be addressed in future reports. Hydro Tasmania makes a commitment to face the challenge and move forward towards fulfilling our corporate responsibility as we continue to incorporate sustainability reporting into our business strategy.

In line with our commitment to sustainability, we have engaged a qualified external assurance provider to assure our report against the AA1000 Assurance Standard for sustainability assurance and its three principles of materiality, completeness and responsiveness. The assurance report is provided on page 70.

The Business **Profile**

The Hydro-Electric Corporation is a registered business trading under the brand name Hydro Tasmania.

As a Government Business Enterprise operating under, and subject to, the *Government Business Enterprises Act 1995* and the *Hydro-Electric Corporation Act 1995*, Hydro Tasmania is 100 per cent owned by the State of Tasmania. Its water licence is issued pursuant to the *Water Management Act 1999*.

The Honourable Bryan Green MHA, Minister for Infrastructure, Energy and Resources, is the Tasmanian Government Minister with portfolio responsibility for Hydro Tasmania.

Hydro Tasmania operates in commercial markets and its principal business activities are:

- management and operation of major dams, infrastructure and equipment for the generation and trading of electricity and related products (Energy business)
- development of new renewable energy generation assets (Renewables Development business)
- provision of consulting and other services in renewable energy, environmental and water management and associated sciences and technologies (Consulting business).

Hydro Tasmania also provides concessional arrangements to its customers living on the Bass Strait islands. Aurora Energy Pty Ltd delivers these arrangements to those customers on behalf of Hydro Tasmania via a sub-contract, with net costs of the activity funded by the State Government as a declared Community Service Obligation (CSO).

Significant event

During the year under report, Hydro Tasmania met all its preconditions for Tasmania's entry to the National Electricity Market. Formal entry occurred on 29 May 2005.

Reece Dam

A 1.75MW wind turbine at Woolnorth Wind Farm

Hydro Tasmania's aquatic program

Organisational **Chart**

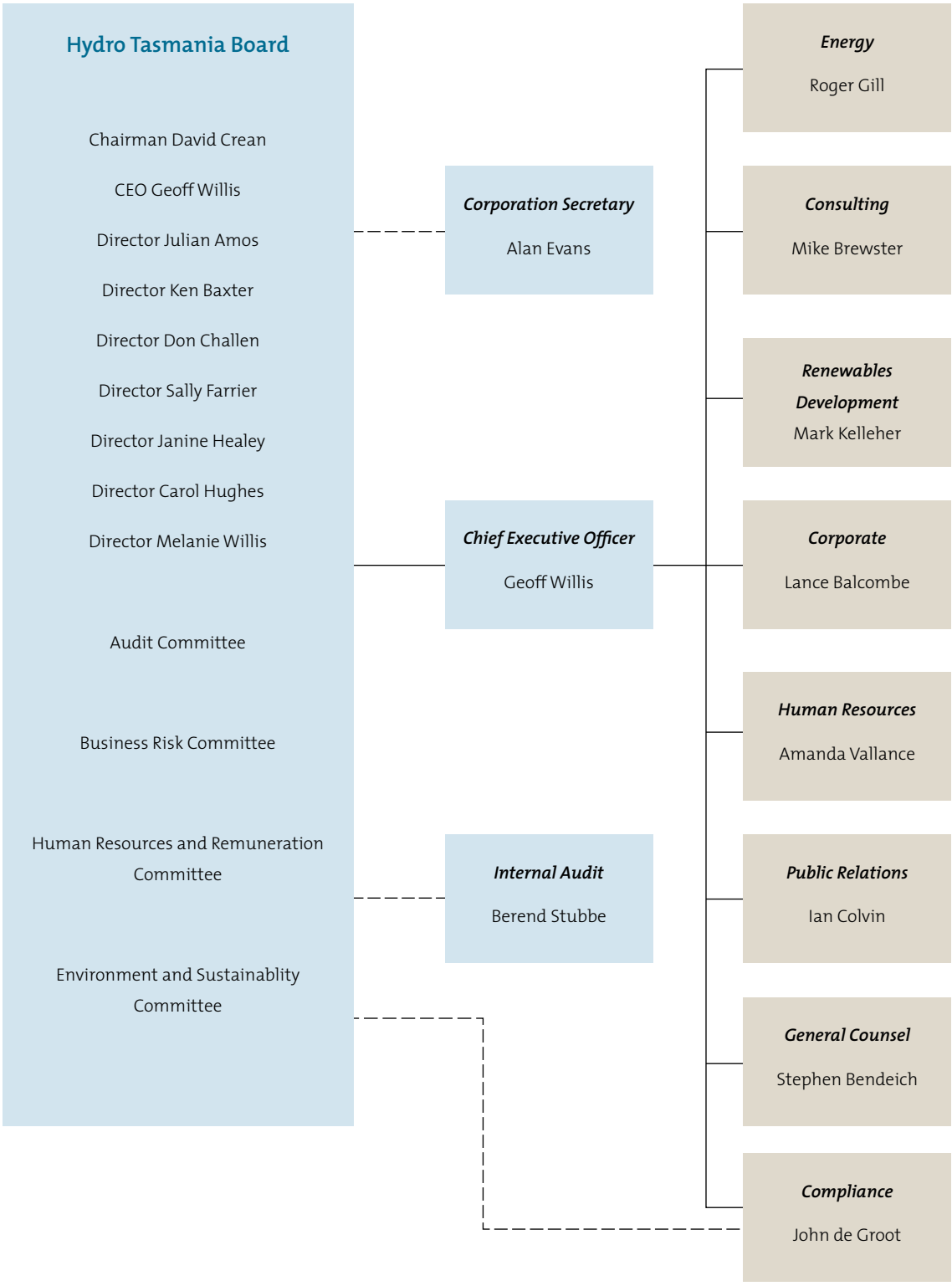


Figure 1: Organisational Chart

The business model adopted by Hydro Tasmania to undertake its principal activities is based on three interdependent lines of business, as depicted in the following diagram.

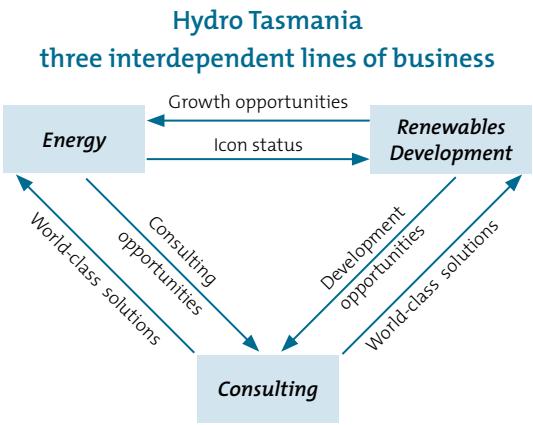


Figure 2: Three-business model

The three lines of business operate in different markets.

Energy provided wholesale electricity to Tasmania's electricity retailer, Aurora Energy Pty Ltd until 29 May 2005 when it commenced trading in the National Electricity Market.

Renewables Development identifies, designs, develops, constructs, manages and invests in wind farms and small hydro-electric plants, principally in Australia but with a development focus on New Zealand and China; it also researches and develops renewable energy, hydrogen and water solutions.

Consulting offers client solutions to customers in Australia and overseas in environment and catchment management, dams, hydropower, wind energy and power engineering.

Subsidiaries and joint ventures

The Hydro-Electric Corporation holds the following controlled entities:

	Country of Incorporation	Percentage of ownership 2005 %	2004 %
Parent Entity Hydro-Electric Corporation			
Controlled Entities:			
Bell Bay Power Pty Ltd [1]	Australia	100	100
Lofty Ranges Power Pty Ltd [2]	Australia	100	100
Roaring 40s Renewable Energy Pty Ltd [3]	Australia	100	

1. Bell Bay Power Pty Ltd was registered on 20 December 2001.
2. Lofty Ranges Power Pty Ltd was registered on 26 April 2002.
3. Roaring 40s Renewable Energy Pty Ltd was registered on 29 November 2004.

Details of joint ventures in which Hydro Tasmania is involved can be found in the Financial Statements at page 112.

Countries where offices are located

Australia: Hobart, Melbourne, Adelaide

Papua New Guinea: Port Moresby

Organisation scale

891 employees as at 30 June 2005 (including directors)

Energy	384
Renewables Development	29
Consulting	370
Corporate Office	108
– energy generated	10,770 gigawatt hours
– total revenue	$461.8 million
– total capitalisation (equity)	$1537.6 million
– value added (economic profit)	$36.3 million
– total assets	$3.2 billion

Stakeholders

Board and senior management

Employees

Shareholder Ministers

Government and Departments – State and Federal Parliamentarians

Recreational, industry and community groups where our activities meet

Media – national and local

Goods and services suppliers

Market customers (Energy, Renewables Development and Consulting)

Tasmanian community

Directors and **Board Committees**

The Hydro Tasmania Board

Clockwise from centre front: Dr David Crean, Janine Healey, Dr Julian Amos, Don Challen, Ken Baxter, Sally Farrier, Melanie Willis, Carol Hughes and Geoff Willis

Dr David Crean (54) was appointed a director of the Hydro-Electric Corporation on 12 July 2004 and chairman on 24 September 2004. He was State Treasurer from August 1998 to his retirement from the position in February 2004.

He was also Minister for Employment from July 2002 to February 2004. He was a Member for Buckingham in the Legislative Council from 1992 to February 1999, and then for Elwick until May 2004. From 1989 to 1992 he was the Member for Denison in the House of Assembly. From 1993 to 1998 he held Shadow Portfolios of State Development, Public Sector Management, Finance and Treasury. He graduated from Monash University in 1976 with a Bachelor of Medicine and Bachelor of Surgery.

Geoff Willis (57) has been the Chief Executive Officer since 8 March 1999. Prior to this appointment, Mr Willis was Managing Director, Amcor Paper Group. He has a Bachelor of Commerce degree and a Masters degree in Business Administration, and has completed the Executive Program at Stanford University. Mr Willis is Chairman of the Energy Supply Association of Australia's Environment Committee, Deputy Chairman of the Tasmanian Symphony Orchestra and Chairman of Colorpak Limited. Mr Willis is a Member of the Australian Institute of Company Directors.

Dr Julian Amos (59) was appointed to the Board on 20 May 1999. He has a PhD in Botany and was a Cabinet Minister in the Tasmanian Parliament with the portfolios of Primary Industry, Energy and Forests. He was the founder of, and currently conducts, a business management consultancy specialising in strategic positioning, negotiating skills and dispute resolution. He is Chairman of Sun Aqua Pty Ltd and EMerchants Holdings Pty Ltd (both Queensland-based companies) and chairs a Management Advisory Committee for NSW Fisheries. Dr Amos was also a director of the Office of the Minister for Agriculture, Forests and Lands in NSW and the inaugural executive officer for Salmon Enterprises of Tasmania (Saltas), the Tasmanian salmon industry's representative body.

Ken Baxter (61), appointed to the Board on 6 November 1996, is a Strategic Management Consultant. He has a Bachelor of Economics degree from the University of Sydney. He is a Fellow of the Australian Institute of Management, Fellow of the Australian Institute of Company Directors and a Member of the Academy of Political Science (New York). He is Chairman of AVT Bioplasma Ltd and Computronics Ltd. He has been senior policy adviser to the Chief Secretary of the Government of Papua New Guinea since 1999. He has held the positions of Chairman of the Australian Dairy Corporation and Chairman of the Australian Dairy Research and Development Corporation, Chairman of the Council of Australian Governments Electricity Reform Committee, member of the COAG Micro-Economic Reform Committee, Director-General of the NSW Premier's Department, Secretary of the Department of Premier and Cabinet in Victoria and Director of the Sydney Organising Committee for the Olympic Games (2000). He has held the positions of Commissioner of the Australian National Railways Commission and Director of the Baker Medical Research Institute.

Don Challen (55) was appointed to the Board on 22 March 1993. Currently Secretary of the Tasmanian Department of Treasury and Finance, Mr Challen has a Masters degree in Economics. He is a Fellow of the Australian Institute of Company Directors, a Fellow of CPA Australia and an Honorary Fellow of the Finance and Treasury Association. Mr Challen is Chairman of the Tasmanian Public Finance Corporation and is a member of the Financial Reporting Council. He previously held the positions of Reader in Economics at the University of Tasmania, Director, Office of the Economic Planning Advisory Council and Managing Director of the Tasmanian Development Authority.

Sally Farrier (41) was appointed to the Board on 13 December 2004. Ms Farrier is a director of Farrier Swier Consulting in Melbourne and a member of the Victorian Water Trust Advisory Council. She specialises in energy and water reform, regulation and governance. Her experience spans a broad range of Australian, New Zealand and international projects, including significant involvement in the Victorian electricity and gas reform processes. Ms Farrier has a Bachelor of Engineering, a Masters in Business Administration, and a Postgraduate Diploma in Applied Finance and Investment Analysis. She is a member of the Institute of Securities, Finance and Banking, the International Water Association and the Australian Institute of Company Directors.

Janine Healey (46) was appointed to the Board on 9 September 2002. Currently a Chartered Accountant with R.J. Ruddick & Co, Ms Healey has wide-ranging commercial experience, particularly in the areas of commercial taxation advice, business structures, and planning and cash flow management. Ms Healey has a strong history of community involvement in Tasmania which includes serving as a member of the University of Tasmania Audit and Finance Committee (including a term as Chair), Treasurer of the Launceston Chamber of Commerce, Director of the Inveresk Railyard Development Authority (including Chair of the Audit Committee), Director of the Female Factory Historic Site Ltd in Hobart and Director and Chair of the Audit Committee of the Port of Launceston Pty Ltd. Her professional memberships include Chairman of the Taxation Institute of Australia (Tas) and Fellow of the Institute of Chartered Accountants.

Carol Hughes (58) was appointed to the Board on 18 May 1999, and is a qualified lawyer. She has practised for a number of years as a barrister and solicitor, predominantly in the areas of commercial and family law, and more recently in administrative law as Tasmanian Director of the Social Security Appeals Tribunal. Since 1979, Ms Hughes has been actively involved in community organisations, and has served on several boards, including Terrapin Puppet Theatre, the Australian Women's Education Coalition, Advocacy Tasmania and the Tasmanian Council on AIDS and Related Diseases. She is currently Manager of the Resource Planning and Development Commission, a Trustee of the Southern Regional Cemetery Trust, and a member of the Nomenclature Board.

Melanie Willis (40) was appointed to the Board on 13 December 2004. Prior to her current role, Ms Willis was Director Investment Banking with Deutsche Bank, Senior Vice President with BT Alex Brown, Manager Structured Finance with Westpac Corporate Finance and a senior consultant with Arthur Andersen. She has a Bachelor of Economics, a Diploma from the Securities Institute of Australia, a Master of Taxation and a Diploma from the Australian Institute of Company Directors. Ms Willis is also an associate member of the Institute of Securities, Finance and Banking, a member of the Australian Institute of Company Directors and the Taxation Institute of Australia.

Alan Evans (54) was appointed Corporation Secretary on 15 November 2004. He holds a corporate administration and law degree from Curtin University in Western Australia. Mr Evans has substantial Australian and international experience in the energy, minerals processing and mining industries. He is a Fellow of the Chartered Secretaries Australia and the Institute of Corporate Managers, and a member of the Australian Institute of Company Directors.

Board Meetings attended year ended 30 June 2005

	Ordinary meetings held while a Board member	Attended
Hon D M Crean	12	12
Hon P E Rae	3	3
G L Willis	12	12
J J Amos	12	11 *1
K P Baxter	12	8 *3
D W Challen	12	12
S M Farrier	7	7
J M Healey	12	12
C A Hughes	12	11 *1
G A Kennedy	5	5
M V R Willis	7	7

** Leave of absence granted for non-attendance*

Board Committee Structure

Committees play an important part in guiding the Corporation on specific governance issues. Committees are able to give full attention to important corporate issues and make informed recommendations to the full Board, which makes the final decisions.

The following is the current membership and a brief overview of the responsibilities of each committee.

Audit Committee

JM Healey (Chair), KP Baxter, DM Crean, MVR Willis, with management support from B Stubbe.

The Committee operates under an Audit Committee Terms of Reference with responsibilities including to:

- oversee the external financial reporting by the Corporation and provide an independent review of financial information presented by management to regulators
- oversee the scope and quality of audits conducted by the internal auditor
- meet with the external auditors to discuss their audit scope and results
- determine the adequacy of the Corporation's systems of internal controls and risk management
- receive reports and assurances on matters of compliance with laws, regulations and internal policy and review corrective actions taken.

The Committee meets at least quarterly and reports quarterly to the Board.

Business Risk Committee

DW Challen (Chair), SM Farrier, GL Willis, MVR Willis, with management support from L Balcombe, S Halliday and J Minchin.

The Committee's responsibilities are to:

- ensure constant development of risk management principles throughout the organisation and advise the Board on risk management issues and strategies
- sponsor the Integrated Business Risk Management (IBRM) program
- review and consider the consolidated profile of Hydro Tasmania's major risks
- review and endorse IBRM, Treasury, Marketing and Trading, and Dam Safety risk management policies for Board approval
- on behalf of the Board, monitor overall risk management performance.

The Committee meets at least quarterly.

Human Resources and Remuneration Committee

JJ Amos (Chair), KP Baxter, CA Hughes, GL Willis, with management support from A Vallance.

The Committee's responsibilities include:

- reviewing and advising the Board on human resources management policies and strategies
- overseeing the annual safety plan and safety reports
- reviewing and advising the Board on employee relations
- monitoring the effectiveness of performance and development programs
- reviewing the performance and effectiveness of the Corporation's remuneration, benefits and succession planning strategies.

The Committee meets at least quarterly.

Environment and Sustainability Committee

JJ Amos (Chair), DW Challen, SM Farrier, GL Willis, with management support from R Gill, H Locher and A Scanlon.

The Committee's responsibilities are to:

- advise the Board on Hydro Tasmania's environmental and sustainability policies
- review the performance of Hydro Tasmania's Environment and Sustainability Management System
- review Hydro Tasmania's environmental and sustainability programs and performance
- examine strategic environmental issues including relations with stakeholders, new legislation and new government and industry initiatives
- commission environmental audits and studies to address issues of concern or to verify information
- endorse for the Board the approved annual Sustainability Report.

The Committee meets at least quarterly.

Corporate Governance Committee

DM Crean (Chair), JM Healey, CA Hughes and GL Willis, with management support from L Balcombe, S Bendeich and A Evans.

The Committee's responsibilities are to:

- review and advise the Board in relation to the Terms of Reference of Board Committees
- monitor and report to the Board as appropriate on developments in duties of Hydro Tasmania directors and in corporate governance practices generally
- monitor the application of Hydro Tasmania's constituent legislation (the *Government Business Enterprises Act 1995* and the *Hydro-Electric Corporation Act 1995*)
- maintain and review, as necessary, Hydro Tasmania's Statement Identifying the Guidelines for the Roles and Responsibilities within the Corporation
- conduct and review, as necessary, Hydro Tasmania's processes for assessing whole of Board, Board Committee and individual director performance
- sponsor continuous improvement in Board procedures and practices
- monitor and review reporting of governance matters in Hydro Tasmania's Annual Report
- develop for the consideration of the Board, corporate governance standards which will compare favourably with current best practice.

The Committee meets at least quarterly.

Compliance

A senior officer of the Corporation oversees performance in relation to all compliance obligations. This role reports to the Chief Executive Officer and has direct access to the Board.

CEO Performance

The Board also maintains a formal process for the evaluation of the Chief Executive's performance. The formal evaluation is based on specific criteria, including the Corporation's business performance, the extent to which longer-term strategic objectives are being achieved and the development of the Corporation's people at all levels of the organisation. This assessment is structured and conducted by the Board and incudes the requirements under the *Government Business Enterprises Act 1995*.

Board Processes

The Board conducts a self assessment process through an annual evaluation questionnaire to ensure an overall continuous improvement process in Board procedures and practices.

Energy

The Energy business is transforming itself into a sustainable, competitive, market-oriented business

Energy

Roger Gill

"The hydro operations delivered a very strong cash flow contribution to Hydro Tasmania in a year which demanded careful storage management."

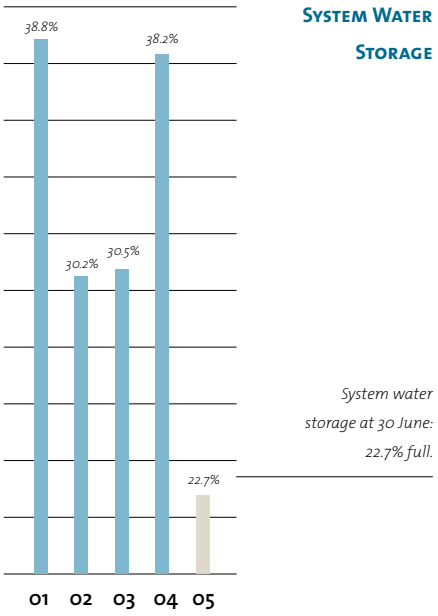
Roger Gill
Executive General Manager Energy

The Energy business takes care to improve and grow Hydro Tasmania's capability in hydro-generation by managing the hydro assets, including 29 power stations and 54 major dams, and trading electricity and energy products.

This was a successful year for the Energy business with the highlight being the successful entry to the National Electricity Market (NEM). Other successes included building trading capability, continued asset upgrades and modernisation and managing its water resource in challenging conditions.

The Energy business is transforming itself into a sustainable, competitive, market-oriented business and, with this focus, is concentrating on consolidating its market activities and continuing asset refurbishment, while managing risks to maintain long-term opportunities. To this end our next big goal is to be a profitable competitor in the NEM.

Oliver Jessup of the Trading Portfolio Group analysing energy supply graphs



National Electricity Market entry

After three years of preparation, entry to the NEM occurred on schedule and without incident on 29 May. Handing over generation control to the National Electricity Market Management Company (NEMMCO) went smoothly, as did the start of trading in the spot market. Systems have been performing well and continue to be refined awaiting connection to the national electricity grid through the Basslink interconnector.

Trading

The trading portfolio group was well prepared for the start of spot market trading at NEM entry, with a capable team working well with the production team to manage scheduling and bidding in this challenging time of low storage and inflow. The prices posted in the market are indicative of the value of our water in low yield times. Contract trading has commenced, and the group is preparing for more activity after Basslink commissioning. Renewable Energy Certificates continued to sell although this year the prices have drifted lower.

Sales revenue

Despite the storage challenges, a 5.5 per cent increase in sales on last year provided good returns to the Tasmanian Government and strong cash flow to fund the ongoing asset upgrade and modernisation program and Hydro Tasmania's growth.

Generation

The continuing low rainfall has seen the business record its eighth driest system yield on record. This followed seven consecutive years of below average rainfall. Storages ended the year at a low 22.7 per cent, 15.5 per cent lower than at the same time last year. The Energy business has faced this challenge with a range of improved generation and water management systems and mitigating actions, including reassessing and rescheduling maintenance work and increased generation from the gas-fired Bell Bay Power Station. Cloud seeding added valuable capacity, although opportunities for cloud seeding were diminished this year in line with the low rainfall.

The successfully recommissioned Tungatinah No. 5 transformer

Asset program

Energy continued to implement the 10-year asset upgrade and modernisation program. During 2004/2005, Energy invested $63.8 million in its capital expendiure program and made significant progress on the upgrade and modernisation of Gordon station, Trevallyn station, Tungatinah switchyards and the Poatina Re-regulation Pond. Internal approval was received to commence a $36 million upgrade program for Tungatinah station over the next four years. Key alliances have been established for the upgrade and modernisation program to ensure that Energy achieves the best performance from its suppliers and hence the best outcome for its stations.

A significant cost over-run on the Trevallyn refurbishment has resulted in a full review of project management practices and changes to management systems.

The Environmental Management System, certified this year to ISO 14001 standard, has been implemented and has increased environmental responsibility and awareness on all projects and successfully reduced operational risks to the environment.

Safety

The safety and wellbeing of our staff remains a prime driver for the Energy business. Our goal is "no harm to anyone, anytime". Although a decrease in workplace injuries was reported over the last 12 months, the number of injuries remains above the target but below industry average. Hence, considerable effort will take place over the coming year by implementing the new safety plan and continuing to raise safety awareness.

Future business challenges

The particular challenges for the Energy business in the forthcoming year are to continue to manage water storages to meet electricity demand, trade successfully in the National Electricity Market and progress the asset management program on schedule and on budget.

Basslink

The Basslink cable comes ashore

NEM team inspection of Basslink Converter Station at George Town

The Basslink interconnector project will provide the means for Hydro Tasmania to supply renewable energy to the national electricity grid and to maximise trading opportunities in the National Electricity Market. It will enable:

- substantial drought-proofing of Tasmania's electricity system
- stimulation of business growth in Tasmania via access to a more secure electricity system
- further development of Tasmania's world-class renewable energy resources
- Tasmania to make a major contribution to Australia's greenhouse gas abatement responsibilities.

Basslink is being developed by Basslink Pty Ltd, a subsidiary of British company National Grid, which will own and operate the link. Basslink Pty Ltd has contracted the engineering, procurement and construction (EPC) of Basslink to a consortium comprising Siemens Limited and Pirelli Cavi e Sistemi Energia S.p.A.

The project suffered a major setback this year, when the transformers for the converter stations were damaged in transit from Germany. This led to the commissioning date being revised from November 2005 to April 2006.

Manufacture of the six replacement converter transformers started in April with delivery expected in December. The remaining Basslink construction program was not affected by the transformer damage and remained on schedule. The delay in Basslink commissioning means potential earnings are lost over a crucial summer period when increased demand in Victoria could raise the market spot price. It will, importantly, mean an extended period in which to manage low water levels as Hydro Tasmania continues to meet the full demand of the Tasmanian market in the period until Basslink is commissioned.

At the end of the reporting year the last of the three lengths of cable was being laid in Bass Strait, the land cable installation in Tasmania and Victoria was completed, jointing and sealing was nearly complete and manufacturing of the six replacement converter transformers was 50 per cent complete.

Three construction incidents occurred during undersea cable installation operations, requiring replacement of three sections of the cable. Two of these incidents occurred in the reporting period. Testing on the repaired cable sections was undertaken to ensure the integrity of the cable for operations.

Renewables

Over the past six months
we have put significant effort
into investigating and
assessing new markets

Renewables **Development**

Mark Kelleher

"The Woolnorth Wind Farm paid off handsomely in its first year of operation and based on this experience we are confident in the growth prospects further afield."

Mark Kelleher

General Manager Renewables Development

Hydro Tasmania's Renewables Development business is committed to profitably developing and operating renewable energy projects in competitive and growing markets, with a strong focus on wind and hydro technology. It is also involved in research and development with projects covering wind-grid stability, energy storage, hydrogen and other emerging renewable energy or related technologies.

Its business goals are :

- growth – to achieve a portfolio of investments in 1000 megawatts (MW) of wind and hydro generation assets in our chosen markets
- financial – to provide commercial returns to shareholders commensurate with risk
- environment – to develop and operate projects in a manner that reflects best practice environmental management
- social – to deliver benefits to the communities in which we operate, including clean energy, employment opportunities, industry development, infrastructure investment, community consultation and support.

The 66MW Cathedral Rocks Wind Farm in South Australia

The 2004/2005 financial year saw considerable progress as well as some difficult challenges for the Renewables Development Business.

Woolnorth Stage 2 was completed on time and on budget and, at a time of low water storages, has been an important source of renewable energy to the Tasmanian grid over the past twelve months.

Woolnorth Stages 1 and 2 are now known as Woolnorth Bluff Point Wind Farm, it is now 64.75MW, and is world-class in terms of wind resource, performance and the application of environmental practices. In 2005, Hydro Tasmania received the Tasmanian Award for Environmental Excellence in the Business Environmental Responsibility and Leadership section for the approaches it used in developing and operating the Woolnorth Bluff Point Wind Farm.

Construction of the 66MW Cathedral Rocks Wind Farm in South Australia, owned by a 50/50 joint venture between Hydro Tasmania and world-leading Spanish wind developer EHN, is in its final stages, with all 33 Vestas 2MW turbines erected, and on track for final commissioning by September 2005.

Approvals have been gained for a number of our other major Australian wind farm developments, including Woolnorth Studland Bay in Tasmania and Waterloo in South Australia. The Musselroe and Heemskirk Wind Farms are in the final stages of approval consideration.

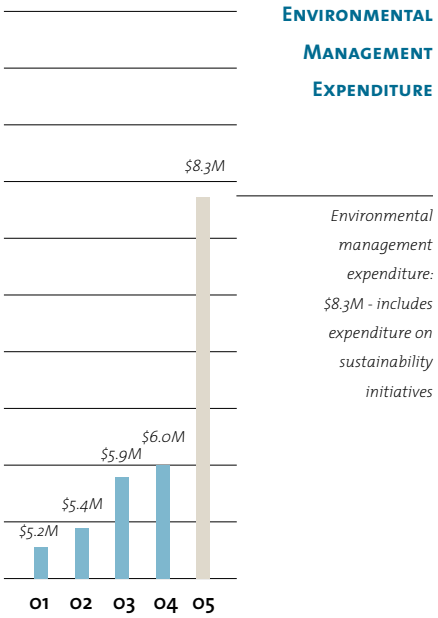
Commencement of construction of these projects however is dependent upon securing revenue agreements for Renewable Energy Certificates with retailers. The market for these has been difficult following the Federal Government's decision during the year not to extend the Mandatory Renewable Energy Target beyond existing 2010 levels.

Over the past six months we have put significant effort into investigating and assessing new markets in which to apply our world-leading renewable energy capability, and have identified very good prospects for growth outside Australia in countries where there is strongly growing demand and policy support for renewable energy. As part of this process we also identified a number of potential partners who are keen to partner Hydro Tasmania in developing and operating renewable energy assets.

