Hydro Tasmania

Powering the next generation

Annual Report 2019

Our vision

Empower people and communities with clean energy.

Our values

We keep each other **safe**

We are all about our **customers**

We are better **together**

We find a **way**

We do the **right** thing

Cover image: Hydro apprentices Kirsten Lattanzio (left) and Tessa McLaughlin
This page: Bathymetric surveys at Lake Murchison, West Coast

Directors' statement

To the Honourable Guy Barnett MP, Minister for Energy, in compliance with the 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 ending 30 June 2019. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

Grant Every-Burns
Chairman, Hydro-Electric Corporation
October 2019

Stephen Davy
Director, Hydro-Electric Corporation
October 2019

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance

Winners of the Engineers Australia Driving Diversity Scholarship Hannah Price (L) and Emma Calvert with CEO Steve Davy

In a productive and successful year, our achievements have laid the groundwork for our future success as a business. We continued to strengthen our relationship with the Tasmanian community while driving the need for significant change and innovation in the energy sector nationally, particularly through the *Battery of the Nation* initiative. With a constant focus on managing our storages, ensuring energy security and delivering the lowest possible power prices to consumers, we recorded another strong financial performance at a time of growing uncertainty in the energy sector. Our people once again rose to the challenge and continued to commit themselves to building a better, more caring and responsive business for our owners, the people of Tasmania.

Achievements

- We achieved a strong profit of $195 million (before fair value movements and revaluations), well above budget.
- We comfortably exceeded our storage targets (40 per cent at the start of summer and 30 per cent at the end of June) and maintained storages well above the High Reliability Level at all times.
- We made significant progress in delivering the *Battery of the Nation* initiative, our plan to double Tasmania's renewable energy capacity. We selected three of our best pumped hydro storage opportunities and committed up to $30 million for further investigation into their potential.
- We worked with the Tasmanian Government to secure a commitment from the Australian Government to develop an underwriting mechanism for *Battery of the Nation*.
- We continue to provide critical support to TasNetworks in their development of the Marinus Link project, the proposed second interconnector between Tasmania and Victoria.
- We invested around $105 million to modernise and maintain our generation assets.
- Devils Gate Power Station had a major upgrade this year, marking 50 years of service.
- We increased our support for Engineers Australia's Driving Diversity Scholarship, which aims to boost the number of women entering engineering careers.
- We supported a program of water releases across the state, including for the National Canoe Slalom Championships at Bradys Lake and the Hydro Tasmania Cataract Gorge Extreme Race.

Queensland Fire and Emergency Services doing water exercise training on the Derwent River below Meadowbank Dam

Laura Jacques at the announcement of paid superannuation on unpaid parental leave for all employees

- We funded another six projects to help make Tasmanian communities safer, more connected and more empowered under our annual Community Grant Program. The program is now in its third year and we've funded 14 projects so far.
- We developed a new app to enable the Flinders Island community to monitor the island's energy system in real time.
- We announced a new partnership with the Bureau of Meteorology to support our operations by providing regular, tailored weather information.
- We committed to paying superannuation on unpaid parental leave for all employees.
- We partnered with the Tasmanian Climate Change Office to host the inaugural Tasmanian Climate Symposium.
- Hydro Tasmania was one of 37 prominent businesses to officially sign a new charter for renewable energy developments at the Australian Clean Energy Summit.
- Our mainland retail business Momentum Energy increased its customer base by 16 per cent.
- We announced that Momentum Energy will relocate the bulk of its customer operations jobs from Melbourne to Hobart over the next three years.
- Our power and water consultancy business Entura was awarded future work valued at a total of $50 million, the first time it has achieved this level of sales since 2013.
- Entura was appointed as Owner's Engineers for the Cattle Hill Wind Farm in Tasmania, the Dundonnell Wind Farm in Victoria, the Jemalong Solar Farm in New South Wales, Stage 2 of the 250 megawatt (MW) Kidston Pumped Storage Hydro Project and the 270 MW Kidston Solar Project in Queensland.

Challenges

- Major transmission assets and some of our generation assets were threatened by the January 2019 bushfires. It was only thanks to the extraordinary efforts of emergency services personnel working closely with the state's energy businesses that these assets were protected and supply was maintained.
- Despite the significant effort required to plan for and implement a range of major reforms to retail regulation taking effect 1 July 2019, Momentum Energy has continued to deliver growth and transparent, simple experiences for customers.
- Disputes between Hydro Tasmania and Basslink Pty Ltd on matters relating to the 2015 undersea cable fault have been referred to arbitration. The Basslink interconnector has been operated at a maximum capacity of 500 MW since December 2017.

Awards

- Momentum Energy won in two categories (excellent customer service and clearest power bills) at the 2019 Mozo People's Choice Awards, the third year in a row it has won these awards.
- Momentum Energy climbed to the top of Canstar Blue's customer ratings for electricity and gas providers for 2019. Momentum Energy also emerged as the best-rated gas supplier in Victoria.
- Entura's Donald Vaughan was awarded Professional Engineer of the Year and another Entura employee, Lyndon Johnson, was named Young Professional Engineer of the Year at the Tasmanian Engineering Excellence Awards.

Above: ***Cataract Gorge water release, September 2018***

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Above: ***Liapootah Power Station main inlet valve No. 3 installation***

Message from the Chairman and Chief Executive Officer

Chairman Grant Every-Burns

Chief Executive Officer Stephen Davy

Foreword

We are pleased to report another successful and productive year for Hydro Tasmania.

While Australia's energy landscape continues to be volatile, the business has performed well, with a focus on meeting the needs of Tasmanians, keeping costs as low as possible and building long-term security for the state.

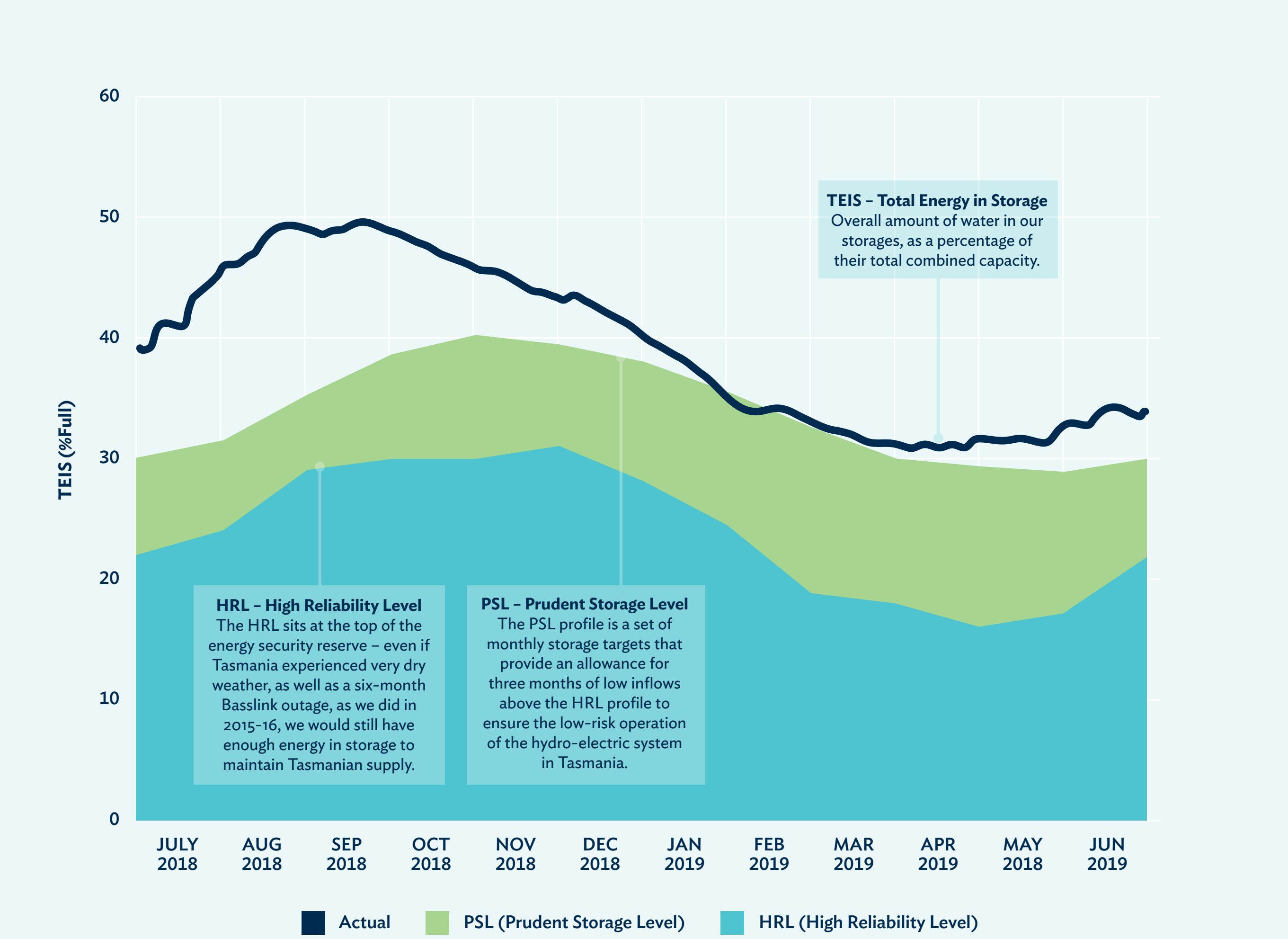
This has seen Hydro Tasmania finish 2018–19 in a strong financial position, with all parts of the business delivering positive results, thereby ensuring we are well protected from any challenges that may emerge in the energy sector in the coming year.

Our management of storages has ensured Tasmania is in a secure energy position and well placed to withstand unexpected circumstances.

At the same time, we continue to map out an exciting energy future for the state through the *Battery of the Nation* initiative. Hydro Tasmania is a driving force behind the push to double the state's renewable energy capacity, which will not only enhance Australia's future electricity supply, but potentially create thousands of jobs in Tasmania in the process.

We do so while helping the Tasmanian community through a range of initiatives and programs, designed to encourage and support organisations that help our communities to thrive.

Figure 1: How we measure energy security



The PSL and HRL are components of the Energy Security Risk Response Framework.

Finances

Following last year's higher than expected result, we're pleased to report another productive year for the business, which will deliver an increased return to the people of Tasmania.

We achieved a strong underlying profit of $195 million, which was almost 20 per cent above budget. This outstanding result was due to good rains, excellent trading conditions in the National Electricity Market and increased customer sales through our Victorian-based retailer Momentum Energy.

During the year, our power and water consultancy business Entura, was awarded future work valued at a total of $50 million, the first time it has achieved this level of sales since 2013.

Hydro Tasmania's net debt at 30 June 2019 was $548.6 million, a reduction of $150.6 million on the previous year.

The business is already responding to the projected lower revenue environment for the energy industry by targeting budget improvements through a business-wide program to identify further efficiencies and ensuring we have the right business model in place. This work will continue through the year.

James Newett, Cadet Hydrographer, conducting water monitoring in the south-west post 2018/19 summer bushfires.

Our people

Our excellent results are built on the outstanding commitment and contribution of our people. Hydro Tasmania employs more than 1200 people, with over 800 based in Tasmania, providing a major economic contribution to the state.

We introduced several business initiatives in support of our people during the year.

In July 2018, the business committed to pay superannuation on unpaid parental leave. During the year, we also introduced a new group-wide family and domestic violence support package.

Energy security

At the end of June 2019, our storages were just over 34 per cent of full storage level, similar to last year and an extremely secure position.

Once again, we comfortably exceeded our storage targets and remained above the High Reliability Level throughout the year.

Over the course of the year, Tasmania was a net exporter of energy, with all the economic benefits coming back to the state.

Capital investment

The business continues to invest in Tasmania's large network of hydropower assets, with the 10-year strategic asset management plan ensuring these assets remain fit for purpose now and in the future.

We invested around $105 million to refurbish and maintain our generation assets, which included major upgrades of Devils Gate Power Station in the Mersey–Forth scheme and Repulse Power Station in the Lower Derwent scheme.

The coming year will see a similar level of investment, with work planned for the Murchison Dam and generating units at Catagunya, Wilmot and Trevallyn power stations.

Battery of the Nation

Battery of the Nation is a key part of the solution needed to support a national energy market in transition. Tasmania can provide clean, reliable and affordable energy to the nation and we are now turning this bold vision into an actionable plan.

We've identified pumped hydro development opportunities at Lake Cethana and Lake Rowallan in the North-West of Tasmania and near Tribute Power Station on the state's West Coast. We are investing up to $30 million to study these three options in more depth and find the first site that can be ready to go when more Bass Strait interconnection comes online.

The Australian Government committed to developing an underwriting mechanism for *Battery of the Nation.*

It also committed $56 million to accelerate the development of Marinus Link, a new interconnector between Tasmania and Victoria. We continue to provide important support to TasNetworks in the development of this vital project.

This progress represents the culmination of two years of effort by Hydro Tasmania and TasNetworks, supported by the Australian Renewable Energy Agency, the Tasmanian Government and the Australian Government.

Unlocking this exciting renewable energy potential will help ensure a stable, reliable future national electricity market and will deliver multiple benefits to Tasmania. It will lock in our energy security, give Tasmanians access to the lowest possible power prices, and generate billions of dollars of investment and thousands of jobs in regional Tasmania. This presents both opportunities and challenges for Tasmania as we seek to maximise the benefits of what could potentially be a 20-year program of hydro, wind and transmission development.

We are committed to facilitating collaboration across industry, education and training sectors, government and the community to maximise these opportunities to attract skilled employees and, in particular, to develop pathways to work for young Tasmanians.

For Tasmania

Hydro Tasmania recognises that, as our owners, Tasmanians are our most important customers. This is why we continue to focus on supporting the communities in which we operate.

During the year, we awarded grants of up to $5000 each to six projects, as part of our Community Grant Program, aimed at making our communities safer, more connected and empowered.

As a business, we believe that building a better future for Tasmania relies on the next generation having access to a great education. We foster and support young people's interest in science, technology, engineering and maths through our education outreach program and a range of scholarships because young people are the future of renewable energy.

The business continues to build its partnership with The Smith Family, providing learning clubs in Tasmania to help disadvantaged children get the most from their education and create a better future for themselves. The initiative began in northern Tasmania in 2017 and we are jointly looking at opportunities to support clubs elsewhere in the state.

Our program of planned water releases supports a range of activities. This year, they included the National Canoe Slalom Championships at Bradys Lake in January 2019 and a swift-water training program for Queensland Fire and Emergency Services in May 2019.

Last year, we announced our support for one of the biggest fishing events in Tasmanian history. We are excited that the 39th FIPS–Mouche World Fly Fishing Championship will take place in November and December 2019 at some of the many world-class fishing lakes we manage.

National energy policy

Hydro Tasmania continues to advocate for stable, long-term energy and climate policy in Australia.

Events in the recent past suggest that the national generation fleet and grid need significant investment and modernisation to ensure reliability and adequacy for future needs. Further, reliability risks will only increase with continued reliance on ageing, carbon-intensive generation. Hydro Tasmania's *Battery of the Nation* initiative and Project Marinus provide an opportunity to renew and future-proof the national electricity grid. That is why progressing the *Battery of the Nation* initiative as a nation-building project will be a major priority for Hydro Tasmania in the coming year.

Momentum Energy

Amid ongoing challenges in the retail market, Momentum Energy has had a positive year, focusing on growing the customer base and supporting transparency in the industry.

Our Victorian-based retailer increased customer sales by 46 per cent and offered more product diversity with the introduction of segment-specific products, Solar Step-Up and Move Mate. The team also took out the Mozo People's Choice Awards for customer service and clearest power bills for the third year in a row.

Momentum's focus on customers extends to regulatory issues; the retailer made a submission to the Essential Services Commission on the Victorian Default Offer (VDO), supporting transparency for customers but arguing that the VDO needs to be priced in a way that delivers long-term benefits to consumers.

Momentum is underway with planning to relocate more than 70 customer operations jobs from Melbourne to Tasmania over the next three years. The jobs will be housed at our Cambridge office, near Hobart.

Lake Plimsoll, West Coast

Entura

Our international consulting business continues to make a significant contribution to the Hydro Tasmania group's success.

Entura has been awarded future work valued at a total of $50 million, the first time it has achieved this level of sales since 2013, which is an impressive result in a highly competitive market.

Other notable achievements during the year included being appointed as Owner's Engineers for the Cattle Hill Wind Farm in Tasmania, the Dundonnell Wind Farm in Victoria, the Jemalong Solar Farm in New South Wales, Stage 2 of the 250 MW Kidston Pumped Storage Hydro Project and the 270 MW Kidston Solar Project in Queensland.

Entura continues to export Tasmanian skills and expertise to the world on a range of projects. For example, during the year, we improved dam safety in Laos and helped the people of the Cook Islands to reduce reliance on diesel fuel and move towards their goal of renewable energy supplying 100 per cent of their energy needs.

Over the next year, Entura will target clients and projects that lead the renewable energy transition for Australia and internationally.

Conclusion

After another year of growth, prudent storage management and planning to capitalise on emerging opportunities, Hydro Tasmania is well placed to continue serving the people of Tasmania.

The business is looking forward to another busy year, one that has the potential for Tasmania to significantly contribute to meeting Australia's future energy needs while securing its own energy future.

*Above: **Women in renewables, Generation Hydro Program Lead, Gina Harvey***

Business overview

Who we are

Our purpose is to make energy better together. Tasmanians are our owners, our most important customers, and the people we were created to serve. For more than a century, Tasmanians have relied on hydropower to grow the economy and support communities. We now employ over 1200 people.

Our vision is to empower people and communities with clean energy. Our vision and values are core to who we are, and shape how we make decisions, achieve our goals, serve our customers, work together and care for the environment.

Hydro Tasmania

Hydro Tasmania is Australia's leading clean energy business, largest producer of renewable energy, and largest water manager. For more than a century, Tasmanians have relied on our hydropower to grow and support the state's communities and economy.

Momentum Energy

Our electricity and gas retailer, Momentum Energy, is a leading supplier of electricity and gas to business customers and residential markets in a number of states across Australia, providing easy to understand rates and quality products and services.

Entura

Our consulting business, Entura, delivers clever solutions in water and energy to clients locally, nationally and internationally.

Figure 2: Ownership structure (active entities)

State of Tasmania

Hydro-Electric Corporation trading as Hydro Tasmania

Wholly-owned and controlled subsidiaries

- AETV Pty Ltd
- Bell Bay Power Pty Ltd
- Bell Bay Three Pty Ltd
- HT Wind Operations Pty Ltd
- HT Wind Developments Pty Ltd
- HT Wind New Zealand Pty Ltd
- Heemskirk Holdings Pty Ltd
- Heemskirk Wind Farm Pty Ltd
- Woolnorth Bluff Point Holdings Pty Ltd
- Woolnorth Studland Bay Holdings Pty Ltd
- Hydro Tasmania Consulting (Holding) Pty Ltd
- Entura Hydro Tasmania India Private Limited
- Hydro Tasmania South Africa (Pty) Ltd
- Hydro Tasmania Neusberg (Pty) Ltd (92% ownership)
- Lofty Ranges Power Pty Ltd
- Momentum Energy Pty Limited
- RE Storage Project Holding Pty Ltd

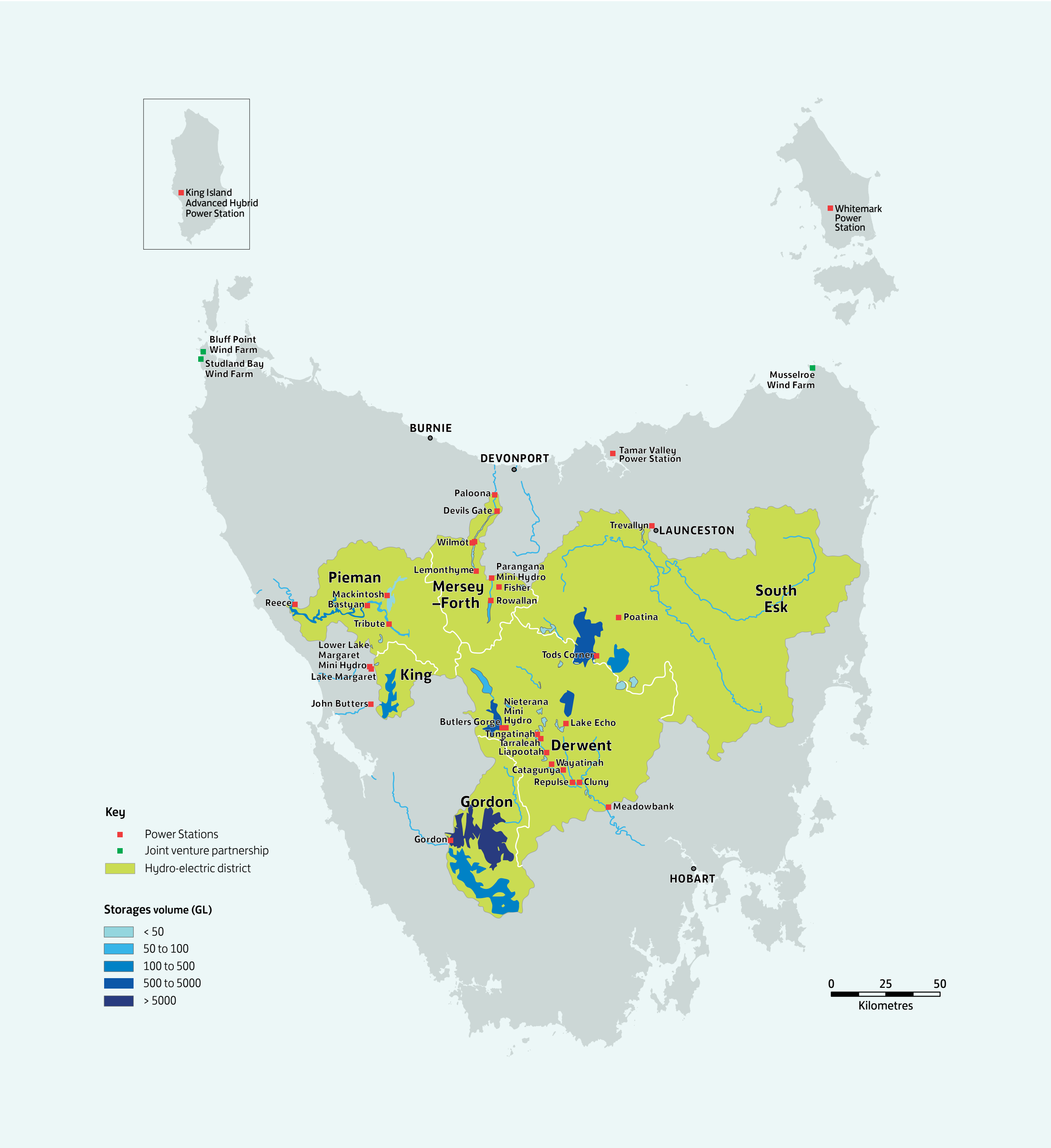
Joint Ventures (50% holding)

- Cathedral Rocks Constructions and Management Pty Ltd
- Terminal Storage Mini Hydro (SA Water Corporation and Lofty Ranges Power joint venture) - unincorporated

Associates (25% holding)

- Woolnorth Wind Farm Holding Pty Ltd
  - Musselroe Holdings Pty Ltd
    - Musselroe Wind Farm Pty Ltd
  - Woolnorth Wind Farm Finance Holding Pty Ltd
    - Woolnorth Wind Farm Finance Pty Ltd
      - Woolnorth Bluff Point Wind Farm Pty Ltd
      - Woolnorth Studland Bay Wind Farm Pty Ltd
- Kakamas Hydro Electric Power (RF) (Pty) Ltd

Figure 3: Hydro Tasmania's Tasmanian operations



Operating environment

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transformation. With the closure of a series of fossil fuel power stations in recent years, the need for clean energy in the NEM has never been greater and Tasmania is uniquely placed to help lead Australia through these energy challenges. Large storage options like reservoir storage hydro, pumped storage hydro and batteries will become much more important as the nation seeks to replace coal-fired power with other sources, including solar and wind.

Hydro Tasmania's operating environment is affected by:

- an increasingly volatile wholesale market, driven by increasing penetration of variable renewables, coupled with the sequenced closure of ageing coal-fired power stations
- a highly competitive national electricity retail market
- numerous regulatory changes in energy retailing in Victoria and nationally
- changes in the way electricity is produced, sold, bought and consumed due to developments in technology and enhanced customer awareness
- uncertainties and changes in national policies to combat climate change and meet energy supply requirements.

Our strategic direction

Our strategy is focused on producing affordable and reliable electricity, profitably and effectively managing the risks faced by the business and achieving sustainable returns to government.

We will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible.

We will continue to grow our mainland retail business, Momentum Energy, creating value for all Tasmanians by strengthening and diversifying revenue sources and mitigating exposure to strategic risks in the NEM. Our strategy continues to evolve to ensure we can respond flexibly to the rapidly changing operating environment. We will pursue profitable revenue growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks.

Through the *Battery of the Nation* intiative, we are pursuing opportunities for Tasmania to make a substantially bigger contribution to a future NEM. Tasmania has the potential to dramatically increase its clean energy contribution to the nation by unlocking the full value of the state's hydropower system and renewable energy resources. If realised, this would benefit Tasmania's economy by delivering employment, attracting new industry and supporting reliable, cost-competitive energy supply for our local customers and those in the NEM.

The success of our business is underpinned by our people, the effective management of Hydro Tasmania's water resource and generation assets, and the systems and processes in place to support our business operation. Efficiencies in each of these areas are an essential part of our strategy and we are committed to making improvements in each of these areas so Hydro Tasmania can lead Australia's renewable energy transition.

Above: The next generation exploring Meadowbank Power Station

Financial Report

For the year ended 30 June 2019

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Statement of Financial Performance

for the year ended 30 June 2019

	NOTE	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'000
Revenue					
Sale of products and services	2(a)	1,824,372	1,769,696	798,585	749,446
Fair value gains	2(c)	281,668	244,850	267,223	227,229
Share of profit of associates and joint venture entities		-	3,884	-	-
Other		26,181	21,778	25,769	21,419
Total revenue		2,132,221	2,040,208	1,091,577	998,094
Expenses					
Direct expenses		1,214,769	1,196,666	282,516	269,945
Labour		160,453	140,791	128,914	110,067
Depreciation and amortisation		118,065	116,521	107,978	108,051
Finance expenses	2(b)	50,129	54,379	48,317	54,540
Fair value losses	2(d)	233,472	243,739	221,612	213,047
Revaluation and impairment expenses/(gains)	2(e)	11,050	227	26,589	(51,471)
Share of loss of associates and joint venture entities		11,478	-	-	-
Other		116,614	119,099	63,831	57,107
Total expenses		1,916,030	1,871,422	879,757	761,286
Profit/(loss) before income tax equivalent expense		216,191	168,786	211,820	236,808
Comprising:					
Result before fair value movements and revaluation		195,012	167,902	192,798	171,155
Net fair value gains/(losses)		48,196	1,111	45,611	14,182
Net fair value gains/(losses) from joint ventures		(15,967)	-	-	-
Revaluation and impairment (expenses)/gains		(11,050)	(227)	(26,589)	51,471
Profit/(loss) before income tax equivalent expense		216,191	168,786	211,820	236,808
Income tax equivalent expense/(benefit)	4(a)	56,237	47,864	63,597	51,600
Profit/(loss) after tax attributable to owners of the parent		159,954	120,922	148,223	185,208

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 25 to 87.

Statement of Comprehensive Income

for the year ended 30 June 2019

		CONSOLIDATED		PARENT	
	NOTE	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit/(loss) after tax attributable to owners of the parent		159,954	120,922	148,223	185,208
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Revaluation of property, plant and equipment		(194)	(175,454)	(193)	(175,454)
Actuarial gain/(loss) on RBF provision	19	(43,804)	3,372	(43,804)	3,372
Income tax relating to components of other comprehensive income		14,153	51,524	14,153	51,524
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		(162)	167	-	-
Fair value gain/(loss) on cash flow hedges		(427,423)	43,145	(427,423)	43,145
Income tax relating to components of other comprehensive income		128,276	(12,994)	128,227	(12,944)
Total other comprehensive income		(329,154)	(90,240)	(329,040)	(90,357)
Total comprehensive income/(loss) attributable to the owners of the parent		(169,200)	30,682	(180,817)	94,851

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial report included on pages 25 to 87.

Statement of Financial Position

as at 30 June 2019

		CONSOLIDATED		PARENT	
	NOTE	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets					
Cash and cash equivalents		16,945	16,987	14,393	14,569
Receivables	6	390,621	387,512	226,942	229,611
Investments	7(a)	49,503	48,903	49,500	48,900
Inventories	8	3,763	3,088	3,763	3,088
Other financial assets	11(a)	256,557	319,892	256,471	310,100
Other	12(a)	15,646	15,978	11,212	12,417
Total current assets		733,035	792,360	562,281	618,685
Non-current assets					
Investments	7(b)	-	-	203,827	203,827
Investments in joint ventures	7(b)	42,540	58,144	-	-
Property plant and equipment	9	4,404,861	4,376,798	4,348,580	4,327,818
Other financial assets	11(b)	417,348	361,782	417,348	361,782
Intangible assets	10	79,781	97,583	45,920	62,252
Goodwill	13	16,396	16,396	-	-
Other	12(b)	8,502	3,042	78	94
Total non-current assets		4,969,428	4,913,745	5,015,753	4,955,773
TOTAL ASSETS		5,702,463	5,706,105	5,578,034	5,574,458
Current liabilities					
Payables	14	345,534	347,891	266,864	276,532
Interest-bearing liabilities	15(a)	65,775	150,757	65,775	150,757
Provisions	16(a)	381,791	175,856	329,307	119,121
Provision for income tax	4(c)	10,643	16,144	10,643	16,144
Other financial liabilities	17(a)	512,547	455,438	512,547	455,438
Other	18	3,249	8,369	149,933	134,353
Total current liabilities		1,319,539	1,154,455	1,335,069	1,152,345
Non-current liabilities					
Interest-bearing liabilities	15(a)	552,845	618,447	552,845	618,447
Deferred tax liability	4(d)	304,415	454,206	395,333	544,170
Provisions	16(b)	437,661	395,545	345,891	303,535
Other financial liabilities	17(b)	1,341,454	1,087,896	1,341,454	1,087,896
Total non-current liabilities		2,636,375	2,556,094	2,635,523	2,554,048
TOTAL LIABILITIES		3,955,914	3,710,549	3,970,592	3,706,393
NET ASSETS		1,746,549	1,995,556	1,607,442	1,868,065
EQUITY					
Contributed equity		678,206	678,206	678,206	678,206
Reserves		(148,233)	151,270	(148,222)	151,167
Retained earnings		1,216,576	1,166,080	1,077,458	1,038,692
TOTAL EQUITY		1,746,549	1,995,556	1,607,442	1,868,065

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 25 to 87.

Cash Flow Statement

for the year ended 30 June 2019

		CONSOLIDATED		PARENT	
	NOTE	2019 $'000	2018 $'000	2019 $'000	2018 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		2,045,412	1,968,639	925,116	854,082
Operating grants and subsidies received		12,646	12,780	12,646	12,780
Interest received		2,158	2,196	2,154	2,193
Outflows:					
Payments to suppliers and employees		(1,697,009)	(1,577,481)	(571,807)	(506,813)
Interest paid		(28,803)	(32,014)	(28,803)	(32,001)
Government guarantee fee		(7,870)	(8,419)	(7,870)	(8,419)
Income tax equivalent paid		(69,101)	(8,552)	(69,101)	(8,552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	257,433	357,149	262,335	313,270
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		5,095	172	5,072	169
Net proceeds from financial derivatives		108,625	-	108,625	-
Net receipts from loans to associates		-	12	-	-
Net receipts of intercompany loans		-	-	-	47,835
Dividends from joint venture		5,255	4,775	-	-
Outflows:					
Net payments for financial derivatives		-	(202,501)	-	(202,501)
Net payments of loans to associates		(26)	-	-	-
Net payments of intercompany loans		-	-	(12,178)	-
Payments for property, plant and equipment		(145,067)	(124,936)	(132,673)	(124,016)
NET CASH USED IN INVESTING ACTIVITIES		(26,118)	(322,478)	(31,154)	(278,513)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		34,300	68,700	34,300	68,700
Outflows:					
Repayment of Tascorp loans		(184,300)	(153,800)	(184,300)	(153,800)
Repayment of finance lease		(757)	(738)	(757)	(738)
Dividends paid		(80,000)	-	(80,000)	-
NET CASH USED IN FINANCING ACTIVITIES		(230,757)	(85,838)	(230,757)	(85,838)
NET (DECREASE)/INCREASE IN CASH		558	(51,167)	424	(51,081)
CASH AT BEGINNING OF THE YEAR		65,890	117,057	63,469	114,550
CASH AT END OF THE YEAR	5(a)	66,448	65,890	63,893	63,469

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 25 to 87.

Statement of Changes in Equity

for the year ended 30 June 2019

	NOTE	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		678,206	678,206	678,206	678,206
Balance at the end of the year		678,206	678,206	678,206	678,206
RESERVES					
Asset revaluation reserve					
Balance at the beginning of the year		125,956	248,874	125,956	248,874
Asset revaluation (decrement)/increment		(194)	(175,454)	(193)	(175,454)
Deferred income tax recognised directly in reserves	4(b)	-	52,536	-	52,536
Balance at the end of the year		125,762	125,956	125,763	125,956
Cash flow hedge reserve	1.2(ac)				
Balance at the beginning of the year	1.2(ae)	25,211	(4,990)	25,211	(4,990)
Interest rate swaps		(651)	1,352	(651)	1,352
Derivative revaluation		(426,772)	41,793	(426,772)	41,793
Deferred income tax recognised directly in reserves	4(b)	128,227	(12,944)	128,227	(12,944)
Balance at the end of the year		(273,985)	25,211	(273,985)	25,211
Foreign currency translation reserve					
Balance at the beginning of the year		103	(14)	-	-
Foreign currency translation		(162)	167	-	-
Deferred income tax recognised directly in reserves	4(b)	49	(50)	-	-
Balance at the end of the year		(10)	103	-	-
TOTAL RESERVES		(148,233)	151,270	(148,222)	151,167
RETAINED EARNINGS					
Balance at the beginning of the year		1,166,080	1,042,463	1,038,691	850,790
Net profit/(loss)		159,954	120,922	148,223	185,208
Dividend paid		(80,000)	-	(80,000)	-
Deferred income tax recognised directly in equity	4(b)	14,153	(1,012)	14,153	(1,012)
Actuarial gain/(loss) on defined benefit plans	19	(43,804)	3,372	(43,804)	3,372
Other		193	335	195	334
Balance at the end of the year		1,216,576	1,166,080	1,077,458	1,038,692
TOTAL EQUITY		1,746,549	1,995,556	1,607,442	1,868,065

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial report included on pages 25 to 87.

1.1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Hydro-Electric Corporation (the Corporation) and its controlled entities (the Group), which is a Tasmanian Government Business Enterprise, a consolidated reporting entity, and a for-profit 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 Group trades using the business names Hydro Tasmania, Entura, and through the Group's subsidiaries, Momentum Energy Pty Ltd and AETV Pty Ltd.

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

The Group owns 55 major dams, 30 operating hydro power stations, the Tamar Valley gas-fired power station, and supplies electricity to Bass Strait islands via diesel, solar and wind power generation. The Group sells energy to retail customers through its subsidiary, Momentum Energy Pty Ltd, trading in all regions of the National Electricity Market (NEM) except Tasmania. The Group also operates the Entura consulting business.

At 30 June 2019 the Group had 1,236 full-time equivalent employees (FTEs) (2018: 1,179 FTEs) including five non-executive directors (2018: four non-executive directors).

The Group holds Australian Financial Services Licence number 279796. This licence authorises the Group to carry on a financial services business in accordance with the licence conditions.

The financial report for the year ended 30 June 2019 was adopted by the directors on 14 August 2019.

1.2 Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of these financial statements have been consistently applied by each entity in the consolidated group.

(a) Basis of preparation

The financial report is a general purpose financial report prepared on an accrual basis under the historical cost convention except for derivative financial assets and liabilities, environmental energy products and hydro generation assets which are carried at fair value.

The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

The financial report is prepared in accordance with:

- *Hydro-Electric Corporation Act 1995*
- *Government Business Enterprises Act 1995* (GBE Act) and related Treasurer's Instructions
- Australian Accounting Standards and interpretations
- Financial disclosure requirements of the *Corporations Act 2001*, where applicable to the operations of the Group and its subsidiaries, and other requirements of the law.

(b) Statement of compliance

The financial report is compliant with Australian Accounting Standards and International Financial Reporting Standards.

The following Australian Accounting Standards are applicable to the Group and have recently been issued or amended. As they are not yet effective the Group has chosen not to adopt them for the year ended 30 June 2019.

Standard/Interpretation	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 16 'Leases' – expected to have an impact which is discussed on the following page	1 January 2019	30 June 2020
AASB 2018-2 'Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement'	1 January 2019	30 June 2020
AASB 2017-5 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2022	30 June 2023
AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures'	1 January 2019	30 June 2020
AASB 2018-1 'Amendments to Australian Accounting Standards – Business Combinations, Joint Arrangements, Income Taxes, and Borrowing Costs, Annual Improvements 2015-2017 Cycle'	1 January 2019	30 June 2020
Interpretation 23 'Uncertainty over Income Tax Treatments'	1 January 2019	30 June 2020

1.2 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations

AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. AASB 16 will supersede the current lease Standard AASB 117 Leases when it becomes effective for accounting periods beginning on or after 1 January 2019.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset and
- the right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of AASB 16, the Group has carried out an implementation project. The project has shown that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Operating leases

AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

On initial application of AASB 16, for all leases (except as noted below), the Group will:

- recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Right-of-use assets will be tested for impairment in accordance with AASB 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group will recognise a lease expense on a straight-line basis as permitted by AASB 16.

Finance leases

The main differences between AASB 16 and AASB 117 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. AASB 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by AASB 117. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

The expected consolidated financial impact on implementing AASB 16 is shown in the below table.

	2020 $'000
STATEMENT OF FINANCIAL PERFORMANCE	
Expenses	
Direct expenses	(5,734)
Depreciation	5,186
Finance expenses	1,698
	1,150
STATEMENT OF FINANCIAL POSITION	
Non-current assets	
Property plant and equipment	32,708
	32,708
Current liabilities	
Interest-bearing liabilities	4,488
Non-current liabilities	
Interest-bearing liabilities	28,220
	32,708

1.2 Summary of significant accounting policies (continued)

Change in accounting policy

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies with a number of exceptions to all revenue arising from contracts with customers.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires new disclosures.

Hydro Tasmania adopted AASB 15 using the retrospective method of adoption with the date of initial application of 1 July 2018. In accordance with this method, to the extent the impact is material, Hydro Tasmania is required to restate comparative information for the 2018 financial period. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient which Hydro Tasmania has applied.

While the retrospective adoption of AASB 15 resulted in changes in accounting policies which are discussed below, it did not result in material adjustments to the current or preceding financial reporting years.

Impact on adoption

Hydro Tasmania has undertaken a comprehensive analysis of the impact of the new revenue standard with the primary focus being to understand whether the timing, amount and nature of revenue recognised could differ pursuant to AASB 15.

Based on this assessment, the application of AASB 15 did not have a material impact on the recognition, timing or measurement of Hydro Tasmania's revenue.

Performance obligations and revenue recognition policies

Hydro Tasmania's primary revenue streams relate to the sale of generated electricity to the NEM in Australia, the sale of electricity and gas to residential and business customers in Australia and the sale of professional consulting services nationally and internationally.

Revenue from contracts with customers is recognized when control of the goods or services is transferred to a customer at an amount that reflects the consideration to which Hydro Tasmania expects to be entitled to receive in exchange for those goods or services.

Most contractual energy supply arrangements with retail customers have no fixed duration and generally require no minimum consumption by the customer. They may terminated by either party at any time without incurring significant penalty. The contractual energy supply arrangements with business and wholesale customers are generally longer-term contracts. The contractual consulting services vary in length of term and are generally for agreed fixed sums.

Hydro Tasmania has generally concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. Hydro Tasmania's primary performance obligations are the supply of energy (gas or electricity) over the contractual term. There are either individual contracts representing separate purchasing decisions of customers, or the units of supply of energy represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and hence are considered one performance obligation satisfied over time. For the shorter-term contracts, the performance obligations are considered to be satisfied and revenue is recognised, as and when the units of energy are delivered. In relation to Hydro Tasmania's longer-term contracts, Hydro Tasmania determines that the right-to-invoice approach to measure the progress towards completion of the performance obligation is most appropriate as it depicts Hydro Tasmania's performance. Hydro Tasmania uses the units of energy delivered to the customer as estimated as part of the unbilled process and later verified by meter readings. In most instances, the transaction price is determined by the unbilled process.

Wholesale energy sales

Wholesale energy sales represent the sale of gas and electricity to wholesale customers. They involve a high volume of energy usually over an extended period. Supply of energy represents a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer; this is the major performance obligation. It is treated as one performance obligation which is satisfied over time. In some instances, there is an additional performance obligation in these contracts by way of a material right. Revenue is recognised for these arrangements when Hydro Tasmania has the right to invoice the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer. Some wholesale electricity arrangements may involve the transfer of environmental energy products (EEPs) to the customer which can represent a separate performance obligation.

1.2 Summary of significant accounting policies (continued)

Change in accounting policy (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Consulting services

Revenue is earned through provision of consulting services ranging from strategy, planning, design and construction through to operation, maintenance, risk management and training. For contracts with variable consideration, variable consideration is determined using the expected value or most likely outcome.

Where the performance obligation is satisfied over time, the input method (i.e., costs costs incurred) is used to measure progress towards the satisfaction of performance obligations. The costs incurred on contracts are assessed to ensure that they are proportionate to the progress in satisfying the performance obligation. Given the type of contracts executed, the input method is deemed the most appropriate method as it measures the costs expended to satisfy the obligation. Revenue is recognised as the performance obligation is satisfied. The revenue is recognised either over time (where the customer receives and consumes all of the benefits provided as work is being performed) using the stage of completion method, or at a point in time (where control is passed on to the customer at a certain point in time).

Electricity and gas sales

Residential energy sales relate to the sales of energy (gas and electricity) to retail customers. Residential sales are classified as individual, short-term, day-by-day contracts and are recognised as revenue on a day-by-day basis upon delivery of energy to customers.

Where the customers are eligible to receive additional discounts (e.g. pay-on-time discounts to encourage timely payment of outstanding energy invoices), Hydro Tasmania considers this to be variable consideration which is estimated as part of the unbilled process.