We have been firming up prospects in New Zealand, and work over the past twelve months has confirmed that the market environment in New Zealand is attractive for renewable energy. Two joint venture opportunities with local partners are now well advanced.

Asia has been identified as the most substantial market opportunity, and our initial activities have been focused on China. Until recently China has had little wind generation technology, however it has now enacted a new renewable energy law targeting 20,000MW of wind development. Therefore Hydro Tasmania has found itself very well placed to make an important contribution to China's emerging industry. One example of this was demonstrated by signing a co-operation agreement between Hydro Tasmania and the largest Chinese electricity generation company, China Datang Corporation in Canberra in May 2005.

Construction work at Cathedral Rocks Wind Farm



In addition to the main wind farm development program, we have been at the forefront of a range of innovative research and development activities over the past year. The research and development program focuses on support for the wind program, research into renewable energy storage and hydrogen technologies, and has also included a review of solar, geothermal and wave technologies.

The support for the wind program has addressed key technical issues to facilitate maximum potential for Hydro Tasmania's wind farm development.

Three key projects are currently in progress :

- a joint venture with Lloyd Energy Systems for the provision of a wind/thermal energy storage (carbon block) solution to meet growing demand for renewable energy on King Island
- the Cape Barren Island wind and hydrogen system which has now been selected by the Federal Government as the preferred option for the island
- a hydrogen vehicle program for Tasmania which has support from the Federal Minister for the Environment and the Tasmanian Government.

The two hydrogen projects are being undertaken as part of an important alliance between Hydro Tasmania and the University of Tasmania.

Hydro Tasmania's Renewables Development business has also continued to play an important renewable energy industry role through our substantial involvement in a number of major industry associations. Renewable Energy Generators of Australia (REGA) has provided high-level representation for Australia's major renewable generators and participation in international bodies such as the World Wind Energy Association (WWEA), International Hydropower Association (IHA) and the International Solar Energy Society (ISES). The Renewable and Sustainable Energy ROUNDTABLE has facilitated greater industry collaboration within Australia as well as receiving Australian Greenhouse Office support for its presence at the World Energy Congress. We continue to provide the policy and governance directorate for the Australian Wind Energy Association (Auswind) which provides industry leadership on the technical, regulatory and environmental issues that are shaping the Australian wind industry.

Future business challenges

The immediate and ongoing challenge for the Renewables Development business is to adopt and develop a business model which will progress its renewable energy development program and take the business into new markets.

Consulting

Hydro Tasmania Consulting recognises it is important to remain focused on enhancing business outcomes for its clients.

Hydro Tasmania **Consulting**

Mike Brewster

"Our people delivered a number of unique and innovative solutions in places as far apart as Tungatinah switchyard in Tasmania and the shores of South Korea".

Mike Brewster

General Manager Consulting

Hydro Tasmania Consulting is the knowledge engine of the Corporation, committed to providing innovative and sustainable solutions to clients locally, across Australia and increasingly overseas.

With a staff of 370 experienced and dedicated people, the business offers services in renewable energy, catchment and environmental management and power engineering. Its key business objectives are to:

- operate a line of business which delivers a sustainable commercial return
- enhance business outcomes for clients
- pursue growth opportunities consistent with the above two aims.

During the past year, Hydro Tasmania Consulting continued to enhance its reputation through its ability to win work in a diverse range of locations against strong national and international competition, from Queensland and Western Australia to Sri Lanka and Papua New Guinea (PNG).

Hydro Tasmania's aquatic program

The business delivered a sound financial contribution, and undertook several major change projects aimed at ensuring its long-term sustainable success through such things as broadening its customer base, expanding its national and international operations, improving the effectiveness of its systems and developing its people.

Hydro Tasmania Consulting continues to provide a significant level of services to clients within Hydro Tasmania and aims to achieve a 50/50 balance between external and internal clients.

Growing the revenue base

One of Hydro Tasmania Consulting's key aims for the year was to diversify its client base. External revenue from consulting services grew by $2.4 million from last financial year, thereby exceeding its target by over $1.4 million. Other external revenue grew by $700,000 over the year. This additional revenue has come from a combination of new local, national and international clients, as well as growth from a number of existing clients.

Specific growth-related achievements included:

- opening an office in Papua New Guinea which has exceeded expectations in the first eight months of operations
- winning a number of international projects for new clients in a range of locations such as Sri Lanka, South Korea, Malaysia and Fiji
- the expansion of the Melbourne and Adelaide offices to meet increased customer demand
- increased use of Consulting services in the Tasmanian electricity industry, in particular by Transend Networks Pty Ltd.

Global consultant

The demand for clean, green renewable energy solutions in Asia in particular has opened up a number of business opportunities for Hydro Tasmania Consulting in addition to the projects being undertaken in Australia.

Tsunami response

After the devastation caused by the tsunami of Boxing Day 2004, Hydro Tasmania Consulting, on behalf of the Tasmanian Government, undertook a three-week study in Sri Lanka to assess where the State's commitment of $1 million could best be deployed in the rebuilding effort.

Continued support for Energy and Renewables Development

Hydro Tasmania Consulting continues to deliver a number of programs for the other lines of business in Hydro Tasmania. These include:

- major infrastructure upgrade and maintenance program (Gordon and Trevallyn dam refurbishment projects)

Local officials and Hydro Tasmania Consulting's Tsunami Relief Project Team near Hambantota in Sri Lanka

- dam safety program
- Environment & Sustainability Management System and Sustainability Program
- aquatic program
- cultural heritage program
- renewable energy policy advice.

Enhancing business outcomes for clients

Hydro Tasmania Consulting recognises it is important to remain focused on enhancing business outcomes for its clients. Prime examples of this include:

- design services for the Cathedral Rocks Wind Farm, enabling the continued expansion of Hydro Tasmania's portfolio of renewable energy generation
- NEM compliant metering and Frequency Control Ancillary Services for the Energy business to enable Hydro Tasmania to enter the National Electricity Market
- providing training to senior PNG power engineers to equip them with the expertise to operate their hydropower stations more efficiently as part of the Rouna 2 upgrade project
- in partnership with Parsons Brinckerhoff, management of the environmental studies undertaken for the Port of Melbourne's Channel Deepening Project, and preparation of the Environment Effects Statement. The business also managed the community consultation and stakeholder communications program for the Port of Melbourne
- advice to Melbourne Water on low greenhouse technology options to support water desalination systems
- design, installation and commissioning of a number of systems for Transend Networks substations to create an innovative distributed SCADA system. The new system provides a number of efficiencies including significant reductions in the time required for outages.

Business improvements

The year has also involved the delivery of a number of improvement projects aimed at setting the business up for long-term success.

The Strategic Linkages program enables staff to link their roles to the key strategic aims of Hydro Tasmania and the Consulting business.

The development of a distinct Hydro Tasmania Consulting brand assists in market positioning as a global niche consultant. The brand is supported by an advertising campaign and a suite of new promotional material.

The Dupont Safety Program raises the awareness of responsibility that all staff carry for each other's safety and the need to be proactive in safety matters. The positive result of this program is evident in the improved general attitude of the business towards safety. The business recognises, however, that these challenges will increase as it undertakes further work overseas.

Future business challenges

The challenges for Hydro Tasmania Consulting are to grow its business and to progress towards a goal of 50/50 proportion of its revenue from internal and external work.

Corporate

Services

Corporate **Support Services**

General Manager Corporate, Lance Balcombe

Corporate **Division**

2004/2005 proved a rewarding year for Corporate in its role of supporting governance and providing advice and support to the lines of business. Highlights were the contributions made to the National Electricity Market entry and the Efficiency and Effectiveness Program. Each of the groups within Corporate - Finance, Treasury and Business Risk, Legal Services, Procurement and Information Technology - made significant contributions to preparing Hydro Tasmania for increasing activity in competitive markets for energy products, renewable energy developments and consulting services.

NEM entry

The contribution by Corporate to National Electricity Market (NEM) entry was significant and included attaining Australian Financial Services Licences for Hydro Tasmania and Bell Bay Power Station to trade financial instruments in the electricity market; establishing a robust compliance framework to monitor and audit compliance with all Australian Financial Services Licence requirements; implementing the IT infrastructure, support, governance and disaster recovery planning required for NEM operations; establishing a Middle Office for managing market risk; and implementing new financial trading contracts to replace previous energy supply contracts.

Capital structure

During the reporting year, Corporate undertook a critical review of Hydro Tasmania's balance sheet and financial structure. Significant changes arising from the review of asset valuation and from implementing new internationally-compliant Australian accounting standards were of particular relevance in this review. Corporate is continuing to work to ensure that Hydro Tasmania's financial structure remains suitable for competitive activities.

Efficiency & Effectiveness Program

Work commenced on this Corporation-wide program to review Hydro Tasmania's expenditure with the aim of achieving more efficient use of resources. This review involves the critical evaluation of current expenditure and will benchmark our costs against similar-sized organisations. In addition, current expenditure programs are being assessed to ensure priorities align with current strategic objectives. The program will continue into 2005/2006.

Finance group

The Finance group played a critical role in implementing new accounting standards and gaining the Australian Financial Services Licence. Other noteworthy achievements were the review and improvement of performance reporting to the Board, integration of new maintenance and inventory systems and a new payroll system into the financial system and redefining taxation arrangements between Hydro Tasmania and each wholly owned subsidiary. Corporate Finance also participated in the external financing of the Woolnorth Bluff Point Wind Farm project.

Treasury & Business Risk group

Important to NEM entry was the establishment of a Middle Office to monitor trading activities and progressing the implementation plan for new accounting standards on financial instruments and derivatives contracts. Additional achievements included establishing a Compliance Plan, improved processes and savings on insurance placements and probabilistic work on the Integrated Business Risk Management system.

Legal Services group

Legal Services recruited additional staff to supplement existing resources and skills. Support to the business focused on contractual arrangement for NEM entry, major strategic projects and compliance, as well as managing dispute-related matters affecting the Corporation. Legal Services provides on-going governance support through review of the Corporation's activities and the provision of advice to the Board and Executive Leadership Team.

Significant legal input to NEM entry included the acquisition of the Australian Financial Services Licence,

the shift from energy supply contracts to financial derivative contracts, revised contracts for the electricity grid connection agreements, contractual arrangements covering the future operation of Basslink and increased legal compliance requirements.

Other strategic projects progressed during the year were the contracts for refinancing the Woolnorth Bluff Point Wind Farm and the contracting models for the generation asset upgrade and modernisation projects.

Information Systems group

A significant contribution was made through the installation and integration of IT infrastructure requirements for NEM entry, along with IT support arrangements, governance and disaster recovery plans. Other important contributions were made in commencing an Electronic Document Management system rollout, improving regional IT and interstate office networks, commencing disaster recovery plans and security audits for the computer networks and revising the PC Asset Management policy to contain costs. The biennial revision of the IT Strategy was approved by the Board.

Executive Advisor Human Resources, Amanda Valance

Human **Resources**

Safety and Healthy Hydro Tasmania Program

Significant progress has been made in attaining our safety vision of "no harm to anyone at anytime", with the organisation continuing to promote and drive positive safety behaviour throughout the year. Importantly, the Lost Time Injury Frequency Rate (LTIFR) of 3.2 lost time injuries per million man hours is a reduction from 3.3 last year and is an indication that the ongoing safety effort during the year continues to have a positive effect.

The Healthy Hydro Tasmania Program (HHTP) has increased its participation rate to approximately 73 per cent and continues to deliver a variety of health, fitness and well-being programs throughout all regions of Tasmania.

Leadership program

The leadership program continues to deliver a comprehensive syllabus of activities focused on the development of people capabilities in our leaders. The program was reviewed in early 2005 to ensure it remains relevant to the current and future business needs of Hydro Tasmania, as well as contemporary leadership development practices. The review resulted in the program being extended to incorporate a course for high potential individuals identified through the succession planning process.

Employee survey

Our annual survey was held in September 2004 with a fresh approach including regular pulse checks to monitor improvement progress. Our people tell us that overall they are committed and proud of what we do, however we need to do more at an individual level about how we communicate and provide opportunities for career development. Most importantly, we need to ensure they feel valued for their personal contribution to the organisation.

Workforce planning

A full cycle of our newly developed workforce planning system was recently completed. The system was developed in early 2004 to make sure we have the right skills and capability to achieve our business goals now and into the future. The major components include a job family review undertaken by designated job family leaders and completion of formal workforce plans against set criteria at a group and line of business level. The process has given us a clear view of what we now need to do to address the critical challenges ahead.

Graduate development

The recruitment and development of graduates is essential to the long-term success of Hydro Tasmania. The Graduate Development Program (GDP) has 37 participants from a range of disciplines, nine of whom joined the program in 2005. The GDP is a three-year developmental program that enables graduates to obtain the level of knowledge, skills and experience necessary to achieve full professional recognition, in their respective fields, within three years.

Manager Public Relations, Ian Colvin

Public **Relations**

Hydro Tasmania undertakes a variety of activities and initiatives locally, interstate and overseas to promote the business, reinforce its pre-eminent position as Australia's leading renewable energy producer and constantly improve and emphasise through actions its commitment to being a responsible corporate citizen.

These are primarily managed by the Public Relations group and focus on five key areas:

- protecting and enhancing Hydro Tasmania's overall brand and reputation
- promoting the activities and initiatives of the Energy, Consulting and Renewables Development businesses, as well as the skills and expertise of their people
- ensuring that the Tasmanian community is kept informed of Hydro Tasmania's activities and continues to support its strategic direction
- developing and enhancing our engagement with key stakeholders, including the Government and people of Tasmania, the Tasmanian power industry, business, local government, irrigators and communities associated with our activities and developments
- ensuring Hydro Tasmania's own people are supported, informed and involved in the future development of the organisation.

Building community partnerships

Hydro Tasmania is committed to informing the Tasmanian community of its activities and supporting organisations and events that best reflect its strategic priorities and its desire to be more widely recognised as a responsible corporate citizen.

It holds functions around the State to inform business, local government and community representatives of Hydro Tasmania activities, to ensure they are aware of the Corporation's strategic direction and to discuss current issues. The principal event for the year was the Corporation's Annual Meeting, held in Hobart in November.

Hydro Tasmania, through the Public Relations group, undertakes a sponsorship program primarily focused on Tasmanian activities. These include the long-standing commitment to the Tasmanian Symphony Orchestra through support for the Australian Music Program, extending our support as naming rights sponsor to 2007 for the annual Three Peaks Race held every Easter and on-going partnerships with the Back to Pedder fishing competition, the Tullah Challenge, the Southern Cross Young Achievers Awards and the Cancer Council Relay for Life.

In 2004, Hydro Tasmania became the sole State sponsor for the Clean Up Australia campaign for the next three years and has agreed to support junior lifesaving and junior rowing.

Education

The Hands On Energy Discovery Centre continues to build its reputation for providing an exciting educational experience, with students from 116 schools from around the State visiting the Centre in 2004/2005. Centre staff also visited schools across the State and spoke to students in Port Lincoln in South Australia as part of the community information program related to the Cathedral Rocks Wind Farm project.

The Sustainability Report

The organisation has adopted a Sustainability Policy and is committed to measuring its sustainability performance on an annual basis.

Hydro Tasmania **Sustainability Policy**

Our vision is to be Tasmania's world-renowned renewable energy business. Underpinning our vision is our commitment to create a sustainable future.

A sustainable future is proactively ensuring long-term business success by meeting community and stakeholder expectations through the transparent and balanced application of economic, environment and social tests to business decisions and activities.

This will enable us to contribute to a healthy environment and economic and social development, thus improving the quality of life for future generations.

Sustainability at **Hydro Tasmania**

Renewable energy provides one of the solutions for overcoming the global reliance on fossil fuels and the adverse environmental, social and economic impacts of global warming. Building on its proud 90-year history as a renewable energy generator, Hydro Tasmania has begun to integrate sustainable practices into its operations.

The organisation has adopted a Sustainability Policy and is committed to measuring its sustainability performance on an annual basis. The ethic of sustainability in the organisation is strengthened by engaging stakeholders and employees in sharing the sustainability vision. Employees were involved in conducting the performance assessment. Long-term objectives and targets for sustainability are being developed which will underpin the planning and implementation of activities to improve overall performance.

Sustainability Policy

Hydro Tasmania's commitment to sustainability is articulated in its Sustainability Policy. The policy was initiated by the Board and developed through a consultative process with external stakeholders, employees and management, and is based on Hydro Tasmania's vision and values and a commitment to public reporting of performance. The Sustainability Policy integrates social, economic and environmental issues and forms the basis of the sustainability self assessment report according to nine Sustainability Elements.

Sustainability self assessment

The principles of the Sustainability Policy outline nine Sustainability Elements to apply to Hydro Tasmania's business activities and decision-making procedures. Table 1 (page 47) lists the elements, and for each one, the indicators used for reporting and assessing. This framework was developed by our own people following a lengthy internal process. In addition, external stakeholders from community and business interests provided feedback on the reporting framework through a process conducted by an independent consultant. This feedback was incorporated into the framework.

An internal scoring system was developed to measure the business performance and processes against each indicator, which enables assessment of business practices against best practice sustainability requirements. Indicator-specific assessment criteria were developed based upon the International Hydropower Association Compliance Protocol.

Lake Pedder

The sustainability scoring scale ranges from zero to five, with zero being extremely poor performance and five being outstanding. A business with a very poor performance or failure to address fundamental issues, with little or no compliance with regulations and commitments, ineffective or absent planning or management systems and a failure to meet objectives and measurable targets would score a zero. Conversely, a business showing evidence of being at or very near international best practice, with suitable, adequate, and effective planning and management systems in place and meeting or exceeding objectives and measurable targets would achieve a score of five.

Evidence in the form of reports, synthesised information and data was provided for the time frame 1 July 2004 to 30 June 2005. Both qualitative and quantitative evidence was collected through various data collection and reporting processes. Based on the evidence, a sustainability score was allocated for each indicator with performance, gaps and opportunities highlighted. Each indicator was then weighted within each element to reflect its importance to the organisation, stakeholders and sustainability objectives. The results of the self assessment are graphically represented in a webgram (see Figure 3, page 46).

The next step is to use information from the self assessment process to develop short and long-term sustainability objectives and targets. These will be integrated at the strategic level to facilitate alignment, credibility and transparency.

Sustainability **Performance**

Summary

This is Hydro Tasmania's first annual sustainability report. This section outlines issues and comments for each of Hydro Tasmania's nine sustainability elements.

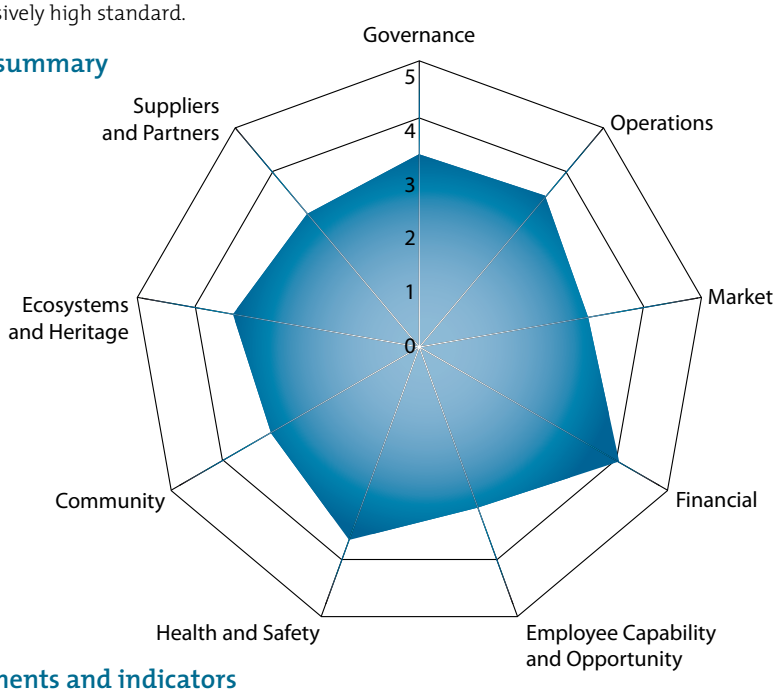
The results of the sustainability self assessment are presented in Figure 3 below and Table 1 on page 47. For this reporting period Hydro Tasmania has achieved a satisfactory performance for most elements, indicating performance which is in compliance with regulations and commitments, has some gaps in planning and management systems and some gaps in meeting objectives and measurable targets.

Self assessment

In summary, the 2005 sustainability assessment for Hydro Tasmania resulted in an average score of 3.3, which is satisfactory but not yet at a comprehensively high standard.

Sustainability results summary

Figure 3: Hydro Tasmania Sustainability Performance Assessment for 2004/2005



Legend to scoring elements and indicators

	PERFORMANCE / PROCESS	DESCRIPTION
5	Outstanding / Strong / Comprehensive	• At or very near international best practice • Suitable, adequate, and effective planning and management systems • Meets or exceeds objectives and measurable targets
4	High / Good to Very Good	• High standard / above average performance • Generally suitable, adequate, and effective (minor gaps only) planning and management systems • Meets most objectives and measurable targets including all critical ones
3	Satisfactory / Average / Moderate	• Average performance • Generally compliant with regulations and commitments (minor exceptions only) • Some gaps in planning and management systems • Some gaps in meeting objectives and measurable targets
2	Below Average / Limited	• Below average performance • Some gaps in compliance with regulations and commitments • Significant gaps in planning and management systems • Significant gaps in meeting objectives and measurable targets
1	Poor / Very Limited	• Poor performance (well below average) • Major gaps in compliance with regulations and commitments • Major gaps in planning and management systems • Major gaps in meeting objectives and measurable targets
0	Very Poor	• Very poor performance or failure to address fundamental issues • Little or no compliance with regulations and commitments • Ineffective or absent planning or management systems • Fails to meet objectives and measurable targets

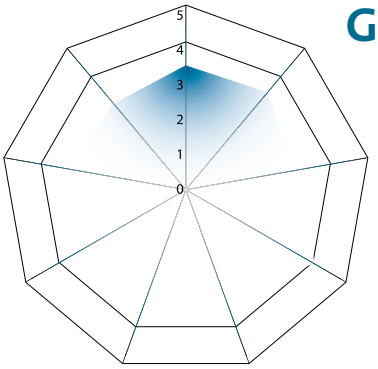
Table 1: Summary of Element and Indicator Performance

	Indicators	04/05 Score	Weight	Explanation	Page Link
Governance	**Ethical Business Practice** Measures the application of business values in the delivery of its vision and strategy.	3	33%	• Board commitment to Values Program and incorporation of the program into key business processes. • Application and implementation of the Values Program throughout the business delayed by organisational restructuring.	50
	Regulatory Compliance Measures compliance against regulatory requirements and implementation of processes to achieve best practice industry standards.	4	33%	• Compliance Program was introduced. Implemented in Energy and Corporate Groups. Compliant entry into National Energy Market. There were two breaches reported to the appropriate authorities, one environmental and one financial. • Compliance Program requires implementation throughout the organisation.	49
	Principles, Structure and Reporting Measure of management planning instruments to provide leadership and direction for sustainable business activities.	3	33%	• Structures, policies and reporting mechanisms are in place to meet aims of good governance. Sustainability Policy was introduced. An Integrated Business Risk Management Program manages and monitors risk. • Sustainability framework needs to be embedded in decision-making.	49
	Weighted Score	**3.3**			
Operations	**Energy Efficiency and Greenhouse Gas Emissions** Measures energy efficiency and greenhouse gas emissions (GHG).	3	10%	• Hydro Tasmania is a member of the Greenhouse Challenge Program. Emissions of 56t CO_2-e/GWh of energy generated are well below the Australian national average for electricity of approximately 1000 tonnes CO_2-e/GWh. • An energy efficiency program has recently been initiated.	52
	Network Service Providers Measure of network service providers' performance and relationships.	3	10%	• Key contracts are in place with Transend Networks and Aurora Energy and a services agreement with Basslink Pty Ltd. • Solid relationships exist and parties meet business requirements.	52
	Operational Short- and Long-Term Reliability Measures Hydro Tasmania's ability to sustain required asset capability to best meet the needs of the business.	4	20%	• Comprehensive asset management strategies, management systems and maintenance operations have facilitated the short- and long-term reliability of the entire system. • The development of Basslink and the wind farms will ensure long-term energy reliability.	51
	Operational Efficiency Measure of energy production practices and performance and optimisation of operational efficiency of an individual power station or group of power stations in the context of the broader system.	4	20%	• Overall systems efficiency and individual power station efficiency have been maximised and optimised through real time management and extensive monitoring and modelling of the system • Significant progress on upgrade and modernisation of Gordon and Trevallyn power stations, Tungatinah switchyards and the development of the Poatina re-regulation pond.	51
	Resource Use, Waste and Emissions Measure of waste and air emissions and reuse of consumables.	2	10%	• Hydro Tasmania has significantly reduced its use of PCB contaminated oils, lubricating and transformer oils are reused as fuel, all waste discharges are in compliance with regulations and a moderate quantity of wastes is produced. • A lack of waste stream data has led to estimates of quantity of waste and there has been a limited focus on waste recycling. No overall management program is in place.	53
	Wind Operations – Availability and Capacity Measure of wind farm energy production and performance.	4	20%	• Woolnorth Bluff Point Wind Farm provided power to the Tasmanian grid for the full year. Cathedral Rocks Wind Farm in South Australia began generating energy in April 2005. Musselroe and Heemskirk Wind Farms in Tasmania are awaiting approval. • ISO 14001 certification for Woolnorth was confirmed with zero non-conformances.	52
	Sustainable Office Measure of sustainable management and performance of office environments. Includes sustainable resource consumption and waste emission from the office space as well as the involvement of office employees in improving performance.	2	10%	• A Sustainable Office Plan is to be undertaken in the coming year. • There is minimal measurement and assessment of resource use within the Hobart office and only limited programs related to waste minimisation and efficient use of resources.	53
	Weighted Score	**3.4**			
Market	**Marketing Consulting Services** Measure of marketing practices associated with marketing of consultancy services.	3	25%	• Hydro Tasmania Consulting is diversifying its client base, growing in new local, national and international markets. It has a satisfactory understanding of its customer requirements, short and likely long-term demand for its products and social and environmental impacts of products. • There are significant opportunities for developing more robust marketing and market research measures and supporting information systems.	54
	Marketing Energy Products Measure of marketing practices associated with energy products.	3	50%	• Successful entry into the National Electricity Market. Significant effort into evaluating international markets for renewable energy developments. • There are opportunities for developing more robust marketing and market research measures and supporting information systems including work on a customer sustainable approach to business and the environment.	54
	Innovation and Research Measure of investment in innovation and research. Ensures that the business is positioned to meet the needs of the future.	3	25%	• Research is being undertaken by Hydro Tasmania in strategic areas and the organisation has good linkages with universities and research centres. • The business requires a more strategic framework for research and development and an annual audit of research and development activities.	55
	Weighted Score	**3.0**			
Finance	**Short-Term Financial Performance and Distribution** Measures short-term financial performance based upon traditional financial accounting methods. Demonstrates the value of the business (profits, sales revenue and ability to service debt etc) to the wider community and provides early warning of any need for corrective action.	4	40%	• Strong profit and liquidity outcomes indicate that short-term financial performance has been impressive over the past year. Sales revenue increased as did overall costs, partly due to the need to run Bell Bay Power Station for longer than expected as a result of low water storages. Successful National Electricity Market entry preparation and growth in the Consulting business.	56
	Long-Term Business Value Captures the sustainability of the business through time. Demonstrates the long-term business value, long-term sustainability and the contribution Hydro Tasmania makes to the Tasmanian economy.	4	60%	• Significant investments have been made and there is a comprehensive plan in place to improve the performance of existing assets. • Numerous initiatives during the year to improve the Corporation's systems and processes.	56, 57
	Weighted Score	**4.0**			

Table 1: Summary of Element and Indicator Performance (continued)

	Indicators	04/05 Score	Weight	Explanation	Page Link
Employee Capability and Opportunity	**Opportunity and Equity** Measure of the organisational effort to ensure employees are provided with equal employment opportunity and an equitable working environment.	3	33%	• There are high-level employee opportunity and equity programs in place. • 25 per cent or one in four of the organisation's employees are female, which is above the Australian benchmark for utilities.	58, 59
	Employee Satisfaction Measure of the organisational effort to ensure employee satisfaction in working for Hydro Tasmania.	3	33%	• Hydro Tasmania provides a number of services and facilities to support its employees. • The annual Staff Feedback Survey has indicated employees are committed to the organisation but a number of issues need to be addressed, including employee engagement.	59
	Workforce Planning Measure of the organisational effort to ensure the elements of workforce planning, including recruitment, induction, training and development.	3	33%	• Workforce planning processes have been established to progressively ensure employee engagement, improve our capabilities and enhance workforce skills to meet the demands of a sustainable and commercially competitive business. These processes need to be established throughout the business. • Staff retention requires further investigation. There are opportunities for monitoring and reporting on the implementation and performance of processes.	58
	Weighted Score	**3.0**			
Health and Safety	**Employee Safety** Measure of the organisational effort to provide a safe and healthy working environment to ensure employees are healthy, safe and free of harm.	3	40%	• Hydro Tasmania takes considerable effort to assure the safety and wellbeing of its people by modelling and demanding good safety behaviour, applying standards, providing training, education and encouraging continual improvement in workplace safety and wellbeing. • Certain key safety indicators did not fully meet targets. HydroSafe is currently not an independently certified or audited management system.	60
	Employee Health and Wellbeing Measure of the organisational effort to promote general health and wellbeing throughout the organisation.	4	20%	• Hydro Tasmania has high-level processes and programs in place to promote employee health based upon nationally accepted determinants of health. • There is a need to establish processes for determining the impact of the programs.	60
	Public Safety Measure of the organisational effort to ensure Hydro Tasmania's assets, facilities and operations pose no unacceptable threat to public safety.	4	40%	• Various policies, procedures, management plans and project management guidelines are in place that enable the organisation to maintain a high-level public safety record. • There are management policies and plans that still require development.	61
	Weighted Score	**3.6**			
Community	**Community Capacity Building** Measure of the organisational effort to assist with capacity building within the community and enhancement of corporate citizenship and social responsibility.	3	30%	• There are numerous processes in place to build capacity with the community in education, joint research, corporate philanthropy and capacity building. • There is a need to strengthen the sponsorship assessment strategy and process.	63
	Stakeholder and Community Engagement Measure of the organisational effort to communicate with and involve stakeholders and the community in business operations that affect them.	3	40%	• Formal and informal processes are in place for engaging stakeholders and the community, though with the exception of new development projects, it is difficult to determine the suitability, adequacy and effectiveness of the processes. • An overall stakeholder program is being developed.	63, 64
	Multiple Use Benefits Measure of the organisational effort to ensure Hydro Tasmania's assets provide multiple use benefits for the community.	3	30%	• Hydro Tasmania has made a significant contribution to the economic and cultural development of the State. Its assets and operations have become integral to ongoing community wellbeing and regional economic development. • There are asset management policies and plans that still require development.	62
	Weighted Score	**3.0**			
Ecosystems and Heritage	**Aquatic Ecosystems** Measure of performance and management of aquatic ecosystems.	3	35%	• Sound monitoring programs are in place. Legislative requirements have been fulfilled and significant progress made in strategic areas. • Additional work is required to establish more effective mechanisms for communicating with stakeholders, and the need for program benchmarking and external review.	65, 66
	Environmental Impact Assessments / Environmental Management Plans (New Projects) Measure of the application of environmental impact assessment and environmental management plans to capital projects.	4	30%	• Comprehensive and effective work undertaken on environmental impact assessments and environmental management plans for new projects rated to a high standard. • Application of the Environmental Management System has reduced operational environmental risks for the organisation.	65
	Heritage Measure of performance and management practices for Aboriginal heritage, historic cultural heritage and the World Heritage Area.	3	15%	• Hydro Tasmania is proactively managing for heritage values. An inventory of Hydro Tasmania's assets and infrastructure, including maintenance activities and frequency, has been compiled. There is collaboration and communication with Aboriginal and government agencies. • Training and awareness programs need to be implemented.	66, 67
	Terrestrial Ecosystems Measure of the performance and management of terrestrial ecosystems.	3	20%	• Comprehensive risk assessment and Geographic Information System database facilitates land management activities. • Additional work is required to establish more effective mechanisms for communicating with stakeholders regarding environmental issues.	67
	Weighted Score	**3.3**			
Suppliers and Partners	**Suppliers and Partners** Measure of suppliers', service providers' and partners' performance, sustainability practices and relationships.	3	100%	• Hydro Tasmania has excellent relationships with its suppliers and service providers in Tasmania, interstate and overseas. • Gaps in understanding how Hydro Tasmania can influence sustainability issues in purchasing goods and services were identified, with limited guidelines and measurements for assessing supplier, contractor and vendor performance.	68
	Weighted Score	**3.0**			

Governance



The Board of Hydro Tasmania is committed to high standards of corporate governance and is continually assessing improvements in its activities to reach the desired levels of ethical standards and efficiency. The structure and reporting mechanisms are designed to meet its obligations to stakeholders, including the Government of Tasmania, employees and the wider community.

Key governance issues for the year were compliant entry to the National Electricity Market, firm risk management in business undertakings and a strategic focus in reporting to the Board by the lines of business.

The organisation adopted its Sustainability Policy with the commitment to continual improvement and leadership in sustainability.

The Board acts on behalf of the owner, the State of Tasmania, to fulfil its responsibilities to set Hydro Tasmania's strategic direction and monitor its implementation. The committee structure and reporting system ensures monitoring of progress against the strategic direction and compliance with legislative obligations.

Further information on the structure and responsibilities of the Board Committees is contained in this report in *Directors and Board Committees* on page 16.

With its underlying principle of ethical business practice, the Board continues to strongly support the organisation's values program. The Board members have requested a refresh of the values to ensure that they reflect Hydro Tasmania's entry into the competitive market.

The Board's commitment to ensuring engagement with the community is demonstrated by meeting with community and business stakeholders to coincide with Board meetings at various locations in Tasmania. This reporting year a meeting was also held at Loy Yang, Victoria, to meet stakeholders in Hydro Tasmania's extended electricity market area.

Compliance

Following the introduction of the revised Compliance Policy last year, the Compliance Program was introduced to lift compliance capability to the level required by our strategic direction. The program includes an online system with a controls framework to review and report on activities listed in the compliance plans of the Energy and Corporate groups. This system was operational on 30 May 2005. Year two of the compliance strategy will see this program strengthened by the development of further compliance plans for the other lines of business and the operation of the online system. The Board receives monthly reports on compliance performance. The Australian Financial Services Licence compliance arrangements are subject to external audit twice a year. The first of these audits was in May 2005 and no major issues were raised by the auditor.

The organisation has, as far as can be ascertained, met all its legislative obligations in the year under review. Two previous breaches, involving the unintentional over-creation of RECs in 2001, were discovered in this reporting period. These were reported to the Office of the Renewable Energy Regulator which imposed no penalty. The Corporation implemented changes to its processes to prevent any recurrence.

One environmental breach was recorded under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999* and the South Australian *Development Act 1999* and *Native Vegetation Act 1991*. This occurred during the construction of the Cathedral Rocks Wind Farm when the vegetation clearance for a small section of road construction exceeded the width permitted under the Environmental Management Plan. Regulatory authorities were informed, a thorough investigation was immediately undertaken and remedial measures put in place.

Fourteen minor environmental incidents were recorded in the environmental management system, and eight incidents relating to administrative procedures were recorded in the compliance system for the year. These were not reportable under legislation.

Values

The Corporation continues to promote a strong ethical culture which is underpinned by its values and the Code of Conduct. Values have been incorporated into business procedures this year, including the new online employee induction process, employment contracts and role descriptions where there is accountability for alignment with, and modelling of, the values. The structural change within the overall organisation has delayed the application of the values behaviours program in some workplaces where new teams have not yet developed behaviour models. However, these are expected to be completed in the coming year.

Risk management

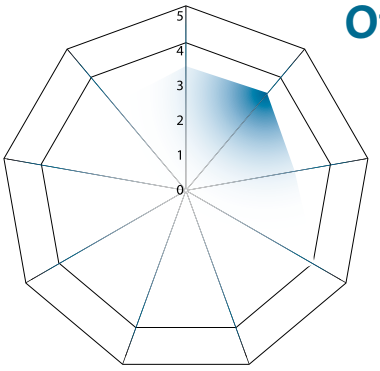
Hydro Tasmania manages, monitors and reports risk within an Integrated Business Risk Management (IBRM) program. The IBRM is based on the Australian/NZ Risk Management Standard, AS/NZS 4360:2004. Lines of business and "Special Projects" provide reports on their business risks and these are aggregated into the annual IBRM report, which is endorsed by the Business Risk Committee and provided to the Board. These reports are updated quarterly. In 2005, the IBRM report began using the sustainability elements as a means of categorising the risks and displaying the organisation's risk profile.

Self assessment

Compliant entry to the National Electricity Market, attention to improving compliance and sustainability reporting and the high compliance rate were commended. An opportunity for improvement is the continued implementation of the values behaviours program across those parts of the organisation where this has not yet occurred.

The assessment rated governance as 3.7 which is *satisfactory*, but close to a comprehensively high standard.

Operations



The greatest challenge for the year has been managing electricity production in this eighth consecutive year of less than average rainfall. At the end of the report period, the 12-month rolling storage yield was 7345 gigawatt hours (GWh) or 75.2 per cent of long-term average. Total energy in hydro storages at 30 June 2005 was 22.7 per cent, some 15.5 per cent lower than at the same time last year. Production was maintained by prudent use of water with additional gas generation from Bell Bay Power Station and cancellation of non-essential maintenance.

Generation

The Energy business has a range of methods to manage low water levels, including a comprehensive hydrological resource monitoring network and management system. An improved energy control system was recently implemented for the real-time management of the generation system. Levels of emergency management plans are in place should the system reach a situation of critically low water storage levels.

The Poatina re-regulation pond under construction

Hydro Tasmania's major effort to enhance operational reliability (see Table 2) through the asset upgrade and modernisation program continued during the year. Overall capital expenditure in the Energy business was $63.8 million, with significant progress on the upgrade and modernisation of Gordon and Trevallyn power stations, Tungatinah switchyards and the development of the Poatina re-regulation pond. The Poatina re-regulation pond will mitigate the impact of different water flows from Poatina Power Station during Basslink operation. A $36 million upgrade program was approved by the Board for Tungatinah station to be undertaken over the next four years.

The environmental management of assets and facilities is undertaken within the Energy business. Based on the environmental risks to the business, as identified in the Power Schemes Assets and Impacts Register, the program has plans and sets targets to mitigate issues identified as high to medium environmental risk.

	Key Performance Indicator	Performance	Target
Asset Condition	Equivalent Availability Factor	90.71%	95%
	Equivalent Forced Outage Factor	1.48%	0.4%
	Start Success – 12 month average	98.3%	100%

Table 2: Hydro asset performance and targets

Cloud seeding

Cloud seeding is an integral part of Hydro Tasmania's supply capability to meet Tasmania's electricity demand. Hydro Tasmania has been involved in both operational and experimental cloud seeding for over 40 years and has developed world-class knowledge and expertise. In the past year, the program involved a total of 48 flights of which 11 were seeding flights. This is lower than previous years due to the absence of suitable cloud seeding conditions. The program has been estimated by Hydro Tasmania to deliver approximately 20MW average per annum.

Dam safety

The Energy business has a well-established Dam Safety Program, underpinned by a Dam Safety Risk Management Policy designed to meet the requirements of both the Tasmanian dam safety legislation and the Australian National Committee on Large Dams (ANCOLD) guidelines. The program is divided into two distinct streams - the Sustainability Program, which manages the ongoing safe performance, operation and maintenance of the dams, and the Risk Management Program that identifies, analyses, assesses and mitigates 'intolerable' risks.

Wind farms

The development of Hydro Tasmania's wind generation continued as a priority during the year. In Tasmania, Woolnorth Bluff Point Wind Farm provided power to the Tasmanian grid for the full year. The overall production from Bluff Point for the year was slightly below the output target due to lower than projected wind resources. Woolnorth Studland Bay Wind Farm is progressing well. The design process has commenced, with construction expected to begin in 2006.

Continuous measurement of performance at Woolnorth Bluff Point indicates that the wind farm has exceeded the commissioning 'availability' KPI target of 92.4 per cent for the initial 12 months of operations with an excellent result of 95.6 per cent. ISO 14001 certification was confirmed with zero non-conformances. An Operational Environmental Management Plan is in place to address adverse impacts concerning environmental and social issues.

At the Cathedral Rocks Wind Farm in South Australia, 33 two-megawatt generators were erected with the majority of turbines in operation at year's end. Cathedral Rocks began generating energy in April 2005. Construction is expected to be completed by September 2005.

The implementation of the Renewables Development business' strategic plan for wind developments will continue with appropriate management and environmental controls for design and construction. More detail on environmental issues for wind farm developments is contained in the Ecosystems and Heritage section of this report.

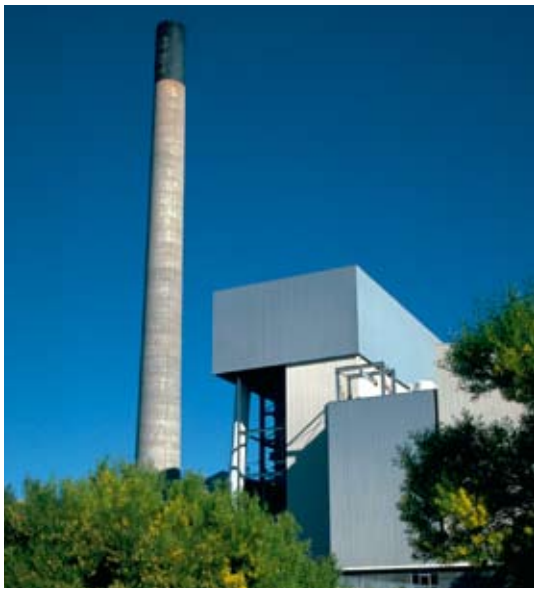
Basslink

Hydro Tasmania has established an internal team to manage the technical, regulatory and commercial aspects of Basslink commissioning, working closely with Basslink Pty Ltd, the developer, owner and operator of the link, and with Transend Networks Pty Ltd. Work is ongoing to integrate Basslink operations with Hydro Tasmania's operating system and to develop closer co-operation with network service providers, Transend Networks Pty Ltd, Aurora Energy Pty Ltd and Basslink Pty Ltd.

Following damage to transformers in transit from Germany, the commissioning date of Basslink was revised from November 2005 to the end of April 2006.

Greenhouse gas emissions

Hydro Tasmania is a member of the Commonwealth Government's Greenhouse Challenge Program and a signatory to the Greenhouse Challenge Plus. Hydro Tasmania's emissions for 2004/2005 were 56 tonnes of carbon dioxide equivalent per gigawatt hour (CO_2-e / GWh) of energy generated, well below the Australian national average for the greenhouse gas intensity of the National Electricity Market of approximately 1000 tonnes CO_2-e/GWh. The Bell Bay gas-fired power plant continues to be the single largest source of Hydro Tasmania's greenhouse gas emissions, contributing over 97 per cent of emissions in this reporting period. Hydro Tasmania has also embarked on a climate change study to understand long-term hydrological variability.



Bell Bay Power Station

The Energy and Greenhouse Program has been established to investigate and implement additional energy efficiency and greenhouse gas emissions abatement measures across all of Hydro Tasmania's activities and facilities. The goal is to reduce Hydro Tasmania's greenhouse gas emissions while increasing revenue through savings and/or additional generation.

Air emissions

A well-established protocol is in place for determining emissions to air. Emissions of sulphur dioxide (SO_2), carbon monoxide (CO), nitrogen oxides (NOx), particulate matter (PM10), volatile organic compounds (VOC) and polyaromatic hydrocarbons (PAHs) are reported publicly in the National Pollutant Inventory. Air emission rates are considered low compared to Australian electricity industry averages due to the high proportion of non-emitting hydro and wind energy sources. Principal sources of emissions are the gas-fired Bell Bay Power Station, and the King Island and Flinders Island diesel power stations.

Waste

A range of waste is generated from maintenance and construction programs and to a lesser extent office activities. Major waste streams include waste lubricating and insulating (transformer) oils, maintenance and construction waste such as packaging, timber, scrap metal and concrete, and general waste from office and domestic activities. The majority of general solid waste is sent to landfill. Significant quantities of waste oil, paper and scrap metal are recycled or reused. Hydro Tasmania has significantly reduced its use of insulating oils contaminated by Poly Chlorinated Biphenyl (PCB). This contaminated oil is sent to the mainland for reuse as fuel, with remaining stocks now limited to 40,000 litres of non-scheduled oil (<50 mg/kg PCB) at two sites. 127,000 litres of waste lubricating oils were also removed from sites and re-used as fuel in Tasmania.

Limited data on solid waste quantities is available but this is not presented here due to the unreliability of some figures and gaps in the data. Processes for improving the extent and reliability of data collected are being implemented. Opportunities to improve performance in the reduction of office waste will be undertaken in the coming year as part of a Sustainable Office Plan.

Self assessment

System efficiency and power station efficiency have been enhanced through maximisation and optimisation of real-time management and extensive monitoring and modelling. Production reliability is maintained and improved by comprehensive asset management strategies and maintenance plans and the increased production from wind farms.

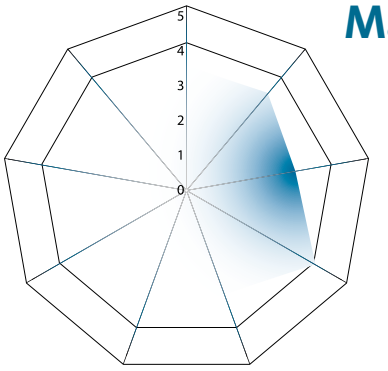
Greenhouse gas emissions are minimal and the use of PCBs has decreased, however, further work is required to effectively address waste, resource use and energy efficiency.

Overall, the rating of sustainability performance for Hydro Tasmania's operations was *satisfactory*, with a score of 3.4.

		Units	Total
Greenhouse Gas Emissions	Carbon dioxide equivalent emissions (tonnes CO_2-e / GWh)	tonnes	56
Atmospheric Emissions	SO_2	kg	12,805
	CO	kg	384,454
	NOx	kg	1,335,337
	PM10	kg	40,467
	VOC	kg	15,638
	PAHs	kg	6
Waste	Waste lubricating oil	litres	127,000
	Non scheduled PCB contaminated oil	litres	102,000
Consumption	Diesel	litres	4,393,209
	Natural gas	PJ	9,268
	Unleaded petrol	litres	452,806
	LPG (fleet only)	litres	8,400
	Electricity	GWh	150.64

Table 3: Summary of greenhouse gas emissions, air emissions, waste and consumption for 2004/2005

Market



This year has seen significant changes in marketing activities for Hydro Tasmania, particularly with entry to the National Electricity Market. Renewables Development and Hydro Tasmania Consulting are operating in broader markets and Hydro Tasmania has continued to build on its research and development activities.

National Electricity Market

A highlight of the year was Hydro Tasmania's entry to the National Electricity Market on schedule and without incident. This followed the lengthy development of complex systems to achieve the handover of Hydro Tasmania's generation dispatch to the National Electricity Market Management Company (NEMMCO). The Tasmanian regional spot price reflected the value of water due to the low storage levels after a prolonged period of below average rainfall.

As a National Electricity Market generator, the Energy business continues to develop close relationships with retailers and generators to support energy product transactions, including spot sales and derivative contracts. Renewable Energy Certificates (RECs) continued to be traded although market prices were lower than in previous years.

With appropriate licences in place, standard contract arrangements have been signed with a number of National Electricity Market participants. Hydro Tasmania has commenced trading derivative contracts with Victorian counterparties. In Tasmania, Hydro Tasmania continued to make offers to Aurora to meet customer load growth.

New markets

The limited life of the Mandatory Renewable Energy Target scheme requires Hydro Tasmania to investigate other markets in order to create a sustainable business in renewable energy activities. Renewables Development has undertaken an evaluation of international markets to identify the countries most suitable for applying the organisation's renewable energy development capabilities. Promising prospects have been identified in countries where there is increasing demand for energy, legislative support for renewable energy, and potential partners seeking Hydro Tasmania's involvement. These geographically diverse and promising markets create many opportunities. Over the last year the main effort to create these opportunities has been centred on New Zealand, China and South Korea.

A key aim this year for Hydro Tasmania Consulting was to diversify its client base. Revenue from clients external to Hydro Tasmania grew by $2.4 million from consulting services (exceeding the target by $1.4 million) and by $700,000 from other revenue generating activities over the last financial year.

To meet this increased customer demand, Hydro Tasmania Consulting has opened an office in Papua New Guinea and expanded the Melbourne and Adelaide offices. Hydro Tasmania Consulting will continue to be focused on enhancing business outcomes for its clients.

Services provided by Hydro Tasmania Consulting within the organisation include design and environmental management services for the Cathedral Rocks Wind Farm, Gordon and Trevallyn power station refurbishment projects, dam safety projects, NEM compliant metering and Frequency Control Ancillary Services, hydrological data collection and monitoring, delivery of the suite of environment and sustainability programs and technical advice on Basslink cable construction issues.

A branding program, developed and implemented this year to enhance the consistency and professionalism of marketing Hydro Tasmania Consulting, is anticipated to be a key influence on future results.

Projects	Location
Burnett Water detailed design services for new Roller Compacted Concrete dam	Queensland
Western Australia Water Corporation dam upgrade work	Western Australia
PNG Power Sirinumu Dam Safety assessment; PNG Power Rouna 2 - Hydro power station rehabilitation options;	PNG
Tidal project detailed design	South Korea
Horizon Regional Council flood forecasting system	New Zealand
Kuala Lumpur stormwater management and road tunnel	Malaysia
Rural network expansion	Sri Lanka
Fiji Electricity Authority – electrical system review	Fiji

Table 4: Examples of projects undertaken by Hydro Tasmania Consulting outside Tasmania

Industry leader

Hydro Tasmania is established as a renewable energy industry leader in Australia, contributing significantly to the Renewable and Sustainable Energy ROUNDTABLE, the Renewable Energy Generators of Australia and the Australian Wind Energy Association (Auswind). Internationally, Hydro Tasmania has built a strong international profile through participation in forums and industry associations covering renewable and sustainable energy, energy efficiency, wind and solar energy, and energy research. The organisation has been particularly active in developing and promoting sustainability, compliance protocols and due diligence guidelines for the International Hydropower Association and the World Wind Energy Association.

Research and Development

Hydro Tasmania is pursuing strategic research and development projects supporting energy production and environmental management, wind energy development, renewable energy storage and hydrogen research. Examples include:

- technology research to support Hydro Tasmania's wind farm developments
- carbon block thermal energy storage with Lloyd Energy Systems
- hydrogen program with the University of Tasmania
- climate change, catchment inflow forecasts, plant testing, maintenance and scheduling and cloud seeding
- ecology and threatened bird species associated with wind farm developments
- aquatic ecosystems, fish passage, threatened species and rehabilitation strategies.

There is now an opportunity to take a strategic approach to encourage research and development, and to audit research and development activities, to ensure that they meet the needs of the business.

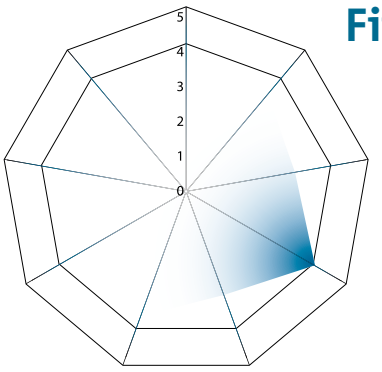
Self assessment

The assessment concluded that Hydro Tasmania has a satisfactory understanding of its customer requirements, short and likely long-term demand for its products, and social and environmental impacts of products. However, there are significant opportunities for developing more robust marketing and market research measures with supporting information systems.

Research is being undertaken by Hydro Tasmania in strategic areas and the organisation has good linkages with universities and research centres. A strategic framework for research and development would benefit the business as well as an annual audit of research and development activities.

The 2005 sustainability assessment for markets scored 3, which is *satisfactory* for overall marketing activities.

Financial



As a Government Business Enterprise, Hydro Tasmania must meet the financial reporting requirements of both the Ministerial Charter and the *Government Business Enterprises Act 1995*.

Financial performance

The year's financial performance, including profit, sales revenue and the ability to service debt, was good. This contributes to the long-term business value as the Corporation continues to grow.

Hydro Tasmania achieved a profit after tax of $44.4 million. This was $9 million higher than the previous year due mainly to strong growth in energy sales and external consulting revenue. Revenue for sales of Renewable Energy Certificates, while greater than last year, was below expectations due to softer market prices.

Sales revenue increased by 5.5 per cent during the year as a result of stronger than expected consumption. Total costs before depreciation and borrowing costs increased by 7.2 per cent offset by reductions in borrowing costs (1.2 per cent) and depreciation (1.8 per cent). The cost increase was in part due to the need to run Bell Bay Power Station for longer than expected due to low water storages, continued preparation for entry to the National Electricity Market and growth in the Corporation's consulting business.

Returns to Government

This return to Government is less than last year, but in line with the projected forecast.

	2005 $m	2004 $m
Dividend	40.0	43.6
Income tax equivalent	30.0	32.9
Loan guarantee fee	4.0	3.8
Total	74.0	80.3

Capital expenditure

The comprehensive program of upgrading and modernisation of hydro assets continued during the year with capital expenditure of $63.8 million on dams and power stations, $3.1 million higher than in the previous year. Wind farm development was directed through the Cathedral Rocks joint venture in South Australia following the extensive direct investment in the Woolnorth project during the previous year. The Woolnorth Bluff Point project was commissioned during the year and Cathedral Rocks is gradually coming online. In total, capital expenditure during the year was $92.8 million, $39.9 lower than last year.

Woolnorth Wind Farm

Gordon Dam

Capital structure

Hydro Tasmania undertook a detailed review of its capital structure during the year as required by its Ministerial Charter. The existing capital structure was found to be adequate for the current environment but it was identified that a stronger balance sheet would provide trading advantages and greater resilience in the National Electricity Market.

Asset fair value

The Corporation currently carries its hydro generation assets at fair value. In 2005, this was reassessed to take account of latest revenue projections. Due mainly to reduced expected real electricity prices and current low pool prices, this resulted in a reduction in fair value of generation assets from $3.13 billion to $2.54 billion.

Accounting standards

Australian equivalents to International Financial Reporting Standards (AIFRS) must be adopted from 1 July 2005. The 2005 Financial Statements include an assessment of the impacts of AIFRS had they been applied to those statements.

Debt

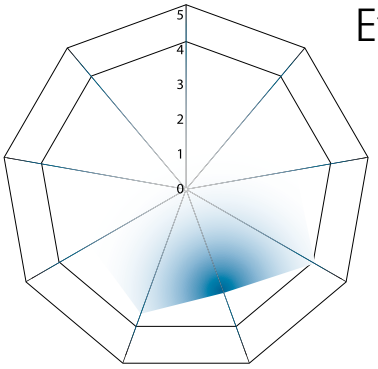
The Corporation continues to actively manage its debt portfolio which, apart from wind project finance, is sourced entirely from the Tasmanian Public Finance Corporation (Tascorp). The weighted average cost of the Tascorp debt at the end of the year was 6.19 per cent, up slightly from last year. The Corporation was successful in securing project finance for the Woolnorth Bluff Point Wind Farm development during the year. This was a first step toward attracting a joint venture partner in this development.

Financial systems

Numerous initiatives were implemented during the year to improve the Corporation's systems and processes and to prepare for entry to the NEM. Performance reporting was continuously improved, systems were introduced to integrate maintenance and inventory into the financial system, a new human resources and payroll system was introduced, and the Corporation was successful in gaining an Australian Financial Services Licence which is a necessary pre-condition to NEM entry.

Self assessment

The financial performance was assessed as *high* with a score of 4, which is considered to be above the industry average.



Employee Capability and **Opportunity**

Hydro Tasmania has a range of programs and systems in place to promote employee capability and opportunity across the organisation.

Demographics

Hydro Tasmania recognises that the diversity of its employees brings a richness and value that contribute to its long-term success. Corporation demographics are as follows:

- there is diversity in relation to age
- there are 891 employees as at 30 June 2005 - 75 per cent male, 25 per cent female
- 86.4 per cent of employees are full-time, 7.2 per cent part-time and 6.4 per cent are casual
- Five of the Corporation's nine Directors are male and four are female
- 15 per cent of line managers are female
- Anecdotal evidence indicates Hydro Tasmania's workforce is ethnically diverse, with employees coming from countries and regions such as Sri Lanka, New Zealand, South Africa, United States, India, the Balkans and Hong Kong.

Katrina Lindsay, Environmental and Compliance Officer North

During 2004/2005, Hydro Tasmania's workforce grew by 23, with 111 new recruits and 88 separations. Hydro Tasmania was unable to fill a number of advertised positions, including 15 positions within Consulting, 10 positions within Energy and three positions within Corporate. This is a reflection of the skills shortage within Australia and is a challenge for Hydro Tasmania in the immediate future.

Equal Employment Opportunity

Hydro Tasmania has responsibilities to provide equal employment opportunities and an equitable working environment. The Equal Employment Opportunity (EEO) program includes a policy, a set of procedures, a process for monitoring compliance and handling grievances and appeals, EEO awareness training and the provision of Workplace Support Officers. There were no formal EEO complaints during 2004/2005, however, there was one claim. There is a lack of data collected about grievances and appeals. The implementation of SafeTrac, an on-line EEO training and assessment course, will assist in raising employees' awareness of their EEO obligations.

Workforce planning

The newly developed workforce planning system was embedded and works to ensure that Hydro Tasmania's employees have the right skills and capabilities to achieve business and career goals now and into the future.

The framework has proven to be very valuable by providing focus, enabling an holistic view of the organisation and a proactive approach to addressing workforce issues.

A series of human resource functions underpins the workforce planning process, including recruitment, induction, performance and development reviews, training and development, retention, phased-in retirement and redundancy.

The three-year Graduate Development Program enables graduates to obtain the level of knowledge, skills and experience necessary to achieve full professional recognition in their respective fields. At 30 June, 37 graduates from a range of disciplines were involved in the program.

Leadership Development Program

Hydro Tasmania's Leadership Development Program contains a comprehensive syllabus of activities focused on the development of leadership within the business. To date, 32 per cent of the workforce has participated in the program. The program was reviewed in early 2005 to ensure it remained relevant, resulting in it being extended to incorporate a course for high-potential individuals identified through the succession planning process.

The Sir Allan Knight Scholarship is awarded annually to an employee for an industry exchange program and provides the successful candidate with up to $30,000 of financial assistance to further expertise and experience in a chosen field. Hydro Tasmania also has a 12-month industry exchange program with the French electricity generator Electricité de France.