Hydro Tasmania recognises revenue from contracts with its residential customers at the electricity and gas portfolio levels. Hydro Tasmania has elected to apply the portfolio approach in accounting for the fair valuing of EEPs. Hydro Tasmania considers that applying the requirements of AASB 15 at the portfolio level would not differ materially from applying the standard on a contract-by-contract basis.

Business sales represent the sale of energy to business customers. The nature and accounting treatment of this revenue stream is largely consistent with residential sales. These are longer term in nature and represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and are treated as one performance obligation satisfied over time based on the output delivered to the customer. For most business sales customers, Hydro Tasmania recognises revenue when it has the right to invoice the customer for consideration that has been determined to correspond directly with the value of units of energy delivered to that customer.

Some business sales arrangements also include the transfer of EEPs to the customer which can, in some instances, represent a separate performance obligation.

Environmental energy products

For some customer contracts, Hydro Tasmania sells both energy and EEPs to the customer. A customer may purchase EEPs from Hydro Tasmania to meet its own EEP obligations or when it wants actual title to the EEPs.

The EEPs sold to a customer represent a separate performance obligation. The EEP is a good that the customer can benefit from. The EEP on its own and the promise to transfer EEPs to the customer is separately identifiable from the other promises in the contract, for example the promise to deliver energy.

Hydro Tasmania determines the portion of the transaction price that it allocates to the EEPs using a stand-alone pricing method. In accordance with this method, the transaction price is allocated to each performance obligation based on the proportion of the stand-alone selling price of each performance obligation to the sum of the stand-alone selling prices of all the performance obligations in the contract.

Revenue is recognised as and when the control of the EEPs are transferred to the customer which occurs at a point in time. In other cases where the EEPs are transferred to the customer from Hydro Tasmania's inventory, control of the EEPs transfers upon receipt by the customer.

Market generation sales

Market generation sales and purchase costs relate to sales by Hydro Tasmania's generation assets to the grid and purchases of energy by Hydro Tasmania wholesale on behalf of Hydro Tasmania's retail business. Hydro Tasmania has assessed it is acting as the principal in relation to such sales to the market and purchases of energy and therefore the transactions are recognised on a gross basis. Revenue from these arrangements is recognised at the spot price achieved when control of the energy passes to the grid.

Costs to obtain a contract

Hydro Tasmania pays a range of sales commissions in relation to the securing of new customer contracts. These include those paid to internal sales teams and external third-party agents or brokers. These costs are recognised as an asset if the costs are incremental, material and if Hydro Tasmania expects to recover them and are amortised over the life of the customer contract or customer relationship.

Costs that are incurred regardless of whether a contract is obtained are expensed as incurred, unless those costs are explicitly chargeable to the customer.

1.2 Summary of significant accounting policies (continued)

Change in accounting policy (continued)

AASB 15 Revenue from Contracts with Customers (continued)

Completed contracts

Hydro Tasmania has applied the practical expedient in that it has not restated contracts that:

- begin and end within the same annual reporting period or
- are completed contracts at the beginning of the earliest period presented.

(c) Principles of consolidation

The consolidated financial report includes the Group, being the parent entity, and its controlled entities.

The financial report includes the information and results of each controlled entity from the date on which the Group obtained control and until such time as the Group ceased to control the entity. The financial reports of subsidiaries are prepared for the same reporting period as the Group.

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

(d) Significant accounting judgements

In the process of applying the Group's accounting policies, the Group has made the following judgements, apart from those involving estimates, which have a significant effect on the amount recognised in the financial report.

- **Fair value of hydro generation assets**

  Note 1.2(i) and note 9 describe the judgement process adopted in assessing fair value of hydro generation assets. Note 1.2(m) describes the judgement process adopted to estimate the recoverable amount of property, plant and equipment when an indication of revaluation exists or when a previous indicator of revaluation has reversed.

- **Financial liabilities and financial assets**

  Notes 1.2(ac) and (ae) describe the valuation methods applied to the Group's financial liabilities and financial assets which include judgements about market conditions and activity.

Note 3 details assumptions on financial assets and liabilities.

(e) Significant accounting estimates and assumptions

The Retirement Benefits Fund liability detailed in note 19 has been assessed by the State Actuary and various actuarial assumptions have been applied to arrive at the carrying value reported.

(f) Receivables

Current trade receivables include amounts receivable on 30-day terms from Australian Energy Market Operator (AEMO) for electricity sales and amounts receivable on 30- to 90-day day terms for consulting services. They also include amounts receivable on terms varying from 14 to 90 days for retail sales of electricity and gas. Receivables are recognised and carried at the invoiced amount less an allowance for impairment. Such an allowance is only recognised when there is objective evidence that the debt is impaired. Any bad debts are written off as an expense or against the provision for impairment.

The Group uses an expected credit loss model in the provisioning for impairment of trade receivables. Trade receivable amounts are disaggregated into customer segments. Loss rates are estimated in each category and are based on the probability of a receivable progressing through to write-off. Factors to estimate the loss rate are based on risk assessment performed for each customer segment and prevailing economic factors.

All trade receivables are non-interest bearing except for Entura consulting receivables which, if past due, are charged interest in accordance with the contract.

Non-current receivables are recognised and carried at amortised cost. Amortisation of receivables is calculated using the effective interest method. Any allowance for impairment is deducted from the carrying value.

Prior to extending credit to new Entura consulting clients and Momentum retail customers, credit checks are undertaken by referencing external credit reports and contacting credit referees. Additional risks are reviewed in relation to new international clients.

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The carrying amounts of financial assets represent the maximum credit exposure.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the company's standard payment terms and conditions are offered. The company's review includes credit agency information and, in some cases if they are available, financial statements and bank references. Sale limits are established for each customer and reviewed in accordance with the internal risk management guidelines.

Ongoing credit evaluation is performed on the financial condition of debtors, and where necessary recovery action is undertaken and contract penalty clauses activated. Appropriate credit management practices are adopted to protect against exposure to non-payment by retail customers.

1.2 Summary of significant accounting policies (continued)

(f) Receivables (continued)

Expected credit loss assessment for customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

An expected credit limit rate is calculated for each customer segment based on delinquency status and actual credit loss experience over the historic performance of the base. These rates are applied to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the company's view of economic conditions over the expected lives of the receivables.

(g) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents reported in the Statement of Financial Position and Cash Flow Statement comprises cash on hand and in banks and short-term deposits. Short-term deposits have an original maturity of three months or less, are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(i) Property, plant and equipment

The Group carries its hydro generation assets at fair value. The basis for the fair value calculation is described in note 9.

The Group's other property, plant and equipment assets are carried at cost less accumulated depreciation and impairment.

The remaining useful life of property, plant and equipment and the residual value at the end of the useful life are reviewed annually.

Depreciation of property, plant and equipment other than land is based on remaining useful life using the straight-line method. Useful lives applicable to each class are as follows:

	2019	2018
Hydro generation	3–150 years	3–150 years
Other generation	3–50 years	3–50 years
Motor vehicles	3–33 years	4–33 years
Minor assets	1–10 years	1–10 years
Buildings	5–50 years	5–50 years

Property, plant and equipment are written off upon disposal or when there are no future economic benefits expected from their continued use. Any gain or loss is reported in the Statement of Financial Performance.

(j) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

1.2 Summary of significant accounting policies (continued)

(j) Intangible assets (continued)

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(k) Goodwill

Goodwill represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill is measured at cost less accumulated impairment losses. Note 1.2(m) contains more information on the treatment of Goodwill.

(l) Research and development

Research expenditure is expensed when incurred. Expenditure incurred during the development phase of an internal project is recognised as an asset only when all the following criteria are met:

- technical feasibility demonstrates the asset to be available for use or sale currently or after completion of development
- there is an intention, and the ability, to use or sell the asset upon completion
- generation of probable future economic benefits can be demonstrated
- adequate technical, financial and other resources are available to develop the asset to a state where it can be used or sold
- expenditure incurred in the development phase can be reliably measured and attributed to the asset.

Following initial recognition of development expenditure, the asset is valued in accordance with note 1.2(j).

(m) Asset impairment

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists the Group makes an estimate of the asset's recoverable amount. For goodwill, an assessment of impairment is performed and the recoverable amount is estimated each year. An asset's recoverable amount is the higher of its fair value less costs to sell or its value in use. Value in use is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such cases the asset is tested for revaluation as part of the cash generating unit (CGU) to which it belongs. Goodwill acquired in a business combination, for the purpose of revaluation testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis. The Group classifies its hydro generating assets, the Momentum Energy retail business and the gas-fired generation business as separate CGUs.

In assessing value in use, the estimated future cash flows are discounted to their present value using the post-tax nominal weighted average cost of capital that reflects current market assessment of the time value of money and the expected life of the asset. In assessing fair value, estimates are made of the current market value of an asset less estimated cost of sale.

An assessment is also made at each reporting date as to whether there is any indication that the cause of previously recognised impairment losses may no longer exist or have decreased. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount and a gain is recognised in the Statement of Financial Performance. The impairment reversal cannot result in a carrying amount exceeding the amount that would have been determined, net of depreciation or amortisation, had no revaluation loss been recognised for the asset in prior years. An impairment of goodwill is not reversed.

(n) Payables

All trade payables and accrued expenses are unsecured and non interest-bearing, are normally settled within supplier credit terms and are carried at the invoiced amount.

(o) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event, it is probable that a future sacrifice of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions relating to a liability that is expected to be settled more than 12 months after the balance date are discounted using a pre-tax rate that reflects the risks of the underlying liability.

An onerous contract is considered to exist when the Group is party to a contract under which the unavoidable cost of meeting contractual obligations exceeds the economic benefits to be received. Net obligations arising under onerous contracts are recognised as a provision.

1.2 Summary of significant accounting policies (continued)

(o) Provisions (continued)

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(p) Employee benefits

- **Wages, salaries and annual leave**

  Liabilities for wages, salaries and annual leave are recognised as the present obligations resulting from employees' services provided to the reporting date. These liabilities include related on-costs. Liabilities expected to be settled within 12 months are based on wage and salary rates that the Group expects to pay at the time of settlement. For those expected to be settled later than 12 months the liability is calculated using expected future increases in wage and salary rates including related on-costs and the expected rate of utilisation based on historical patterns and is discounted using corporate bond rates at reporting date.

- **Long service leave**

  The provision for long service leave represents the present value of the expected future cash payments 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 the expected rate of utilisation based on historical patterns and is discounted using corporate cond rates at reporting date. The provision is segregated into current and non-current portions based on vesting of entitlements in the next 12 months.

- **Defined benefit plan**

  The Retirement Benefits Fund (RBF) is a defined benefit plan funded by employee and employer contributions. Employee contributions to the fund are transferred to independent RBF administrators while employer obligations are raised as a provision. The defined benefit plan is closed to new members.

  An interest charge, calculated by the application of market-related interest rates, is added to this provision each year after advice from the State Actuary. This is reported in the Statement of Financial Performance as part of finance costs.

- **Defined contribution plans**

  Contributions to defined contribution superannuation plans are made as directed by the employee and are expensed when the employee has rendered service entitling them to the contribution.

- **Employee termination benefits**

  Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(q) Taxation

Income tax equivalent

Under the *Government Business Enterprises Act 1995* and the National Tax Equivalents Regime the Group 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 Group applies tax accounting principles prescribed in AASB 112 Income Taxes.

Current tax assets and liabilities are measured at the amount expected to be paid or recovered. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Subject to the condition noted below, deferred income tax assets and liabilities are recorded for all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which deductible temporary differences can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes relating to items recognised directly in equity are recognised as other comprehensive income or expense in the Statement of Comprehensive Income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right of offset exists and they relate to the same taxable entity and the same taxation authority.

1.2 Summary of significant accounting policies (continued)

(q) Taxation (continued)

Tax consolidation

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

The Group and its wholly owned Australian resident subsidiaries have consolidated for tax purposes under this legislation and have elected to be taxed as a single entity. The head entity within the tax consolidation group is Hydro-Electric Corporation.

Tax sharing agreements between the Corporation as head entity and its subsidiaries 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 are disclosed by each subsidiary as intercompany loan balances as if the subsidiary were a stand-alone tax entity.

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 as amounts receivable from or payable to other entities in the tax-consolidated group.

Other taxes

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

- when the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and
- receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

- **Corporation as a lessee**

  When the Group assumes substantially all the risks and rewards of ownership under a lease it is classified as a finance lease. Upon initial recognition the leased asset is measured at the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the class of asset to which it is assigned. Lease payments under a finance lease are apportioned between the finance expense and the reduction of the outstanding liability.

  Other leases are operating leases. Payments under operating leases are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Financial Performance as an integral part of the total lease expense.

- **Corporation as a lessor**

  Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset.

(s) Borrowing expenses

Borrowing costs are expensed when incurred except those borrowing costs directly attributable to an asset. Borrowing costs attributable to a qualifying asset are included in the capital cost of the asset.

(t) Interest-bearing liabilities

Loans are recognised initially at the fair value of the consideration received. Subsequent to initial recognition loans are measured at amortised cost using the effective interest method.

(u) Foreign currency

The consolidated statements of the Group are presented in the functional currency which is Australian dollars.

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

Foreign currency transactions that are hedged are accounted for as detailed in note 1.2(ac) or 1.2(ae).

Exchange variances resulting from the translation of balances of foreign subsidiaries are recognised in the foreign currency translation reserve in equity.

All other exchange differences in the consolidated financial report are reported as gains or losses from current year operations in the Statement of Financial Performance.

1.2 Summary of significant accounting policies (continued)

(v) Joint ventures and associates

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Associates are those entities over whose financial and operating policies Hydro Tasmania has significant influence, but not control.

An investor controls an investee if they have power over the investee, are exposed to variable returns, and are able to use their power over the investee to affect the amount of the returns. The Group has assessed power over the joint ventures by reference to the shareholders agreement relating to each joint venture, the respective voting rights held and the percentage of vote required to effect a decision. In each case the requirement to have unanimous agreement to a decision prevents the Group having power over any of the joint ventures. The Group is subject to variable returns but is unable to influence the amount of those returns in the absence of having power over the joint venture.

Interests in incorporated joint venture and associate entities are reported in the consolidated financial report using the equity method and in the parent entity financial report using the cost method. If the carrying amount of an investment in a joint venture or associate is zero, the Group's share of a loss by the joint venture or associate is reported as a loss against the current year operations in the Statement of Financial Performance and accrued as a provision for later offset against any investments.

Unincorporated joint ventures which operate jointly controlled assets are accounted for by recognising the Group's share of the venture's assets, liabilities, revenues and expenses.

(w) Segment Information

The Group has identified segments based on internal management reports. Refer to note 33.

(x) Contributed equity

Contributed equity from the State of Tasmania is recorded when received.

(y) Government grants

Government grants are recognised as revenue when there is reasonable assurance that the Group is able to meet the qualifying conditions.

Where a grant is received as compensation for certain expenditure, the grant is recognised as revenue in the Statement of Financial Performance on a basis that matches the timing of the expenditure.

(z) Revenue recognition

Revenue is recognised when the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Corporation, control over any goods and the associated risks and rewards of ownership have flowed to the buyer and any costs associated with the transaction can be reliably measured.

- **Electricity and gas sales**

  Revenue from generated electricity and traded gas is earned from the AEMO at market price and is recognised at the time the electricity or gas is provided. Revenue from sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from sale of retail electricity is earned at contract prices and is recognised at the time of delivery to the customer. Retail electricity sold is purchased from the AEMO at market price. Exposure to fluctuations in market price is managed through the use of derivative contracts executed principally in the Tasmanian and Victorian regions. The effective and ineffective portion of electricity derivatives designated as cash flow hedges and those derivatives not designated as cash flow hedges but considered to represent economic hedges under the Group's Board approved financial risk management policy are recognised in revenue in the period when the contract settles. Note 17 discloses the amount of realised gains and losses included in revenue during the financial year. Customers are billed on a regular basis. At the end of each reporting period, gas and electricity revenue include an accrual (unbilled revenue) for energy delivered to customers but not yet billed.

- **Environmental energy products**

  Revenue from environmental energy products is recognised at the time the Group has earned the right to register the products.

- **Consulting services**

  Consulting revenue is recognised over time based on the completion of performance obligations identified within the contractual agreements that exist with the client.

- **Interest income**

  Interest revenue is recognised on an accrual basis using the effective interest method. This is based on the amortised cost of a financial asset and the allocation of the interest income over the relevant period using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

- **Dividends**

  Revenue is recognised when the Corporation's right to receive the payment is established.

- **Rental revenue**

  Rental income from land and buildings is recognised on a straight-line basis over the term of the lease.

1.2 Summary of significant accounting policies (continued)

(aa) Rounding

The Group is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Group's Instrument, amounts in the financial report are rounded to the nearest thousand dollars unless otherwise indicated.

(ab) Comparative figures

Where necessary, the comparative figures for the previous year have been reclassified to facilitate comparison with the current year.

(ac) Financial assets

Financial assets in the scope of AASB 9 Financial Instruments are classified as being carried at amortised cost, or at fair value through profit or loss. When financial assets are initially recognised they are measured at fair value. The Group determines the classification of its financial assets after initial recognition and, where appropriate, re-evaluates this designation at each financial year end. All routine purchases and sales of financial assets are recognised on the trade date being the date that the Group commits to purchase the assets.

- **Amortised cost**

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Financial Performance when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

- **At fair value through profit or loss**

  Financial assets are classified as being at fair value through profit or loss where the financial asset has been acquired principally for resale in the near future, is part of an identified portfolio of financial instruments that the Group manages together, has a recent actual pattern of trading and is a derivative that is not designated and effective as a hedging instrument.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when Hydro Tasmania transfers substantially all the risks and rewards of the financial assets.

(ad) Financial liabilities

Financial liabilities include trade payables, interest-bearing liabilities and derivative financial instruments such as energy contracts, credit swaps, interest rate swaps, forward foreign exchange contracts and the Basslink contracts.

(ae) Derivative financial instruments

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures and some electricity price exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in electricity prices and interest rates and certain derivatives.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

2. Revenue and expenses

Revenue by product and customer type is disaggregated below:

(a) Revenue

	CONSOLIDATED 2019				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	TOTAL $'000
Sale of electricity	155,304	768,888	706,132	-	1,630,324
Sale of gas	80,146	367	50,034	-	130,547
Rendering of services	-	-	-	30,790	30,790
Other revenue	-	-	32,711	-	32,711
	235,450	769,255	788,877	30,790	1,824,372

	CONSOLIDATED 2018				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	TOTAL $'000
Sale of electricity	132,936	728,427	648,962	-	1,510,325
Sale of gas	70,295	11,082	69,510	-	150,887
Rendering of services	-	-	-	26,861	26,861
Other revenue	-	-	81,623		81,623
	203,231	739,509	800,095	26,861	1,769,696

	PARENT 2019				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	TOTAL $'000
Sale of electricity	3,862	-	708,133	-	711,995
Sale of gas	-	-	24,672	-	24,672
Rendering of services	-	-	-	29,207	29,207
Other revenue	-	-	32,711	-	32,711
	3,862	-	765,516	29,207	798,585

	PARENT 2018				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	TOTAL $'000
Sale of electricity	3,792	-	617,562	-	621,354
Sale of gas	-	-	21,165	-	21,165
Rendering of services	-	-	-	25,304	25,304
Other revenue	-	-	81,623	-	81,623
	3,792	-	720,350	25,304	749,446

[1] Sale of electricity includes settlement of energy price derivatives of ($374,493) (2018: ($383,258)). Refer note 17.

2. Revenue and expenses (continued)

		NOTE	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'000
(b)	**Finance expenses**					
	Loan interest		27,491	31,894	27,491	31,894
	Government guarantee fee		7,550	8,187	7,550	8,187
	RBF net interest	19	13,060	13,402	13,060	13,402
	Other finance costs		2,028	896	216	1,057
			50,129	54,379	48,317	54,540
(c)	**Fair value gains**					
	Basslink financial asset and liabilities		-	72,863	-	72,863
	Energy price derivatives - unwind of fair value of cash flow hedges		125,255	147,878	125,255	147,878
	Energy price derivatives - economic hedges		141,720	-	141,720	-
	Treasury derivatives		-	1,653	-	1,653
	Onerous contracts		13,525	22,432	208	4,811
	Other		1,168	24	40	24
			281,668	244,850	267,223	227,229
(d)	**Fair value losses**					
	Basslink financial asset and liabilities		23,546	-	23,546	-
	Energy price derivatives - economic hedges		-	175,093	-	175,093
	Treasury derivatives		267	-	267	-
	Site rehabilitation provision		11,860	911	-	-
	Onerous contracts		197,799	67,735	197,799	37,954
	Other		-	-	-	-
	Fair value losses		233,472	243,739	221,612	213,047
	Net fair value gains/(losses)		48,196	1,111	45,611	14,182
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment of investments		-	227	-	-
	Impairment of loans carried at amortised cost		-	-	26,589	(51,471)
	Impairment (gain)/expense of generation assets		11,050	-	-	-
			11,050	227	26,589	(51,471)

3. Assumptions and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Financial assets and liabilities

Changes in the fair value of financial assets and liabilities described below are presented as gains or losses through the Statement of Financial Performance and are calculated based on the present value of projected cash flows. None of the adjustments reflect cash flow transactions during the year. In the case of those financial liabilities valued using published forward prices, while fair value represents an estimate of the cost of closing out the obligations at year end, the intention of the Group is to let the obligations run their course and deliver the associated financial benefits.

- **Energy price derivatives**

  The Group trades in energy price derivatives in all regions of the NEM as a means of securing the value of future electricity revenue or the cost of future electricity to be delivered under retail contracts. In accordance with AASB 9 Financial Instruments financial derivatives are recorded at their fair value. Movement in fair value is recorded as a gain or loss in the Statement of Financial Performance as detailed in note 2(c) and (d).

  Mainland electricity contracts are valued using published forward energy prices. The remeasurement of the fair value of energy price derivatives at 30 June 2019 has resulted in a gain being recorded in the Statement of Financial Performance (note 2(c)).

  In the event of a lack of quoted market prices, the fair value of financial instruments has been calculated using valuation models that make maximum use of available market inputs to produce a reasonable estimate of the price that would be determined by the market. In many cases this entails projecting future cash flows that are then discounted to present value using the appropriate discount rate, including the credit risk of the out of the money party to the agreement. The calculation of projected future cash flows requires, among other things, a forecast electricity price. Beyond the period when market prices are observable, the Group derives forecast prices from an internal model.

- **Basslink financial asset and liabilities**

  The financial asset and liabilities associated with the Basslink agreements are recorded at fair value in accordance with AASB 9. The remeasurement of the net financial liability to fair value at 30 June 2019 has resulted in a loss being recorded in the Statement of Financial Performance (note 2(d)). Note 20(c) details the methodology used to calculate the fair value of the Basslink financial asset and liabilities.

Asset valuation

Assets are fair valued and assessed for impairment in accordance with the methodology described in note 1.2(m). Note 9 describes the inputs to the asset revaluation model. Goodwill generated by acquisition of a business is attributed to CGUs as described in note 1.2(m). Assessment of this goodwill for impairment is conducted in conjunction with the revaluation assessment of the relevant CGUs. Impairment assessment is undertaken on a value-in-use basis involving assessment of future cash flows associated with the strategic direction over the ensuing five years or useful life of the plant discounted at the Group's weighted average cost of capital.

Site rehabilitation provision

The Group has provided for the cost of removing the Bell Bay plant and removing the Tamar Valley Power Station at the end of its useful life. The provision includes the cost of remediating the site within prescribed limits. The provision also includes costs associated with remediating sites that were used for diesel generation during the last financial year. The provision is reassessed each year to reflect the current estimated cost of the demolition and remediation. Any adjustment to the provision is reflected as a gain or loss in the Statement of Financial Performance.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Unbilled energy

In valuing unbilled energy the Group estimates the load of electricity sold to customers as at 30 June at the average sale price.

4. Income tax equivalent

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a)	**Income tax (benefit)/expense reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	72,543	35,719	78,997	33,094
	Adjustments in respect of income tax of prior years	(8,944)	(4,904)	(8,943)	(4,287)
	Income tax expense in relation to foreign operations	-	659	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	(7,362)	16,390	(6,457)	22,793
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	56,237	47,864	63,597	51,600
	A reconciliation between income tax expense and accounting profit before income tax multiplied by the Group's income tax rate is as follows:				
	Accounting (loss)/profit before income tax	216,191	168,786	211,820	236,808
	Income tax expense/(benefit) calculated at 30%	64,857	50,636	63,546	71,042
	Adjustment in respect of income tax of previous years	(8,993)	(4,244)	(8,990)	(4,287)
	Income tax expense in relation to foreign operations	-	659	-	-
	Expenditure not deductible for income tax purposes	1,132	813	1,065	286
	Franking credits from investments	(759)	-	-	-
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	7,976	(15,441)
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	56,237	47,864	63,597	51,600
(b)	**Income tax benefit/(expense) recognised directly in equity**				
	Revaluation of effective hedges	128,227	(12,944)	128,227	(12,944)
	Actuarial assessment of RBF provision	14,153	(1,012)	14,153	(1,012)
	Revaluation of property, plant and equipment	-	52,536	-	52,536
	Foreign currency translation reserve	49	(50)	-	-
	Income tax (expense)/benefit recognised in equity	142,429	38,530	142,380	38,580
(c)	**Current tax assets and liabilities**				
	Provisions for income tax	(10,643)	(16,144)	(10,643)	(16,144)
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	735,505	599,434	682,315	552,109
	Tax losses	-	245	-	245
		735,505	599,679	682,315	552,354
	Deferred tax liabilities comprise:				
	Assessable temporary differences	1,039,920	1,053,885	1,077,648	1,096,524
	Net deferred tax liabilities	304,415	454,206	395,333	544,170

4. Income tax equivalent (continued)

The tax effect of assessable and deductible temporary differences arises from the following:

	2019 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	941,589	(11,280)	-	-	-	930,309
Financial assets	91,531	(581)	-	-	-	90,950
Other	20,765	(2,104)	-	-	-	18,661
	1,053,885	(13,965)	-	-	-	1,039,920
Deferred tax assets:						
Provision for employee entitlements	102,558	(301)	14,153	-	-	116,410
Basslink and other financial liabilities	246,007	6,162	-	-	-	252,169
Electricity derivatives	173,125	(80,151)	128,227	-	-	221,201
Provisions	71,174	58,219	-	-	-	129,393
Investments in joint venture	-	4,340	-	-	-	4,340
Other	6,570	5,373	49	-	-	11,992
	599,434	(6,358)	142,429	-	-	735,505
Net deferred tax liabilities	454,451	(7,607)	(142,429)	-	-	304,415
Unused tax losses and credits	(245)	245	-	-	-	-
Net deferred tax liabilities	454,206	(7,362)	(142,429)	-	-	304,415

	2019 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	986,308	(12,221)	-	-	-	974,087
Financial assets	91,531	(581)	-	-	-	90,950
Other	18,685	(6,074)	-	-	-	12,611
	1,096,524	(18,876)	-	-	-	1,077,648
Deferred tax assets:						
Provision for employee entitlements	101,511	(316)	14,153	-	-	115,348
Basslink and other financial liabilities	246,007	6,162	-	-	-	252,169
Electricity derivatives	173,125	(80,151)	128,227	-	-	221,201
Provisions	25,441	59,202	-	-	-	84,643
Other	6,025	2,929	-	-	-	8,954
	552,109	(12,174)	142,380	-	-	682,315
Net deferred tax liabilities	544,415	(6,702)	(142,380)	-	-	395,333
Unused tax losses and credits	(245)	245	-	-	-	-
Net deferred tax liabilities	544,170	(6,457)	(142,380)	-	-	395,333

4. Income tax equivalent (continued)

	2018 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,002,997	(8,872)	(52,536)	-	-	941,589
Electricity derivatives	170,357	(170,357)	-	-	-	-
Financial assets	100,020	(8,489)	-	-	-	91,531
Other	22,900	(2,135)	-	-	-	20,765
	1,296,274	(189,853)	(52,536)	-	-	1,053,885
Deferred tax assets:						
Provision for employee entitlements	103,206	364	(1,012)	-	-	102,558
Basslink and other financial liabilities	656,100	(410,093)	-	-	-	246,007
Electricity derivatives	-	186,069	(12,944)	-	-	173,125
Provisions	53,041	18,133	-	-	-	71,174
Other	7,082	(716)	(50)	254	-	6,570
	819,429	(206,243)	(14,006)	254	-	599,434
Net deferred tax liabilities	476,845	16,390	(38,530)	(254)	-	454,451
Unused tax losses and credits	(3,848)	2,519	-	1,084	-	(245)
Net deferred tax liabilities	472,997	18,909	(38,530)	830	-	454,206

	2018 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,051,101	(12,257)	(52,536)	-	-	986,308
Electricity derivatives	170,357	(170,357)	-	-	-	-
Financial assets	100,020	(8,489)	-	-	-	91,531
Other	19,470	(785)	-	-	-	18,685
	1,340,948	(191,888)	(52,536)	-	-	1,096,524
Deferred tax assets:						
Provision for employee entitlements	102,253	270	(1,012)	-	-	101,511
Basslink and other financial liabilities	656,100	(410,093)	-	-	-	246,007
Electricity derivatives	-	186,069	(12,944)	-	-	173,125
Provisions	15,627	9,814	-	-	-	25,441
Other	6,760	(741)	-	6	-	6,025
	780,740	(214,681)	(13,956)	6	-	552,109
Net deferred tax liabilities	560,208	22,793	(38,580)	(6)	-	544,415
Unused tax losses and credits	(3,848)	2,519	-	1,084	-	(245)
Net deferred tax liabilities	556,360	25,312	(38,580)	1,078	-	544,170

All deferred tax balances relate to continuing operations.

At 30 June 2019, there is no recognised or unrecognised deferred income tax liability (2018: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, joint ventures or associates. The Group has no liability for additional taxation should such amounts be remitted.

5. Note to the cash flow statement

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a)	Cash reconciliation				
	Cash	16,945	16,987	14,393	14,569
	Money market investments	49,503	48,903	49,500	48,900
		66,448	65,890	63,893	63,469
	Reconciliation of net cash provided by operating activities to net profit for the year				
(b)	Profit/(loss) after income tax equivalent expense	159,954	120,922	148,223	185,208
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	95,627	95,359	92,353	92,136
	Amortisation	22,438	21,162	15,625	15,915
	Revaluations and impairment	11,050	227	26,589	(51,471)
	Loss on derecognition of property, plant and equipment	5,189	3,908	4,976	2,466
	Equity accounted share of joint venture (profit)/loss	11,477	(3,884)	-	-
	Impairment of investment	1,100	-	-	-
	Loans forgiven	-	-	-	826
	Net fair value gains/(losses)	(48,196)	(1,111)	(45,611)	(14,182)
	Income tax (benefit)/expense	56,237	47,864	63,597	51,600
	Cash from operating profit before changes in working capital	314,876	284,447	305,752	282,498
	(Increase)/decrease in receivables	(3,272)	(18,686)	2,551	(13,307)
	(Increase)/decrease in inventories	(675)	(156)	(675)	(156)
	Increase/(decrease) in other financial assets and liabilities	10,044	60,351	22,523	31,829
	Increase/(decrease) in payables	(2,552)	29,107	(9,862)	20,549
	Increase/(decrease) in provisions	8,113	10,638	11,147	409
	Income tax equivalent paid	(69,101)	(8,552)	(69,101)	(8,552)
	Net cash provided by operating activities	257,433	357,149	262,335	313,270

6. Receivables

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	397,464	393,538	227,049	229,666
Provision for impairment	(6,843)	(6,026)	(107)	(55)
	390,621	387,512	226,942	229,611
Ageing of past due but not impaired trade receivables:				
60–90 days	1,620	909	407	102
Over 90 days	993	939	957	845
	2,613	1,848	1,364	947

The amount past due but not impaired included in trade receivables is predominantly attributable to consulting services clients and retail customers. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents those accounts considered to be wholly or partially non-recoverable. The Group wrote off $9.5m of bad debts during the year (2018: $6.4m). The Group does not hold any security over the balances past due.

7. Investments

	NOTE	CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Current investments					
Money market investments		49,503	48,903	49,500	48,900
(b) Non-current investments					
Investment in joint ventures	30	42,540	58,144	-	-
Investment in subsidiaries		-	-	203,827	203,827
		42,540	58,144	203,827	203,827

8. Inventories

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Maintenance stores	3,763	3,088	3,763	3,088
	3,763	3,088	3,763	3,088

9. Property, plant and equipment

Asset valuation

The hydro generation class of assets is carried at fair value using a discounted cash flow model. The fair value calculation is based on an internally generated Tasmanian energy price curve derived from the published three-year Victorian energy price curve. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curve has been validated by comparison to other published price trend predictions in the NEM. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on internal models.

Gas-fired generation assets are carried at fair value based on an independent valuation.

Beyond the period when market prices are observable, the Group derives forecast prices from an internal model for use in the fair value calculation.

The other principal inputs to the fair value of generation assets are forecast generation and total energy demand. The Group meets forecast contractual obligations from generation or by purchasing energy from the market. Opportunities for export of generation over Basslink will also be taken into account. The volume of energy generated from hydro assets is principally determined by actual and forecast water storage positions. These are in turn affected by the expected annual inflows to water storages from rainfall over catchments. The financial forecasts used to value the hydro generation assets are based on an assumed equivalent generation volume of 9000 Gigawatt hours (GWh) per annum at the generator. As disclosed in note 20, the financial assets and liabilities representing the Basslink and energy price derivatives are also carried at fair value.

Revenue and expenses in the fair value calculation are inflated at the forecast consumer price index and are discounted using the Group's post-tax nominal weighted average cost of capital of 7.7% (2018: 7.7%). This has been validated against Australian financial and equity market data.

Movements in fair value of hydro generation assets will offset movement in the fair value of financial liabilities for the same forecast price change. Fair value of hydro generation assets is estimated to increase by $484m (2018: $491m) for a 10% increase in forecast prices and decrease by a similar amount for a 10% reduction in forecast prices. In both scenarios prices have been uniformly changed across all years of the fair value calculation.

AASB 116 Property, Plant and Equipment requires that, when an asset class is carried at fair value, disclosure must be made of the carrying amount that would be recognised had it been carried under the cost method. If the hydro generation assets had remained under the cost method their carrying amount would be $3,973m (2018: $3,975m).

Revaluation of assets

Notes 1.2(i) and (m) detail the Group's valuation policy with respect to assets.

The fair value of the Hydro Tasmania generation assets was determined using the income approach which reflects current market expectations about future cash flows and expenses. An assessment in 2019 has indicated there is no requirement to adjust the valuation of the Hydro Tasmania generation class of assets.

An independent valuation of the AETV generation assets was conducted in 2019. The fair value of the AETV assets was determined based on the market comparable approach that reflects recent transaction prices for similar generation units. This valuation indicated a downward valuation of assets.

Details of the Groups generation assets fair value hierarchy as at 30 June 2019 is:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/19 $'000
Generating plant				
Consolidated	-	31,351	4,093,110	4,124,461
Parent	-	-	4,091,329	4,091,329

There were no transfers between Level 1 and Level 2 during the year.

9. Property, plant and equipment (continued)

2019 CONSOLIDATED	Generation at fair value $'000	Other generation 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	4,277,990	24,975	15,858	70,804	91,926	169,088	4,650,641
Additions	-	-	3	-	-	145,064	145,067
Disposals	(1,118)	-	(2,080)	(149)	(20,592)	(204)	(24,143)
Transfers#	84,327	832	1,952	4,280	19,366	(120,084)	(9,327)
Net revaluation adjustment	(194)	-	2	-	2	-	(190)
Balance at the end of the year	4,361,005	25,807	15,735	74,935	90,702	193,864	4,762,048
Accumulated depreciation							
Balance at the beginning of the year	(141,997)	(14,727)	(7,207)	(28,070)	(81,842)	-	(273,843)
Disposals	964	-	1,751	45	20,571	-	23,331
Transfers#	-	-	-	-	-	-	-
Revaluation and impairment	(11,046)	-	(1)	-	(1)	-	(11,048)
Depreciation expense	(84,465)	(754)	(2,210)	(3,013)	(5,185)	-	(95,627)
Balance at the end of the year	(236,544)	(15,481)	(7,667)	(31,038)	(66,457)	-	(357,187)
Net book value at the end of the year	4,124,461	10,326	8,068	43,897	24,245	193,864	4,404,861

2019 PARENT	Generation at fair value $'000	Other generation 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	4,127,923	24,885	15,542	54,441	87,343	167,156	4,477,290
Additions	-	-	-	-	-	132,673	132,673
Disposals	(171)	-	(2,057)	(149)	(20,031)	(14,961)	(37,369)
Transfers#	71,352	741	1,952	3,938	18,989	(100,931)	(3,959)
Net revaluation adjustment	(194)	-	-	-	-	-	(194)
Balance at the end of the year	4,198,910	25,626	15,437	58,230	86,301	183,937	4,568,441
Accumulated depreciation							
Balance at the beginning of the year	(25,811)	(14,650)	(6,989)	(23,578)	(78,444)	-	(149,472)
Disposals	171	-	1,737	45	20,011	-	21,964
Transfers#	-	-	-	-	-	-	-
Revaluation and impairment	-	-	-	-	-	-	-
Depreciation expense	(81,941)	(729)	(2,195)	(2,792)	(4,696)	-	(92,353)
Balance at the end of the year	(107,581)	(15,379)	(7,447)	(26,325)	(63,129)	-	(219,861)
Net book value at the end of the year	4,091,329	10,247	7,990	31,905	23,172	183,937	4,348,580

#Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

9. Property, plant and equipment (continued)

2018 CONSOLIDATED	Generation at fair value $'000	Other generation 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	4,490,531	23,668	14,930	69,256	91,264	212,815	4,902,464
Additions	-	-	-	-	91	124,778	124,869
Disposals	(642)	-	(3,355)	(3,357)	(1,800)	(1,671)	(10,825)
Transfers#	110,530	1,307	4,283	4,905	2,371	(166,834)	(43,438)
Net revaluation adjustment	(322,429)	-	-	-	-	-	(322,429)
Balance at the end of the year	4,277,990	24,975	15,858	70,804	91,926	169,088	4,650,641
Accumulated depreciation							
Balance at the beginning of the year	(205,784)	(14,044)	(7,466)	(26,404)	(77,892)	-	(331,590)
Disposals	636	-	2,540	1,292	1,663	-	6,131
Transfers#	-	-	-	-	-	-	-
Revaluation and impairment	146,975	-	-	-	-	-	146,975
Depreciation expense	(83,824)	(683)	(2,281)	(2,958)	(5,613)	-	(95,359)
Balance at the end of the year	(141,997)	(14,727)	(7,207)	(28,070)	(81,842)	-	(273,843)
Net book value at the end of the year	4,135,993	10,248	8,651	42,734	10,084	169,088	4,376,798

2018 PARENT	Generation at fair value $'000	Other generation 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	4,340,498	23,578	14,600	50,669	86,651	211,376	4,727,372
Additions	-	-	-	-	6	124,010	124,016
Disposals	(642)	-	(3,339)	(1,115)	(1,539)	(37,261)	(43,896)
Transfers#	110,496	1,307	4,281	4,887	2,225	(130,969)	(7,773)
Net revaluation adjustment	(322,429)	-	-	-	-	-	(322,429)
Balance at the end of the year	4,127,923	24,885	15,542	54,441	87,343	167,156	4,477,290
Accumulated depreciation							
Balance at the beginning of the year	(91,414)	(13,983)	(7,268)	(21,621)	(75,068)	-	(209,354)
Disposals	636	-	2,539	335	1,533	-	5,043
Transfers#	-	-	-	-	-	-	-
Revaluation and impairment	146,975	-	-	-	-	-	146,975
Depreciation expense	(82,008)	(667)	(2,260)	(2,292)	(4,909)	-	(92,136)
Balance at the end of the year	(25,811)	(14,650)	(6,989)	(23,578)	(78,444)	-	(149,472)
Net book value at the end of the year	4,102,112	10,235	8,553	30,863	8,899	167,156	4,327,818

#Net transfers relate to transfers of capital work in progress to intangible assets (note 10).

10. Intangible assets

	CONSOLIDATED		PARENT	
	2019 Software at cost $'000	2018 Software at cost $'000	2019 Software at cost $'000	2018 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	185,660	143,124	141,463	134,649
Additions	-	67	-	-
Disposals	(11,003)	(969)	(10,944)	(959)
Transfers from capital work in progress	9,327	43,438	3,959	7,773
Balance at the end of the year	183,984	185,660	134,478	141,463
Accumulated amortisation				
Balance at the beginning of the year	(88,077)	(67,795)	(79,211)	(64,170)
Disposals	6,312	880	6,278	874
Transfers	-	-	-	-
Amortisation expense	(22,438)	(21,162)	(15,625)	(15,915)
Balance at the end of the year	(104,203)	(88,077)	(88,558)	(79,211)
Net book value at the end of the year	79,781	97,583	45,920	62,252

11. Other financial assets

	NOTE	CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Current other financial assets					
Energy price derivatives - economic hedges	17	145,745	192,734	145,745	192,734
Basslink financial asset (i)	17	46,530	46,948	46,530	46,948
Environmental energy products		64,282	80,210	64,196	70,418
		256,557	319,892	256,471	310,100
(b) Non-current other financial assets					
Basslink financial asset (i)	17	256,638	258,158	256,638	258,158
Basslink security deposit (ii)		50,000	50,000	50,000	50,000
Energy price derivatives - economic hedges	17	110,710	53,624	110,710	53,624
		417,348	361,782	417,348	361,782

(i) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Services Agreement (note 20).

(ii) Basslink security deposit represents the contribution made to the asset owner upon commissioning. This will be recovered via lower facility fee payments over the final three years of the agreement.

12. Other assets

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a) Current other assets				
Prepayments	9,651	10,703	9,451	10,551
Other	5,995	5,275	1,761	1,866
	15,646	15,978	11,212	12,417
(b) Non-current other assets				
Prepayments	251	360	78	94
Other	8,251	2,682	-	-
	8,502	3,042	78	94

13. Goodwill

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at the beginning of the year	16,396	16,396	-	-
Impairment losses	-	-	-	-
Closing balance of goodwill	16,396	16,396	-	-

At the end of each reporting period the Group is required to assess whether there are any indications of impairment. The assessment found there were no indicators for impairment of goodwill.