Work and family

Hydro Tasmania promotes opportunities for employees to achieve a balance between work and family life. These include flex time, flexible work hours, childcare assistance, school holiday care allowances and a broad family leave entitlement program. The Staff Feedback Survey revealed that 61 per cent of employees agreed that Hydro Tasmania supported a balance between work and family life. Hydro Tasmania has recognised that these opportunities could be extended to accommodate families with children with disabilities and elderly family members, and next year will extend the Work and Family Link program to elder care.

Staff Feedback Survey

The annual Staff Feedback Survey is an important monitoring tool for staff concerns at Hydro Tasmania and was conducted in September 2004 with a 76 per cent response rate.

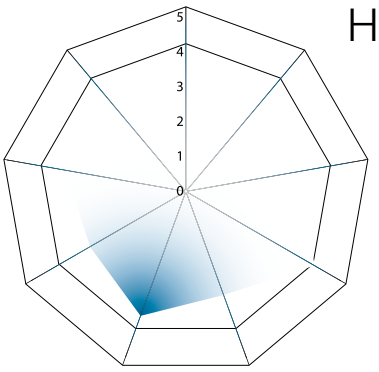
The survey indicated that, on the whole, employees are committed and proud of Hydro Tasmania. There is room for continual improvement in relation to career development, communication and making sure employees feel valued for their contributions and engaged with the business. The survey measured and benchmarked employee perceptions on numerous aspects of business life against other leading organisations. The overall score from the 2004 survey was 61 per cent, which was a 2 per cent decrease in positive employee perception from the previous year. Specific employee satisfaction questions showed a 53 per cent rating, 17 per cent below the benchmark targets.

Self assessment

High-level employee opportunity and equity programs are in place and workforce planning processes will progressively ensure engagement, improve our capabilities and enhance workforce skills to meet the demands of a sustainable and commercially competitive organisation.

Overall performance regarding employee satisfaction, capability and opportunity was rated as *satisfactory,* with a score of 3.

Hydro Tasmania Wind Farm Commissioning Manager, Nick Cole, with the Cathedral Rocks Wind Farm construction team



Health and **Safety**

Hydro Tasmania's safety vision is "no harm to anyone at anytime" and the organisation continues to promote positive safety behaviour.

Safety

The HydroSafe Occupational Health and Safety Policy and procedures form the overarching safety system for Hydro Tasmania. This system is complemented by the continued implementation of recommendations obtained from Du Pont Safety Management Services. The recommendations address good behaviour so that all employees take responsibility for safety, with the result that safety awareness is raised throughout the organisation. The whole safety program is aimed at setting simple but clear safety plans and strategies for Hydro Tasmania to become a world-class safety organisation. One specific action this year was the introduction of a comprehensive program to train staff in the use of job safety analysis techniques.

Hydro Tasmania's Incident Quality Management System (IQMS) records safety incidents, hazards and near misses. Safety statistics are periodically extracted from the IQMS and reported to the Executive Safety Team and the Board of Directors.

Standard safety indicators are measured by Hydro Tasmania. The Lost Time Injury Frequency Rate (LTIFR) rolling average for the previous year was 3.3. per million hours worked. During 2004/2005 this was reduced to 3.24 and indicates that the ongoing safety effort across the organisation is continuing to have a positive effect. The medically treated injury frequency rate was 13.6 and the all injury frequency rate was 38.9.

Comprehensive safety plans have been developed within Hydro Tasmania, which take into consideration the unique safety requirements of each line of business. Dedicated safety management teams, made up of a combination of management and employees, have been established within the Energy Business and Hydro Tasmania Consulting to ensure the safety commitment is maintained, including when work is undertaken outside Tasmania. The annual Employee Feedback Survey showed that employees believe the organisation makes a genuine effort to provide a safe working environment.

Hydro Tasmania's safety vision is "no harm to anyone at anytime"

Safety in practice – Trevallyn Power Station upgrade project

Health and wellbeing

Hydro Tasmania provides comprehensive programs to foster employee health and wellbeing. These include the Healthy Hydro Tasmania Program and the Employee Assistance Program. Benefits from these programs include subsidised gym memberships, health, diet and cooking classes, health and fitness assessments, and fresh fruit on a weekly basis, as well as the provision of a confidential counselling and advice service to employees and their families to assist with personal and work-related problems. 73 per cent of employees participated in the Healthy Hydro Tasmania Program during 2004/2005.

Opportunities to improve these programs include expanding into interstate and overseas offices, developing indicators to measure the effect the programs are having on absenteeism rates and integrating the programs into the safety agenda.

Public safety

The public use of Hydro Tasmania's land and waterways is extensive and public safety is addressed through policies, guidelines, signs, permits and licensing. To further improve public safety, Hydro Tasmania and the Tasmanian Parks and Wildlife Service are in the process of developing warning signs to inform the community of the level of risk and service provision in a particular area. Hydro Tasmania also considers the community's safety whenever undertaking projects in publicly accessible areas. This is done in line with Hydro Tasmania's HydroSafe program.

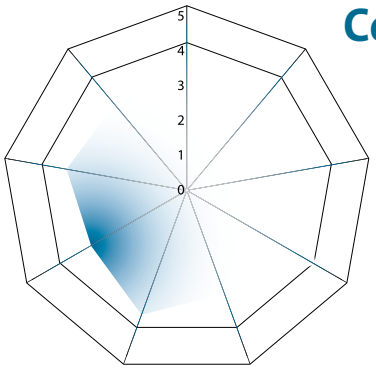
While Hydro Tasmania promotes good public safety in conjunction with government agencies, greater public awareness of its recreational policies and guidelines is required to enhance safety provisions.

Self assessment

Hydro Tasmania's efforts to assure the safety and wellbeing of its people by modelling and demanding good safety behaviour, applying standards, providing training, education and encouraging continual improvement in workplace safety and wellbeing were considered positively.

Various policies, procedures, management plans and project management guidelines that Hydro Tasmania has in place ensure that safety issues are a priority in all Hydro Tasmania projects. HydroSafe is currently not an independently certified or audited management system and one lead safety indicator did not fully meet its target.

Health and safety was assessed as *satisfactory*, with a score of 3.6 indicating progress to a high standard.



Community

Hydro Tasmania enjoys a position of leadership in the Tasmanian community and has provided public support and facilities for many years. This support has focused on enhancing social and environmental outcomes and encouraging the multiple use of facilities through a number of mechanisms including:

- recreational activities on Hydro Tasmania waterways and land
- economic development through the provision of recreational facilities and services, and water for agriculture
- education through the Hands On Energy Discovery Centre and the provision of engineering scholarships
- joint research with the University of Tasmania and CSIRO
- sponsorship of a broad range of community events and activities.

Visitor activities

Hydro Tasmania provides a wide range of recreational facilities and activities on its waterways and land. These include boat ramps, signage and interpretation facilities, information centres, lookout points and various systems to support activities for angling, water skiing, rowing, camping and hunting. Signage improvement continued with 123 prohibitions and warning signs revised and 52 information signs at boat ramps installed. During the year, a Visitor Activities Policy was developed to enhance the management of Hydro Tasmania's visitor experience through the development of viewing and interpretation themes, improved access, camping facilities and the promotion of sustainable activities.

Hydro Tasmania developed a policy on marine structures to ensure boat ramps and other structures are built to a standard suitable for all weather use by various community groups, including angling and emergency services. This year, in conjunction with Marine and Safety Tasmania, boat ramps were upgraded at Tods Corner (Great Lake), Lake Meadowbank, Edgar Dam (Lake Pedder), Cluny Lagoon and Wayatinah Lagoon.

In this reporting period, Hydro Tasmania's information centre at Lake Gordon received 20,768 visitors and Waddamana Power Station Museum received 8,353 visitors.

Agriculture

The provision and use of water for agriculture is a major issue for Tasmanian primary producers and Hydro Tasmania formalised a Memorandum of Understanding on water allocations with the Department of Primary Industries, Water and Environment and the Tasmanian Farmers and Graziers Association. This provides significant benefits for irrigators, however some allocations are still to be finalised.

Water – a shared resource

The Tasmanian Symphony Orchestra

Sponsorship

Hydro Tasmania is committed to supporting organisations and events that best reflect its strategic priorities and its desire to be more widely recognised as a responsible corporate citizen in the community.

Hydro Tasmania's sponsorship program primarily focuses on Tasmanian activities. The long standing commitment to the Tasmanian Symphony Orchestra continued, with support for the Australian Music Program, while Hydro Tasmania's naming rights sponsorship for the annual Three Peaks Race has been extended to 2007.

In 2004, Hydro Tasmania became the sole State sponsor for the Clean Up Australia campaign for the next three years and has also agreed to support Junior Lifesaving. Ongoing partnerships continued with the Back to Pedder fishing competition, the Tullah Challenge, the Southern Cross Young Achievers Awards, the Cancer Council Relay for Life and various other community events and activities. Hydro Tasmania's sponsorship program provided more than $320,000 during 2004/2005, while other parts of the organisation contributed significant amounts to other causes and community organisations.

Hydro Tasmania staff made personal donations to the tsunami disaster relief appeal with their contributions matched dollar for dollar by the Corporation.

Hands On Energy Discovery Centre

The Hands On Energy Discovery Centre continues to build its reputation for providing an exciting educational experience for students from all parts of Tasmania. In 2004/2005, almost 8,000 people visited the Centre, including an estimated 7,000 students from 116 schools around the State. New interactive displays and models were developed to focus on hydrogen fuel cells. Centre staff also spoke to more than 400 students in schools around the State, as well as almost 800 in Port Lincoln, South Australia, as part of the community information program for the Cathedral Rocks Wind Farm project.

The Centre extensively promotes the benefits of renewable energy through various initiatives. It was instrumental in developing the Hydro Tasmania exhibition recently opened at the CSIRO Discovery Centre in Canberra in conjunction with the Renewables Development business and makes a major contribution to the National Science Teacher publication *Energy Future Challenges*.

Stakeholder engagement

Hydro Tasmania is committed to informing the Tasmanian community of its activities and operations. During the year, a number of functions were held around the State to inform business, local government and community representatives of Hydro Tasmania's activities, ensure they were aware of the Corporation's strategic direction and enable discussion of current issues. These included stakeholder forums and events designed to gauge community reaction to specific initiatives.

The Hands On Energy Discovery Centre

Hydro Tasmania's exhibition at Agfest

The principal event for the year was the Corporation's Annual Meeting, held in Hobart in November and attended by more than 100 people. This was supported by a four-page annual report supplement distributed with all three daily newspapers in Tasmania.

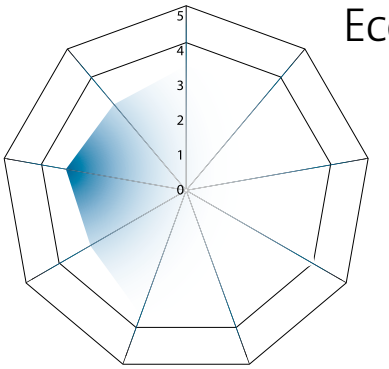
Hydro Tasmania engaged key stakeholders to determine the information they would like to see included in a sustainability assessment report. This was valuable to both stakeholders and the organisation in identifying issues to address.

The annual Community Feedback Survey of nearly 400 respondents statewide showed that Tasmanians considered Hydro Tasmania to be a reputable business with a good environmental record. The community largely supported wind energy developments and the organisation using its expertise in renewable energy projects interstate and overseas. However, the survey showed Tasmanians questioned the organisation's engagement with stakeholders and the community in its decision-making processes. The survey also highlighted the need for Hydro Tasmania to continue to differentiate its brand from others in the electricity sector.

Self assessment

High community acceptance, the financial contribution through sponsorship and community activities and continued work on recreational facilities were rated well. Opportunities were identified to improve information regarding Hydro Tasmania's visitor activity policies and guidelines and to continue developing a stakeholder engagement framework across the business to understand stakeholder and community concerns and requirements.

Hydro Tasmania's community engagement was assessed as *satisfactory,* with a score of 3.



Ecosystems and **Heritage**

Hydro Tasmania is custodian of approximately 111,600 hectares of land. The commitment to responsible environmental and resource management has been implemented by the Energy and Renewables Development businesses, with scientific and technical support from Hydro Tasmania Consulting.

Environmental programs

Hydro Tasmania has a number of core environmental programs committed to the sustainable management of the natural resources affected by its operations. These include the Environment and Sustainability Management System (ESMS) and Sustainability Program, an Aquatic Environment Program, the Cultural Heritage Program and a Land Management Program.

Environment and Sustainability Management System

The ESMS, ISO 14001 certified since 1998, had its certification reconfirmed after an external compliance audit was conducted in May 2005. The certification incorporated Woolnorth Bluff Point Wind Farm for the first time.

Application of the ESMS has successfully reduced operational environmental risks for Hydro Tasmania and this is reflected in a reduction in the number of reportable incidents since 1999. Clear business processes are in place for conducting environmental risk assessments of new projects as well as ongoing management of existing assets.

During the year, Hydro Tasmania completed its annual review of the Environmental Policy and developed environmental plans for the coming 12 months.

Two new major developments that were assessed using Environmental Impact Assessment (EIA) procedures were the Cathedral Rocks Wind Farm in South Australia and the Smithton to Burnie transmission line in Tasmania's north-west. A commitment by Hydro Tasmania to protect approximately 2,300 hectares of native vegetation around the Cathedral Rocks Wind Farm, under a Heritage Agreement, led to the national Native Vegetation Council granting consent to the development.

Saline recharge of Lake Fidler

Meromictic lake restoration

The saline recharge of a meromictic lake within the World Heritage Area represented a proactive, sustainable management action taken by Hydro Tasmania to monitor and protect World Heritage Area values. Meromictic lakes, where fresh water and salt water do not mix but are stratified, are a rarity with only around 140 found in the world and only three or four in the remainder of Australia. Tasmania has three, all in the Gordon River basin. Lake Fidler is the most significant and was permanently meromictic prior to the construction of the Gordon Power Scheme.

In 2003, monitoring showed that the meromictic conditions had broken down and a plan was developed to artificially recharge Lake Fidler and restore its meromixis. Detailed environmental impact assessments and environmental management plans were prepared and approved by State regulators.

During 2004/2005, a major logistical exercise took place involving the transportation of 1,400 tonnes of sea water 20 kilometres up the Gordon River and careful discharge into the lake. Subsequent monitoring has indicated that

Lake Fidler is returning to its former state and chemically is very much the same as it was prior to hydro-electric development in the late 1970s.

Birds and wind farms

Hydro Tasmania has undertaken bird utilisation surveys and bird collision risk modelling to assess the risk of bird mortalities at wind farms. The model has been peer reviewed. Comprehensive bird and bat monitoring programs have been developed to comply with licensing commitments and permit conditions for the Woolnorth wind farm. Vegetation management was carried out for both the wind farm and the 110 KV transmission line.

Regulators have expressed concerns regarding the interaction of birds with the proposed wind farm development at Heemskirk on the State's west coast. These concerns relate to the risks to the Orange-bellied Parrot as a result of turbines being located along its migratory route. The Orange-bellied Parrot is a critically endangered species with a very small population. Hydro Tasmania has gone to extensive lengths to assess the potential risk to the species from the proposed wind farm, to inform the regulators of these assessments and to address any issues through management programs.

Concerns raised over potential bird interaction at Musselroe in the north-east of the State were resolved in consultation with Birds Tasmania.

The Orange-bellied Parrot

Aquatic program

Hydro Tasmania's Aquatic Environment Program (AEP) facilitates the management of aquatic ecosystems that are impacted by the operations of the business. Solid planning frameworks are in place for the AEP as a whole, and for sub-programs including the Basslink Monitoring Program, the Waterway Health Monitoring Program and the Water Management Review (WMR) Program. Areas assessed as strengths for the AEP were risk and opportunity assessment, development of plans outlining targets and objectives for the program, ongoing monitoring, reporting and review mechanisms and meeting legal requirements and other commitments.

The WMR Program aims to review Hydro Tasmania's environmental performance and identify measures for more sustainable water management. The program is focused on community consultation and scientific study, and seeks to find a balance between the environmental, social and business demands on water in Hydro Tasmania catchments. The Derwent catchment WMR commenced in 2004, following completion of the South Esk – Great Lake catchment.

Cultural heritage

The Cultural Heritage Project has significantly enhanced Hydro Tasmania's ability to appropriately manage heritage issues on land for which it is responsible, or on land affected by its activities. Hydro Tasmania co-operates with the Tasmanian Parks and Wildlife Service, the World Heritage Area Consultative Committee, Heritage Tasmania, the Tasmanian Aboriginal Land and Sea Council (TALSC) and others to manage historic cultural heritage, Aboriginal heritage and Wilderness World Heritage Areas (WHA).

During 2004/2005, approximately 80 per cent of Hydro Tasmania assets were assessed for cultural heritage values and conservation plans were developed for three power stations. An oral history project is systematically gathering and recording information about the social and cultural history of sites, and there is an ongoing communication strategy to raise awareness of historic heritage issues.

Two key areas were identified for improving Aboriginal heritage management in 2004/2005. To ensure that surveying and monitoring of construction sites meets acceptable environmental and legislative standards, formal agreements and protocols are being negotiated with the TALSC to replace the existing informal arrangements.

Natasha Brown, Team Leader Maintenance, at Liapootah Power Station

The second area responds to the need to access information from Aboriginal heritage surveys undertaken for past environmental impact assessments and management plans for future projects. Studies prepared for Hydro Tasmania land over the last 15 years have been examined and a database, with restricted access, of surveys and requirements has been developed. Any historic heritage surveys have also been noted in the Land Management Program database.

Land program

The Land Environment Program focused on collecting data and information on potential risks on Hydro Tasmania land, including information on *Phytophthora* (dieback) susceptibility, weeds, threatened species, contaminated sites and areas of past land disturbance. Assets and risks in the Tasmanian Wilderness World Heritage Area received specific focus in a WHA inventory. This inventory identifies assets and activities within the WHA and displays them on an internal GIS database that can be used to guide management requirements for operations. This asset inventory audit is now being expanded to encompass all other areas of Hydro Tasmania land.

Areas of Hydro Tasmania land outside the WHA have also been included in the information collection project. This information was used to undertake a comprehensive risk assessment of Hydro Tasmania's land management practices this year. This risk assessment has been used to prioritise activities in the 2005/2006 program which includes projects on threatened species, land rehabilitation activities and contaminated sites. One such project will include surveying populations of the threatened *Ptunarra* brown butterfly, mapping available habitat on Hydro Tasmania land and using this information to develop a species management plan.

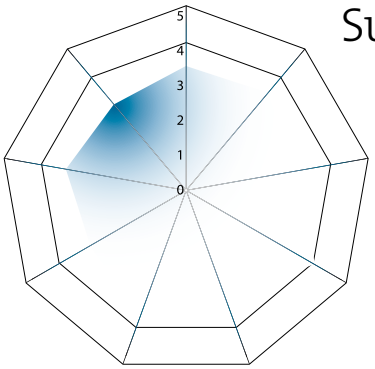
Land management procedures in the ESMS are also being revised as part of an upgrade of the system. These procedures will include those that are specific to the planning considerations and requirements of activities in the WHA and also those to deal with environmental issues elsewhere.

Self assessment

Comprehensive and effective work undertaken on environmental impact assessments and environmental management plans for new projects rated above average performance. The Aquatic Environment, land management and Cultural Heritage programs received satisfactory scores as a result of the fulfilment of legislative requirements and significant progress in strategic areas.

Additional work is required to establish more effective mechanisms for communicating with stakeholders regarding environmental issues, the implementation of training and awareness programs across all areas and the need for program benchmarking and external review.

The performance of the ecosystems and heritage element was assessed as *satisfactory,* with a score of 3.3.



Suppliers and **Partners**

Hydro Tasmania has excellent relationships with its extensive group of suppliers and service providers in Tasmania, interstate and overseas. Suppliers and partners are crucial in providing support for programs to upgrade and maintain generation assets, develop wind farms and trade in the National Electricity Market.

Strategic alliances

Hydro Tasmania has formed strategic alliances with Alstom to undertake a number of power station upgrade projects as part of the system-wide upgrade and modernisation program. These alliances are designed to achieve superior outcomes for the participating parties compared to the traditional supplier-client contract arrangement, particularly in terms of cost and profit outcomes and completion times. They are underpinned by formal agreements which establish the scope of work, and document health and safety plans, environment plans, procurement principles, personnel agreements and behaviour commitments. Monthly reports are sent to the Corporate Sponsors Group, which monitors progress and compliance with the agreements.

Wind farms

Relationships established with major international companies have been vital to the success of Hydro Tasmania's wind farm developments in Tasmania and South Australia. Hydro Tasmania has a joint venture with Spanish company Corporacion Energia Hidroelectrica de Navarra (EHN) to develop the Cathedral Rocks Wind Farm in South Australia. EHN was chosen above other candidates for its vision, values and approach to safety and the environment. The EHN partnership supports the potential of Hydro Tasmania to participate in the development of renewable energy facilities worldwide.

A strategic framework agreement with Danish company Vestas has driven the establishment of local manufacturing and job creation in Tasmania. The nacelle assembly plant at Wynyard continues to be a key element in the supply chain for wind farm developments in Australia and increasingly in the wider Asia-Pacific region.

National Australia Bank is jointly financing the development of wind farms to align with its intent to support developments that address climate change.

With the Chinese Government strongly supporting renewable energy projects, Hydro Tasmania has recently signed a Memorandum of Understanding with Chinese wind farm developer, Datang Jilin, to develop a 50 MW joint venture wind farm. This proposed development has the potential to open up significant opportunities for Hydro Tasmania.

Basslink

Basslink Pty Ltd is the developer of the Basslink project and therefore responsible for the conditions under which contractors operate. The main contractors are Siemens Limited and Pirelli Cavi e Sistemi Energia S.p.A. Hydro Tasmania maintains an open, integrated and inclusive relationship with the three parties. Formal agreements under the project documents require regular progress reporting, including monthly reports on issues related to environment, labour, contractors and cost.

The Basslink cable-laying vessel, the Giulio Verne

Suppliers and the environment

Established ESMS procedures are in place and environmental audits have maintained contractors' adherence to environmental requirements in the development of new projects.

There are no formal requirements for Hydro Tasmania's suppliers to address labour standards, employment practices or human rights. There is a formal requirement to have an environmental management plan.

Procurement policies

Considerable effort has been devoted to improving procurement policies, compliance and payment provisions to enhance the good working relationships with the supplier and service provider networks through more efficient and beneficial conditions. There is limited requirement for goods and services providers to produce sustainability information and no process for verification.

Currently, Hydro Tasmania is developing a uniform tender assessment process that will improve governance and transparency in this process. There is an opportunity to raise our expectations to encourage the sustainability performance of suppliers, contractors and vendors, and to influence the wider adoption of appropriate environmental and social standards. Mechanisms can be established to develop increased knowledge of sustainable practices within partnership arrangements.

Wind turbine nacelle arrival at Cathedral Rocks Wind Farm

Hydro Tasmania has continued its policy of sourcing goods and services from Tasmanian businesses where possible. Where appropriate, work is procured on a competitive basis and a significant proportion of competitively tendered contracts is awarded to Tasmanian firms.

Contracts awarded to interstate or international firms often add significant value to the Tasmanian economy through use of local suppliers and sub-contractors.

Details of contracts worth more than $50,000 which were entered into the 2004/2005 financial year are as follows.

Contracts	No	$M
Tasmanian-based suppliers	75	21.3
Interstate/overseas suppliers	28	18.7
Total contracts	103	40.0

The value of these contracts is lower than that reported in 2003/2004 due to alliances Hydro Tasmania has entered into and continuation of contracts awarded in 2003/2004.

Self assessment

Hydro Tasmania undertakes extensive due diligence processes in the selection of partners and co-investors. Understanding the business ethics of a prospective organisation, its vision, values and approach to health, safety and the environment are core considerations. However, gaps in understanding how Hydro Tasmania can influence sustainability issues in purchasing goods and services, and having limited guidelines and measurements for assessing supplier, contractor and vendor performance were identified.

The performance for suppliers and partners was assessed as *satisfactory,* with a score of 3.

External Sustainability **Assurance**

Assurance Statement for Hydro Tasmania's Annual Report 2005

To Hydro Tasmania's stakeholders

Banarra Sustainability and Social Assurance accepted responsibility for providing an opinion, based on the AA1000 Assurance Standard (AA1000AS), of Hydro Tasmania's account of its sustainability performance.

Objectives and scope

Our assurance objectives were to:

- subject the sustainability performance section of the Annual Report to a limited assurance process, including verification of data and claims; and
- if relevant, identify opportunities for improvements.

We tested all nine of areas of the Sustainability Performance section of the Annual Report, except for the financial performance figures in the area titled Financial. Users of this assurance statement should note our scope of work did not include testing the results of Hydro Tasmania's Sustainability Self-Assessment.

Summary of Approach

Our approach included developing a list of material issues and impacts through a range of activities such as internet-based research, key personnel interviews, including with the Acting CEO, and a review of internal and external stakeholder engagement results. The list was used to test the report's materiality, completeness and responsiveness.

We risk-ranked all claims and data and tested them by creating audit trails, investigating assumptions, reviewing data generation procedures and conducting interviews. The higher the risk assigned the deeper our testing. Within our scope of work 87 per cent of all claims and data identified were tested and only those of low risk were not tested.

The total time spent on this limited assurance process was 184 hours. A statement of our independence and competency is provided at www.banarra.com.

Key Findings

Our opinion of Hydro Tasmania's account against the AA1000AS principles of materiality, completeness and responsiveness is:

Materiality

For a first time reporter Hydro Tasmania took significant steps in determining the report's content. It used the Global Reporting Initiative, the International Hydropower Association sustainability guidelines, and internal and external stakeholder engagement. Of note was the engagement of a wide range of external stakeholders. Consequently we believe that the report contains information that is largely material to Hydro Tasmania's stakeholders.

Opportunities remain for ensuring a more systematic and internally inclusive process for decision-making in relation to the report's content. This could improve the report as Hydro Tasmania collects more sustainability performance data than reported.

The assurance process identified a small number of materiality issues in the draft report – that is, issues that we believed stakeholders would expect to be included but were not. These were all responded to and are reflected in the final report.

Completeness

Hydro Tasmania demonstrated a very good understanding of its sustainability performance, impacts and issues. This appeared to be especially strong in relation to water resource use, National Electricity Market entry and management of ecosystem impacts.

From an internal systems perspective a key strength was the Sustainability Self-Assessment, which tested the nine sustainability areas and identified key strengths and opportunities. It is unusual for a first time sustainability reporter to have such a developed internal sustainability accounting process.

Our material issues list identified two issues that while mentioned in the CEO's statement could have been more fully discussed in the sustainability performance section. These were disappointing employee survey and cultural audit results and project budget overruns.

In verifying key claims and data our two-person assurance team assured 193 claims and data charts. A number of errors were identified in the draft report and these were corrected for this final report. Where sufficient evidence was not provided the claim or data was deleted.

Responsiveness

Hydro Tasmania's performance areas are formalised in the organisation's Sustainability Policy and in key decision-making processes such as the Integrated Business Risk Management (IBRM). The IBRM process, from risk identification through to reporting on to the Board, is structured on the sustainability framework. This provides a foundation for the organisation to be able to identify, understand and respond to its key sustainability issues and impacts.

In general, responses are accounted for in the report. However, more context could be provided so that stakeholders can better understand the links between Hydro Tasmania's issues and impacts and its responses.

Hydro Tasmania had already identified an opportunity for establishing targets within the nine performance areas. We encourage the establishing of targets to drive performance and inform public sustainability reporting.

Summary

We believe Hydro Tasmania's account of its sustainability performance in this report makes a credible effort to identify the organisation's material issues, impacts and responses during the reporting period. While this report addresses the key issues, there remains an opportunity for Hydro Tasmania to provide more context and discussion. Internal management processes, such as the Sustainability Self-Assessment, provide a strong foundation for Hydro Tasmania to improve future reporting.

Richard Boele

Lead Certified Sustainability Assurance Practitioner

Banarra Sustainability and Social Assurance

Sydney, Australia

8 September 2005

Banarra
Sustainability and Social Assurance

GRI Reference **Index**

GRI Reporting Element	In this report	
Vision & Strategy • Sustainable development vision & strategy • CEO statement	*(2 elements -> both covered)* • Chairman's Review (page 5) • Chief Executive's Report (page 9)	• Sustainability at Hydro Tasmania (page 45)
Profile • Organisational Profile • Report Scope • Report Profile	*(3 elements -> all covered)* • The Business Profile (page13) • Organisational Chart (page 14) • Contact Hydro Tasmania (back cover) • Reporting Scope (page 12)	• Sustainability at Hydro Tasmania (page 45) • External Sustainability Assurance (page 70)
Governance Structure & Management Systems • Structure & Governance • Stakeholder Engagement • Overarching Policies & Management Systems	*(3 elements –> all covered)* • The Business Profile (page 13) • Reporting Scope (page 12) • Organisational Chart (page 14) • Governance (page 49) • Community (page 62) • Statement of Financial Performance (page 84) • Energy (page 21)	• Sustainability at Hydro Tasmania (page 45) • Environment & Heritage (page 65) • Operations (page 51) • Market (page 54) • Renewables Development (page 27) • Hydro Tasmania Consulting (page 33) • Corporate Services (page 39)
GRI Performance Indicators	**In this report**	
Economic Customers; Suppliers; Employees Public Sector; Indirect Impacts	*(10 core + 3 additional indicator issues --> 10 core + 2 additional indicator issues covered)* • Statement of Financial Performance (page 84)	• Financial (page 56) • Community (page 62) • Suppliers & Partners (page 68)
Environmental Materials; Energy; Water; Biodiversity Emissions, Effluents & Waste; Suppliers Products & Services; Compliance Transport	*(16 core + 19 additional indicator issues –> 8 core + 6 additional indicator issues covered)* • Operations (page 51)	• Suppliers & Partners (page 68) • Governance (page 49) • Ecosystems & Heritage (page 65)
Social: Labour Practices & Decent Work Employment; Labour / Management; Relations; Health & Safety Training & Education; Diversity & Opportunity	*(11 core + 6 additional indicator issues -> 7 core + 3 additional indicator issues covered)* • Employment & Capability (page 58) • Statement of Corporate Intent (page 73)	• Health & Safety (page 60) • Directors and Board Committees (page 16)
Social: Human Rights Strategy & Management; Non-discrimination; Child Labour; Forced & Compulsory Labour Disciplinary Rights; Security Practices Indigenous Rights	*(7 core + 7 additional indicator issues -> 0 core + 3 additional indicator issues covered)*	• Employment & Capability (page 58) • Financial (page 56)
Social: Society Community; Bribery & Corruption; Political Contributions; Competition & Pricing	*(3 core + 4 additional indicator issues -> 1 core + 1 additional indicator issue covered)*	• Ecosystems & Heritage (page 65) • Renewables Development (page 27)

A comprehensive version of this table is on our website www.hydro.com.au

Statement of Corporate Intent

Statement of **Corporate Intent**

This Statement of Corporate Intent has been prepared pursuant to section 41 of the Government Business Enterprises Act 1995 (the GBE Act). The Statement is effectively a summary of Hydro Tasmania's Corporate Plan for the 2005/2006 to 2009/2010 financial years. Its publication in full is a requirement of the Treasurer's Instructions for the preparation of a Government Business Enterprise's Annual Report.