14. Payables

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade creditors	261,946	273,657	243,963	252,514
Accrued expenses	77,747	67,296	17,060	17,080
Accrued interest payable	5,841	6,938	5,841	6,938
	345,534	347,891	266,864	276,532

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a)	**Interest-bearing liabilities**				
	Current	65,000	150,000	65,000	150,000
	Loans from Tascorp (i)	775	757	775	757
	Finance lease liability (ii)	65,775	150,757	65,775	150,757
	Non-current				
	Loans from Tascorp (i)	550,000	615,000	550,000	615,000
	Finance lease liability (ii)	2,845	3,447	2,845	3,447
		552,845	618,447	552,845	618,447

(i) The loans from Tascorp are unsecured

(ii) The finance leases are secured by the leased assets

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	1,305,000	1,305,000	1,305,000	1,305,000
	Facility used/committed	615,000	765,000	615,000	765,000
	Facility balance	690,000	540,000	690,000	540,000
	Standby revolving credit facility				
	Facility limit	30,000	30,000	30,000	30,000
	Facility used/committed	-	-	-	-
	Facility balance	30,000	30,000	30,000	30,000
	Bank overdraft				
	Facility limit	1,000	1,000	1,000	1,000
	Facility used/committed	-	-	-	-
	Facility balance	1,000	1,000	1,000	1,000
	Corporate purchasing card				
	Facility limit	7,500	7,500	7,500	7,500
	Facility used/committed	4,447	4,386	4,447	4,386
	Facility balance	3,053	3,114	3,053	3,114

Hydro Tasmania manages its debt portfolio under a Board-approved Treasury policy, in line with the requirement of the *GBE Act* and related Treasurer's Instructions. The policy requires a weighted average term to maturity of four years. The policy also places limits around maturity profile of the debt. The maturity profile of the Group's debt as at 30 June 2019 is included in Note 20. At 30 June 2019, the consolidated entity has a deficiency of current assets to current liabilities of $587m (2018: $362m). Having regard to the budgeted cash flows for the year ending 30 June 2020 and the unused loan facilities of $720m (2018: $570m), there is sufficient funding to settle the current liabilities as and when they become due and payable.

15. Interest-bearing liabilities (continued)

	PARENT & CONSOLIDATED			
	2019 $'000 Less than one year	2019 $'000 Between one and five years	2019 $'000 Later than five years	2019 $'000 Total
(c) Finance lease liabilities				
Future minimum lease payments	775	3,301	-	4,076
Interest	-	(456)	-	(456)
Present value of future minimum lease payments	775	2,845	-	3,620

	PARENT & CONSOLIDATED			
	2018 $'000 Less than one year	2018 $'000 Between one and five years	2018 $'000 Later than five years	2018 $'000 Total
Future minimum lease payments	757	3,220	856	4,833
Interest	-	(431)	(198)	(629)
Present value of future minimum lease payments	757	2,789	658	4,204

(d) Reconciliation of financing activities

Liabilities	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2018	Non-cash changes			Cash flows		2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Finance lease	4,204	-	(40)	213	-	(757)	3,620
Tascorp loans	765,000	-	-	-	34,300	(184,300)	615,000
	769,204	-	(40)	213	34,300	(185,057)	618,620

Liabilities	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2017	Non-cash changes			Cash flows		2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Finance lease	4,733	-	(23)	232	-	(738)	4,204
Tascorp loans	850,100	-	-	-	68,700	(153,800)	765,000
	854,833	-	(23)	232	68,700	(154,538)	769,204

(e) Fair value disclosures

Details of the fair value of the Group's interest-bearing liabilities are set out in note 17.

16. Provisions

		NOTE	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'000
(a)	**Current provisions**					
	Employee entitlements		36,318	21,767	33,090	18,793
	Retirement Benefits Fund provision	19	19,217	18,342	19,217	18,342
	Other provisions		326,256	135,747	277,000	81,986
			381,791	175,856	329,307	119,121
(b)	**Non-current provisions**					
	Employee entitlements		3,557	6,847	3,261	6,400
	Retirement Benefits Fund provision	19	338,572	295,171	338,572	295,171
	Other provisions		95,532	93,527	4,058	1,964
			437,661	395,545	345,891	303,535

Employee entitlements include redundancy costs.

	CONSOLIDATED			
Other provisions	Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	TOTAL $'000
Balance at 1 July 2018	138,951	39,101	51,222	229,274
Additional provision recognised	195,830	90,531	-	286,361
Reductions arising from payments	(483)	-	(34)	(517)
Reductions from settlement	-	(93,635)	-	(93,635)
Movements resulting from re-measurement or settlement without cost	(11,555)	-	11,860	305
Balance at 30 June 2019	322,743	35,997	63,048	421,788

	PARENT			
Other provisions	Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	TOTAL $'000
Balance at 1 July 2018	83,950	-	-	83,950
Additional provision recognised	195,830	-	-	195,830
Reductions arising from payments	(483)	-	-	(483)
Movements resulting from re-measurement or settlement without cost	1,761	-	-	1,761
Balance at 30 June 2019	281,058	-	-	281,058

(i) Onerous contracts include gas contracts, lease liabilities and environmental energy products valuation.

(ii) Site rehabilitation provision represents estimated future cost of demolishing the Bell Bay plant and the Tamar Valley Power Station at the end of its useful life and of rehabilitating the site.

17. Other financial liabilities

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a)	**Current other financial liabilities**				
	Basslink Services Agreement	62,544	65,252	62,544	65,252
	Basslink Facility Fee Swap	38,968	58,949	38,968	58,949
	Interest rate swaps	5,323	4,669	5,323	4,669
	Energy trade credit support	10,100	-	10,100	-
	Energy price derivatives - economic hedges	79,417	90,614	79,417	90,614
	Energy price derivatives - cash flow hedges	316,195	235,954	316,195	235,954
		512,547	455,438	512,547	455,438
(b)	**Non-current other financial liabilities**				
	Basslink Services Agreement	407,165	446,587	407,165	446,587
	Basslink Facility Fee Swap	331,879	249,229	331,879	249,229
	Energy price derivatives - economic hedges	23,062	34,754	23,062	34,754
	Energy price derivatives - cash flow hedges	579,348	357,326	579,348	357,326
		1,341,454	1,087,896	1,341,454	1,087,896

17. Other financial liabilities (continued)

	NOTE	CONSOLIDATED 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		472,290	689,452	472,290	689,452
Amount included in electricity revenue due to settlement during the year		(374,493)	(383,258)	(374,493)	(383,258)
Net cash payments/(receipts) on futures margin account		(109,482)	202,584	(109,482)	202,584
Fair value (gain)/loss on contracts outstanding as at 30 June		753,252	(36,488)	753,252	(36,488)
Liability/(asset) at the end of the year		741,567	472,290	741,567	472,290
Represented by:					
Current energy price derivative liability - economic hedges	17(a)	79,417	90,614	79,417	90,614
Current energy price derivative liability - cash flow hedges	17(a)	316,195	235,954	316,195	235,954
Non-current energy price derivative liability - economic hedges	17(b)	23,062	34,754	23,062	34,754
Non-current energy price derivative liability - cash flow hedges	17(b)	579,348	357,326	579,348	357,326
		998,022	718,648	998,022	718,648
Current energy price derivative asset - economic hedges	11(a)	145,745	192,734	145,745	192,734
Non-current energy price derivative asset - economic hedges	11(b)	110,710	53,624	110,710	53,624
		256,455	246,358	256,455	246,358
Net energy price derivatives liability/(asset)		741,567	472,290	741,567	472,290
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		514,911	587,925	514,911	587,925
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		(77,253)	(91,717)	(77,253)	(91,717)
Increase/(decrease) in present value of projected rights and obligations of later years as at the beginning of the year		64,232	145,553	64,232	145,553
(Gain)/loss arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		35,498	(126,850)	35,498	(126,850)
Balance at the end of the year		537,388	514,911	537,388	514,911
Represented by:					
Current Basslink financial liability	17(a)	101,512	124,201	101,512	124,201
Non-current Basslink financial liability	17(b)	739,044	695,816	739,044	695,816
		840,556	820,017	840,556	820,017
Current Basslink financial asset	11(a)	46,530	46,948	46,530	46,948
Non-current Basslink financial asset	11(b)	256,638	258,158	256,638	258,158
		303,168	305,106	303,168	305,106
Net Basslink financial liability		537,388	514,911	537,388	514,911

18. Other liabilities

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current other liabilities				
Income received in advance	2,016	7,136	1,883	7,048
Loans from subsidiaries (i)	-	-	146,817	126,072
Other	1,233	1,233	1,233	1,233
	3,249	8,369	149,933	134,353

(i) Loans from associates and subsidiaries are interest-free, on-call and presented on a net basis.

19. Retirement Benefits Fund provision

Plan information

The Retirement Benefits Fund (RBF) is a defined benefit fund which pays lump sum benefits on resignation and lump sum or pension benefits on retirement, death or invalidity. The defined benefit section of RBF is closed to new members. All new members receive accumulation-only benefits.

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

Although the Scheme is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken (in a Heads of Government Agreement) to operate the Scheme in accordance with the spirit of the SIS legislation.

As an exempt public sector superannuation scheme (as defined in the SIS legislation), the Scheme is not subject to any minimum funding requirements.

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

The Superannuation Commission (the Commission) has fiduciary responsibility for, and oversees the administration of, the Scheme. The day to day running of the Scheme is managed by the Office of the Superannuation Commission, within the Department of Treasury and Finance.

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

Investment risk – the risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.

Salary growth risk – the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.

Inflation risk – the risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.

Benefits options risk – the risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

Pensioner mortality risk – the risk that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.

Legislative risk – the risk that legislative changes could be made which increase the cost of providing the defined benefits.

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

Information in this note applies equally to the parent and consolidated entities.

19. Retirement Benefits Fund provision (continued)

Reconciliation of the net liability recognised in the Statement of Financial Position:

	NOTE	2019 $'000	2018 $'000
Defined benefit obligation		429,439	388,291
Fair value of plan assets		(71,650)	(74,778)
Net superannuation liability		357,789	313,513
Comprising:			
Current net liability	16	19,217	18,342
Non-current net liability	16	338,572	295,171
Net superannuation liability		357,789	313,513

Reconciliation of the present value of the defined benefit obligation:

	NOTE	2019 $'000	2018 $'000
Present value of defined benefit obligations at the beginning of the year		388,290	389,032
Current service cost		3,418	3,109
Interest cost		16,170	16,392
Contributions by plan participants		1,251	1,058
Actuarial (gains)/losses arising from changes in demographic assumptions		-	-
Actuarial losses/(gains) arising from changes in financial assumptions		49,959	2,170
Actuarial losses/(gains) arising from liability experience		(8,258)	(167)
Benefits paid		(21,381)	(23,295)
Taxes, premiums and expenses paid		(10)	(9)
Present value of defined benefit obligations at year end		429,439	388,290

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

Reconciliation of the fair value of scheme assets:

	NOTE	2019 $'000	2018 $'000
Fair value of plan assets at beginning of the year		74,778	71,341
Interest income		3,110	2,990
Actual return on plan assets less interest income		(2,103)	5,374
Employer contributions		16,005	17,319
Contributions by plan participants		1,251	1,058
Benefits paid		(21,381)	(23,295)
Taxes, premiums and expenses paid		(10)	(9)
Fair value of plan assets at end of the year		71,650	74,778

19. Retirement Benefits Fund provision (continued)

Fair value of scheme assets:

		2019		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Cash deposits	3,153	1,075	2,078	-
Australian equities	12,037	12,037	-	-
International equities	14,402	11,106	3,296	-
Infrastructure	9,744	3,009	6,735	-
Diversified fixed interest	15,978	-	15,978	-
Property	11,249	-	11,249	-
Alternative investments	5,087	-	5,087	-
Total	71,650	27,227	44,423	-

		2018		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Equity instruments	27,456	11,779	15,677	-
Unit trusts	46,591	24,634	21,940	17
Direct property	709	-	709	-
Derivatives	22	-	22	-
Total	74,778	36,413	38,348	17

The fair value of the Scheme assets includes no amounts relating to any of the Group's own financial instruments or to any property occupied by, or other assets used by the Group.

Assets are not held separately for each employer but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, a government bond yield of 1.80% has been used, consistent with the allocation of assets reported to the Department of Treasury and Finance.

For the purpose of performing the calculations necessary under AASB 119, various actuarial assumptions are required. The Department of Treasury and Finance has approved these assumptions.

Significant actuarial assumptions as at balance date:

	2019 %	2018 %
Assumptions used to determine defined benefit cost and defined benefit obligation at the start of the year		
Discount rate (active members)	4.30	4.35
Discount rate (pensioners)	4.30	4.35
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.50	2.50

19. Retirement Benefits Fund provision (continued)

	2019 %	2018 %
Assumptions used to determine defined benefit cost and defined benefit obligation at the end of the year		
Discount rate (active members)	3.25	4.30
Discount rate (pensioners)	3.25	4.30
Expected salary increase rate	3.00	3.00
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected pension increase rate	2.50	2.50

	2019 $'000	2018 $'000
(Loss)/gain recognised in Other Comprehensive Income		
Actuarial (losses)/gains	(43,804)	3,372

Sensitivity analysis:

The defined benefit obligation as at 30 June 2019 under several scenarios is presented below.

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

Scenario A: 1% p.a. lower discount rate assumption

Scenario B: 1% p.a. higher discount rate assumption

Scenario C: 1% p.a. lower expected pension increase rate assumption

Scenario D: 1% p.a. higher expected pension increase rate assumption

	Base case	Scenario A -1.0% pa discount rate	Scenario B +1.0% pa discount rate	Scenario C -1.0% pa increase rate	Scenario D +1.0% pa increase rate
Discount rate %	3.25	2.25	4.25	3.25	3.25
Pension increase rate %	2.50	2.50	2.50	1.50	3.50
Defined benefit obligation (A$'000)	429,439	488,801	381,621	390,709	475,711

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

We are not aware of any asset and liability matching strategies adopted by the fund.

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

The weighted average duration of the defined benefit obligation for the Group is 12.8 years.

	2020 $'000
Expected employer contributions	19,217

20. Financial instruments disclosures

The Group's primary purpose for holding financial instruments is to fund its operations and manage its financial risks.

The Group's principal financial instruments are derivatives and loans. The Group has other financial assets and liabilities such as a bank overdraft, cash and short-term investments, and trade receivables and payables which arise directly from its operations.

The main risks arising from the Group's operations which are managed through financial instruments are electricity price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

(a) Financial instrument categories

The categories and fair value of financial instruments the Group holds are detailed in the following table:

	CONSOLIDATED				PARENT			
	Carrying amount 2019 $'000	Net fair value 2019 $'000	Carrying amount 2018 $'000	Net fair value 2018 $'000	Carrying amount 2019 $'000	Net fair value 2019 $'000	Carrying amount 2018 $'000	Net fair value 2018 $'000
Financial assets								
Cash	16,945	16,945	16,987	16,987	14,393	14,393	14,569	14,569
Amortised cost								
Receivables	390,621	390,621	387,512	387,512	226,942	226,942	229,611	229,611
Investments	49,503	49,503	48,903	48,903	49,500	49,500	48,900	48,900
Fair value through profit or loss								
Interest rate swaps	242,916	242,916	188,011	188,011	242,916	242,916	188,011	188,011
Forward foreign exchange contracts	25	25	334	334	25	25	334	334
Basslink financial asset	303,168	303,168	305,106	305,106	303,168	303,168	305,106	305,106
Energy price derivatives - economic hedges*	256,455	256,455	246,358	246,358	256,455	256,455	246,358	246,358
Other assets	10,131	10,131	11,511	11,511	9,451	9,451	10,551	10,551
	1,269,764	1,269,764	1,204,722	1,204,722	1,102,850	1,102,850	1,043,440	1,043,440
Financial liabilities								
Amortised cost								
Accounts payable	348,944	348,944	340,953	340,953	270,275	270,275	269,594	269,594
Tascorp loans	620,841	657,186	771,938	785,173	620,841	657,186	771,938	785,173
Designated hedge accounting derivatives								
Interest rate swaps	6,427	6,427	4,669	4,669	6,427	6,427	4,669	4,669
Energy price derivatives - cash flow hedges	895,543	895,543	593,281	593,281	895,543	895,543	593,281	593,281
Fair value through profit or loss								
Interest rate swaps	241,813	241,813	186,904	186,904	241,813	241,813	186,904	186,904
Forward foreign exchange contracts	112	112	161	161	112	112	161	161
Basslink Services Agreement	469,709	469,709	511,840	511,840	469,709	469,709	511,840	511,840
Basslink Facility Fee Swap	370,848	370,848	308,178	308,178	370,848	370,848	308,178	308,178
Energy price derivatives - economic hedges	102,479	102,479	125,367	125,367	102,479	102,479	125,367	125,367
Other liabilities	11,382	11,382	4,517	4,517	11,250	11,250	4,429	4,429
	3,068,098	3,104,443	2,847,808	2,861,043	2,989,297	3,025,642	2,776,361	2,789,596

*Energy price derivatives – economic hedges include a balance of $98.7m relating to Hydro-Electric Corporation futures cash account.

20. Financial instruments disclosures (continued)

(a) Financial instrument categories (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	CONSOLIDATED 2019				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1]	6,427	(651)	-	-	-
Energy price derivatives - cash flow hedges[1,2,3]	895,543	(426,772)	(17,211)	141,720	-

	CONSOLIDATED 2018				
	Carrying liability	Changes in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Unwind of hedge instrument recognised in profit or loss	Amount reclassified from hedge reserve to profit or loss
	$'000	$'000	$'000	$'000	$'000
Interest rate swaps[1,2]	4,669	1,352	1,107	-	-
Energy price derivatives - cash flow hedges[1,2,3]	593,281	41,793	-	147,878	-

[1] The line item in the Statement of Financial Position where the hedging instrument is included is in other financial liabilities.

[2] The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value gains.

[3] The line item in the Statement of Financial Performance that includes hedge ineffectiveness and hedge unwind is fair value losses.

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies

The Group enters into derivative contracts, being principally energy price contracts, interest rate swaps and forward currency exchange contracts. The risk management objective is to manage exposure to market electricity prices, interest rates and foreign currency rates arising from operations and funding. The Group enters into these derivatives in accordance with the policies approved by the Board. All these hedges are cash flow hedges (refer note 1.2(ae)).

The Basslink contracts including the Basslink Services Agreement (BSA), Floating Facility Fee Instrument (FFFI) and Basslink Facility Fee Swap (BFFS) have been designated as derivatives.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect to each class of financial asset and financial liability are disclosed in note 1.2(ac).

The Group's objectives, policies and processes for managing its risk exposures are consistent with previous years.

(i) Capital risk management

The Group's policy is to maintain an appropriate capital structure to ensure it will continue as a going concern while maximising the return to stakeholders through an appropriate balance of debt and equity.

The capital structure of the Group includes loans disclosed in note 15, contributed equity and cash and cash equivalents disclosed in note 5.

The Group is subject to financial covenants on its borrowings and the BFFS. The latter requires a minimum level of equity, sets a maximum level of debt, and requires a minimum of 50 per cent of debt to be held with the Tasmanian Government's central borrowing authority, Tascorp. The loan agreement with Tascorp sets a maximum financial leverage ratio and a minimum interest coverage ratio.

The Group reviews its capital risk and performance against these covenants on a monthly basis.

The Group has been compliant with all financial covenants.

(ii) Market risk management

The Group's activities primarily expose it to energy price risk and interest rate risk. In addition, the Corporation operates consulting businesses in foreign countries and enters into foreign currency transactions which expose it to foreign currency risk.

(A) Energy prices

The Group's revenue is exposed to fluctuations in the market price of electricity in Tasmania. In addition, on 1 January 2014 wholesale regulation began in Tasmania. The wholesale pricing methodology links Tasmanian regulated contract prices to Victorian market prices. The Group's revenue is also exposed to fluctuations in the Victorian market price to the extent of electricity flows over Basslink, and through the variable portion of the Basslink facility fee (BFF). The Group is also exposed to fluctuations in electricity market prices in all NEM regions in relation to its retail operation in Victoria and other NEM regions. Exposure to these fluctuations in market price is managed through the use of derivative contracts executed in all regions of the NEM in accordance with Board-approved policy. Contract volumes for many of the Group's current Tasmanian forward contracts are determined by the actual load consumed in the contract period.

The Group manages electricity trading risk using an earnings-at-risk approach combined with an asset-backed trading model.

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

The Group assesses its electricity price risk exposure through sensitivity analysis. The following table shows the effect on the Income Statement of a feasible movement (10%) in forecast electricity prices.

	2019				2018			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Electricity forward price +10%								
Basslink net liability	31,061	-	31,061	-	25,609	-	25,609	-
Energy derivative - economic hedges net liability	173,649	-	173,649	-	145,298	-	145,298	-
Energy derivative - cash flow hedges net liability	11,005	(257,904)	11,005	(257,904)	(16,360)	(207,597)	(16,360)	(207,597)
Electricity forward price -10%								
Basslink net liability	(31,061)	-	(31,061)	-	(26,868)	-	(26,868)	-
Energy derivative - economic hedges net liability	(173,649)	-	(173,649)	-	(144,981)	-	(144,981)	-
Energy derivative - cash flow hedges net liability	-	278,305	-	278,305	4,501	219,456	4,501	219,456

The sensitivity of the fair value of the BSA to energy price movements has been based on adjustments to forecast price differences between the Tasmanian and Victorian regions. The sensitivity of the fair value of energy price derivatives to energy price movements has been determined by adjusting the forecast prices for the Tasmanian and mainland regions.

The forecast price methodology is based on published three-year NEM electricity price curves. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curves have been validated by comparison to other published price trend predictions in the NEM. Beyond the period when market prices are observable, the Group derives forecast prices from an internal model.