1.1 Business Definition

1.1.1 Commercial Activities

Hydro Tasmania is a Government Business Enterprise, operating in commercial markets. Our principal business activities are:

- management and operation of major dams, infrastructure and equipment for the generation and trading of electricity and related products
- development of new renewable energy generation assets
- provision of consulting and other services in renewable energy, environmental and water management and associated sciences and technologies.

1.1.2 Non-Commercial Operations

Hydro Tasmania provides concessional arrangements to customers of Hydro Tasmania living on the Bass Strait islands. Aurora Energy delivers these arrangements to customers via a sub-contract arrangement, with net costs of the activity funded by the State Government as a declared Community Service Obligation (CSO).

1.1.3 Strategic Objectives

Hydro Tasmania has a statutory obligation under the *Government Business Enterprises Act 1995* to achieve a sustainable commercial rate of return that maximises value for the State. In formulating the sustainable commercial rate of return, we have assessed sustainability and value for the State in accordance with Hydro Tasmania's Sustainability Policy. The Sustainability Policy commits the business to measure and report its performance against targets set out under nine elements. The nine elements cover the following areas:

- Governance
- Operations
- Market
- Financial
- Employee Capability and Opportunity
- Health and Safety
- Community
- Ecosystems and Heritage
- Suppliers and Partners.

The value for the State defined here primarily reflects the long-term increase in financial returns from, and/or economic worth of, the business. The Corporate Plan sets out our business performance targets having regard to our Sustainability Policy and is submitted by the Hydro Tasmania Board for approval by the Minister for Infrastructure, Energy and Resources and the Treasurer, as the Portfolio and Stakeholder Ministers under the Act.

The Hydro Tasmania Board recognises that approval of the Corporate Plan by the Minister and Treasurer indicates that the business performance targets specified within the Corporate Plan of Hydro Tasmania are set so as to achieve a sustainable commercial rate of return that maximises value for the State.

1.2 Strategic Directions

Hydro Tasmania is tasked through the GBE Act with achieving a sustainable commercial rate of return that maximises the value for the State in accordance with its Corporate Plan, while having regard to the economic and social objectives of the State. In achieving this, it is Hydro Tasmania's charter to prudently grow those areas related to its principal purposes, which will enhance its position locally, nationally and internationally where such growth will add value to both Hydro Tasmania and the State of Tasmania.

Our aspirations for the future are firmly grounded in conformance with the *Hydro-Electric Corporation Act 1995* and the Ministerial Charter.

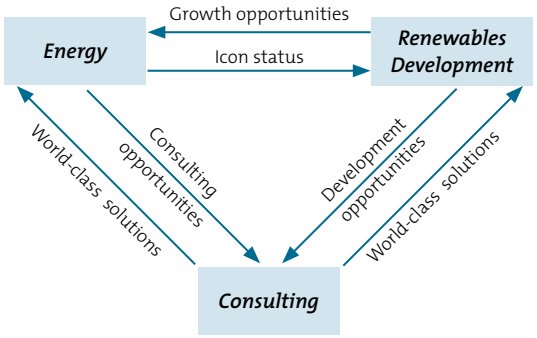
In this regard, the principal purpose as defined in the Ministerial Charter is to undertake the following activities:

- generation and trading of electricity
- provision of consulting and other services in hydropower, environment and water management, and associated sciences and technologies
- scientific and commercial research associated with all of the above.

This context guides and drives the Corporation's future.

The business model chosen to achieve this aim is to grow the business operating or investing as three "interdependent lines of business".

Hydro Tasmania
three interdependent lines of business



The key strategies for Hydro Tasmania can be summarised as follows.

Energy *– The cash engine of the business*

- To maximise the sustainable return from our unique assets and resources by using best practice systems and approaches in the National Electricity Market (NEM)
- For 2005 successfully implement the new Energy business model by maintaining our focused and systematic approach.

Renewables Developer *– The growth engine of the business*

- To position ourselves for growth by:
  - investigating and developing, in the immediate term, Australian renewable energy opportunities arising from the Mandatory Renewable Energy Target (MRET) scheme
  - developing and establishing a new business model to enable further growth, whether that be within or outside Australia.

Consulting *– The knowledge engine of the business*

- To operate a line of business which delivers a sustainable commercial return in its own right while always retaining core skills as the knowledge engine of Hydro Tasmania through systematic recruitment, development and retention of our people capabilities
- To strengthen the "interdependent lines of business" model by always looking to enhance the capability and performance of the other lines of business

Statement of **Corporate Intent** *continued*

- To pursue external growth opportunities through organic or acquisition growth consistent with the above.

Corporate – The enabler of business outcomes

- *People* – To build the level of engagement and commitment of our people, as we will only progress our strategies with the full alignment of our team. Inspire our people to excel at what they do and inspire others by being fully engaged and committed to our business
- *Stakeholders* – To be guided by our values and our sustainability policy, and to keep all relevant stakeholders appropriately informed and engaged in our business development
- *Financial* - To foster growth and provide the capacity to withstand financial shocks in the more volatile NEM environment by strengthening the Balance Sheet based on financial performance and achieve financial ratios with the equivalence of a BBB rated entity.

1.2.1 Integrated Business Model

The key strategies for each area of the business have been independently set but are complementary to one another and can be expanded as follows.

Energy Business

- Implement the new NEM business operational model and complete the existing business plan
- Meet NEM Entry and Basslink commissioning milestones
- Continue the upgrade and modernisation program within sustainable cash availability
- Strengthen management capability to ensure delivery of projects and deadlines
- Nurture cultural change and up-skilling of our people.

Renewables Development Business

- Accelerate our Australian wind program to take advantage of the remaining MRET window
- Develop a new business model to take Renewables Development into new markets
- Continue to be proactive in policy influence, nationally and internationally
- Continue the research and development focus of Hydro Tasmania as an early applier.

Consulting Business

- Grow our external business organically or through acquisition consistent with maintaining and enhancing Consulting as the knowledge engine of Hydro Tasmania – target an internal / external revenue split of 50/50
- Focus on market expansion, both on the mainland and internationally in line with client opportunities
- Hydro Tasmania to use Consulting exclusively as part of the integrated three business operating model
- Foster networks through industry associations, developers, strategic consulting and political relationships
- Implement a market-based reward and remuneration structure
- Utilise the Hydro Tasmania brand because of its unique competitive positioning.

Whole of Business

- Maintain appropriate financial performance consistent with a Balance Sheet with financial ratios equivalent to a BBB rated entity
- In an environment of scarce capital, ensure our projects are prioritised in order of highest economic return
- Achieve cost efficiency and effectiveness by benchmarking to best practice outcomes
- Ensure access to appropriate standby lines of credit / cash reserves as well as meeting Australian Financial Services Licence liquidity requirements

- Continue the development of our safety culture, in particular the line of business safety plans
- Attract and retain key staff by proactively establishing a strong presence in the recruitment market and reviewing our incentive arrangements to allow our people to share in our results
- Build our leadership capability and deliver a more systematic approach to identifying and developing people with potential
- Maintain strong relationships with key stakeholders
- Proactively position the Corporation's profile at NEM entry by providing targeted information to key stakeholders including the Tasmanian community.

1.3 NEM Entry

Hydro Tasmania entered the National Electricity Market on 29 May 2005. All pre-conditions for NEM entry were met, and represented a huge effort by all involved from Hydro Tasmania as well as Aurora, Transend, the National Electricity Market Management Company (NEMMCO) and the relevant State Government departments.

1.4 Factors Affecting the Business Environment

- The hydrological risk associated with the existing supply and demand balance and the low storage levels up until commencement of Basslink operations
- The delay of Basslink due to transformers being damaged while in transit from Germany and the satisfactory completion of the project in accordance with the revised timetable, on budget and to specification
- The impact of the current historically low energy prices in the NEM
- The impact of increased transmission charges on the Corporation's cost base going forward
- Continued fall in electricity prices in real terms placing greater emphasis on cost control and operational efficiency
- Potential volatility of earnings associated with operating in the NEM
- The looming national skills shortage
- Complex and often lengthy planning and approval processes for renewable developments
- The impact of changes to legislation and regulation such as the review of the Federal Government's mandatory renewable energy policy, changes to the operation of the National Electricity Market, harmonisation with international accounting standards and Corporations Law requirements to comply with Australian Financial Services Licensing requirements
- Continued restructuring and rationalisation in the NEM and associated counterparty credit issues and potential thinning of counterparties
- Interest rates remaining relatively low and stable
- Hydro Tasmania's actual and perceived environmental performance
- The rate of growth of the Tasmanian economy and its electricity market
- Potential for insurance markets not allowing appropriate risk transfer
- Introduction of natural gas to Tasmania as a competing energy source.

Statement of **Corporate Intent** *continued*

1.5 Business Performance Targets

1.5.1 Performance Indicators

Performance Indicator		2004/05 Actual	2005/06 Target	2006/07 Target	2007/08 Target	2008/09 Target	2009/10 Target
Financial							
· Profit After Tax	$M	44.4	49.4	42.1	50.1	57.1	63.4
· Dividends paid to Tasmania	$M	40.0	40.0	24.7	21.0	25.0	28.6
· Business Expenses paid to Government	$M	37.9	38.4	35.4	37.0	39.7	41.9
· Capital Expenditure	$M	92.8	135.9	86.3	88.4	96.0	105.7
· Shareholder Value Added	$M	36.3	43.0	41.8	47.5	51.7	51.7
People							
· Lost Time Incident Frequency	No.	3.2	1.2	0.0	0.0	0.0	0.0
· Resignation Rate	%	8.5	7.0	7.0	7.0	7.0	7.0
Market & Customers							
· Energy Sales Revenue Growth	%	3.0%	2.9%	3.7%	2.8%	1.6%	2.8%
Assets & Processes							
· Operation Breaches	No.	0	0	0	0	0	0
· Maintenance Routines Completed	%	87	>95	>95	>95	>95	>96
· Start Success	%	98	100	100	100	100	100
· Equivalent Forced Outage Factor	No.	1.48	0.35	0.35	0.35	0.35	0.35
· Total Generation Assets Availability	%	90.7	90.0	90.0	90.0	90.0	90.0
· Telecomms Network Availability	%	99.99	99.99	99.99	99.99	99.99	99.99
Stakeholders and Environment							
· Environmental Incidents	No.	15	0	0	0	0	0
· Environmental Compliance Breaches	No.	1.00	0.00	0.00	0.00	0.00	0.00
· Regulatory Breaches	No.	0	0	0	0	0	0

Legend to Performance Indicator table:

Profit After Tax– Calculated as per standard accounting policies.

Dividends Paid to Tasmania – Cash returns to our shareholder from dividends.

Business Expenses Paid to Government – Cash payment of income tax equivalents, rates equivalents and guarantee fees.

Capital Expenditure – Cash outlay for capital projects.

Shareholder Value Added – The economic profits generated by a business over and above the return required by its capital providers. Calculated as Average Investment x (EROC –WACC) (to be agreed with the Department of Treasury & Finance).

Lost Time Incident Frequency – Number of lost time accidents per million hours worked.

Resignation Rate – Shown as voluntary resignations. Does not include redundancies.

Energy Sales Revenue Growth – Target revenue growth of energy sales (excluding REC sales).

Operation Breaches – Number of material breaches of statutory obligations, including corporations law (GBE Act), environmental, OH&S.

Maintenance Routines Completed – Number of successfully completed routine preventative maintenance and condition monitoring jobs. These jobs are an essential part of ensuring plant safety and maintaining performance capability.

Start Success – Shows, as a percentage, how many times the plant managed to start successfully after the start command was issued. The ability to provide successful starts is an essential component of being able to provide guaranteed and flexible asset performance.

Equivalent Forced Outage Factor – Shows the portion of time that plant was unavailable for service due to breakdowns. Breakdowns restrict the business' ability to meet guaranteed performance levels.

Total Generation Assets Availability – Overall average available productive time for generating assets during the time period measured.

Telecomms Network Availability – Amount of time the network is available for use.

Environmental Incidents – Number of incidents adversely affecting the environment.

Environmental Compliance Breaches – Number of breaches of compliance with Hydro Tasmania's environmental policies and relevant environmental and water management legislation.

Regulatory Breaches – Number of breaches against REC Policy & Procedures, TEC Regulations, OTTER Determinations, OH&S, Water Management, Environmental Management, Management & Pollution Control, Land Use Planning & Approval Legislation.

1.5.2 Distribution Policy Targets

The financial projections included in the Corporate Plan incorporate a special dividend to be paid in 2005/2006. Together with the planned ordinary dividend, total dividends paid for 2005/2006 will be a minimum of $40 million.

Dividend arrangements for the period beyond 2005/2006 are still to be finalised. However, the projections indicate that ordinary dividends will be paid at the rate of 50 per cent of profit after tax. This level of dividend is consistent with the Treasurer's Instruction - Dividend Policy Guidelines for Government Business Enterprises.

Any agreed distribution strategy will need to balance the sharing of profitability between returns to Government and retention of funds in the business to allow strengthening of the Balance Sheet and for investment in growth opportunities. As well, it will need to take into account the potential volatility of reported earnings that may occur due to our operating in the NEM environment and changed reporting arrangements as a result of our adoption of Australian equivalents to International Financial Reporting Standards.

1.6 Other Business Issues

1.6.1 Key Limitations

The key limitations facing Hydro Tasmania are:

- prior to commencement of Basslink the potential adverse implications should there be a period of continued low rainfall
- the decision of the Federal Government not to extend the MRET targets following the review of MRET legislation
- the potential uncertainties associated with the precise rules to apply upon establishment of wholesale electricity market arrangements in Tasmania
- the potential uncertainties associated with the evolving rules for the National Electricity Market
- the long-term financial commitments associated with Basslink operation
- the risks associated with natural gas developments in Tasmania
- availability and retention of personnel with commercial acumen, technical expertise and knowledge in key areas.

1.6.2 Other

Growth into new markets and further exploitation of the potential in the Tasmanian market may involve partnerships and strategic alliances with energy suppliers, equipment providers, customers or bankers, as is the case with many major infrastructure developments in Australia today. Innovative, but always carefully measured, approaches will be used to follow these strategic directions.

Financial

Statements

Contents – **Financial Statements** 30 June 2005

Statement of **Financial Performance** for the Year Ended 30 June 2005

		CONSOLIDATED		PARENT	
		2005	2004	2005	2004
	NOTE	$'000	$'000	$'000	$'000
Revenue from Ordinary Activities	2(a)	461,765	439,817	422,743	422,839
Expenses from Ordinary Activities, excluding Borrowing Costs	2(a)	(309,527)	(295,385)	(275,409)	(278,702)
Borrowing Costs	2(c)	(71,526)	(72,358)	(69,886)	(72,358)
Share of Net Profit/(Loss) of Joint Ventures accounted for using the Equity method	35	(316)	67	-	-
Profit from Ordinary Activities before Income Tax Equivalent Expense		**80,396**	**72,141**	**77,448**	**71,779**
Income Tax Equivalent Expense	4	(35,986)	(36,661)	(35,300)	(35,791)
Net Profit		**44,410**	**35,480**	**42,148**	**35,988**
Changes in Reserves	21	(523,033)	1,000	(523,033)	-
Total changes in Equity other than those resulting from transactions with owners as owners		**(478,623)**	**36,480**	**(480,885)**	**35,988**

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the Financial Report included on pages 87 to 116.

Statement of **Financial Position** as at 30 June 2005

		CONSOLIDATED		PARENT	
		2005	2004	2005	2004
	NOTE	$'000	$'000	$'000	$'000
Current Assets					
Cash		10,221	2,120	192	2,073
Receivables	8(a)	103,392	50,780	84,558	44,633
Investments	9(a)	130,277	10,817	110,180	10,817
Inventories	10	549	610	556	636
Tax Equivalent Assets	12(a)	9,188	8,952	9,188	8,952
Other	13(a)	5,105	3,144	50,412	117,213
Total Current Assets		**258,732**	**76,423**	**255,086**	**184,324**
Non-Current Assets					
Receivables	8(b)	2,061	8,161	2,061	2,084
Investments	9(b)	9,767	1,083	48,016	16
Property, Plant and Equipment	11	2,900,667	3,431,346	2,761,177	3,307,062
Tax Equivalent Assets	12(b)	58,145	62,102	57,664	62,102
Other	13(b)	19,028	19,028	19,028	19,028
Total Non-Current Assets		**2,989,668**	**3,521,720**	**2,887,946**	**3,390,292**
TOTAL ASSETS		**3,248,400**	**3,598,143**	**3,143,032**	**3,574,616**
Current Liabilities					
Payables	14	105,110	55,422	95,021	49,214
Interest-Bearing Liabilities	15(a)	32,912	201,038	30,000	201,038
Tax Equivalent Liabilities	16(a)	16,253	14,203	16,253	14,716
Provisions	17(a)	38,269	47,265	38,269	35,555
Other	18(a)	1,051	1,740	4,351	1,739
Total Current Liabilities		**193,595**	**319,667**	**183,894**	**302,262**
Non-Current Liabilities					
Interest-Bearing Liabilities	15(b)	1,178,606	879,516	1,090,018	879,516
Tax Equivalent Liabilities	16(b)	136,996	136,738	132,678	136,373
Provisions	17(b)	182,567	186,963	182,567	181,705
Other	18(b)	19,028	19,028	19,028	19,028
Total Non-Current Liabilities		**1,517,197**	**1,222,245**	**1,424,291**	**1,216,621**
TOTAL LIABILITIES		**1,710,792**	**1,541,912**	**1,608,185**	**1,518,883**
NET ASSETS		**1,537,608**	**2,056,231**	**1,534,847**	**2,055,733**
EQUITY					
Reserves	21(a)	1,348,133	1,871,166	1,348,133	1,871,166
Share of Joint Venture Equity	21(c)	1,000	1,000	-	-
Retained Profits	5	188,475	184,065	186,714	184,567
TOTAL EQUITY		**1,537,608**	**2,056,231**	**1,534,847**	**2,055,733**

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Report included on pages 87 to 116.

Statement of **Cash Flows** for the Year Ended 30 June 2005

		CONSOLIDATED		PARENT	
		2005	2004	2005	2004
	NOTE	$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from Customers		449,701	428,799	417,729	405,300
Operating Grants and Subsidies Received		6,030	6,617	6,030	6,617
Interest Received		2,654	162	3,312	162
Outflows:					
Payments to Suppliers and Employees		(232,891)	(227,074)	(196,798)	(204,889)
Interest Paid		(67,265)	(66,984)	(65,557)	(66,979)
Government Guarantee Fee		(4,019)	(3,795)	(4,019)	(3,795)
Income Tax Equivalent Paid		(29,955)	(32,864)	(29,955)	(31,369)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7(c)	**124,255**	**104,861**	**130,742**	**105,047**
CASH FLOWS FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from Sale of Property, Plant and Equipment		1,096	1,360	21,907	1,360
Dividends Received		-	9	-	9
Proceeds from Sale of Business		-	1,177	-	1,177
Outflows:					
Payment for Additional Investment in Joint Venture		(9,000)	-	-	-
Payment for Investment in Subsidiary		-	-	(48,000)	-
Payments for Property, Plant and Equipment		(79,759)	(134,097)	(76,986)	(66,354)
NET CASH USED IN INVESTING ACTIVITIES		**(87,663)**	**(131,551)**	**(103,079)**	**(63,808)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Government Guaranteed Loans		1,291,100	1,233,800	1,291,100	1,233,800
Proceeds from Non-Government Loans		91,500	-	-	-
Proceeds from Intercompany Loans		-	-	80,000	-
Repayment of Loan to Associate		5	-	5	-
Outflows:					
Repayment of Intercompany Loans		-	-	(9,649)	(67,838)
Repayments of Government Guaranteed Loans		(1,247,645)	(1,180,431)	(1,247,645)	(1,180,431)
Repayment of Treasury Loans		(3,991)	(9,369)	(3,991)	(9,369)
Amounts Advanced to Associate		-	(100)	-	(100)
Dividend Paid		(40,000)	(43,553)	(40,000)	(43,553)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**90,969**	**347**	**69,819**	**(67,491)**
NET INCREASE/(DECREASE) IN CASH		**127,561**	**(26,343)**	**97,482**	**(26,252)**
CASH AT BEGINNING OF THE YEAR		**12,937**	**39,280**	**12,890**	**39,142**
CASH AT END OF THE YEAR	7(a)	**140,498**	**12,937**	**110,372**	**12,890**

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Financial Report included on pages 87 to 116.

Notes to and forming part of the **Financial Statements** for the Year Ended 30 June 2005

1.1 DETAILS OF REPORTING ENTITY

The financial statements and notes thereto relate to Hydro-Electric Corporation, which is a Tasmanian Government Business Enterprise and a consolidated reporting entity. The Corporation was established as the Hydro-Electric Commission by the *Hydro-Electric Commission Act 1944*, and was incorporated by the *Hydro-Electric Corporation Act 1995*. The Corporation trades using the business name Hydro Tasmania.

The Corporation's Australian Business Number is 48 072 377 158. Its principal place of business is 4 Elizabeth Street, Hobart, Tasmania.

The Corporation is the electricity generator for the State of Tasmania. It operates 29 hydro power stations, one gas-fired power station and one wind farm in Tasmania and supplies Bass Strait islands via diesel and wind power generation. It is also developing wind farms and operates a consulting business.

At 30 June 2005 the Corporation had 829 full-time equivalent employees (FTEs) including directors (2004: 800 FTEs).

The Corporation established ten wholly owned subsidiary companies during the 2004/05 financial year. Full details regarding all subsidiary companies, including incorporation dates are provided in note 32.

On 8 February 2005 the Australian Securities and Investments Commission granted the Hydro-Electric Corporation an Australian Financial Services Licence – number 279796. This licence authorises the Hydro-Electric Corporation to carry on a financial services business to:

(a) provide general financial product advice only, for derivative financial products;

(b) deal in a financial product by issuing, applying for, acquiring, varying or disposing of a derivative financial product; and

(c) make a market for derivative financial products

to wholesale clients.

1.2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The significant accounting policies, which have been adopted in the preparation of these financial statements, are:

(a) Basis of Preparation

The financial statements are a general purpose financial report, which has been prepared on an accrual basis under the historical cost convention and, except where stated, does not take into account changing money values or fair values of assets. The financial statements have been prepared in accordance with:

(i) The requirements of the *Hydro-Electric Corporation Act 1995*;

(ii) The requirements of the *Government Business Enterprises Act 1995* (GBE Act) and related Treasurer's Instructions;

(iii) Australian Accounting Standards and Urgent Issues Group Consensus Views;

(iv) Other authoritative pronouncements of the professional accounting bodies; and

(v) Financial disclosure requirements of the *Corporations Act 2001*, where applicable to the operations of the Hydro-Electric Corporation and its subsidiaries, and other requirements of the law.

These accounting policies have been consistently applied by each company in the consolidated group and are consistent with those of the previous year, unless otherwise stated.

(b) Principles of Consolidation

The consolidated financial statements include the parent entity, the Corporation and its controlled entities.

The financial statements include the information and results of each controlled entity from the date on which the Corporation obtains control and until such time as the Corporation ceases to control the entity.

Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, the effects of all transactions between entities in the Group have been eliminated.

Joint Ventures

A joint venture is either an entity or an operation that is jointly controlled by the consolidated entity. The reporting of joint ventures in the financial statements is detailed in Note 1.2(q).

(c) Receivables

Trade debtors are carried at amounts due. A provision for doubtful debts is raised when doubt as to collection exists. Debts that are known to be irrecoverable are written off. Non-current receivables are recorded at recoverable amount. In determining recoverable amount expected cash flows have been discounted to their present value.

(d) Inventories

Inventories are carried at the lower of cost or net realisable value.

(e) Property, Plant and Equipment

The Corporation's hydro and Bass Strait island generation assets are recorded on a fair value basis. Fair value is determined on the basis of estimated future cash flows using assumptions which are based on commercial judgment and calculated by the application of expert knowledge from sources both internal and external to the Corporation. Fair values are reviewed at the end of each year to ensure that the carrying value of hydro generation assets is not materially different from their fair value.

Non-hydro generation assets, auxiliary assets, motor vehicles, land and buildings, minor assets and capital work-in-progress are carried at cost. Minor assets include items such as computers and office furniture.

Property, Plant and Equipment is written down to recoverable amount when carrying amount exceeds recoverable amount.

Recoverable amounts are assessed from expected cash flows which are discounted to present values.

The asset revaluation reserve is used to record increments and decrements in the fair value of hydro generation assets.

(f) Depreciation

Depreciation of Property, Plant and Equipment, other than land, is based on remaining useful lives using the straight-line method. In accordance with Australian Accounting Standard AASB1041 Accounting for the Revaluation of Non-Current Assets, the balance of accumulated depreciation is transferred to the asset account when generation assets are re-valued. Useful lives applying to each class are as follows:

	2005	2004
Generation	2 – 100 years	2 – 100 years
Auxiliary	3 – 50 years	3 – 50 years
Motor Vehicles	4 – 33 years	4 – 33 years
Minor Assets	1 – 10 years	1 – 10 years
Buildings	5 – 50 years	5 – 50 years

(g) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain but can be reliably measured.

(i) Workers Compensation

The workers compensation provision is funded to a level that will meet expected workers compensation liabilities that remain to be settled from prior to 1 July 1998 when the Corporation self-insured for workers compensation.

(ii) Onerous contracts

An onerous contract is considered to exist when the Corporation has a contract under which the unavoidable cost of meeting contractual obligations exceeds the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised future benefits.

(h) Employee Benefits

(i) Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to apply at the time of settlement, including related on-costs.

(ii) Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows expected to be made as payment for entitlements earned through employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected rate of utilisation based on historical patterns and is discounted using Commonwealth Bond rates at reporting date. The provision is allocated to current and non-current portions based on expected utilisation of entitlements in the next twelve months.

(iii) Superannuation

The Retirement Benefits Fund (RBF) is funded by employee and employer contributions. Employee contributions to the fund are transferred to independent RBF administrators while employer contributions are retained internally as a provision.

An internal interest charge, calculated by the application of market-related interest rates, is added to this provision each year after advice from the State Actuary. In accordance with Treasurer's Instructions, the Corporation systematically recognises as an expense the under-provided amount of the RBF provision over the average expected remaining working lives of existing employees.

Where employees are members of superannuation funds other than RBF, the Corporation makes contributions to complying superannuation funds as directed by the employee.

(i) Taxation

(i) Taxation Equivalent

Under the *Government Business Enterprises Act 1995* the Corporation is required to pay an income tax equivalent to the State of Tasmania as if it were a company under Commonwealth income tax laws. As a result the Corporation applies tax effect accounting principles prescribed in AAS3 Income Taxes whereby income tax expense is calculated on pre-tax accounting profit after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different from that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities as applicable.

(ii) Tax Consolidation

Legislation allowing 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 was substantively enacted on 21 October 2002.

The Corporation and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax consolidation group is Hydro-Electric Corporation.

Tax sharing agreements between the Corporation as head entity and its subsidiaries have been finalised. These agreements define the liability for tax of each member of the group and the process by which members can exit the group. As a result of these agreements amounts equivalent to the deferred tax assets and liabilities of each subsidiary are disclosed by the respective subsidiary at 30 June 2005 as intercompany loan balances as if the subsidiary were a stand-alone tax entity. Deferred tax balances transferred to the head entity in the 2004 Financial Statements have been reinstated at the beginning of the current year.

Each of the entities in the tax consolidated group has agreed to make a tax equivalent payment to the head entity based on that entity's tax payable on a stand-alone basis. Such amounts are reflected in amounts receivable or payable to other entities in the tax consolidated group.

(iii) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except :

- where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO) it is recognised as part of the cost of acquisition of the asset or as part of an expense;
- for receivables and payables which are recognised inclusive of GST.

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.

(j) Loan Portfolio Restructuring

As part of its ongoing debt management activities, the Corporation periodically restructures its loan portfolio. In doing so, capital gains/losses on the prepayment of loans are recognised in the Statement of Financial Performance.