The fair value movements in the energy trading derivatives arising from variation in forecast prices are offset by movements in the fair value of the generation assets to the extent that they hedge generation revenue. An energy price derivative instrument may also expose the Group to commodity price risk.

(B) Interest rates

The Group's exposure to changes in market interest rates arises primarily from the Group's borrowings and the Basslink contracts.

Cash flow hedges

The Group has entered into interest rate swap contracts to achieve an interest rate risk exposure profile that is consistent with the long-term cash flow stability and the debt management strategy of the Group. Interest rate exposure on specific loans is managed using highly effective hedge derivatives. The Group applies hedge accounting treatment to hedges of the Tascorp debt as described in note 1.2(ae).

In pursuit of these objectives, the Group manages its debt through setting and achieving benchmarks for the two key portfolio indicators of repricing profile and weighted average term to maturity.

At 30 June 2019 fixed rate loans varied from 2.60% to 5.45% (2018: 2.60% to 5.45%). Floating rates were based on bank bill rates and these varied from 1.30% to 1.64% (2018: 1.90% to 2.06%).

The Government Guarantee Fee rate varied from 0.78% to 1.76% for this financial year (2018: 0.71% to 1.76%).

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to Tasmanian electricity spot price fluctuations over the hedging period via contracting activities with major industrial clients.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The Group applies hedge accounting treatment to hedges of the energy derivatives as described in note 1.2(ae).

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

Basslink

The BSA and FFFI between the Group and Basslink Pty Ltd (BPL) establish the rights and obligations of both parties with respect to the operation of Basslink including the monthly payment of the BFF by the Group to BPL. These agreements are financial assets and financial liabilities whereby the Group is committed to make payments to BPL over the term of the contract should BPL meet its obligations to keep Basslink available in exchange for the right to receive Inter Regional Revenues (IRRs). The latter has been recognised as a financial asset.

The BSA commenced upon successful commissioning of Basslink on 28 April 2006 and was for a term of 25 years, with an option for a further 15 years. Basslink effectively gives Tasmania, including Hydro Tasmania, physical access to the Victorian region of the NEM.

The Group entered into the BFFS in 2002 for a 25-year term to eliminate the interest rate and foreign exchange risk arising from the Basslink construction and operational agreements. The BFFS hedged the interest rate and foreign exchange risk during construction and swapped the floating interest rate exposure in the BFF. The inherent fixed interest rate is 7.83%.

Interest rates

The Group assesses its interest rate risk exposure through sensitivity analysis. The following table shows the effect on the Statement of Financial Performance of a movement of 1 basis point (bps) in forecast interest rates.

	2019				2018			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000	Income $'000	Equity $'000
Increase/(decrease)								
Forward interest rates +1 bps								
Financial assets	616	-	616	-	606	-	606	-
Financial liabilities	(1,264)	(16)	(1,264)	(16)	(1,246)	(20)	(1,246)	(20)
Forward interest rates -1 bps								
Financial assets	(616)	-	(616)	-	(606)	-	(606)	-
Financial liabilities	1,264	16	1,264	16	1,246	20	1,246	20

The sensitivity of the fair value of financial assets and liabilities to interest rates has been determined by adjusting closing published forward market rates. The impact on the fair value of financial instruments is calculated using standard Australian treasury valuation formulae.

The weighted average cost of debt for 2019 for both the parent and consolidated entities is 5.08% (2018: 4.90%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 1.07% (2018: 1.14%).

(C) Foreign currency rates

The Group owns and operates companies in India and South Africa and is exposed to foreign exchange rate risks upon translation into Australian dollars. This risk is considered to be insignificant relative to the Group as a whole.

The Group transacts in foreign currency for operational and capital requirements and enters into forward foreign exchange contracts to eliminate currency exposure in accordance with Board-approved policy. Due to the relatively small size of the transactions the Group considers the risk exposure to be insignificant.

The Group ensures that the term of the hedge derivatives matches the term of the currency exposure in order to maximise hedge effectiveness and enable application of hedge accounting.

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

The settlement dates and principal amounts of the Group's outstanding foreign exchange hedge contracts were:

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Receivables				
Not later than one year	2,727	3,763	2,727	3,763
Later than one year but not later than two years	754	876	754	876
Later than two years	142	164	142	164
Total	3,623	4,803	3,623	4,803
Payables				
Not later than one year	8,059	11,646	8,059	11,646
Later than one year but not later than two years	601	3,831	601	3,831
Later than two years	-	590	-	590
Total	8,660	16,067	8,660	16,067

(iii) Credit risk

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The Group measures credit risk on non-derivative financial instruments as the carrying amount of any instruments that represent an asset to the Group.

Derivative financial instruments

The credit exposure on a derivative financial instrument is its positive market valuation at the reporting date. In addition a potential exposure, calculated broadly in accordance with Reserve Bank guidelines, is included for all interest rate swaps. These include the BFFS and the Basslink interest rate swaps. The majority of the unrated credit exposure relates to the BSA.

In the main, the Group reduces credit risk on derivative financial assets by only transacting with high credit quality counterparties up to a pre-determined counterparty limit or by limiting credit exposure to unrated counterparties. The Group also obtains credit support for counterparties of low credit quality. Interest rate swaps and energy contracts are subject to the industry recommended International Swap Dealers Association documentation. Where possible this documentation contains clauses enabling the netting of exposures.

Receivables

Receivables represent amounts due from AEMO, electricity, gas, treasury and environmental energy product counterparties, consulting service clients and retail energy customers.

The Group's credit exposure to AEMO is mitigated by the provisions of the National Electricity Rules (NER). The NER define the rules for conduct of the wholesale electricity market.

Consulting services clients are spread across diverse industries and geographical locations. Ongoing credit evaluation is performed on the financial condition of debtors, and where necessary recovery action is undertaken and contract penalty clauses activated.

Appropriate credit management practices are adopted to protect against exposure to non-payment by retail customers.

Loan and receivables balance approximate fair value.

Basslink interest rate swaps

While the BFFS transaction has been executed with a single counterparty, the Group 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.

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	66,448	65,890	63,893	63,469
Receivables	390,622	387,512	226,942	229,611
Basslink financial asset	-	-	-	-
Derivative financial instruments				
Interest rate swaps	-	-	-	-
Forward foreign exchange contracts	-	-	-	-
Energy price derivatives	136,700	76,296	136,700	76,296
Environmental product contracts	36,173	9,979	36,173	9,979
Total credit risk exposure	629,943	539,677	463,708	379,355
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA- ratings	46,363	86,278	33,448	72,508
A+ to A- ratings	8,255	1,955	8,255	1,955
BBB+ to BBB- ratings	14,078	2,682	14,078	2,682
Unrated	380,118	342,877	407,927	302,210
	448,814	433,792	463,708	379,355
Overseas-based entities				
AA+ to AA- ratings	-	54	-	-
A+ to A- ratings	18,238	12,337	-	-
BBB+ to BBB- ratings	162,203	93,494	-	-
Unrated	688	-	-	-
	181,129	105,885	-	-
Total credit risk exposure	629,943	539,677	463,708	379,355

(iv) Liquidity risk

Liquidity risk represents the possibility that the Group may be unable to settle an obligation on the due date.

To manage this risk, the Group maintains adequate stand by funding facilities and other arrangements as detailed in note 15.

The Group's exposure at 30 June is detailed in the tables below. The tables are based on the undiscounted cash flows of the financial assets and liabilities based on the date on which the payments fall due. The tables include principal and interest cash flows.

The Group monitors its liquidity risk on a daily basis. The following table details the Group's liquidity exposure.

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

	2019 CONSOLIDATED				2019 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Amortised cost								
Cash	16,945	-	-	-	14,393	-	-	-
Receivables	390,621	-	-	-	226,942	-	-	-
Investments	49,503	-	-	-	49,500	-	-	-
Fair value through profit or loss								
Interest rate swaps	14,800	15,909	117,398	122,469	14,800	15,909	117,398	122,469
Forward foreign exchange contracts	(17)	(3)	23	-	(17)	(3)	23	-
Energy price derivatives - economic hedges	53,036	95,044	78,533	61,153	53,036	95,044	78,533	61,153
Basslink financial asset	29,931	29,931	230,789	399,000	29,931	29,931	230,789	399,000
Other assets	10,131	-	-	-	9,451	-	-	-
	564,950	140,881	426,743	582,622	398,036	140,881	426,743	582,622
Financial liabilities								
Amortised cost								
Accounts payable	348,944	-	-	-	270,275	-	-	-
Tascorp loans	11,428	76,335	434,076	186,074	11,428	76,335	434,076	186,074
Designated hedge accounting								
Interest rate swaps	968	1,051	4,733	-	968	1,051	4,733	-
Energy price derivatives - cash flow hedges	157,161	171,251	412,405	338,249	157,161	171,251	412,405	338,249
Fair value through profit or loss								
Interest rate swaps	14,745	15,854	116,965	121,766	14,745	15,854	116,965	121,766
Forward foreign exchange contracts	74	35	48	-	74	35	48	-
Basslink Services Agreement	47,337	47,337	395,424	737,025	47,337	47,337	395,424	737,025
Basslink Facility Fee Swap	10,055	10,096	80,068	132,861	10,055	10,096	80,068	132,861
Energy price derivatives - economic hedges	26,560	42,595	23,966	-	26,560	42,595	23,966	-
Other liabilities	11,382	-	-	-	11,250	-	-	-
	628,654	364,554	1,467,685	1,515,975	549,853	364,554	1,467,685	1,515,975

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies (continued)

	2018 CONSOLIDATED				2018 PARENT			
	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Less than 6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000
Financial assets								
Amortised cost								
Cash	16,987	-	-	-	14,569	-	-	-
Receivables	387,512	-	-	-	229,611	-	-	-
Investments	48,903	-	-	-	48,900	-	-	-
Fair value through profit or loss								
Interest rate swaps	13,441	12,791	93,174	104,832	13,441	12,791	93,174	104,832
Forward foreign exchange contracts	113	86	1	-	113	86	1	-
Energy price derivatives - economic hedges	36,246	59,256	35,367	55,954	36,246	59,256	35,367	55,954
Basslink financial asset	27,375	27,375	219,516	438,217	27,375	27,375	219,516	438,217
Other assets	11,511	-	-	-	10,551	-	-	-
	542,088	99,508	348,058	599,003	380,806	99,508	348,058	599,003
Financial liabilities								
Amortised cost								
Loans and payables								
Accounts payable	340,953	-	-	-	269,594	-	-	-
Tascorp loans	74,408	103,053	414,619	295,396	74,408	103,053	414,619	295,396
Designated hedge accounting								
Interest rate swaps	784	808	4,650	-	784	808	4,650	-
Energy price derivatives - cash flow hedges	113,911	130,810	355,122	133,031	113,911	130,810	355,122	133,031
Fair value through profit or loss								
Interest rate swaps	13,406	12,737	92,740	104,021	13,406	12,737	92,740	104,021
Forward foreign exchange contracts	95	58	147	-	95	58	147	-
Basslink Services Agreement	43,962	43,962	366,775	797,361	43,962	43,962	366,775	797,361
Basslink Facility Fee Swap	10,693	10,245	80,985	156,160	10,693	10,245	80,985	156,160
Energy price derivatives - economic hedges	40,883	50,089	31,708	6,462	40,883	50,089	31,708	6,462
Other liabilities	4,517	-	-	-	4,429	-	-	-
	643,612	351,762	1,346,746	1,492,431	572,165	351,762	1,346,746	1,492,431

20. Financial instruments disclosures (continued)

(c) Fair values

AASB 9 requires recognition of some financial assets and financial liabilities at fair value on the Statement of Financial Position.

Where possible this fair value is determined from prices quoted for the financial instrument on an active market.

In the absence of quoted market prices, the fair value of financial instruments has been calculated using valuation models that make maximum use of available market inputs to produce a reasonable estimate of the price that would be determined by the market. In many cases this entails projecting future cash flows that are then discounted to present value using the appropriate discount rate, including the credit risk of the out of the money party to the agreement. The calculation of projected future cash flows requires, among other things, a forecast electricity price. Beyond the period when market prices are observable, the Group derives forecast prices from an internal model.

The fair values of financial assets and liabilities carried at fair value through profit or loss are determined using the following valuation inputs:

	CONSOLIDATED							
	2019				2018			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Interest rate swaps	-	242,916	-	242,916	-	188,011	-	188,011
Forward foreign exchange contracts	-	25	-	25	-	334	-	334
Basslink financial asset	-	-	303,168	303,168	-	-	305,106	305,106
Energy price derivatives - economic hedges	106,295	28,107	122,053	256,455	159,424	3,324	83,610	246,358
	106,295	271,048	425,221	802,564	159,424	191,669	388,716	739,809
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	6,427	-	6,427	-	4,669	-	4,669
Energy price derivatives - cash flow hedges	-	-	895,543	895,543	-	-	593,281	593,281
Fair value through profit or loss								
Interest rate swaps	-	241,813	-	241,813	-	186,904	-	186,904
Forward foreign exchange contracts	-	112	-	112	-	161	-	161
Basslink Services Agreement	-	-	469,709	469,709	-	-	511,840	511,840
Basslink Facility Fee Swap	-	-	370,848	370,848	-	-	308,178	308,178
Energy price derivatives -economic hedges	45,839	5,209	51,431	102,479	93,564	3,364	28,439	125,367
	45,839	253,561	1,787,531	2,086,931	93,564	195,098	1,441,738	1,730,400

20. Financial instruments disclosures (continued)

(c) Fair values (continued)

	PARENT							
	2019				2018			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique - market observable inputs $'000	Level 3 Valuation technique - non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Interest rate swaps	-	242,916	-	242,916	-	188,011	-	188,011
Forward foreign exchange contracts	-	25	-	25	-	334	-	334
Basslink financial asset	-	-	303,168	303,168	-	-	305,106	305,106
Energy price derivatives - economic hedges	106,295	28,107	122,053	256,455	159,424	3,324	83,610	246,358
	106,295	271,048	425,221	802,564	159,424	191,669	388,716	739,809
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	6,427	-	6,427	-	4,669	-	4,669
Energy price derivatives - cash flow hedges	-	-	895,543	895,543	-	-	593,281	593,281
Fair value through profit or loss								
Interest rate swaps	-	241,813	-	241,813	-	186,904	-	186,904
Forward foreign exchange contracts	-	112	-	112	-	161	-	161
Basslink Services Agreement	-	-	469,709	469,709	-	-	511,840	511,840
Basslink Facility Fee Swap	-	-	370,848	370,848	-	-	308,178	308,178
Energy price derivatives - economic hedges	45,839	5,209	51,431	102,479	93,564	3,364	28,439	125,367
	45,839	253,561	1,787,531	2,086,931	93,564	195,098	1,441,738	1,730,400

The following table shows a reconciliation of movements in the value of instruments included in Level 3 of the fair value hierarchy.

	CONSOLIDATED 2019 $'000	PARENT 2019 $'000
Balance at the beginning of the period	(1,053,022)	(1,053,022)
Net gain/(loss) recognised in other comprehensive income	(426,772)	(426,772)
Net gain/(loss) from financial instruments at fair value	117,484	117,484
Balance at the end of the period	(1,362,310)	(1,362,310)

20. Financial instruments disclosures (continued)

(c) Fair values (continued)

Basslink financial instruments

The Basslink financial instruments comprise the BSA, FFFI and BFFS. The fair value of the Basslink financial instruments has been calculated using a valuation model based on the present value of expected contractual cash flows. The fair value of expected receipts of IRRs under the BSA has been separately calculated based on experience to date and projected operating conditions and reported as a financial asset. The expected contractual payments under the BSA, FFFI and BFFS have been reported as financial liabilities. These represent the Basslink facility fees and interest rate swap settlements payable under these contracts.

The fair value of the BSA has been calculated using the pre-tax weighted average cost of capital as the nominal discount rate. The fair values of the FFFI and BFFS have been calculated using a 15-year forward market interest rate.

The BSA, FFFI and BFFS are not readily tradeable financial instruments.

Energy price derivatives

The Group has entered into derivative contracts in the electricity market to manage its exposure to market price risks and has developed a model to value these contracts. To the extent that each contract incorporates special term, load or other conditions, the price at commencement of the contract will be at a discount from the spot price at that time. Fair value at balance date has been calculated as the present value of the difference between the projected market price and each contract price, taking into account any discount provided on inception. Projected market price is based on an internally generated long-term energy price curve.

The financial instruments above are valued using non-market unobservable inputs. The following table details the nature and sensitivities of those inputs. For a description of the valuation method relating to fair value and unobservable inputs refer to note 20(c).

The relationship of unobservable inputs to the fair value of energy price derivatives is:

- The lower the electricity price, the smaller the fair value liability of energy price derivatives.

The relationship of unobservable inputs to the fair value of the BSA and FFS liability is:

- The higher the weighted average cost of capital, the smaller the liability.
- The higher the price spread the smaller the liability.
- The higher the long-term average generation forecast the smaller the liability.
- The higher the counterparty credit margin the larger the liability.
- The higher the long-term interest rate the larger the liability.

Description	Fair value at end of year $'000	Valuation technique	Unobservable input	Range (weighted average)	Valuation change $'000
Energy price derivatives - economic hedges	92,850	Discounted cash flow	Long term flat electricity price	-10% to +10%	46,687 to (46,687)
Energy price derivatives - cash flow hedges	(895,543)	Discounted cash flow	Long term flat electricity price	-10% to +10%	246,899 to (246,899)
Basslink Services Agreement and Facilty Fee Swap	(537,389)	Discounted cash flow	Weighted average cost of capital	10% to 12% (11%)	(13,483) to 12,552
			Average Victorian price spread	-10% to +10%	(31,061) to 31,061
			Long term average annual generation (GWh)	8,600 to 9,200 (8,900)	(43,721) to 43,721
			Counterparty credit margin	0.19% to 0.59% (0.39%)	2,437 to (2,396)
			Long term interest rate	1.66% to 2.49% (2.08%)	(10,837) to (6,005)

21. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
(a)	**Capital expenditure commitments**				
	Not later than one year	29,363	22,054	29,363	22,054
	Later than one year but not later than two years	4,869	4,211	4,869	4,211
	Later than two year but not later than five years	424	666	424	666
	Later than 5 years	275	-	275	-
		34,931	26,931	34,931	26,931
(b)	**Operating lease commitments**				
	Future minimum lease payments				
	Not later than one year	698	5,138	198	3,930
	Later than one year but not later than two years	9	3,225	9	3,225
	Later than two year but not later than five years	-	9,674	-	9,674
	Later than 5 years	-	2,687	-	2,687
		707	20,724	207	19,516

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. The majority of the operating leases fall within the scope of AASB 16 from 1 July 2019.

22. Contingent assets and liabilities

Under the terms of ASIC Instrument [15-0576] and [15-0577], AETV Pty Ltd and Momentum Energy Pty Ltd have been granted relief from the requirement to prepare audited financial statements. The Group has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities. The parties to the deed are the Hydro-Electric Corporation, AETV Pty Ltd and Momentum Energy Pty Ltd.

A consolidated statement of comprehensive income and retained profits, and a consolidated statement of financial position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2019, are set out in note 31.

The Group and Basslink Pty Ltd have made claims against each other in respect of contractual arrangements between them concerning the Basslink interconnector. The claims relate to the outages of the interconnector and are unresolved as at 30 June 2019.

23. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2019 $	2018 $	2019 $	2018 $
Amounts received, or due and receivable, by the Auditor-General from the Group for auditing the financial statements of the Group	368,220	361,000	368,220	361,000
Amounts received, or due and receivable, for compliance audits	11,735	11,125	11,735	11,125
Amounts received, or due and receivable to KPMG, for other professional services	-	89,449	-	89,449
	379,955	461,574	379,955	461,574

24. Key management personnel compensation

a) Remuneration policy

Remuneration levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced executives. The HR and Remuneration Committee, a committee of the Board, obtains independent advice on the appropriateness of remuneration packages given trends in comparative entities both locally and interstate and the objectives of the Group's remuneration policy.

The remuneration structures take into account:

- the capability and experience of key management personnel
- the key management personnel's ability to control the relevant segments' performance
- achievement of the Group's strategic initiatives
- government wages and salaries expectations.

Remuneration packages include contribution to post-employment superannuation plans.

The Chief Executive Officer's (CEO) remuneration package was approved by the Tasmanian Government in December 2017. Remuneration for other senior executives is set with reference to the CEO's salary. Remuneration is set with respect to the upper limit of the band if the CEO's salary exceeds the band.

The Group has complied with the Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration, except for the requirement that no senior executive receives a remuneration package exceeding 80 per cent of the top of the CEO bands for executive remuneration packages. This exception was approved by the Tasmanian Government in August 2018.

Non-executive directors' remuneration

Non-executive directors are appointed by the Governor-in-Council on the joint recommendation of the Treasurer and portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant Guidelines for Tasmanian Government Businesses – Board Appointments.

The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet, as are additional fees paid for their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation.

No other leave, termination or retirement benefits are accrued or paid to directors.

Directors are entitled to reimbursement of expenses incurred while attending to Board business.

Non-executive directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and portfolio Minister.

Senior executives

The employment terms and conditions of senior executives are contained in individual employment contracts and prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions.

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

The CEO is appointed by the Premier and portfolio Minister following selection and recommendation by the Board. The Board consults with the Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

The CEO and executive-level employees are also eligible for a short-term incentive payment subject to meeting agreed key performance indicators. The CEO and Executive Remuneration Policy is aligned to Hydro Tasmania's strategic objectives and business performance results across a mix of corporate and individual measures. The CEO and Executive Remuneration Policy is also aligned with guidelines issued by the Treasurer.