(k) Derivative Financial Instruments

The Corporation enters into derivative financial instruments including electricity price swaps, interest rate swaps, futures, options, forward rate agreements and foreign exchange contracts to manage financial exposures.

Specific accounting treatments adopted for instruments other than foreign exchange instruments are:

i) Where derivatives are classified as hedges, which at inception and on an ongoing basis are effective in managing the designated exposure, the gains and losses arising from the derivative transactions are deferred and recognised in accordance with the timing of the recognition of the underlying transactions being hedged;

ii) Option premiums are amortised over the lives of the options;

iii) Accrued interest receivable and payable on interest rate swaps is included in current assets or liabilities in the Statement of Financial Position;

iv) Realised gains and losses on forward rate agreements, futures contracts and interest rate options are included in borrowing costs in the Statement of Financial Performance;

v) Gains and losses on interest rate futures contracts are amortised to the Statement of Financial Performance over the life of the underlying physical position where the relevant Urgent Issues Group criteria are met. Otherwise gains and losses are written off to the Statement of Financial Performance in the year incurred.

vi) The Basslink Services Agreement is accounted for in accordance with AASB 1033 Presentation and Disclosure of Financial Instruments, with the exception of foreign currency and interest rate hedge elements. Losses on the hedge of the interest rate portion as at finalisation of the Basslink Services Agreement (29 November 2002) have been deferred for amortisation over the term of the Agreement (Refer note 22).

vii) Electricity price swaps and other electricity price derivatives hedge price differences between contract prices and spot market prices. Gains and losses arising from these contracts are recognised in the Statement of Financial Performance in the year incurred.

(l) Borrowing Expenses

Expenses associated with the raising of loans are generally written off immediately. Ancillary costs including non-refundable costs associated with originating or acquiring a loan are accrued and amortised over the life of the associated borrowing.

(m) Discounted and Premium Loans

The difference between the consideration and the face value of these loans is treated as deferred interest. Deferred interest is written off over the lives of the loans and is an interest component of borrowing. As at 30 June 2005 there were no discounted loans outstanding.

(n) National Debt Sinking Fund (NDSF) Contributions

Department of Treasury and Finance loans from prior years not required to be repaid to the State are treated as revenue.

(o) Foreign Currency

All foreign currency transactions are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency amounts at balance date are translated to Australian dollars at exchange rates in effect at that date.

Gains and losses on forward exchange contracts to hedge sales and purchases of goods and services (including capital equipment) are included in the cost of the purchase.

Gains and losses on termination of forward exchange contracts that no longer represent a hedge of an underlying transaction are recognised in the Statement of Financial Performance at the date of termination.

The Basslink Services Agreement is accounted for in accordance with AASB 1033 Presentation and Disclosure of Financial Instruments, with the exception of foreign currency and interest rate hedge elements. Gains on the hedge of the foreign currency portion as at finalisation of the Basslink Services Agreement (29 November 2002) have been deferred for amortisation over the term of the Agreement (Refer note 22).

(p) General Insurance Reserve

In prior periods a general insurance reserve was set at a level that was expected to meet future costs, and the quantum of the reserve was evaluated every year by the Corporation's Treasury and Corporate Risk Group.

(q) Joint Ventures

Interests in unincorporated joint venture operations are reported in the financial statements by including the Corporation's share of the assets and liabilities of the joint

ventures and of any revenue earned or expenses incurred in relation to the joint ventures in their respective classification categories.

Interests in incorporated joint ventures are reported in the financial statements under the equity method in the consolidated financial statements and the cost method in the parent entity financial statements.

(r) Restoration Costs

Restoration costs are expensed as incurred or capitalised where appropriate.

(s) Revenue Recognition

Revenue from the sale of electricity is recognised at the time the electricity is provided to the customer. Since commencement of trading in the National Electricity Market (NEM) the sole customer has been the National Electricity Market Management Company Limited (NEMMCO). Revenue from sale of Renewable Energy Certificates is recognised at the time of sale. Consulting revenue is recognised in accordance with contractual agreements.

(t) Rounding

Amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated.

(u) Comparative Figures

Where necessary, the comparative figures for the previous period have been reclassified to facilitate comparison with the 2005 figures. Where restatement has occurred, an explanation of the restatement has been included in the relevant note.

(v) Research and Development

Research and Development expenditure is capitalised to the extent that its recoverability is assured beyond reasonable doubt, otherwise it is expensed as incurred.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

2 PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been arrived at after charging /(crediting) the following items.

(a) REVENUE AND EXPENSES

Revenue from Ordinary Activities				
Sales Revenue	399,177	378,269	378,316	378,269
Other Operating Revenue:				
Services to External Customers	33,768	29,042	33,768	27,943
Interest Received	3,685	133	3,319	133
Operating Grants and Subsidies (note 2(b))	6,030	6,617	6,030	6,617
NDSF Debt Forgiven (note 1.2(m))	11	37	11	37
Other Subsidiary Revenue	-	12,208	-	-
Subsidiary Debt Forgiven	-	6,472	-	3,530
Other	19,094	7,039	1,299	6,310
Total Revenue from Ordinary Activities	**461,765**	**439,817**	**422,743**	**422,839**
Expenses from Ordinary Activities				
Labour	83,642	74,683	83,025	73,143
Materials	60,300	59,390	56,457	63,385
Contributions to RBF Provision	18,800	17,200	18,800	17,200
Depreciation and Amortisation (notes 1.2(f), 2(e), and 11)	77,835	79,274	69,455	76,312
Other Administration Costs	64,074	63,734	42,795	47,560
Loss on disposal of Property, Plant and Equipment (note 2(d))	5,165	1,033	5,167	1,031
Bad and Doubtful Debts	(290)	71	(290)	71
Total Expenses from Ordinary Activities	**309,527**	**295,385**	**275,409**	**278,702**

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
2 PROFIT FROM ORDINARY ACTIVITIES (continued)				
(b) OPERATING GRANTS AND SUBSIDIES				
The Corporation receives a Community Service Obligation (CSO) from the State Government (note 31).	6,030	4,748	6,030	4,748
Miscellaneous Grants and Subsidies.	-	1,869	-	1,869
	6,030	**6,617**	**6,030**	**6,617**
(c) BORROWING COSTS				
Loan Interest	65,262	60,372	63,677	60,372
Swap (gain)/loss	(157)	1,089	(212)	1,089
Bank Overdraft Interest	2	2	2	2
Government Guarantee Fee	4,020	3,795	4,020	3,795
Hedging losses/debt management costs (note 6)	2,346	7,057	2,346	7,057
Other Financial Charges	53	43	53	43
	71,526	**72,358**	**69,886**	**72,358**
(d) LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT				
Proceeds from disposal	1,096	1,360	21,907	1,360
Less: Carrying value of disposed asset	6,261	2,393	27,074	2,391
Loss on disposal	**5,165**	**1,033**	**5,167**	**1,031**
(e) DEPRECIATION EXPENSE				
Generation	64,639	67,049	56,304	64,188
Auxiliary	4,268	4,424	4,268	4,422
Motor Vehicles	1,511	1,316	1,491	1,315
Minor Assets	6,552	5,759	6,527	5,721
Buildings	865	676	865	666
	77,835	**79,224**	**69,455**	**76,312**
(f) AMORTISATION EXPENSE				
Goodwill	-	50	-	-

3 INDIVIDUALLY SIGNIFICANT ITEMS

Individually significant items affecting profit from ordinary activities before income tax equivalent expense

Loan Portfolio Restructure				
Consideration value of loans	293,947	386,206	293,947	386,206
Capital value of loans	295,837	393,871	295,837	393,871
Cost on repurchase	1,891	7,665	1,891	7,665
Loss/(gain) on interest rate swap terminations	-	(1,080)	-	(1,080)
Early amortisation of losses on swaps	444	-	444	-
Early amortisation of gains on futures contracts	(183)	(117)	(183)	(117)
Total Cost of Loan Portfolio Restructure (note 6)	**2,152**	**6,468**	**2,152**	**6,468**

	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
4 INCOME TAX EQUIVALENT EXPENSE				
(a) Income Tax Equivalent Expense				
The prima facie income tax equivalent expense on pre-tax accounting profit reconciles to the income tax equivalent expense in the financial statements as follows:				
Profit from Ordinary Activities	80,396	72,140	77,448	71,779
Income tax equivalent expense calculated at 30% (2004: 30%) of operating profit	**24,119**	**21,642**	**23,234**	**21,534**
Permanent differences:				
Depreciation on revaluation increment	12,411	14,673	12,406	14,551
Other	77	276	(101)	245
Impact of the tax consolidation system:				
Initial recognition of deferred tax balances of subsidiaries	-	-	-	1,216
Net income tax expense/(benefit) arising under tax sharing agreements with wholly owned subsidiaries in the tax consolidated group	-	-	-	-
Transfer of deferred tax balances from the susidiaries on implementation of the tax sharing agreement	-	-	382	-
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group.	-	-	(3,300)	8
Net income tax equivalent arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	3,300	-
Derecognition of deferred tax balances of subsidiaries in tax consolidated group during the financial year	-	158	-	158
	12,488	15,107	12,687	16,178
Under/(over) provision of income tax equivalent expense in previous year	(621)	(88)	(621)	(1,921)
	11,867	15,019	12,066	14,257
Income tax equivalent expense attributable to operating profit	**35,986**	**36,661**	**35,300**	**35,791**
(b) Current Income Tax Equivalent Liability				
Balance at beginning of year	7,908	7,836	8,057	6,707
Current year income tax equivalent payable on profit from ordinary activities	27,560	34,087	30,828	36,331
Income tax equivalent paid	(29,807)	(34,625)	(33,254)	(33,060)
(Over)/under provision in prior year	(1,750)	610	(1,720)	(1,921)
Balance at end of year	3,911	7,908	3,911	8,057
(c) Deferred Income Tax Equivalent Liability				
Balance at beginning of year	143,032	135,120	143,032	135,120
Accounting and income tax depreciation	2,086	3,513	2,768	3,813
Other capital adjustments	3,254	401	3,254	397
Miscellaneous	106	(706)	(222)	(147)
Adjustment due to consolidation entries	-	-	(4,672)	4,672
(Over)/under provision in prior year	860	4,704	860	(823)
Balance at end of year	149,338	143,032	145,020	143,032
(d) Future Income Tax Equivalent Benefit				
Balance at beginning of year	71,054	66,870	71,054	65,510
Employee entitlements not currently deductible	1,031	713	1,031	713
Tax deferred expenditure	(4,856)	889	(841)	(49)
Miscellaneous	342	(197)	48	189
Adjustment due to consolidation entries	-	-	(4,202)	4,202
(Over)/under provision in prior year	(238)	2,779	(238)	489
Balance at end of year	67,333	71,054	66,852	71,054

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
5 RETAINED PROFITS				
Balance at the beginning of the year	184,065	182,238	184,566	182,232
Net profit from the current period	44,410	35,480	42,148	35,988
Dividend paid	(40,000)	(43,553)	(40,000)	(43,553)
Transfer of general insurance reserve (note 21 (b))	-	9,900	-	9,900
Balance at the end of the year	188,475	184,065	186,714	184,566
6 DEBT MANAGEMENT ACTIVITIES				
Debt Management Losses/(Gains) and Costs				
(i) Cost of Portfolio restructure (note 1.2(j) and 3)	2,152	6,468	2,152	6,468
(ii) Hedging instruments losses/(gains)				
Amortisation of losses on terminated interest rate swaps (note 1.2(k))	55	556	55	556
Amortisation of (gains)/losses on terminated futures contracts	(33)	28	(33)	28
Total losses on hedging instruments	22	584	22	584
(iii) State of Tasmania Treasury loan repayment fee	172	5	172	5
Total hedging losses and debt management costs (note 2(c))	2,346	7,057	2,346	7,057

7 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash Reconciliation

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and short-term money market investments net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash	10,221	2,120	192	2,073
Money market investments (*)	130,277	10,817	110,180	10,817
	140,498	12,937	110,372	12,890

(*) $2.5M of consolidated cash is not available for use and is held in a debt service reserve account in accordance with external provider requirements. $0.1M of money market investments is held in trust for the protection of eagles and orange bellied parrots.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

7 NOTES TO THE STATEMENT OF CASH FLOWS (cont.)

(b) Loan Facilities

Loan facilities through Tasmanian Public Finance Corporation (Tascorp) are unlimited, with the exception of the Committed Standby facility and Revolving Credit facility.

Details of the limit and usage are as follows:

Committed Standby Facility				
Facility limit	50,000	50,000	50,000	50,000
Less: used/committed	-	-	-	-
Balance	50,000	50,000	50,000	50,000
Revolving Credit Facility				
Facility limit	150,000	-	150,000	-
Less: used/committed	110,000	-	110,000	-
Balance	40,000	-	40,000	-
Bank Overdraft				
Facility limit	3,000	1,000	1,000	1,000
Less: used/committed	-	-	-	-
Balance	3,000	1,000	1,000	1,000
Corporate Purchasing Card				
Facility limit	7,500	7,500	7,500	7,500
Less: allocated	5,159	5,082	5,159	5,082
Balance	2,341	2,418	2,341	2,418

(c) Reconciliation of net cash provided by operating activities to operating profit after income tax equivalent expense

Operating profit after income tax equivalent expense	44,410	35,480	42,148	35,988
Depreciation and amortisation	77,835	79,274	69,455	76,312
NDSF debt forgiven	(11)	(37)	(11)	(37)
(Gain)/loss on disposal of fixed assets	5,165	1,033	5,167	1,031
(Increase)/decrease in accrued interest receivable	(1,030)	29	(7)	29
(Increase)/decrease in prepayments	(1,675)	35	(987)	(2)
Decrease/(increase) in stores and consumables	61	(62)	79	(89)
Decrease/(increase) in trade receivables	(46,466)	(8,637)	(39,853)	(6,825)
(Decrease)/increase in accrued interest payable	2,195	2,812	(455)	2,812
(Increase)/decrease in deferred taxes	6,029	4,090	2,043	3,057
Increase/(decrease) in trade creditors and accrued expenses	46,483	(20,993)	45,277	(11,055)
Increase/(decrease) in employee entitlement provisions	3,576	2,805	3,576	2,805
Net hedging debt management charges	311	1,601	311	1,601
Net movement in other asset and liability accounts	(12,628)	7,431	4,000	(580)
Net cash provided by operating activities	124,255	104,861	130,742	105,047

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

8 RECEIVABLES

(a) Current receivables

Trade receivables	103,392	51,070	84,558	44,923
Less: Provision for doubtful debts (note 1.2(c))	-	(290)	-	(290)
	103,392	50,780	84,558	44,633

(b) Non-current receivables

Receivables	2,061	8,161	2,061	2,084

Trade receivables at the end of the current year include amounts receivable from National Electricity Market Management Company reflecting the new trading conditions operating since entry to the National Electricity Market.

9 INVESTMENTS

(a) Current investments (at cost)

Money market investments	20,277	10,817	10,180	10,817
Money market investments - Revolving Credit Facility	110,000	-	100,000	-
	130,277	10,817	110,180	10,817

(b) Non-current investments (at cost)

Investment in joint venture (note 36)	9,751	1,067	-	-
Investment in subsidiaries	-	-	48,000	-
Investment in shares	16	16	16	16
	9,767	1,083	48,016	16

All money market investments have been transacted through Tascorp.

Money market investments include $110 million on deposit with Tascorp that is held as backing for an equivalent non-current borrowing under a Revolving Credit Facility (Note 15). This arrangement is in place in order to satisfy a financial condition of the Corporation's Australian Financial Services Licence

10 INVENTORIES

Stores (note 1.2(d))	549	610	556	636

11 PROPERTY, PLANT AND EQUIPMENT

The fair value of the Corporation's hydro generation assets is determined by calculating the present value of projected net cash flows of the existing hydro generation assets. Appropriate assumptions have been applied, based on the best information available for a range of relevant factors, including projections for asset lives, cost of capital, future sales volumes and prices in the National Electricity Market, operating costs and expenses and tax and inflation rates. In particular, future sales prices have been based on a combination of published data (Australian Financial Markets Association Victorian electricity forward price curve) and Corporation hydrological data (including projected storages) and Tasmanian load demand forecasts.

A revaluation of hydro generation assets has been conducted for the 2005 financial year to reflect the latest financial projections. As a result the fair value has reduced from $3.132bn to $2.535bn. The main factors affecting the revaluation are reduced revenue forecasts as a result of lower price volatility, lower recent electricity pool prices and reduced projected real price increases.

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated							
	Hydro Generation at fair value $'000	Generation at cost $'000	Auxiliary at cost $'000	Motor Vehicles at cost $'000	Land & Buildings at cost $'000	Minor Assets at cost $'000	Capital Work in Progress at cost $'000	Total $'000
Gross Carrying Amount								
Balance at the beginning of the year	3,132,786	28,668	48,376	8,639	13,297	44,459	223,895	3,500,120
Additions	319	-	1	3,014	-	3,601	73,631	80,566
Disposals	(4,000)	-	-	(2,211)	-	(2,490)	-	(8,701)
Transfers	(14,271)	119,091	667	-	1,130	2,413	(109,030)	-
Net revaluation decrements	(523,033)	-	-	-	-	-	-	(523,033)
Other	-	-	-	-	-	(119)	(5,269)	(5,388)
Balance at the end of the year	2,591,801	147,759	49,044	9,442	14,427	47,864	183,227	3,043,564
Accumulated Depreciation								
Balance at the beginning of the year	-	3,156	31,759	3,016	911	29,931	-	68,773
Disposals	-	-	-	(1,372)	-	(2,339)	-	(3,711)
Depreciation expense	56,304	8,335	4,268	1,511	865	6,552	-	77,835
Other	-	-	-	-	-	-	-	-
Balance at the end of the year	56,304	11,491	36,027	3,155	1,776	34,144	-	142,897
Net Book Value								
As at 30 June 2004	3,132,786	25,512	16,617	5,623	12,386	14,528	223,895	3,431,347
As at 30 June 2005	2,535,497	136,268	13,017	6,287	12,651	13,720	183,227	2,900,667

The financial reports for the year ended 30 June 2004 reported generation assets of subsidiary company Bell Bay Power Pty Ltd as being at fair value. These assets have been redesignated as being carried at cost in this financial report. This correction of disclosure has had no impact on the carrying value of the assets.

Woolnorth Bluff Point Wind Farm assets that were included within the generation assets at fair value in the 2004 financial statements have been sold to subsidiary company Woolnorth Bluff Point Wind Farm Pty Ltd during 2005, and are carried in the accounts of the subsidiary company at cost.

The total Other is represented by the write down of feasibility studies and generation capital work in progress that is deemed operating expenditure on the basis of low probability of proceeding.

	Parent						
	Generation at fair value $'000	Auxiliary at cost $'000	Motor Vehicles at cost $'000	Land & Buildings at cost $'000	Minor Assets at cost $'000	Capital Work in Progress at cost $'000	Total $'000
Gross Carrying Amount							
Balance at the beginning of the year	3,132,917	48,366	8,538	12,188	43,875	126,357	3,372,241
Additions	319	1	2,974	-	3,596	72,029	78,919
Disposals	(26,095)	-	(2,185)	-	(2,490)	-	(30,770)
Transfers	7,824	667	-	1,130	2,413	(12,034)	-
Net revaluation decrements	(523,033)	-	-	-	-	-	(523,033)
Other	-	-	-	-	(119)	(5,112)	(5,231)
Balance at the end of the year	2,591,932	49,034	9,327	13,318	47,275	181,240	2,892,126
Accumulated Depreciation							
Balance at the beginning of the year	-	31,752	2,966	901	29,560	-	65,179
Disposals	-	-	(1,346)	-	(2,339)	-	(3,685)
Depreciation expense	56,304	4,268	1,491	865	6,527	-	69,455
Other	-	-	-	-	-	-	-
Balance at the end of the year	56,304	36,020	3,111	1,766	33,748	-	130,949
Net Book Value							
As at 30 June 2004	3,132,917	16,614	5,572	11,287	14,315	126,357	3,307,062
As at 30 June 2005	2,535,628	13,014	6,216	11,552	13,527	181,240	2,761,177

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
12 TAX ASSETS				
(a) Current tax equivalent assets				
Future income tax benefit	9,188	8,952	9,188	8,952
(b) Non-current tax equivalent assets				
Future income tax benefit	58,145	62,102	57,664	62,102
13 OTHER ASSETS				
(a) Other current assets				
Interest accrued	1,033	2	9	2
Prepayments	3,695	2,020	3,008	2,020
Unamortised hedging costs	246	1,009	246	1,009
Loans to subsidiaries	-	-	47,018	114,069
Loans to associates	95	100	95	100
Miscellaneous	36	13	36	13
	5,105	3,144	50,412	117,213
(b) Non current assets				
Deferred hedging settlement	19,028	19,028	19,028	19,028
14 PAYABLES				
Trade creditors	82,649	35,693	75,259	29,540
Accrued expenses	1,904	1,367	1,855	1,312
Accrued interest payable	20,557	18,362	17,907	18,362
	105,110	55,422	95,021	49,214

All trade creditors and accrued expenses are unsecured. Trade creditors at the end of the current year include amounts owing under electricity price hedges with Aurora reflecting the new trading conditions operating since entry into the National Electricity Market.

15 INTEREST BEARING LIABILITIES

All semi-government loans have been transacted through Tascorp. Loans maturing within one year that had an original term greater than one year and for which there is an existing arrangement with Tascorp to refinance the loan have been classified as non-current liabilities.

(a) Current interest-bearing liabilities				
Tascorp loans	30,000	201,038	30,000	201,038
Bank loans - secured	2,912	-	-	-
	32,912	201,038	30,000	201,038
(b) Non-current interest-bearing liabilities				
Tascorp loans	980,018	875,525	980,018	875,525
Tascorp loans - Revolving Credit Facility	110,000	-	110,000	-
Bank loans - secured	88,588	-	-	-
State of Tasmania Treasury loans	-	3,991	-	3,991
	1,178,606	879,516	1,090,018	879,516
(c) Total interest-bearing liabilities				
Tascorp loans	1,120,018	1,076,563	1,120,018	1,076,563
Bank loans - secured	91,500	-	-	-
State of Tasmania Treasury loans	-	3,991	-	3,991
	1,211,518	1,080,554	1,120,018	1,080,554

The Bank Loan is secured by fixed and floating charges over all present and future rights, property and undertakings of Woolnorth Bluff Point Wind Farm Pty Ltd and its parent entity, Woolnorth Bluff Point Holdings Pty Ltd. There is no recourse to the Corporation.

Tascorp loans include $110 million that is held as backing for an equivalent current investment (Note 9). This arrangement is in place in order to satisfy a financial condition of the Corporation's Australian Financial Services Licence.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

15 INTEREST BEARING LIABILITIES (cont.)

(d) Discounted and Premium Loans

These amounts represent the consideration value of loans borrowed by the Corporation. The difference between the consideration and the face value is deferred interest (or discount/premium). Deferred interest is written off over the lives of the loans and is an interest component of borrowing.

As at 30 June 2005 there were no discounted loans outstanding.

Discounted loans				
Discount written off during the year	-	1,528	-	1,528
Premium loans				
Premium written off during the year	507	1,104	507	1,104
Book value of loans	50,018	50,525	50,018	50,525
Less: Premium to be written off	18	525	18	525
Face value of loans	50,000	50,000	50,000	50,000

The premium on these loans is written off to the Statement of Financial Performance over the term of the loans and effectively reduces the interest paid.

16 TAX LIABILITIES

(a) Current income tax equivalent liabilities

Deferred income tax equivalent liability	12,342	6,294	12,342	6,660
Income tax equivalent payable	3,911	7,908	3,911	8,057
	16,253	14,203	16,253	14,716

(b) Non-current income tax equivalent liability

Deferred income tax equivalent liability	136,996	136,738	132,678	136,373

17 PROVISIONS

(a) Current provisions

Employee entitlements (note 19)	38,269	35,555	38,269	35,555
Trading losses (note 20)	-	11,710	-	-
Total current provisions	38,269	47,265	38,269	35,555

(b) Non-current provisions

Employee entitlements (note 19)	182,537	181,675	182,537	181,675
Other non-current provisions (note 20):				
Workers compensation	30	30	30	30
Trading losses	-	5,258	-	-
Total non-current provisions	182,567	186,963	182,567	181,705
Total Provisions	220,836	234,228	220,836	217,260

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

18 OTHER LIABILITIES

(a) Other current liabilities

Tax equivalent loans from subsidiaries (Note 1.2(i))	-	-	3,300	-
Income received in advance	698	787	698	786
Deferred hedging gains	343	442	343	442
Miscellaneous	10	511	10	511
	1,051	1,740	4,351	1,739

(b) Other non-current liabilities

Deferred hedging gains	19,028	19,028	19,028	19,028

19 EMPLOYEE BENEFITS

(a) The aggregate employee benefit liability recognised in the financial statements is as follows:

Provision for employee benefits:				
Current	38,269	35,555	38,269	35,555
Non-current	182,537	181,675	182,537	181,675
Accrued Wages & Salaries (i)	1,265	768	1,238	768
	222,071	217,998	222,044	217,998

(i) Accrued Wages & Salaries are included in Accrued expenses in Note 14 to the financial statements.

(b) Retirement Benefits Fund (RBF) Provision

RBF provides benefits for eligible employees or their spouse on retirement or death.

The provision is funded by employee and employer contributions. Employee contributions to the funds are transferred to independent RBF administrators, while employer contributions are retained internally as a provision.

Each year, the State Actuary conducts a valuation of the past service and accrued liabilities within the RBF defined benefit scheme at the reporting date. Any shortfall between the value of these benefits and the market value of RBF assets relevant for those members determines the value of any unfunded superannuation liability. The amount of this unfunded liability provided for by the Corporation is shown as a liability in the Statement of Financial Position (note 19(a)).

The funding status of the Corporation's share of the liabilities of the defined benefit scheme at the reporting date, based on actuarial valuations, is summarised as follows.

Retirement Benefits Act 1993

Vested benefits	317,414	315,825	317,414	315,825
Accrued benefits	301,411	300,876	301,411	300,876
Less: Net market value of plan assets relevant to the Corporation	(78,707)	(78,426)	(78,707)	(78,426)
Deficit (Unfunded past service liability)	222,704	222,450	222,704	222,450

The categories and respective liabilities, as determined by the State Actuary at 30 June 2005, for the different member classes of members of RBF are:

Contributory members	53,653	51,075	53,653	51,075
Pensioners	157,632	160,371	157,632	160,371
Retained Benefit Account	11,419	11,004	11,419	11,004
Total liability as at the end of the year	222,704	222,450	222,704	222,450
Balance of the RBF provision as at the end of the year	203,051	200,295	203,051	200,295
Amount under provided	(19,653)	(22,155)	(19,653)	(22,155)

In accordance with Treasurer's Instructions, the Corporation is required to systematically recognise as an expense the under-provided amount of $19.7M (2004: $22.2M) over the average expected remaining working lives of existing employees.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
19 EMPLOYEE BENEFITS (cont.)				
The balance of the RBF provision in the Financial Statements of the Corporation was as follows:				
Balance at the beginning of the year	200,295	198,635	200,295	198,635
Add: Expense for the current year:				
Contributions for the cost of the current year's service	3,214	2,950	3,214	2,950
Interest added to provision	15,589	14,600	15,589	14,600
Add contribution to under provision	3,211	2,600	3,211	2,600
Total Contributions to RBF provision	22,014	20,150	22,014	20,150
	222,309	218,785	222,309	218,785
Less: Payments made to RBF	(19,258)	(18,490)	(19,258)	(18,490)
Balance at the end of the year	203,051	200,295	203,051	200,295
Represented by:				
Current	27,907	25,641	27,907	25,641
Non-current	175,144	174,654	175,144	174,654
Balance at the end of the year	203,051	200,295	203,051	200,295

The Corporation meets the Superannuation Guarantee obligations for all employees.

20 PROVISION RECONCILIATION

	Consolidated	
	Workers Compensation (i)	Trading Losses (ii)
	$'000	$'000
Balance at the beginning of the year	30	16,968
Reductions arising from payments/other sacrifices of future economic benefits	-	(4,988)
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	(11,980)
Balance at the end of the year	30	-
Represented by:		
Current	-	-
Non-Current	30	-
Balance at the end of the year	30	-

	Parent	
	Workers Compensation (i)	Trading Losses (ii)
	$'000	$'000
Balance at the beginning of the year	30	-
Reductions arising from payments/other sacrifices of future economic benefits	-	-
Reductions resulting from the re-measurement of the estimated future sacrifice or the settlement of the provision without cost to the entity	-	-
Balance at the end of the year	30	-
Represented by:		
Current	-	-
Non-Current	30	-
Balance at the end of the year	30	-

(i) The workers compensation provision is funded to a level that will meet expected workers compensation liabilities that remain to be settled from prior to 1 July 1998 when the Corporation self-insured for workers compensation.
(ii) A review of the basis for the provision for trading losses of Bell Bay Power Pty Ltd has been undertaken resulting in the removal of the provision from the statement of financial position of Bell Bay Power Pty Ltd (note 1.2(g)). Bell Bay Power Station is regarded as part of the entire generation grid in which the cost of production per MWh is less than the revenue earned per MWh. Hence no onerous contract is considered to exist and therefore no provision is required.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

21 RESERVES

(a) Reserves comprise

Asset revaluation reserve (note 1.2(e))	1,348,133	1,871,166	1,348,133	1,871,166

(b) Movements in Reserves and Transfers (to)/from Retained Profits (note 5)

General insurance reserve (note 1.2(p))

Balance at the beginning of the year	-	9,900	-	9,900
Less transfers to retained profits	-	(9,900)	-	(9,900)
Balance at the end of the year	-	-	-	-

Asset revaluation reserve (note 1.2(e))

Balance at the beginning of the year	1,871,166	1,871,166	1,871,166	1,871,166
Less: Asset revaluation decrement	(523,033)	-	(523,033)	-
Balance at the end of the year	1,348,133	1,871,166	1,348,133	1,871,166

(c) Share of Joint Venture Equity	1,000	1,000	-	-

The Financial Report for the year ended 30 June 2004 reported Share of Joint Venture Equity as Other Reserves.

22 FINANCIAL INSTRUMENTS DISCLOSURES

Financial instruments are used by the Corporation to manage exposures relating to its loan portfolio and present and future major projects. The administration of all financial instruments, and the monitoring of credit limits, is strictly controlled in accordance with the requirements of the Corporation's Treasury Policy Statement and relevant accounting standards.

(a) Derivative Financial Instruments

Objectives and significant terms and conditions

Interest Rate Swaps

The Corporation has entered into interest rate swap contracts to achieve an interest rate exposure profile that is consistent with the long-term cash flow stability and the interest rate management strategy of the Corporation. All interest rate swaps hedge identified loans.

(i) Debt Portfolio

At 30 June 2005 the fixed rates varied from 4.8% to 6.3% (2004: 4.8% to 6.3%). The floating rates were based on bank bill rates and these varied from 5.7% to 5.9% (2004: 5.5% to 5.6%).

The remaining terms and notional principal amounts of the Corporation's outstanding interest rate swap contracts at balance date were:

Not later than one year	60,000	-	60,000	-
Over one year and up to five years	183,400	113,400	183,400	113,400
Later than five years	118,625	40,000	50,000	40,000
Total	362,025	153,400	293,400	153,400

(ii) Basslink Project

Basslink Services Agreement and Floating Facility Fee Instrument

The Basslink Services Agreement (BSA) and Floating Facility Fee Instrument (FFFI) establish the rights and obligations of both parties including the monthly Basslink Facility Fee (BFF) payments by the Corporation to Basslink Pty Ltd (BPL).
The agreements are financial instruments whereby the Corporation is committed to make payments to BPL over the term of the contract should BPL meet its obligations to keep the link available.

The BSA commences upon successful commissioning of the Basslink project, and is for a term of 25 years. By entering into the BSA, the Corporation has effectively gained access to the whole National Electricity Market.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

22 FINANCIAL INSTRUMENTS DISCLOSURES (cont.)

The Corporation has the right to receive the Inter-Regional Settlements Residue (IRR) created by the northbound and southbound power flows between Tasmania and Victoria. An IRR represents the difference between the pool price in two electricity markets.

The Corporation has committed to sell the right to receive IRRs relating to power flows from Victoria to Tasmania.

The Basslink Facility Fee obligations include an interest rate exposure similar to that of a floating interest rate exposure on amortising debt.

The remaining term and notional principal for these instruments at balance date were:

Later than five years	599,810	599,810	599,810	599,810
Total	599,810	599,810	599,810	599,810

The notional principal amortises over the 25 year period to $306.2M.

Basslink Facility Fee Swap

Derivatives entered into during 2003 for the Basslink project eliminate the financial market risks which arise from the Basslink Facility Fee payments including:

- the foreign exchange risk inherent in the Facility Fee payment obligation. This resulted in a hedge gain recorded on the Statement of Financial Position as a deferred settlement asset and deferred settlement liability of $27.7m which will be amortised over the term of the BSA.

- the construction interest rate risk inherent in the Facility Fee payment obligation. This resulted in a hedge cost recorded on the Statement of Financial Position as a deferred cost and deferred settlement liability of $8.7m which will be amortised over the term of the BSA.

The net hedge gain from these derivatives of $19.028m is recorded as a deferred gain (note 18) and a deferred settlement (note 13).

The Basslink Facility Fee Swap (BFFS) commences upon successful commissioning of the Basslink project, and is for a term of 25 years.

The BFFS swaps the floating interest rate exposure in the BFF payments for an inherent fixed interest rate of 7.41%.

The remaining term and notional principal amount for this instrument at balance date was:

Later than five years	599,810	599,810	599,810	599,810
Total	599,810	599,810	599,810	599,810

The notional principal amortises over the 25 year period to $306.2M.

Basslink Credit Swaps

While the Basslink Facility Fee Swap transaction has been executed with a single counterparty, the Corporation has also entered into supplementary interest rate swap transactions with other counterparties to mitigate the potential credit risk associated with a single counterparty.

These swaps are readily tradeable financial instruments.

(iii) Electricity Price Hedges

Exposure to fluctuations in market prices is minimised through the use of hedging contracts executed in accordance with Board approved policy and guidelines.

The Corporation enters into forward electricity price contracts to limit exposure to pool price variations for current contracted industrial and retail customer load. Contract volumes for many of the Corporation's current contracts are determined by the actual load experienced in the contract period. Realised gains and losses from this activity are included in the operating result for the year.

Any valuation of these contracts must be based on readily available future price estimates in an active market. The Corporation's electricity hedge portfolio is predominantly of a nature for which independent market prices are not readily available. In addition, in respect to a small number of minor hedges, no market for future electricity prices has yet been established in Tasmania due to the very recent inclusion of Tasmania in the National Electricity Market (NEM).

Hence, no fair value can be reliably estimated for these derivative instruments.

No ultimate gain or loss to the Corporation is anticipated as the hedge contracts result in net revenue being earned at prices approximately equivalent to contracted positions prior to the introduction of NEM.

(b) Interest Rate Exposures

The Corporation's portfolio exposure to interest rates on financial instruments at 30 June 2005 was:

22 FINANCIAL INSTRUMENTS DISCLOSURES (continued)

CONSOLIDATED As at 30 June 2005	Weighted Average Effective Interest Rate %	Floating Interest Rate $'000	Fixed Interest Rate Maturing			Non Interest Bearing $'000	Total $'000
			1 year or less $'000	1 to 5 years $'000	Over 5 years $'000		
Financial Assets							
Cash	5.4	10,221	-	-	-	-	10,221
Investments	5.4	130,277	-	-	-	-	130,277
Receivables	-	-	-	-	-	105,453	105,453
Other Assets	-	-	-	-	-	20,438	20,438
Total Financial Assets		140,498	-	-	-	125,891	266,389
Financial Liabilities							
Bank Overdrafts and Loans	6.2	586,500	110,018	435,000	80,000	-	1,211,518
Interest Rate Swaps							
- Pay Fixed/Rec. Floating	5.5	(362,025)	60,000	183,400	118,625	-	-
Forward Rate Agreements	5.7	(30,000)	30,000	-	-	-	-
Credit Swaps							
- Pay Fixed/Rec. Floating	6.5	(667,301)	-	-	667,301	-	-
- Rec. Fixed/Pay Floating	6.5	667,301	-	-	(667,301)	-	-
Basslink Facility Fee Swap	7.4	(599,810)	-	-	599,810	-	-
Floating Facility Fee Instrument	4.8	599,810	-	-	(599,810)	-	-
Accounts Payable	-	-	-	-	-	105,110	105,110
Other Liabilities	-	-	-	-	-	19,381	19,381
Total Financial Liabilities		194,475	200,018	618,400	198,625	124,491	1,336,009
Net Financial Assets /(Liabilities)		(53,977)	(200,018)	(618,400)	(198,625)	1,400	(1,069,620)

PARENT As at 30 June 2005	Weighted Average Effective Interest Rate %	Floating Interest Rate $'000	Fixed Interest Rate Maturing			Non Interest Bearing $'000	Total $'000
			1 year or less $'000	1 to 5 years $'000	Over 5 years $'000		
Financial Assets							
Cash	5.4	192	-	-	-	-	192
Investments	5.4	110,180	-	-	-	-	110,180
Receivables	-	-	-	-	-	86,619	86,619
Other Assets	-	-	-	-	-	66,432	66,432
Total Financial Assets		110,372	-	-	-	153,051	263,423
Financial Liabilities							
Bank Overdrafts and Loans	6.1	495,000	110,018	435,000	80,000	-	1,120,018
Interest Rate Swaps							
- Pay Fixed/Rec. Floating	5.6	(293,400)	60,000	183,400	50,000	-	-
Forward Rate Agreements	5.7	(30,000)	30,000	-	-	-	-
Credit Swaps							
- Pay Fixed/Rec. Floating	6.5	(667,301)	-	-	667,301	-	-
- Rec. Fixed/Pay Floating	6.5	667,301	-	-	(667,301)	-	-
Basslink Facility Fee Swap	7.4	(599,810)	-	-	599,810	-	-
Floating Facility Fee Instrument	4.8	599,810	-	-	(599,810)	-	-
Accounts Payable	-	-	-	-	-	95,021	95,021
Other Liabilities	-	-	-	-	-	19,381	19,381
Total Financial Liabilities		171,600	200,018	618,400	130,000	114,402	1,234,420
Net Financial Assets /(Liabilities)		(61,228)	(200,018)	(618,400)	(130,000)	38,649	(970,997)

22 FINANCIAL INSTRUMENTS DISCLOSURES (continued)

CONSOLIDATED							
As at 30 June 2004							
	Weighted Average Effective Interest Rate %	Floating Interest Rate $'000	Fixed Interest Rate Maturing			Non Interest Bearing $'000	Total $'000
			1 year or less $'000	1 to 5 years $'000	Over 5 years $'000		
Financial Assets							
Cash	5.4	2,120	-	-	-	-	2,120
Investments	5.4	10,817	-	-	-	-	10,817
Receivables	-	-	-	-	-	58,941	58,941
Other Assets	-	-	-	-	-	20,152	20,152
Total Financial Assets		12,937	-	-	-	79,093	92,030
Financial Liabilities							
Bank Overdrafts and Loans	6.1	358,038	94,991	547,525	80,000	-	1,080,554
Interest Rate Swaps							
- Pay Fixed/Rec. Floating	5.5	(153,400)	-	113,400	40,000	-	-
Credit Swaps							
- Pay Fixed/Rec. Floating	6.5	(667,301)	-	-	667,301	-	-
- Rec. Fixed/Pay Floating	6.5	667,301	-	-	(667,301)	-	-
Basslink Facility Fee Swap	7.4	(599,810)	-	-	599,810	-	-
Floating Facility Fee Instrument	4.8	599,810	-	-	(599,810)	-	-
Accounts Payable	-	-	-	-	-	55,422	55,422
Other Liabilities	-	-	-	-	-	19,981	19,981
Total Financial Liabilities		204,638	94,991	660,925	120,000	75,403	1,155,957
Net Financial Assets /(Liabilities)		(191,701)	(94,991)	(660,925)	(120,000)	3,690	(1,063,927)

PARENT							
As at 30 June 2004							
	Weighted Average Effective Interest Rate %	Floating Interest Rate $'000	Fixed Interest Rate Maturing			Non Interest Bearing $'000	Total $'000
			1 year or less $'000	1 to 5 years $'000	Over 5 years $'000		
Financial Assets							
Cash	5.4	2,073	-	-	-	-	2,073
Investments	5.4	10,817	-	-	-	-	10,817
Receivables	-	-	-	-	-	46,717	46,717
Other Assets	-	-	-	-	-	134,221	134,221
Total Financial Assets		12,890	-	-	-	180,938	193,828
Financial Liabilities							
Bank Overdrafts and Loans	6.1	358,038	94,991	547,525	80,000	-	1,080,554
Interest Rate Swaps							
- Pay Fixed/Rec. Floating	5.5	(153,400)	-	113,400	40,000	-	-
Credit Swaps							
- Pay Fixed/Rec. Floating	6.5	(667,301)	-	-	667,301	-	-
- Rec. Fixed/Pay Floating	6.5	667,301	-	-	(667,301)	-	-
Basslink Facility Fee Swap	7.4	(599,810)	-	-	599,810	-	-
Floating Facility Fee Instrument	4.8	599,810	-	-	(599,810)	-	-
Accounts Payable	-	-	-	-	-	49,213	49,213
Other Liabilities	-	-	-	-	-	19,981	19,981
Total Financial Liabilities		204,638	94,991	660,925	120,000	69,194	1,149,748
Net Financial Assets /(Liabilities)		(191,748)	(94,991)	(660,925)	(120,000)	111,744	(955,920)

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
22 FINANCIAL INSTRUMENTS DISCLOSURES (cont.)				
Weighted Average Cost of Debt	6.19%	6.14%	6.10%	6.14%

(c) Net Fair Values

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Current Investments: The carrying amount approximates fair value (note 9(a)).

Current Receivables and Payables: The carrying amount approximates fair value (note 8 and 14).

Forward Foreign Exchange Contracts: The fair value of forward foreign exchange contracts is determined as the recognised gain or loss at balance date calculated by reference to current forward exchange contracts with similar maturity profiles.

Non-Electricity Derivative Transactions: These are only used for the purpose of hedging financial exposures that arise. Therefore net fair values should not be assessed in isolation. The overall impact should take account of the underlying exposures being hedged.

Interest rate swaps are valued at current market quoted prices.

Other Current Assets: The carrying amount approximates fair value (note 13). In accordance with AAS 33 Presentation and Disclosure of Financial Instruments prepayments are not included.

Other Current Liabilities: The carrying amount approximates fair value (note 18(a)).

Fixed rate loans are valued at current risk adjusted market rates.

Basslink Services Agreement

The net fair value of the BSA is presented as an unfavourable amount and represents the net present value of the facility fee payments and the security deposit less the estimated revenue from the Inter-Regional Settlements Residues.

A nominal discount rate of 10.8% has been used being the pre-tax weighted average cost of capital as at 30 June 2005. The future cash flows from the Inter-Regional Settlements Residues have been calculated using a base case simulation being a combination of published data (AFMA Victorian electricity foward price curve), internal hydrological data (including commencement storages), Tasmanian load demand forecasts and water value curves.

The cash flows included in the fair value of the BSA are limited to the contractual elements of the agreement as required by accounting standards. Fair value disclosure in this note does not include the revenue from fixed contract, spot and contract trading of electricity in the National Electricity Market as anticipated at the time of approval of the Basslink Project by the Board of the Corporation. In addition, benefits expected from operational efficiencies, system optimisation, strategic development of renewable generation assets and hydrological offsets have not been included in fair value. In contrast, the calculation of the fair value of generation assets has included all these benefits and obligations of Basslink resulting in a positive contribution to asset fair value.

The assumptions used to calculate fair value are based on commercial judgment and are calculated by the application of externally sourced data and internal expert knowledge of the Corporation's hydrological production.

The BSA is not a readily tradeable financial instrument.

Basslink Facility Fee Derivatives

Floating Facility Fee Instrument and Facility Fee Swap: The net fair values of these derivatives have been calculated using a net present value methodology based on the contractual obligations using a 25 year forward start market rate of 5.69% as at 30 June 2005. Neither derivative instrument is a readily tradeable financial instrument.

22 FINANCIAL INSTRUMENTS DISCLOSURES (continued)

The net fair values of financial assets and financial liabilities as at 30 June 2005 were:

	Consolidated				Parent			
	Carrying Amount 2005 $'000	Net Fair Value 2005 $'000	Carrying Amount 2004 $'000	Net Fair Value 2004 $'000	Carrying Amount 2005 $'000	Net Fair Value 2005 $'000	Carrying Amount 2004 $'000	Net Fair Value 2004 $'000
Financial Assets								
Cash	10,221	10,221	2,120	2,120	192	192	2,073	2,073
Investments	130,277	130,277	10,817	10,817	110,180	110,180	10,817	10,817
Receivables	105,453	105,453	58,941	58,941	86,619	86,619	46,717	46,717
Other Assets	20,438	20,438	20,152	20,152	66,432	66,432	134,221	134,221
	266,389	266,389	92,030	92,030	263,423	263,423	193,828	193,828
Financial Liabilities								
State of Tasmania Treasury Loans	-	-	3,991	3,892	-	-	3,991	3,892
Tascorp Loans	1,120,018	1,145,571	1,076,563	1,076,299	1,120,018	1,145,571	1,076,563	1,076,299
Bank Loans - Secured	91,500	99,365	-	-	-	-	-	-
Accounts Payable	105,110	105,110	55,422	55,422	95,021	95,021	49,213	49,213
Other Liabilities	19,381	19,381	19,981	19,981	19,381	19,381	19,981	19,981
	1,336,009	1,369,427	1,155,957	1,155,594	1,234,420	1,259,973	1,149,748	1,149,385
Financial Assets/(Liabilities)								
Basslink Services Agreement	-	(436,800)	-	(429,400)	-	(436,800)	-	(429,400)
Basslink Facility Fee Instruments	-	(273,100)	-	(245,500)	-	(273,100)	-	(245,500)
Credit Swaps	1,112	79,907	1,510	29,850	1,112	79,907	1,510	29,850
Credit Swaps	(1,112)	(79,907)	(1,510)	(29,850)	(1,112)	(79,907)	(1,510)	(29,850)
Interest Rate Swaps	229	1,092	126	2,531	229	1,092	126	2,531
Interest Rate Swaps	(110)	(4,360)	(112)	(427)	(54)	(1,687)	(112)	(427)
Forward Rate Agreements	-	(13)	-	-	-	(13)	-	-
Forward Foreign Exchange Contracts	(355)	(355)	(405)	(405)	(355)	(355)	(405)	(405)
Forward Foreign Exchange Contracts	379	379	882	882	379	379	882	882
	143	(713,157)	491	(672,319)	199	(710,484)	491	(672,319)

(d) Liquidity Risk

Liquidity risk arises from the possibility that the Corporation may be unable to settle a transaction on the due date. To manage this risk, the Corporation has adequate stand-by facilities and other funding arrangements in place.

(e) Credit Risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The Corporation measures credit risk as the positive revaluation of financial instruments plus a potential exposure of investments.

The Corporation reduces this risk by only transacting with treasury counterparties of a high quality. Interest rate swaps are subject to the industry recommended International Swap Dealers Association (ISDA) documentation. Where possible this documentation contains clauses enabling the netting of exposures. The credit exposure of a financial instrument is its positive market revaluation at the reporting date. A potential exposure, broadly in line with Reserve Bank guidelines, is calculated on all interest rate swaps. The total exposure to interest rate swaps is also limited to a notional allocation as part of the Corporation's capital base.

	CONSOLIDATED		PARENT	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Credit Risk Exposure by Instrument Type				
Financial Assets				
Investments and bank balances	33,665	14,783	11,530	14,783
Financial Instruments				
Foreign exchange contracts	49,955	40,289	46,524	40,289
Basslink Facility Fee Swap	916	2,266	916	2,266
Futures Contracts	63,356	63,356	63,356	63,356
Total Credit Risk Exposure	147,892	120,694	122,326	120,694

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

22 FINANCIAL INSTRUMENTS DISCLOSURES (cont.)

Credit Risk Exposure by Institutions Ratings

Australian Based Institutions				
AA+ to AA- ratings	74,786	51,088	49,220	51,088
A+ to A ratings	63,356	63,356	63,356	63,356
	138,142	114,444	112,576	114,444
Overseas Based Institutions				
A+ to A ratings	9,750	6,250	9,750	6,250
Total Credit Risk Exposure	147,892	120,694	122,326	120,694

23 FOREIGN EXCHANGE

Forward Foreign Exchange Contracts

The Corporation enters into Forward Foreign Exchange contracts to buy and sell specified amounts of various foreign currencies in the future at pre-determined rates. The contracts are entered into to hedge purchase and sale commitments denominated in foreign currencies.

It is the Corporation's policy to enter into forward foreign exchange contracts to hedge all foreign currency exposures greater than a level approved by the Board of the Corporation as soon as they are recognised.

These hedges are maintained until the exposures expire and may extend for a number of years.

(a) Gains / (losses)

(i) The balance of realised hedge gains / (losses) relates to forward foreign exchange contracts for the purchase of miscellaneous equipment. The contracts for the purchase of these assets have not been finalised as at 30 June 2005 as the amounts hedged are not yet due for payment. The Corporation expects the balance of deferred hedge gains /(losses) to be transferred to the underlying assets by 30 June 2006.	325	207	325	207
(ii) Gains/(losses) realised on foreign currency hedges and revaluation of open hedges, recognised in net profit during the year ended 30 June 2005.	(193)	(67)	(193)	(67)

(b) Non-hedged foreign currency balances

The Australian dollar equivalents of foreign currency balances in the Financial Statements which are not effectively hedged, including bank account balances, were as follows:	5	48	5	48

(c) Open hedge contracts

The settlement dates and dollar amounts to be paid on the Corporation's outstanding open hedge contracts as at 30 June 2005 were:

	2005 Consolidated		2004 Consolidated	
	AUD Payables Due	AUD Receivables Due	AUD Payables Due	AUD Receivables Due
	2005	2005	2004	2004
	$'000	$'000	$'000	$'000
Not later than one year	8,066	3,569	19,927	8,128
Later than one year but not later than two years	1,463	2,220	1,245	640
Later than two years	-	783	1,463	3,004
	9,529	6,572	22,635	11,772

(c) Open hedge contracts (cont.)

	2005 Parent		2004 Parent	
	AUD Payables Due	AUD Receivables Due	AUD Payables Due	AUD Receivables Due
	2005	2005	2004	2004
	$'000	$'000	$'000	$'000
Not later than one year	8,066	3,569	19,927	8,128
Later than one year but not later than two years	1,463	2,220	1,245	640
Later than two years	-	783	1,463	3,004
	9,529	6,572	22,635	11,772

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

24 SEGMENT REPORTING

The Corporation operates predominantly in the electricity generation business. The Corporation's operations and customers are located predominantly in one geographical segment being Tasmania, Australia. The Corporation's principal activity is the generation and sale of electricity and related products.

25 COMMITMENTS FOR EXPENDITURE

(a) Capital expenditure commitments

Not later than 1 year	16,365	19,950	15,218	17,160
Over 1 year and up to 2 years	2,200	310	2,200	-
Over 2 years and up to 5 years	1,530	-	1,530	-
	20,095	20,260	18,948	17,160

The above items relate to the Corporation's commitments for capital expenditure.

(b) Lease commitments

(i)	Rental Expense:			
	Minimum Lease Payment	2,198	3,124	2,198	3,124
(ii)	Future Committed Lease Payments:			
	Not later than 1 year	485	1,924	485	1,924
	Over 1 year and up to 2 years	240	149	240	149
	Over 2 years and up to 5 years	47	201	47	201
		772	2,274	772	2,274

The majority of the Corporation's leases are for office accommodation.

Payments made under operating leases are expensed as incurred over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(c) Other commitments

Not later than 1 year	116,549	141,932	98,992	140,007
Over 1 year and up to 2 years	103,535	113,417	99,983	111,822
Over 2 years and up to 5 years	289,082	290,995	278,049	286,728
Later than 5 years and up to 25 years	2,007,855	2,013,509	1,987,652	2,013,509
	2,517,021	2,559,853	2,464,676	2,552,066

Other commitments include forecast Basslink Facility Fee payments of $2.3bn (2004:$2.5bn). These have not been discounted and do not include projected Inter-Regional Revenue. Note 22 provides further information on the Basslink Facility Fee and Basslink Services Agreement.

Also included are commitments under the gas pipeline agreement of $117.2m (2004:$135.4m). This represents the commitment entered into by the Corporation for the supply of gas to the Bell Bay Power station for the term of the agreement. It is expected upon commencement of Basslink and the consequent separation of Bell Bay Power Pty Ltd that the balance of the obligation under this agreement will transfer with Bell Bay Power Pty Ltd.

The remaining commitments relate to the supply of general goods and services.

	CONSOLIDATED		PARENT	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000

26 CONTINGENT LIABILITIES AND ASSETS

(a) Contingent Liabilities

1. A Supreme Court of Victoria writ was issued on 5 December 2002 claiming damages from Hydro Tasmania in respect to a service contract with Ericsson Australia Pty Ltd. The principal claim concerns an allegation that Hydro Tasmania provided false and misleading tender information and over utilises the service. Hydro Tasmania considers there is little prospect that the claim will be successful.

2. Transend has advised of its intention to retrospectively increase transmission charges to Hydro Tasmania for Entry Services provided under the CANS 2 Connection Agreement. The Corporation considers that such an increase is not justified and is currently reviewing the details and options for further action.

3. Aurora has requested a reimbursement for liabilities which accrue to it under the Mandated Renewable Energy Target (MRET) legislation for energy purchased from Hydro Tasmania which it is unable to recover. The Corporation has not accepted Aurora's claim.

(b) Contingent Assets

Commencement of Basslink commercial operation has been delayed from 29 November 2005 to a revised scheduled date of 28 April 2006. Basslink Pty Ltd was not successful in gaining an extension of time under the Development Agreement to cover the project delay. It is anticipated that Basslink Pty Ltd will be required to pay liquidated damages to the State of Tasmania. An agreement is in place to pass these amounts on to the Corporation. The estimated value of the liquidated damages may be up to $5 million.

27 AUDITOR'S REMUNERATION

Amounts received, or due and receivable, by the Auditor-General from the Corporation for auditing the Financial Statements of the Corporation.	140	173	140	173

28 DIRECTORS' REMUNERATION

(a) Total salary and benefits paid to directors of the Corporation:				
(i) non-executive directors	473	399	417	399
(ii) executive director	321	308	321	308
	794	707	738	707
(b) Total superannuation payments made on behalf of directors:				
(i) non-executive directors	49	75	49	75
(ii) executive director	11	11	11	11
	60	86	60	86

29 RELATED PARTY INFORMATION

The Directors as at 30 June 2005 were:

Dr D M Crean, Mr G L Willis, Dr J J Amos,

Mr K P Baxter, Mr D W Challen, Ms J M Healey

Ms C A Hughes, Ms M Willis and Ms S Farrier.

Honorable P E Rae retired on 24 September 2004.

Mr G A Kennedy retired on 30 November 2004.

Dr D M Crean was appointed on 12 July 2004.

Ms M Willis and Ms S Farrier were appointed on 15 December 2004.

Directors and Director related entities

Mr K P Baxter had an interest as an advisor to the Government of Papua New Guinea.

Mr D W Challen had interests as Chairman of the Electricity Oversight Committee and as Chairman of Tascorp.

Ms C A Hughes had an interest as Manager, Resource Planning and Development Commission.

Sponsorship and contribution fees of $48,000 were paid to the Tasmanian Symphony Orchestra of which Mr G L Willis was a director during the year.

Sponsorship and contribution fees of $22,000 (2004: $Nil) were paid to Ten Days on the Island of which Hon. P E Rae was a director during the year.

Sponsorship and contribution fees of $14,000 (2004: $8,500) were paid to Renewable Energy Generators of Australia Ltd of which Hon. P E Rae and Mr G L Willis were chairman and director respectively.

Interest revenue of $3,458,934 (2004: $42,208) and interest expense of $63.3M (2004: $59.2M) was received and paid to Tascorp, a Director related entity of Mr D W Challen.

Details of directors' remuneration and retirement benefits are disclosed in note 28 to the financial statements.

Equity Interests in Controlled Entities

Details of the ordinary shares held in controlled entities are disclosed in note 32 to the financial statements.

Equity Interests in Joint Ventures

Details of interests in joint ventures are disclosed in notes 33- 35 to the financial statements.

Transactions within the Wholly Owned Group

Details of the wholly owned group are disclosed in note 32 to the financial statements.

Transactions with Other Related Parties

Other related parties include:

Aurora Energy AAPT Pty Ltd (trading as TasTel) (Ref note 33)

All transactions with related parties were conducted in the normal course of business and on commercial terms and conditions and include the sale of electricty to the parent entity.

30 EVENTS SUBSEQUENT TO BALANCE DATE

After due enquiry, there have been no other matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent financial years apart from

- Since balance date the Corporation has arranged an eligible undertaking facility with Tascorp. This facility will not be drawn but will be available to satisfy the financial conditions of the Corporation's financial services licence. The Corporation will therefore be able to repay the $110 million drawn on the revolving loan facility with Tascorp (Note 15) using the matched money market investment of $110 million (Note 9).
- The pattern of below- average rainfall continued after balance date. If this pattern continues the low water storage levels may adversely impact upon the Corporation's operations and financial position.

31 COMMUNITY SERVICE OBLIGATIONS

On 1 June 1999, the Government agreed to formally recognise the cost of concessions to eligible pensioners and customers living on Bass Strait islands as Community Service Obligations (CSOs), as defined under the *Government Business Enterprises Act 1995*.

During the year ended 30 June 2005, the Government paid the Corporation $6.0M (2004 $4.7M) as reimbursement of cost of providing Community Service Obligations.