Short-term incentive payments are those that are dependent on achieving specified performance goals within specified timeframes. These payments are non-recurrent and are capped at a percentage of base salary.

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

The terms of employment of each senior executive, including the CEO, contain a termination clause that requires the senior executive or the CEO to provide a minimum notice period in line with individuals' contracts prior to termination of the contract. CEO contracts for government business enterprises include a set term consistent with the requirements of *Government Business Enterprises Act 1995*. Whilst not automatic, contracts can be extended.

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

	Director remuneration		Executive remuneration		Consolidated	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Short-term employee benefits	373	372	3,945	3,582	4,318	3,954
Post-employment benefits	36	35	275	238	311	273
Other long-term employee benefits	-	-	46	161	46	161
Termination benefits	-	-	-	71	-	71
	409	407	4,266	4,052	4,675	4,459

24. Key management personnel compensation (continued)

b) Director remuneration

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

Name	Position	Period	2019 Directors' fees[1] $'000	Committee fees[1] $'000	Super-annuation[2] $'000	Total 2018-19 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	116	10	12	138
Mr C Botto	Director	From 31/07/18	48	4	5	57
Mr S Eslake	Director	To 17/09/18	14	4	2	20
Mr K Hodgson	Director	Full term	54	4	5	63
Ms S Hogg	Director	Full term	54	16	7	77
Ms S Lightfoot	Director	From 31/07/18	48	1	5	54
Executive director						
Mr S Davy	Chief Executive Officer[3]	Full term	-	-	-	-
Total			334	39	36	409

Name	Position	Period	2018 Directors' fees[1] $'000	Committee fees[1] $'000	Super-annuation[2] $'000	Total 2018-19 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	115	10	12	137
Mr S Eslake	Director	Full term	53	14	6	73
Mr K Hodgson	Director	Full term	53	2	5	60
Ms S Hogg	Director	Full term	53	16	7	76
Ms T Matykiewicz	Director	To 24/05/18	49	7	5	61
Executive director						
Mr S Davy	Chief Executive Officer[3]	Full term	-	-	-	-
Total			323	49	35	407

Board remuneration notes and statements

[1] Amounts are all forms of consideration paid, payable or provided by the entity.

[2] Superannuation means the contribution to the superannuation fund of the individual.

[3] The CEO does not receive additional remuneration as a director.

24. Key management personnel compensation (continued)

c) Executive remuneration

The following table discloses the remuneration details of senior executives during the current financial year:

	2019								
Executive remuneration	Base salary[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other non-monetary benefits[7] $'000	Total 2018-19 $'000
Mr E Albertini Chief Asset Management & Investment Officer	403	57	20	-	-	480	-	22	502
Ms A Bird Acting Chief Information Officer (to 30/07/18)	21	3	2	-	-	26	-	(9)	17
Mr V Borovac Chief Financial Officer	341	32	20	4	-	397	-	6	403
Mr A Catchpole Chief Strategy Officer	351	45	20	5	-	421	-	(9)	412
Ms A Childs Managing Director Momentum	328	46	34	10	-	418	-	21	439
Ms T Chu Managing Director Entura	309	40	20	5	-	374	-	3	377
Mr S Davy Chief Executive Officer	502	88	20	19	-	629	-	(18)	611
Mr G Flack Chief Operations Officer	324	40	56	5	-	425	-	(35)	390
Ms K McKenzie Chief Governance Officer	285	43	30	-	-	358	-	23	381
Mr S McKinnon Chief Information Officer (from 30/07/18)	287	36	27	-	-	350	-	20	370
Mr R Tanti Chief People Officer	258	36	25	-	-	319	-	20	339
Ms C Wykamp Chief Commercial Officer (from 10/06/19)	20	2	1	-	-	23	-	2	25
Total	3,429	468	275	48	-	4,220	-	46	4,266

24. Key management personnel compensation (continued)

c) Executive remuneration (continued)

The following table discloses the remuneration details of senior executives during the previous financial year:

2018									
Executive	Base salaries[1] $'000	Short term incentive payments[2] $'000	Super-annuation[3] $'000	Vehicles[4] $'000	Other benefits[5] $'000	Total Remun-eration $'000	Termin-ation benefits[6] $'000	Other non-monetary benefits[7] $'000	Total 2018-19 $'000
Mr E Albertini Chief Operating Officer	393	56	20	6	-	475	-	4	479
Ms A Bird Acting Chief Information Officer	269	39	20	-	-	328	-	13	341
Mr V Borovac Chief Financial Officer (from 21/08/17)	258	42	16	-	-	316	-	15	331
Mr A Catchpole Director, Strategy & Market Development	344	47	20	3	-	414	-	18	432
Ms A Childs Acting Director Momentum (from 31/05/18)	24	3	2	-	-	29	-	3	32
Ms T Chu Managing Director Entura	295	47	20	6	-	368	-	16	384
Mr S Davy Chief Executive Officer	485	92	20	14	-	611	-	25	636
Mr A Evans GM Corporate Governance & Secretary (to 31/12/17)	140	25	11	3	-	179	71	14	264
Mr G Flack Director, Wholesale Markets	310	46	51	7	-	414	-	22	436
Mr P Geason Managing Director Momentum (to 23/05/18)	311	-	30	-	-	341	-	22	363
Ms K Gillies Acting Chief Financial Officer (to 20/08/17)	41	-	3	-	-	44	-	6	50
Ms K McKenzie General Counsel & Corporation Secretary (from 01/01/18)	126	14	12	-	-	152	-	(5)	147
Mr R Tanti Director People & Capability (from 4/12/17)	136	-	13	-	-	149	-	8	157
Total	3,132	411	238	39	-	3,820	71	161	4,052

24. Key management personnel compensation (continued)

Executive remuneration notes and statements

Amounts are all forms of consideration paid, payable or provided by the entity. That is, disclosure is made on an accrual basis and includes all accrued benefits at 30 June.

[1] Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.

[2] Short-term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of base salary as per the remuneration guidelines. The CEO incentive payment is in line with the remuneration package approved by the Tasmanian Government in December 2017.

[3] Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 17%.

[4] The personal use component of the total cost of providing and maintaining a vehicle for an executive's use, including registration, insurance, fuel and other consumables, maintenance cost and parking (i.e., the notional value of parking provided at premises that are owned or leased) and the reportable fringe benefits amount referable to a vehicle.

[5] Other benefits include other monetary or non-monetary benefits of all other forms of employment allowances (excluding reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable to the executive, either directly or indirectly.

[6] Termination benefits include all forms of benefit paid or accrued as a consequence of termination.

[7] Other long-term benefits include annual and long service leave movements.

The directors of the Group as at 30 June 2019 were:

Mr C Botto

Mr S Davy

Mr G Every-Burns

Mr K Hodgson

Ms S Hogg

Ms S Lightfoot

During the year no non-executive directors of the Group undertook any overseas trips (2018: nil).

Employees undertook overseas travel on 274 occasions during the year at a cost of $1,356,967 (2018: $977,005). Of these 167, at a cost of $844,743 (2018: $637,312), were made while undertaking work for clients. The cost of Entura travel on client business was recovered from these clients.

25. Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	25,709	27,517	2,296	3,413	71	317	-	-
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
Kakamas Hydro Electric Power (Pty) Ltd	-	-	-	-	-	-	-	-
PARENT								
HT Wind Operations Pty Ltd	-	-	-	-	-	-	163,203	158,766
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
Bell Bay Power Pty Ltd	8	84	-	-	1,203	1,143	-	-
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,424
Lofty Ranges Power Pty Ltd	-	-	-	-	302	433	-	-
Entura Hydro Tasmania Consulting (Holding) Pty Ltd	-	-	-	-	-	-	-	-
Hydro Tasmania Consulting India Pvt Ltd	-	-	-	-	-	-	148	26
HT Wind Developments Pty Ltd	-	-	-	-	-	-	509	421
HT Wind New Zealand Pty Ltd	-	-	-	-	-	-	-	-
RE Storage Project Holding Pty Ltd	-	-	-	22	744	765	-	-
Heemskirk Holdings Pty Ltd	-	-	-	-	-	-	-	-
Heemskirk Windfarm Pty Ltd	-	-	-	-	-	-	-	-
Woolnorth Studland Bay Holdings Pty Ltd	-	-	-	-	-	-	-	-
Woolnorth Bluff Point Holdings Pty Ltd	-	-	-	-	-	-	-	-
Momentum Energy Pty Ltd	502,573	450,005	-	-	21,760	37,548	-	-
AETV Pty Ltd	304	-	14,454	20,570	301,075	274,946	-	-
Hydro Tasmania South Africa (Pty) Ltd	-	-	-	-	5,403	5,403	-	-
Hydro Tasmania Neusberg (Pty) Ltd	-	-	-	-	1,578	1,337	-	-

Transactions with related parties are made at arm's length at normal market prices and on normal commercial terms.

Outstanding balances at year end are unsecured and interest free. Settlement with related parties not wholly owned occurs in cash. Cash settlement does not occur between wholly owned subsidiaries and the parent.

There were no transactions with director related entities during the year.

Amounts owed by AETV to the parent are fully provided for.

26. Events subsequent to balance date

Other than the dividend of $120m proposed for approval on 14 August 2019, after due enquiry, there have not been any matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group.

27. Government grants

The Group has recognised $12.65m (2018: $12.8m) of grant revenue during the year as detailed below:

Community Service Obligations

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

During the year ended 30 June 2019, the State paid the Group a final payment of $10.24m (2018: $10m) as reimbursement of the cost of providing CSOs.

Department of Resources, Energy and Tourism – Flinders Island Hybrid Energy Hub

During the year ended 30 June 2015, the Australian Government entered into a $5.5m funding agreement through the Australian Renewable Energy Agency (ARENA) for the development of a modular hybrid energy solution on Flinders Island to displace more than 60% of the island's diesel generated electricity. The total project value is $12.88m, of which ARENA will fund up to $5.5m.

During the year ended 30 June 2019, the Group received the remaining $0.7m (2018: $0.73m) for the Flinders Island Hybrid Energy Hub project.

International Energy Agency hydro activities

In April 2018, the Australian Government entered into a $280k funding agreement through the ARENA for International Energy Agency (IEA) hydro activities including engaging in activities undertaken and supported by ARENA funding through the one-year period and fulfilling obligations of sharing insight and knowledge attained through the international engagement activities.

During the year ended 30 June 2019, the Group received $257k (2018: nil) for the IEA hydro activities from ARENA.

***Battery of the Nation* Project**

On 20 April 2017, the Prime Minister and Federal Energy Minister met in Tasmania to announce the plan for Tasmania to become the *Battery of the Nation*. Over the next 3 years, ARENA has initially agreed to fund $3.8m for projects including pumped hydro, Tarraleah redevelopment and the future state NEM.

During the year end 30 June 2019, ARENA paid $1.45m (2018: $1.3m) for *Battery of the Nation* initiative funding.

28. Controlled entities

	Footnote	Country of incorporation	Percentage of share held by the Group 2019 %	2018 %
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
Bell Bay Three Pty Ltd	3	Australia	100	100
RE Storage Project Holding Pty Ltd	4	Australia	100	100
Entura Hydro Tasmania Consulting (Holding) Pty Ltd	5	Australia	100	100
Momentum Energy Pty Ltd	6	Australia	100	100
HT Wind Operations Pty Ltd	7	Australia	100	100
Hydro Tasmania South Africa (Pty) Ltd	8	South Africa	100	100
AETV Pty Ltd	9	Australia	100	100

Footnotes

1. Bell Bay Power Pty Ltd was incorporated on 20 December 2001.
2. Lofty Ranges Power Pty Ltd was incorporated on 26 April 2002.
3. Bell Bay Three Pty Ltd was incorporated on 7 December 2005.
4. RE Storage Project Holding Pty Ltd was incorporated on 11 April 2006.
5. Hydro Tasmania Consulting (Holding) Pty Ltd was incorporated on 20 October 2006. It holds a 99.9% interest (9,999 shares) in Hydro Tasmania Consulting India Private Limited with Hydro-Electric Corporation holding 1 share.
6. Hydro Tasmania acquired 51% of the issued capital of Momentum Energy Pty Ltd on 31 August 2008. The remaining 49% of the issued capital was acquired on 30 September 2009. Momentum was incorporated on 8 July 2002.
7. Hydro Tasmania acquired 100% of the issued capital of HT Wind Operations Pty Ltd on 30 June 2011. HT Wind Operations Pty Ltd owns 100% of Woolnorth Bluff Point Holdings Pty Ltd, Woolnorth Studland Bay Holdings Pty Ltd, Heemskirk Holdings Pty Ltd, HT Wind Developments Pty Ltd and HT Wind New Zealand Pty Ltd. HT Wind Operations Pty Ltd was registered on 29 November 2004. Heemskirk Holdings Pty Ltd holds 100% ownership of the issued capital of Heemskirk Windfarm Pty Ltd.
8. Hydro Tasmania acquired 100% ownership of Hydro Tasmania South Africa (Pty) Ltd on 23 January 2012. Hydro Tasmania South Africa (Pty) Ltd holds a 92% ownership interest in Hydro Tasmania Neusberg (Pty) Ltd.
9. AETV Pty Ltd was transferred to Hydro Tasmania by ministerial direction at midnight 1 June 2013.

29. Interest in associates and joint ventures

			CONSOLIDATED				PARENT			
			Ordinary share ownership interest		Associate and joint venture agreement voting rights		Ordinary share ownership interest		Associate and joint venture agreement voting rights	
	Principal activity	Associate and joint venture balance date	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Joint ventures										
Cathedral Rocks Construction and Management Pty Ltd	Wind farm construction and operation	30 June	50	50	50	50	50	50	50	50
SA Water Corporation & Lofty Ranges Power Pty Ltd Joint Venture	Mini-hydro operation	30 June	50	50	50	50	-	-	-	-
Associates										
Woolnorth Wind Farm Holding Pty Ltd	Wind farm operation	30 June	25	25	25	25	-	-	-	-
Kakamas Hydro Electric Power (Pty) Ltd	Hydro operation	30 June	25	25	25	25	-	-	-	-

The Group holds a 50% interest in a dormant joint venture (Cathedral Rocks Construction and Management Pty Ltd) with Acciona Energy Oceania Pty Ltd. The joint venture was previously engaged in managing the construction and operation of a wind farm at Cathedral Rocks, South Australia (note 30).

A subsidiary of the Group, Lofty Ranges Power Pty Ltd, holds a 50% interest 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 the operation of mini hydro facilities.

A subsidiary of the Group, HT Wind Operations Pty Ltd, became a partner in Woolnorth Wind Farm Holdings Pty Ltd with Shenhua Clean Energy Holding Pty Ltd in February 2012 and holds a 25% interest. The principal activity of the business is to operate wind farms.

A subsidiary of the Group, Hydro Tasmania South Africa (Pty) Ltd became a partner in Kakamas Hydro Electric Power (Pty) Ltd during 2013 and holds a 25% interest. The principal activity of the business is to develop and operate a hydro scheme in Neusberg South Africa.

30. Incorporated joint ventures and associates

The statement of financial performance and position of the following incorporated joint ventures and associates are not consolidated but are instead accounted for under the equity method.

	CONSOLIDATED			
	Associates		Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Kakamas Hydro Electric Power Pty Ltd 25%	Cathedral Construction Management Pty Ltd 50%	Total
	2019 $'000	2019 $'000	2019 $'000	2019 $'000
Statement of financial performance				
Revenue	104,955	5,683	-	110,638
Expenses	72,761	10,195	-	82,956
Profit/(loss) before fair value	32,194	(4,512)	-	27,682
Fair value gains/(losses)	(91,241)	-	-	(91,241)
Profit/(loss) before income tax benefit	(59,047)	(4,512)	-	(63,559)
Income tax benefit	17,649	-	-	17,649
Net (loss)/profit after tax	(41,398)	(4,512)	-	(45,910)
Statement of financial position				
Current assets	73,887	4,851	55	78,793
Non-current assets	520,870	41,573	-	562,443
Total assets	594,757	46,424	55	641,236
Current liabilities	99,765	976	-	100,741
Non-current liabilities	375,787	50,727	-	426,514
Total liabilities	475,552	51,703	-	527,255
Net assets	119,205	(5,279)	55	113,981
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning of the year	21,627	(3,320)	(21)	18,286
Share of profit after income tax expense	(10,350)	(1,128)	-	(11,478)
Share of accumulated profits/(losses) at the end of the year	11,278	(4,448)	(21)	6,809
Movements in carrying amount of investment				
Carrying amount at the beginning of the year	58,127	-	17	58,144
Dividends received	(5,255)	-	-	(5,255)
Impairment of investment	-	1,128	-	1,128
Share of profit after income tax for the year	(10,350)	(1,128)	-	(11,478)
Carrying amount at the end of the year	42,523	-	17	42,540

30. Incorporated joint ventures and associates (continued)

	CONSOLIDATED			
	Associates		Joint venture	
	Woolnorth Wind Farm Pty Ltd 25%	Kakamas Hydro Electric Power Pty Ltd 25%	Cathedral Construction Management Pty Ltd 50%	Total
	2018 $'000	2018 $'000	2018 $'000	2018 $'000
Statement of financial performance				
Revenue	103,819	6,433	-	110,252
Expenses	75,990	10,362	-	86,352
Profit/(loss) before income tax benefit	27,829	(3,929)	-	23,900
Income tax expense	(8,363)	-	-	(8,363)
Net profit after tax	19,466	(3,929)	-	15,537
Statement of financial position				
Current assets	76,440	8,210	54	84,704
Non-current assets	519,063	44,221	-	563,284
Total assets	595,503	52,431	54	647,988
Current liabilities	49,834	2,737	-	52,571
Non-current liabilities	355,727	51,201	-	406,928
Total liabilities	405,561	53,938	-	459,499
Net assets	189,942	(1,507)	54	188,489
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning of the year	16,760	(2,338)	(21)	14,402
Share of profit after income tax expense	4,866	(982)	-	3,884
Share of accumulated profits/(losses) at the end of the year	21,626	(3,320)	(21)	18,286
Movements in carrying amount of investment				
Carrying amount at the beginning of the year	58,036	1,209	17	59,262
Dividends received	(4,775)	-	-	(4,775)
Impairment of investment	-	(227)	-	(227)
Share of profit after income tax for the year	4,866	(982)	-	3,884
Carrying amount at the end of the year	58,127	-	17	58,144

The fair value of the Group's investment in associates and joint ventures is equivalent to its carrying value in the absence of a quoted market price for investment shares in associates and joint venture.

The Woolnorth Wind Farm business has finance agreements in place which impose conditions on it making distributions in the form of dividends.

The Woolnorth Wind Farm financial statements have been restated so they are consistent with the Group's accounting policies.

31. Deed of cross guarantee

The following consolidated statement of comprehensive income and retained profits, and the statement of financial position comprises the Corporation and its controlled entities which are party to the Deed of Cross Guarantee (refer note 22), after eliminating all transactions between parties to the Deed.

	CONSOLIDATED	
	2019 $'000	2018 $'000
Consolidated statement of comprehensive income and retained profits		
Revenue	2,129,006	2,034,352
Expenses	1,899,626	1,861,644
(Loss)/profit before income tax equivalent expense	229,380	172,708
Income tax equivalent (benefit)/expense	60,904	47,875
(Loss)/profit for the period	168,476	124,833
Other comprehensive income	(329,040)	(90,357)
Total comprehensive (loss)/income for the period	(160,564)	34,476
Retained earnings at the beginning of the period	1,128,388	1,000,861
Dividends paid	(80,000)	-
Net (loss)/profit	168,476	124,833
Other movements	(29,456)	2,694
Retained earnings at the end of the period	1,187,408	1,128,388

31. Deed of cross guarantee (continued)

	CONSOLIDATED	
	2019 $'000	2018 $'000
Current assets		
Cash and cash equivalents	14,588	14,768
Receivables	387,044	383,850
Investments	49,503	48,903
Inventories	3,764	3,088
Other financial assets	256,557	319,892
Other	15,608	14,863
Total current assets	727,064	785,364
Non-current assets		
Investments	184,410	184,410
Property plant and equipment	4,392,391	4,364,270
Other financial assets	417,349	361,783
Intangible assets	79,778	97,579
Goodwill	16,396	16,396
Other	8,330	2,777
Total non-current assets	5,098,654	5,027,215
TOTAL ASSETS	5,825,718	5,812,579
Current liabilities		
Payables	342,262	344,578
Interest-bearing liabilities	65,775	150,757
Provisions	391,775	191,465
Other financial liabilities	512,548	455,438
Other	170,490	171,155
Total current liabilities	1,482,850	1,313,393
Non-current liabilities		
Interest-bearing liabilities	552,845	618,447
Deferred tax liability	415,756	375,441
Provisions	315,421	459,640
Other financial liabilities	1,341,454	1,087,896
Total non-current liabilities	2,625,476	2,541,424
TOTAL LIABILITIES	4,108,326	3,854,817
NET ASSETS	1,717,392	1,957,762
EQUITY		
Contributed equity	678,206	678,206
Reserves	(148,222)	151,168
Retained earnings	1,187,408	1,128,388
TOTAL EQUITY	1,717,392	1,957,762

32. Dividend

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Declared and paid during the year				
Statutory dividend	-	80,000	-	80,000
Proposed for approval (not recognised as a liability as at 30 June)				
Statutory dividend	120,000	-	120,000	-

33. Segment information

Identification of reportable segments

The Group has identified its material operating segments based on the internal reports that are reviewed and used by the CEO as chief operating decision-maker in assessing the performance and determining the allocation of resources. Three material segments have been identified as Hydro Tasmania, AETV and Momentum Energy.