32 CONTROLLED ENTITIES

	Footnote	Country of Incorporation	Percentage of Shares Held 2005 %	Percentage of Shares Held 2004 %
Parent Entity				
Hydro-Electric Corporation				
Controlled Entities				
Bell Bay Power Pty Ltd	1	Australia	100	100
Lofty Ranges Power Pty Ltd	2	Australia	100	100
Roaring 40s Renewable Energy Pty Ltd	3	Australia	100	-
Cathedral Rocks Investments Pty Ltd	4	Australia	100	100
Woolnorth Bluff Point Holdings Pty Ltd	5	Australia	100	-
Woolnorth Bluff Point Wind Farm Pty Ltd	6	Australia	100	100
Woolnorth Studland Bay Holdings Pty Ltd	7	Australia	100	-
Woolnorth Studland Bay Wind Farm Pty Ltd	8	Australia	100	-
Musselroe Holdings Pty Ltd	9	Australia	100	-
Musselroe Wind Farm Pty Ltd	9	Australia	100	-
Heemskirk Holdings Pty Ltd	9	Australia	100	-
Heemskirk Wind Farm Pty Ltd	9	Australia	100	-
Waterloo Investment Holdings Pty Ltd	9	Australia	100	-
Waterloo Wind Farm Pty Ltd	9	Australia	100	-

Footnotes

1. Bell Bay Power Pty Ltd was registered on 20 December 2001.
2. Lofty Ranges Power Pty Ltd was registered on 26 April 2002.
3. Roaring 40s Renewable Energy Pty Ltd's name changed from Roaring 40s Wind Pty Ltd on 30 May 2005.
   Roaring 40s Wind Pty Ltd was registered on 29 November 2004.
   Roaring 40s Renewable Energy Pty Ltd owns 100% of Cathedrals Rocks Investments Pty Ltd, Woolnorth Bluff Point Holdings Pty Ltd, Woolnorth Studland Bay Holdings Pty Ltd, Heemskirk Holdings Pty Ltd, Musselroe Holdings Pty Ltd and Waterloo Investment Holdings Pty Ltd.
4. Cathedral Rocks Investments Pty Ltd name changed from R40 Pty Ltd on 9 November 2004.
   R40 Pty Ltd was registered on 13 May 2004.
5. Woolnorth Bluff Point Holdings Pty Ltd holds 100% of Woolnorth Bluff Point Wind Farm Pty Ltd and was registered on 29 November 2004.
6. Woolnorth Bluff Point Wind Farm Pty Ltd's name changed from Roaring 40's Wind Pty Ltd on 9 November 2004.
   Roaring 40's Wind Pty Ltd was registed on 21 March 2001.
7. Woolnorth Studland Bay Holding Pty Ltd holds 100% of Woolnorth Studland Bay Wind Farm Pty Ltd and was registered on 29 November 2004.
8. Woolnorth Studland Bay Wind Farm Pty Ltd was registered on 29 November 2004.
9. The following entities were registered on 8 March 2005:
   Musselroe Holdings Pty Ltd which holds 100% of Musselroe Wind Farm Pty Ltd
   Musselroe Wind Farm Pty Ltd
   Heemskirk Holdings Pty which holds 100% of Heemskirk Wind Farm Pty Ltd
   Heemskirk Wind Farm Pty Ltd
   Waterloo Investment Holding Pty Ltd which holds 100% of Waterloo Wind Farm Pty Ltd
   Waterloo Wind Farm Pty Ltd.

33 INTERESTS IN JOINT VENTURES

			Ordinary Share Ownership Interest		Joint Venture Agreement Voting Rights		Ordinary Share Ownership Interest		Joint Venture Agreement Voting Rights	
			Consolidated				Parent			
Name	Principal Activity	Joint Venture Balance Date	2005 %	2004 %	2005 %	2004 %	2005 %	2004 %	2005 %	2004 %
Aurora Energy AAPT Pty Ltd (trading as TasTel)	Telecommunications Service Provider	30 June	0.00	24.50	0.00	33.33	0.00	24.50	0.00	33.33
Cathedral Rocks Construction and Management Pty Ltd	Wind Farm Construction	30 June	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Cathedral Rocks Holdings Pty Ltd	Wind Farm Development and Operation	30 June	50.00	50.00	50.00	50.00				

The Corporation entered into a joint venture (Aurora Energy AAPT Pty Ltd) with Aurora Energy Pty Ltd and AAPT Limited in the year ended 30 June 2001. The Corporation divested its interest in June 2005.

The Corporation entered into a joint venture (Cathedral Rocks Construction and Management Pty Ltd) with EHN (Oceania) Pty Ltd in the year ended 30 June 2004. The joint venture was established to project manage the construction of a wind farm at Cathedral Rocks, South Australia. (Note 35)

A subsidiary of the Corporation, Cathedral Rocks Investments Pty Ltd (formerly R40 Pty Ltd) entered into a joint venture (Cathedral Rocks Holdings Pty Ltd) with EHN (Oceania) Pty Ltd in the year ended 30 June 2004. The joint venture was established to develop, operate and maintain a wind farm at Cathedral Rocks, South Australia. (Note 35)

A subsidiary of the Corporation, Lofty Ranges Power Pty Ltd holds an interest of 50% in an unincorporated joint venture operation named SA Water Corporation & Lofty Ranges Power Pty Ltd Joint Venture. The principal activity of the joint venture is to contract for the construction of and to operate mini hydro facilities. (Note 34)

34 JOINT VENTURE OPERATIONS

	CONSOLIDATED	
	2005 $'000	2004 $'000
Interest in Assets and Liabilities employed in Joint Venture Operations		
Current Assets		
Cash	3	46
Receivables	4	25
Total Current Assets	**7**	**71**
Non-Current Assets		
Property, Plant and Equipment	1,408	1,478
Total Non-Current Assets	**1,408**	**1,478**
TOTAL ASSETS	**1,415**	**1,549**
Current Liabilities		
Payables	21	20
Total Current Liabilities	**21**	**20**
TOTAL LIABILITIES	**21**	**20**

	CONSOLIDATED	
	2005	2004
	$'000	$'000

35 INCORPORATED JOINT VENTURE

Aggregate share of elements relating to Incorporated Joint Ventures

Share of profit of joint venture entity:		
Revenue from ordinary activities	45,534	33
Expenses from ordinary activities	45,697	-
(Loss)/profit from ordinary activities before income tax expense	(163)	33
Income tax benefit/(expense) relating to ordinary activities	42	(10)
Net (loss)/profit - accounted for using the equity method	(121)	23
Statement of financial position		
Current assets	15,745	7,321
Non-current assets	43,872	6,838
Total assets	59,617	14,159
Current liabilities	17,219	6,494
Non-current liabilities	32,497	6,642
Total liabilities	49,716	13,136
Net assets - accounted for using the equity method	9,901	1,022
Share of retained profits		
Share of retained profits at beginning of year	67	-
Share of net (loss)/profit	(316)	67
Share of retained (losses)/profits at the end of the year	(249)	67
Movements in carrying amount of joint venture entities		
Carrying amount at the beginning of the year	1,067	-
Investment in joint venture entities during the year	9,000	1,000
Share of (loss)/profit after tax in joint venture entity for the year	(316)	67
Carrying amount at the end of the year	9,751	1,067

36 DIVIDEND

The statutory dividend for the financial year ended 30 June 2005 is $32m. This was declared by the Board in August 2005.

The special dividend for the financial year is $8m. This will be the final special dividend in a phase-out program over three years as agreed with the State.

The payment of a dividend by the Corporation is determined in accordance with the *Government Business Enterprise Act 1995*. This Act requires the Board of Directors to recommend a dividend within 60 days of the end of the financial year.

37 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the Corporation must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board (AASB).

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian Generally Accepted Accounting Standards - AGAAP) applicable for reporting periods ended 30 June 2005.

Transition management

The Corporation has established a formal implementation timetable to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

At the date of this financial report, the Corporation has substantially completed the implementation timetable, including the assessment of accounting policy alternatives on transition to AIFRS, the finalisation of the AIFRS accounting policies that will be adopted from 1 July 2005 and the determination of the likely impact on the results and financial position of the Corporation.

The Corporation will be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Likely Impact of transition to AIFRS

Financial statements for the first year of adoption of AIFRS, being the financial year ending 30 June 2006, will provide comparative figures for the 2005 financial year prepared in accordance with AIFRS. In order to present a comparative Statement of Financial Position as at 30 June 2005, the initial impact of AIFRS must be assessed and reflected at the beginning of that year, 1 July 2004. This is referred to as the transition date.

37 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

The following reconciliations outline the likely impacts on the current year result and financial position of the Corporation had the financial statements been prepared using AIFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in AIFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impacts outlined in the following reconciliations. The reconciliations reconcile the AIFRS and AGAAP positions at each respective point in time.

The directors may, at any time until the completion of the Corporation's first AIFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the Financial Statements.

	Note	Consolidated 30-Jun-05 $Millions	Parent 30-Jun-05 $Millions
RECONCILIATION OF PROFIT/(LOSS) AFTER TAX:			
Net profit after tax (AGAAP)		**44.4**	**42.1**
Employee benefits expense	(a)	(34.3)	(34.3)
Income tax equivalent benefit	(b)	173.0	173.0
Impairment loss	(d)	(542.2)	(542.2)
Depreciation expense	(e)	(6.6)	(6.6)
Net profit/(loss) after tax (AIFRS)		**(365.7)**	**(368.0)**

	Note	Consolidated		Parent	
		30-Jun-05 $Millions	1-Jul-04 $Millions	30-Jun-05 $Millions	1-Jul-04 $Millions
RECONCILIATION OF TOTAL ASSETS:					
Total Assets (AGAAP)		**3,248.4**	**3,598.1**	**3,143.0**	**3,574.6**
Deferred tax asset	(c)	32.1	21.8	32.1	21.8
Generation Property, Plant and Equipment					
-Accumulated Impairment Loss	(d)	(542.2)	-	(542.2)	-
-Less: AGAAP revaluation decrement	(d)	523.0	-	523.0	-
-Accumulated Depreciation	(e)	(6.6)	-	(6.6)	-
Total Assets (AIFRS)		**3,254.7**	**3,619.9**	**3,149.3**	**3,596.4**
RECONCILIATION OF TOTAL LIABILITIES:					
Total Liabilities (AGAAP)		**1,710.8**	**1,541.9**	**1,608.2**	**1,518.9**
Deferred tax liability	(b)(c)	447.9	610.6	447.9	610.6
RBF provision	(f)	106.9	72.6	106.9	72.6
Total Liabilities (AIFRS)		**2,265.6**	**2,225.1**	**2,163.0**	**2,202.1**
Net Assets (AIFRS)		**989.1**	**1,394.8**	**986.3**	**1,394.3**
RECONCILIATION OF TOTAL EQUITY:					
Total Equity (AGAAP)		**1,537.6**	**2,056.2**	**1,534.8**	**2,055.7**
Asset Revaluation Reserve:					
-Transfer to Retained Earnings	(g)(d)	(1,348.2)	(1,871.2)	(1,348.2)	(1,871.2)
Retained Earnings:					
-Transfer from Asset Revaluation Reserve	(g)	1,348.2	1,871.2	1,348.2	1,871.2
-Initial recognition of deferred tax assets and liabilities	(c)	(588.8)	(588.8)	(588.8)	(588.8)
-Initial recognition of RBF provision	(f)	(72.6)	(72.6)	(72.6)	(72.6)
-Impairment loss (AIFRS increase over AGAAP revaluation decrement)	(d)	(19.2)	-	(19.2)	-
-Depreciation expense	(e)	(6.6)	-	(6.6)	-
-Employee benefits expense	(a)(f)	(34.3)	-	(34.3)	-
-Income tax equivalent benefit	(b)	173.0	-	173.0	-
Total Equity (AIFRS)		**989.1**	**1,394.8**	**986.3**	**1,394.3**

Explanatory Notes

(a) Employee Benefits Expense

As explained in note (f) below, the increase during 2005 in the Retirement Benefits Fund (RBF) liability under AIFRS must be recognised as an expense in the current year. This increase was $34.3 million.

(b) Income Tax Equivalent Expense/Benefit

The tax effect of the full difference between accounting and tax values of assets and liabilities on transition to AIFRS has been recognised through increased deferred tax liability (refer note (c) below). This increased liability will reduce over subsequent years as the difference between accounting and tax asset and liability values reduces. This will result in a lower income tax equivalent expense under AIFRS. In 2005, income tax equivalent expense is lower under AIFRS by $162.7 million due to the combined effect of the reversal of this difference and the asset impairment loss (refer note (d) below) and by $10.3 million due to the additional employee benefit expense (refer note (a) above).

The net impact of AIFRS on income tax equivalent expense for 2005 is therefore a decrease of $173.0 million.

(c) Deferred Tax Assets and Liabilities

The principles of tax effect accounting enable income tax expense to be based on accounting profit while recognising that, since not all expenses and revenues in financial statements are deductible or assessable in the current year (if at all), this expense must be reconciled to the current liability for income tax by a deferred tax liability or deferred tax asset. Before adoption of AIFRS, the deferred tax liability or deferred tax asset has only recognised the tax effect of differences in the timing of recognition of expenses or income for financial reporting and their impact on tax liability.

In some cases there is a permanent difference between the accounting value of an asset and its value for future tax deduction. Prior to AIFRS, the tax effect of this difference was recognised in income tax expense in the year that the liability for tax was affected. AIFRS recognises the tax effect of the full difference between the tax and accounting value of assets or liabilities, whether it is a timing or a permanent difference, as a deferred tax liability or deferred tax asset. For example, the element of the difference between the accounting value of assets and their tax value that is attributable to revaluation increments represents future non-deductible depreciation. Under AIFRS this is recognised as a deferred tax liability.

The initial recognition of the adjustment to deferred tax liability and deferred tax asset on transition date will result in a direct charge against retained earnings. An additional deferred tax liability of $610.6 million will be recognised representing the tax effect of accumulated revaluation increments on assets. An additional deferred tax asset of $21.8 million will also be recognised representing the tax effect of recognition on transition date of the RBF provision shortfall. The net impact on retained earnings will be a reduction of $588.8 million.

In 2005, deferred tax liability is lower under AIFRS by $162.7 million due to the asset impairment loss (refer note (d) below) and the deferred tax asset is increased by $10.3 million due to the additional employee benefit expense (refer note (a) above). The net impact on income tax equivalent expense is a decrease of $173.0 million (refer note (b) above).

(d) Hydro Generation Property, Plant and Equipment – Impairment Loss

As permitted by the first-time adoption provisions, the Corporation has elected to adopt the fair value of these assets at 30 June 2004 as their deemed cost on transition date and to adopt the cost method of recording all property, plant and equipment under AIFRS. Under AIFRS, the carrying value of assets recorded under the cost method must not exceed their recoverable amount. In the event of this occurring, an impairment loss must be recorded as an expense against the current year.

A revaluation under AGAAP of hydro generation assets was conducted in the current year to reflect the latest financial projections of the Corporation. The revaluation resulted in a fair value of $2.535 billion, a reduction of $523.0 million. Under AIFRS, revised revenue forecasts represent an impairment trigger requiring an assessment of the recoverable amount of these assets.

Fair value under AGAAP is determined using projected net after-tax cash flows discounted to present value using an after-tax discount rate. Recoverable amount under AIFRS is essentially calculated in the same manner apart from use of pre-tax cash flows and a pre-tax discount rate.

Application of the same financial projections to an assessment of recoverable amount of hydro generation assets under AIFRS results in the recognition of an impairment loss of $542.2 million, $19.2 million greater than the fair value reduction under AGAAP.

Under AIFRS, asset impairment must be recognised as an expense of $542.2 million in the current year whereas, under AGAAP, the revaluation decrement has been applied against asset revaluation reserve.

As explained in note (b) above, the deferred tax liability represents the tax effect of the difference between accounting and tax value of assets. Under AIFRS, the impairment reduction in the accounting value of the hydro generation assets will result in a reduction in deferred tax liability. This will result in a tax benefit for the year of $162.7 million.

(e) Depreciation Expense

Under AGAAP, a revaluation increment or decrement is applied evenly over the year against the carrying value of the assets. The devaluation in 2005 therefore resulted in a depreciation reduction for that year. An impairment loss under AIFRS is applied at the end of the financial year. Therefore the carrying value of assets under AIFRS was higher than under AGAAP resulting in a higher depreciation charge. Depreciation expense under AIFRS would be higher by $6.6 million, increasing the provision for depreciation and consequently reducing the asset group carrying value by $6.6 million.

(f) RBF Provision

AIFRS applies different rules to the determination of the liability for long-term employee benefits. The State Actuary has applied these rules to recalculate the defined benefit liability as at 30 June 2004. This has resulted in a significant increase in the shortfall between the liability to RBF members (net of attributed assets) and the RBF provision in the 2004 financial statements. The principal differences in calculation method are the use of a government or corporate bond rate rather than the fund investment rate to calculate present value, inclusion of the member funded portion of the liability that is not matched by assets and attribution of the 15% contribution tax to the fund deficit.

Explanatory Notes (continued)

The actuarial recalculation of the RBF liability at 30 June 2004 in accordance with AIFRS resulted in an increase in the total liability from $222.5 million to $272.9 million. The shortfall in the provision at 30 June 2004 therefore increased from $22.2 million to $72.6 million. Under AIFRS, the whole RBF liability will be recognised on transition date, being an increase of $72.6 million. This increase will also result in an adjustment to deferred tax assets on transition date of $21.8 million. The net impact on retained earnings on transition date is a charge of $50.8 million.

At 30 June 2005 an actuarial recalculation of the RBF liability in accordance with AIFRS has resulted in a further increase in the liability to $310 million, resulting in total shortfall of $106.9 million. Under AIFRS, $72.6 million of this shortfall has been recognised on transition and the balance of $34.3 million arising during 2005 has been recognised as an expense (refer note (a) above).

(g) Asset Revaluation Reserve

As explained in note (d), the directors have elected to adopt the cost method of recording property, plant and equipment on transition to AIFRS. This results in the transfer of the asset revaluation reserve ($1871.2 million at 30 June 2004) to retained earnings on transition date.

(h) Financial Instruments

AIFRS introduces new standards for recognition and measurement of financial instruments and their disclosure and presentation. These new standards treat financial instruments as assets or liabilities bringing many on to the balance sheet for the first time. They must be presented on the balance sheet at fair value at each reporting date with gains and losses in valuation being taken to the profit and loss account.

The directors have elected to apply the first-time adoption exemption available under AIFRS to defer the date of transition to these new standards until 1 July 2005. Accordingly, the financial impacts of AASB 132 and AASB 139 are not included in the above table.

The Corporation is in the process of determining the impact of these standards on its financial statements. Any adjustments arising from the initial recognition of financial instruments on the transition date of 1 July 2005 will be against retained earnings.

SUPERANNUATION DECLARATION

I, Geoff L Willis, hereby certify that the Hydro-Electric Corporation has met its obligations under the Commonwealth's *Superannuation Guarantee (Administration) Act 1992* in respect of any employee who is a member of a complying superannuation scheme to which the Hydro-Electric Corporation contributes.

GL Willis

Chief Executive Officer

15 August 2005

STATEMENT OF CERTIFICATION

In the opinion of the directors of the Hydro-Electric Corporation (the "Corporation"):

a) The financial statements are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 30 June 2005 and the state of affairs at 30 June 2005 of the Corporation and its subsidiaries;

b) The consolidated financial statements have been made out in accordance with the provisions of the *Government Business Enterprises Act 1995*;

c) At the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

The financial statements have been prepared in accordance with Treasurer's Instructions, Australian Accounting Standards and Urgent Issues Group consensus views.

Signed in accordance with a resolution of the directors:

Dr DM Crean

Chairman

15 August 2005

GL Willis

Chief Executive Officer

15 August 2005

Independent Audit **Report**

Tasmanian Audit Office

INDEPENDENT AUDIT REPORT

To the Members of the Parliament of Tasmania

HYDRO-ELECTRIC CORPORATION

Financial Report for the Year Ended 30 June 2005

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the consolidated financial statement published in both the annual report and on the website of the Hydro-Electric Corporation for the year ended 30 June 2005. The Directors are responsible for the integrity of both the annual report and the website.

The audit report refers only to the financial statement and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising form electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Hydro-Electric Corporation's annual report.

Scope

The financial report and the Directors' responsibilities

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the statement from Directors of the Hydro-Electric Corporation for the year ended 30 June 2005. The financial report includes the consolidated financial statements of the economic entity, comprising the Hydro-Electric Corporation and the entities it controlled at the financial year's end or from time to time during the financial year.

The Directors are responsible for the preparation and true and fair presentation of the financial report in accordance with Section 52 (1) of the *Government Business Enterprises Act 1995*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

I conducted an independent audit in order to express an opinion to the Members of the Parliament of Tasmania. My audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

I performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Government Business Enterprises Act 1995*, the Treasurer's Instructions, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Hydro-Electric Corporation's financial position, and of its performance as represented by the results of its operations and cash flows.

I formed my audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While I considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of my procedures, my audit was not designed to provide assurance on internal controls.

The Audit Opinion expressed in this report has been formed on the above basis.

Independence

In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In my opinion the financial report of the Hydro-Electric Corporation:

i. Presents fairly the financial position of the Hydro-Electric Corporation and the consolidated entity as at 30 June 2005, and the results of their operations and cash flows for the year then ended; and

ii. Is in accordance with the Treasurer's Instructions issued under the *Government Business Enterprises Act 1995* and applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

TASMANIAN AUDIT OFFICE

H M Blake

AUDITOR-GENERAL

HOBART

30 August 2005

Accountability on Your Behalf

Statistical **Summary**

WATER STORAGES

STORAGE	PER CENT FULL	
	1/7/2005	1/7/2004
Lake Augusta	32	98
Great Lake	16	24
Arthurs Lake	54	68
Lake St Clair	21	65
Lake King William	36	82
Lake Echo	20	60
Tungatinah	34	86
Lake Mackenzie	44	100
Lake Rowallan	8	100
Lake Pedder	5	61
Lake Gordon	27	32
Lake Murchison	1	100
Lake Mackintosh	2	100
Lake Burbury	10	79
TOTAL	**22.7**	**38.2**

FIVE YEAR PROFILE - REVENUE ACCOUNT

	YEAR ENDING 30 JUNE				
	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
TRADING INCOME					
Electricity Sales					
Key Customers	156.834	154.368	161.984	145.440	137.996
General Sales	221.482	223.902	192.107	171.674	160.297
Interest Received	3.319	0.133	0.603	0.479	0.435
Contribution to Consolidated Fund	-	-	-	-	0.105
National Debt Sinking Fund - Debt Forgiven	0.011	0.037	0.079	0.105	0.145
Operating Grants and Subsidies	6.030	6.617	5.938	5.410	4.914
Miscellaneous	35.067	37.782	29.557	47.419	27.884
TOTAL INCOME	**422.743**	**422.839**	**390.268**	**370.527**	**331.746**
Less Expenses					
Labour	83.025	73.143	61.829	57.972	47.990
Materials	56.457	63.385	46.852	31.558	11.752
Other	47.672	48.662	32.433	47.573	41.411
Financial Charges	65.866	68.563	80.344	73.869	87.637
Depreciation of Fixed Assets	69.455	76.312	79.540	79.495	76.848
Superannuation and Retirement Benefits	18.800	17.200	17.200	16.750	16.861
Contribution to Consolidated Fund	-	-	-	0.011	0.101
Loan Guarantee Fee	4.020	3.795	3.241	3.243	2.862
Income Tax Expense	35.300	35.791	34.721	32.252	31.060
TOTAL EXPENSES	**380.595**	**386.851**	**356.160**	**342.723**	**316.522**
NET PROFIT/(LOSS)	**42.148**	**35.988**	**34.108**	**27.804**	**15.224**

FIVE YEAR PROFILE - BALANCE SHEET

	YEAR ENDING 30 JUNE				
	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Fixed Assets	2,579.937	3,180.705	3,245.020	3,248.517	3,205.384
Fixed Assets (Depreciated)	2,579.937	3,180.705	3,245.020	3,248.517	3,205.384
Capital Work-in-Progress	181.240	126.357	78.174	86.540	39.774
Investments	158.196	10.817	37.440	50.373	31.016
Debtors, Current Assets etc	223.659	256.737	175.862	129.588	65.784
TOTAL ASSETS	**3,143.032**	**3,574.616**	**3,536.496**	**3,515.018**	**3,341.958**
Borrowings	1,120.018	1,080.554	1,036.554	1,036.554	1,036.554
Provision for Superannuation etc	369.767	368.349	356.510	417.015	383.018
Creditors Others	118.400	69.980	80.134	73.535	36.501
Equity	1,534.847	2,055.733	2,063.298	1,987.914	1,885.885
TOTAL LIABILITIES & EQUITY	**3,143.032**	**3,574.616**	**3,536.496**	**3,515.018**	**3,341.958**

FIVE YEAR PROFILE - CAPITAL WORKS

	YEAR ENDING 30 JUNE				
	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
EXPENDITURE					
Bass Strait Islands	0.6	2.4	4.9	1.1	0.3
Power Stations Extension, Wind Farms, Switchyards and Communications	65.0	106.5	67.0	54.4	28.0
Land and Buildings, General Plant etc	27.2	26.1	21.9	9.2	10.1
TOTAL	**92.8**	**135.0**	**93.8**	**64.7**	**38.4**
FINANCED FROM					
Internal Sources	92.8	135.0	93.8	64.7	38.4
TOTAL	**92.8**	**135.0**	**93.8**	**64.7**	**38.4**

CUSTOMERS AND SALES

	YEAR ENDING 30 JUNE				
	2005	2004	2003	2002	2001
Sales (in million kWh)	10,347	10,210	9,987	9,751	9,654

EMPLOYEE NUMBERS

	YEAR ENDING 30 JUNE				
	2005	2004	2003	2002	2001
Staff (including directors)	891	868	827	796	687

GENERATING SYSTEM

		AS AT 30 JUNE				
		2005	**2004**	**2003**	**2002**	**2001**
Mainland Tasmania						
Power Stations						
Hydro	No.	29	29	28	27	27
Thermal	No.	1	1	1	1	1
Wind	No.	1	1	1		
TOTAL	**No.**	**31**	**31**	**30**	**28**	**28**
Installed Capacity						
Hydro	MW	2,265	2,265	2,263	2,262	2,262
Thermal – Oil	MW	0	0	120	240	240
Thermal – Gas	MW	240	240	120		
Wind	MW	65	65	11		
TOTAL	**MW**	**2,570**	**2,570**	**2,514**	**2,502**	**2,502**
Energy Generated						
Hydro	GWh	9,610	9,834	9 938	10,133	10,028
Thermal - Oil	GWh	0	0	109	62	70
Thermal - Gas	GWh	934	796	351		
Wind	GWh	226	95	37		
TOTAL	**GWh**	**10,770**	**10,725**	**10,435**	**10,195**	**10,098**
Generation Peak Load	MW	1790	1691	1660	1630	1592
Generation Load Factor	%	69	72	72	71	72
Bass Strait Islands						
King Island						
Diesel	MWh	11,109	11,589	13,029	12,294	11,487
Wind	MWh	4,579	3,727	2,404	2,080	2,184
Flinders Island	MWh	4,267	4,191	4,135	3,983	3,832
TOTAL	**MWh**	**19,955**	**19,507**	**19,568**	**18,357**	**17,503**

Note: Energy Generated is the gross energy measured at the generator.

Glossary

AEP	Aquatic Environment Program
AIFRS	Australian equivalents to International Financial Reporting Standards
ANCOLD	Australian National Committee on Large Dams
Auswind	Australian Wind Energy Association
CSO	Community Service Obligation
EEO	Equal Employment Opportunity
EHN	Corporacion Energia Hidroelectrica de Navarra
EIA	Environmental Impact Assessment
EPC	Engineering, Procurement and Construction
ESMS	Environment and Sustainability Management System
GBE	Government Business Enterprise
GDP	Graduate Development Program
GHG	Greenhouse Gases
GIS	Geographic Information System
GRI	Global Reporting Index
HHTP	Healthy Hydro Tasmania Program
IBRM	Integrated Business Risk Management
IHA	International Hydropower Association
IQMS	Incident Quality Management System
ISES	International Solar Energy Society
IT	Information Technology
LTIFR	Lost Time Injury Frequency Rate
MRET	Mandatory Renewable Energy Target
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
OH&S	Occupational Health and Safety
OTTER	Office of the Tasmanian Energy Regulator
PC	Personal Computer
REC	Renewable Energy Certificate
REGA	Renewable Energy Generators of Australia
TALSC	Tasmanian Aboriginal Land and Sea Council
Tascorp	Tasmanian Public Finance Corporation
WHA	World Heritage Area
WMR	Water Management Review
WWEA	World Wind Energy Association

Additional

kW kilowatt

One kW = 1000 watts. A watt is the rate at which electrical energy is produced or used.

MW megawatt

One MW = 1000 kilowatts or one million watts.

kWh kilowatt hour

The standard unit of energy, equivalent to production or consumption at the rate of one kilowatt for one hour.

MWh megawatt hour

One MWh = 1000 kiilowatt hours.

GWh gigawatt hour

One GWh = 1 million kilowatt hours, or 1000 megawatt hours.

kV kilovolt

One kV – 1000 volts

a volt is the unit of potential or electrical pressure.

m – metre

km – kilometre

M - million

Reader's **Feedback**

Hydro Tasmania
the renewable energy business

To help us improve our sustainability performance, as well as future editions of our report, we would be grateful for your feedback.

We would welcome your answers to the following questions by return fax or mail. If you would like to send your comments on-line, a copy of this form is available at www.hydro.com.au.

Your view on our:

	ANNUAL REPORT				SUSTAINABILITY REPORT			
Reporting quality	Excellent ☐	Good ☐	Fair ☐	Poor ☐	Excellent ☐	Good ☐	Fair ☐	Poor ☐
Performance	Excellent ☐	Good ☐	Fair ☐	Poor ☐	Excellent ☐	Good ☐	Fair ☐	Poor ☐

If you ticked "Good" or "Excellent", what did we do best?

If you ticked "Fair" or "Poor", where do we need to improve most?

Was there any additional information you expect to receive in the Annual Report or Sustainability Report? Or do you have any questions to be addressed in next year's report? Please specify.

Any other comments/suggestions?

Please send your comments to:

Manager
Public Relations
Hydro Tasmania
GPO Box 355
Hobart, Tasmania, 7001
Australia

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03 6230 5685
Fax from outside Australia:
+61 3 6230 5685

If you would like a response, please provide contact information or send an email to webmaster@hydro.com.au.

Name: _____

Email: _____

Mailing Address: _____