Types of products and services by segment

(i) Hydro Tasmania

Hydro Tasmania generates and sells wholesale energy into the NEM from hydro generation assets and provides consulting services.

(ii) AETV

AETV Pty Ltd generates and sells wholesale energy into the NEM from gas fired generation assets and sells gas to wholesale customers in Tasmania.

(iii) Momentum Energy

Momentum Energy sells energy to retail customers in the Victorian, New South Wales, South Australian and Queensland regions of the NEM.

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all financial information reported to the CEO with respect to individual segments is determined in accordance with the accounting policies adopted in the financial statements as detailed in note 1.2.

Inter-segment revenues are eliminated on consolidation.

33. Segment information (continued)

	YEAR ENDED 30 JUNE 2019					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	800,504	166,453	1,000,842	1,967,799	(143,427)	1,824,372
Fair value gains	268,351	13,317	-	281,668	-	281,668
Other revenue	25,936	-	245	26,181	-	26,181
Total revenue	1,094,791	179,770	1,001,087	2,275,648	(143,427)	2,132,221
Segment results						
Depreciation & amortisation	108,115	2,680	7,270	118,065	-	118,065
Finance expenses	49,417	-	712	50,129	-	50,129
Fair value losses	223,515	9,956	-	233,471	-	233,471
Net revaluation and impairment	26,126	11,053	-	37,179	(26,129)	11,050
Share of associates and joint venture	11,478	-	-	11,478	-	11,478
Other expense	477,054	180,140	978,070	1,635,264	(143,427)	1,491,837
Total expense	895,705	203,829	986,052	2,085,586	(169,556)	1,916,030
Profit/(loss) before income tax equivalent	199,086	(24,059)	15,035	190,062	26,129	216,191
Comprising:						
Result before fair value movements and revaluation	196,344	(16,367)	15,035	195,012	-	195,012
Net fair value gains/(losses)	44,835	3,361	-	48,196	-	48,196
Net fair value gains/(losses) from joint ventures	(15,967)	-	-	(15,967)	-	(15,967)
Revaluation and impairment (expenses)/gains	(26,126)	(11,053)	-	(37,179)	26,129	(11,050)
Profit/(loss) before income tax equivalent	199,086	(24,059)	15,035	190,062	26,129	216,191
Income tax equivalent expense	58,931	(7,219)	4,525	56,237	-	56,237
Segment profit/(loss) after tax	140,155	(16,840)	10,510	133,825	26,129	159,954
Total assets	5,461,677	43,453	216,750	5,721,880	(19,417)	5,702,463
Total liabilities	3,506,404	331,737	117,773	3,955,914	-	3,955,914
Other disclosures						
Investment in joint venture	42,540	-	-	42,540	-	42,540
Capital expenditure	132,675	12,716	12,392	157,783	(12,716)	145,067

Inter-segment revenues are eliminated on consolidation.

33. Segment information (continued)

	YEAR ENDED 30 JUNE 2018					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	751,231	202,748	938,947	1,892,926	(123,230)	1,769,696
Fair value gains	227,229	17,621	-	244,850	-	244,850
Share of associates and joint venture	3,884	-	-	3,884	-	3,884
Other revenue	21,604	-	174	21,778	-	21,778
Total revenue	1,003,948	220,369	939,121	2,163,438	(123,230)	2,040,208
Segment results						
Depreciation & amortisation	108,455	1,958	6,108	116,521	-	116,521
Finance expenses	53,715	-	664	54,379	-	54,379
Fair value losses	213,182	30,557	-	243,739	-	243,739
Net revaluation and impairment	(51,244)	-	-	(51,244)	51,471	227
Other expense	446,955	212,581	920,250	1,579,786	(123,230)	1,456,556
Total expense	771,063	245,096	927,022	1,943,181	(71,759)	1,871,422
Profit/(loss) before income tax equivalent	232,885	(24,727)	12,099	220,257	(51,471)	168,786
Comprising:						
Result before fair value movements and revaluation	167,594	(11,791)	12,099	167,902	-	167,902
Net fair value gains/(losses)	14,047	(12,936)	-	1,111	-	1,111
Revaluation and impairment (expenses)/gains	51,244	-	-	51,244	(51,471)	(227)
Profit/(loss) before income tax equivalent	232,885	(24,727)	12,099	220,257	(51,471)	168,786
Income tax equivalent expense	51,590	(7,405)	3,679	47,864	-	47,864
Segment profit/(loss) after tax	181,295	(17,322)	8,420	172,393	(51,471)	120,922
Total assets	5,399,849	113,985	211,687	5,725,521	(19,416)	5,706,105
Total liabilities	3,201,901	385,428	123,220	3,710,549	-	3,710,549
Other disclosures						
Investment in joint venture	58,144	-	-	58,144	-	58,144
Capital expenditure	124,168	1,165	768	126,101	(1,165)	124,936

33. Segment information (continued)

	YEAR ENDED	
	2019 $'000	2018 $'000
Reconciliation of profit		
Segment profit	133,825	172,393
Energy sales	143,427	123,230
Purchased energy	(143,427)	(123,230)
Intercompany loan impairment	26,129	(51,471)
Consolidated profit	159,954	120,922
Reconciliation of assets		
Segment total assets	5,721,880	5,725,521
Elimination of investment in subsidiary	(19,417)	(19,416)
Corporation total assets	5,702,463	5,706,105
Reconciliation of liabilities		
Segment total liabilities	3,955,914	3,710,549
Elimination of intercompany revaluation and balances	-	-
Corporation total liabilities	3,955,914	3,710,549

Statement of certification

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

a) the financial statements and notes of the Corporation and of the consolidated entity are in accordance with the *Government Business Enterprises Act 1995,* including:

(i) giving a true and fair view of the results and cash flows for the year ended 30 June 2019 and the financial position at 30 June 2019 of the Corporation and the Consolidated entity

(ii) complying with the Australian Accounting Standards and Interpretations, and with the Treasurer's instructions.

b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they fall due.

c) there are reasonable grounds to believe that the Corporation, AETV Pty Ltd and Momentum Energy Pty Ltd will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those entities pursuant to ASIC Instrument [15-0576] and [15-0577].

This declaration has been made after receiving the following declaration from the Chief Executive Officer and Chief Financial Officer of the Corporation:

a) the financial records of the Corporation for the year ended 30 June 2019 have been properly maintained in accordance with Section 51 of the *Government Business Enterprises Act 1995*

b) the financial statements and notes for the year ended 30 June 2019 have been prepared in accordance with Section 52 of the *Government Business Enterprises Act 1995* and

c) the financial statements and notes for the year ended 30 June 2019 give a true and fair view.

Signed in accordance with a resolution of the directors:

G Every-Burns
Chairman
14 August 2019

S Hogg
Director
14 August 2019

Superannuation declaration

I, Stephen Davy, 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.

S Davy
Chief Executive Officer
14 August 2019

Auditor's independence declaration

Tasmanian Audit Office

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14 August 2019

The Board of Directors
Hydro-Electric Corporation
4 Elizabeth Street
HOBART TAS 7000

Dear Board Members

Auditor's Independence Declaration

In relation to my audit of the financial report of Hydro-Electric Corporation for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of Australian Auditing Standards in relation to the audit

(b) any applicable code of professional conduct in relation to the audit.

As agreed with the Audit Committee, a copy of this declaration must be included in the Annual Report.

Yours sincerely

Rod Whitehead
Auditor-General

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

Strive I Lead I Excel I To Make a Difference

Tasmanian Audit Office

Independent Auditor's Report

To the Members of Parliament

Hydro-Electric Corporation

Report on the Audit of the Consolidated Financial Report

Opinion

I have audited the financial report of the Hydro-Electric Corporation (the Corporation) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the directors.

In my opinion, the accompanying financial report is in accordance with the *Government Business Enterprises Act 1995*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance and its cash flows for the year then ended

(b) complying with Australian Accounting Standards.

Basis for Opinion

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

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration was provided to the directors of the Corporation on the same date as this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Fair value of generation assets **Refer to notes 1.2(i) and 9**	
As at 30 June 2019, the Group's generation assets of $4 124.46m recognised at fair value, represented 72% of the total assets. The hydro generation class of assets are carried at fair value using a discounted cash flow model. The fair value calculation is based on long-term electricity prices determined with reference to published energy prices and price trend predictions in the National Energy Market. The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target with forecast prices based on internal models. Other key inputs to the fair value model are forecast generation, total energy demand and inflation and discount rates. Significant management judgment was required in determining the key assumptions used in the model and changes in the underlying assumptions can significantly impact the valuation.	• For hydro generation assets, in conjunction with corporate finance/ valuation specialists: ○ Obtaining an understanding of the preparation of the valuation model and assessing its design, integrity and appropriateness with reference to common industry practices. ○ Assessing the reasonableness of cash flow forecasts relative to corporate plans and other relevant internal and external evidence. ○ Assessing the reasonableness of key assumptions used in the model with reference to relevant internal and external evidence. The key assumptions included the long term electricity prices, generation capacity, energy demand, inflation rate, discount rate and terminal growth rate. ○ Performing sensitivity analysis in relation to key assumptions in the model to assess the potential impact of potential reasonable change. ○ Testing on a sample basis, the mathematical accuracy of the discounted cash flow model.

	○ Assessing the appropriateness of related disclosures in the financial statements.

Energy price derivatives **Refer to notes 1.2(ae), 2, 3, 11, 17 and 20**	
As at 30 June 2019 the Group's energy price derivative assets totalled \$256.45m and energy price derivative liabilities totalled \$998.02m. Significant management judgment was required in determining the value of the energy price derivative assets and liabilities due to the highly technical and complex nature of the valuations, which included management estimation of future electricity prices, inflation and discount factors. Changes in the underlying estimates can significantly impact the value of energy price derivative assets and liabilities.	• In conjunction with energy derivative valuation specialists: ○ Obtaining understanding of valuation process and recording of the energy price derivative assets and liabilities. ○ Assessing and challenging market data inputs and assumptions in valuation models for consistency with publically available and other external market data. ○ Evaluating the construction of the long-term price benchmark curve with consideration on market modelling approaches observed in use across the National Electricity Market. ○ Evaluating the configuration of internal models and the valuation methodology applied to fair value structured and complex energy derivatives classified as Level 3 having regard to generally accepted market practices. ○ Re-performing fair value calculations for a sample of derivative financial instruments using industry acceptable valuation practices. ○ Assessing the documentation, measurement of hedge effectiveness, and hedge accounting for energy derivatives. ○ Verifying, on a sample basis, the key terms for the entry of trades to underlying third party transaction documents. ○ Assessing the appropriateness of related disclosures in the financial statements.

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Basslink financial assets and liabilities Refer to notes 1,2(ae), 2, 3, 11, 17 and 20	
As at 30 June 2019 the Group's Basslink financial assets totalled \$303.17m and Basslink financial liabilities totalled \$840.56m. Significant management judgment was required in valuing the Basslink financial assets and liabilities as they are sensitive to inputs within the discounted cash flow model such as electricity prices, forecast interconnect energy flow over the Basslink cable and inflation and discount factors. Changes in the underlying inputs can significantly impact the valuation of the Basslink financial assets and liabilities.	• In conjunction with energy derivative valuation specialists: o Obtaining an understanding of the valuation and recording of Basslink's financial assets and liabilities. o Assessing management's valuation methodology, the basis for assumptions used and compliance with relevant accounting standards. o Assessing and challenging key inputs and assumptions underpinning the valuation of the Basslink Service Agreement including, inputs such as the long-term electricity price curve, interconnector energy flow, volatility of Victoria and Tasmania price spreads, including comparing inputs to external sources where available. o Reperforming the valuation of Basslink financial assets and liabilities and comparing the result to the Group's valuation. o Performing sensitivity analysis in relation to the key model assumptions. o Assessing the appropriateness of related disclosures in the financial statements.

Responsibilities of the Directors for the Financial Report

The directors of the Corporation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Government Business Enterprises Act 1995* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the Group audit. I remain solely responsible for my audit opinion.

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

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

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

Rod Whitehead
Auditor-General

Tasmanian Audit Office

14 August 2019
Hobart

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Above: These tripods are all that remain of the winch system at Olga Camp, in Tasmania's South-West. The camp was decommissioned this year as part of a site restoration project.

Statement of Corporate Intent

The following Statement of Corporate Intent was agreed upon between Hydro Tasmania's Board and Shareholding Ministers during 2018–19 and includes performance targets which are updated each year. The 2019–20 Statement of Corporate Intent, including updated performance targets, will be published on Hydro Tasmania's website.

Hydro Tasmania is the trading name of the Hydro-Electric Corporation, an integrated energy business owned by the State of Tasmania. The Minister for Energy has portfolio responsibility for Hydro Tasmania. Hydro Tasmania operates under the *Government Business Enterprises (GBE) Act 1995* and the *Hydro-Electric Corporation Act 1995*. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year which provides an overview of the business and our strategic direction.

Who we are

Tasmanians are our owners, our most important customers, and the very people we were created to serve. For more than a century, Tasmanians have relied on hydropower to grow the economy and support communities. We now employ more than 1200 people, with over 700 based in Tasmania. Our vision and values are guided directly by our people, and shape how we make decisions, achieve our goals, serve our customers, work together and care for the environment.

The Hydro Tasmania group

Hydro Tasmania

Hydro Tasmania is Australia's leading clean energy business, largest producer of renewable energy, and largest water manager. For more than a century, Tasmanians have relied on our hydropower to grow and support the state's communities and economy.

Momentum Energy

Our electricity and gas retailer, Momentum Energy, is a leading supplier of electricity and gas solutions to business customers and residential markets across Australia, providing competitive rates and quality sustainable products and services.

Entura

Our consulting business, Entura delivers clever solutions in water and energy to clients locally, nationally and internationally.

Operating environment

Hydro Tasmania operates in the highly dynamic and competitive National Electricity Market (NEM), which is undergoing a period of significant transformation. The need for clean energy in the NEM has never been greater, after a series of fossil fuel power stations closing in recent years. Tasmania is uniquely placed to help lead Australia through its energy challenges. Large storage options like reservoir storage hydro, pumped storage hydro and batteries will become much more important as Australia seeks to replace coal-fired power and get more energy from other sources, including solar and wind.

Aspects affecting Hydro Tasmania's operating environment are outlined below.

- A high degree of vertical integration and closure of Hazelwood Power Station in Victoria creating wholesale supply constraints.
- A highly competitive national electricity retail market.
- Changes in the way that electricity is produced, sold, bought and consumed due to developments in technology and enhanced customer awareness.
- Uncertainties and change in national policies to combat climate change and meet energy supply requirements.

Our strategic direction

Our vision is to be Australia's leading clean energy business, inspiring pride and building value for our owners, our customers and our people. Our strategy is focussed on producing affordable and reliable electricity and services, profitably and effectively managing the risks faced by the business, and achieving sustainable returns to government.

We will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible.

We will continue to grow our mainland retail brand Momentum Energy, creating value for all Tasmanians, by strengthening and diversifying revenue sources and mitigating exposure to strategic risks in the NEM. Our strategy continues to evolve to ensure we can respond flexibly to the rapidly changing operating environment. We will pursue profitable revenue growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks. In addition, the technological advancements developed for the King Island Renewable Energy Integration Project have positioned the Hydro Tasmania group to continue pursuing emerging opportunities in hybrid energy solutions.

The *Battery of the Nation* (BotN) project is investigating opportunities for Tasmania to make a substantially bigger contribution to a future National Electricity Market (NEM). The Tasmanian power system has the potential to double in size and unlock the full value of Tasmania's hydropower system and renewable energy resources. Analysis confirms *Battery of the Nation* is an extremely viable and cost-competitive option for supporting Australia's future energy needs. If realised, this would be good for Tasmania's economy and for Hydro Tasmania, and support reliable, cost competitive energy supply for customers in Tasmania and in the NEM.

The success of our business is underpinned by our people, the effective management of Hydro Tasmania's water resource and generation assets, and the systems and processes in place to support our business operation. Efficiencies in each of these areas are an essential part of our strategy and we are committed to making improvements in each of these areas so Hydro Tasmania can be Australia's leading clean energy business.

Key financial and non-financial performance indicators and associated targets for 2018-19 and estimates through to 2021-22 are set out in the following table.

Table 1: Key Performance Indicators

Key performance indicators (KPIs)	Target 2018–19	2019–20	2020–21	2021–22
Results before fair value movements and revaluations	$165m	$132m	$132m	$123m
Financial Indicators				
Core gross borrowings	$699m	$688m	$689m	$699m
Return on equity	6.3%	4.8%	4.7%	4.4%
Capital Expenditure *	Satisfactory external validation of the ten year asset management plan			
	For capital expenditure projects greater than $500,000: 100% on time 100% on budget			
Cost Savings Target	Momentum Energy operating costs per account less than budget		Operating costs per account less than previous year	
	Net general operating expenses equal to $148.4m		Net general operating expenses to increase at 1% on the previous year	
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget		Retail EBITDA greater than previous year	
Non-financial Indicators				
Lost time injury	0			
Portfolio availability	Availability target of 80 per cent achieved			
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties			
Storage levels - preferred minimum operating level	Consistent with the Prudent Storage Level (PSL)			
Returns to government (accrual)				
Ordinary dividend	$78m	$75m	$84m	$84m
Total other returns to government	$64m	$51m	$49m	$47m
Total returns to Government	$142m	$126m	$133m	$131m

* Measured against the targets approved by the Investment Management Team process

Directors' Statement of Corporate Intent and Agreement of Shareholding Ministers

In signing this Statement of Corporate Intent, the Board of Hydro Tasmania commits to the targets proposed for 2018-19 on a best endeavours basis, subject to Section 24 of the GBE Act. The Board of Hydro Tasmania agrees to provide the Shareholding Ministers with information on progress against the targets included in this Statement of Corporate Intent, as required under the Reporting Guidelines.

This Statement of Corporate Intent has been agreed between:

G. V. Every-Burns
Chairman
Hydro Tasmania

On behalf of the Board

Original signed by

Hon Peter Gutwein MP
Treasurer

Hon Guy Barnett MP
Minister for Energy

Performance against the Statement of Corporate Intent

Hydro Tasmania operates under the Government Business Enterprises Act 1995 (GBE Act) and the Hydro-Electric Corporation Act 1995. The GBE Act requires Hydro Tasmania to prepare a Statement of Corporate Intent each year which includes a performance agreement between the business and the shareholding ministers. Performance against the 2018–19 targets is outlined below.

Table 2: Performance against Statement of Corporate Intent

Key performance indicators (KPIs)	Target 2018–19	Results
Results before fair value movements and revaluations	$165 million	$195 million
Core gross borrowings	$699 million	$615 million
Return on equity	6.3 per cent	7.2 per cent
Capital expenditure [a]	Satisfactory external validation of the ten-year asset management plan	A external appraisal by Ascension Consulting deemed the ten year asset management plan satisfactory
	For capital expenditure projects greater than $500,000:	
	100 per cent on time	80.0 per cent completed on time [b]
	100 per cent on budget	93.3 per cent completed on budget [c]
Cost savings target	Momentum Energy operating costs per account less than budget	Momentum Energy operating costs per account were over budget due to higher credit and collection costs
	Net general operating expenses equal to $148.4 million	$153 million [d]
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget	The retail EBITDA was equal to budget
Lost time injury	Zero	Four [e]
Portfolio availability	Availability target of 80 per cent	Average portfolio availability for the 12 months ending June 2019 was 86.16 per cent
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties	Zero enforced regulatory undertakings or penalties for the year
Storage levels - preferred minimum operating level	Consistent with the prudent storage level (PSL)	Storages finished the year at 34.7 per cent, above the PSL of 30.0 per cent
Ordinary dividend	$78 million	$80 million
Total other returns to government	$64 million	$81.3 million [f]
Total returns to government	$142 million	$161.3 million

[a] Measured against the targets approved via the Investment Management Team process.

[b] Of the three projects that were not delivered on time, all were largely complete (including meeting regulatory requirements where applicable) by their due date, but a combination of commissioning issues, opportunities to include additional functionality, and extended finalisation works delayed administrative closure.

[c] One project is flagged as not completed on budget due to additional emergent works required. This project was delivered as part of a programme of work that is expected to be delivered under budget overall.

[d] Net general operating expenses exceeded the target due to restructuring costs incurred during the year

[e] There were four lost time injuries occurring during the reporting period: a slip on wet concrete, a high pressure water injury, a fall at a customer site and a finger crushed in a drill rig. We are actively engaged in ensuring a prompt return to work for injured people. We took corrective actions and delivered further training to help prevent any further lost time injuries.

[f] Returns to government include $69.1m of income tax equivalent paid relating to the 2018–19 financial year. The operating result for 2018–19 was $30m more than budgeted resulting in higher income tax equivalent payments.

Community service obligations

Directions issued over the reporting year

This section details directions issued by the Minister for Energy and Treasurer to Hydro Tasmania to perform community service obligations (CSOs) pursuant to section 65(1) of the GBE Act as required by section 55(2)(a) of the Act.

Bass Strait islands

The Hydro Tasmania group provided electricity services on the Bass Strait islands to 30 June 2019 under a CSO funded by the Tasmanian Government. Retail services are provided by Momentum Energy. The CSO ensures that consumers on the Bass Strait islands receive electricity at a concessional and regulated price.
In 2018–19 the net cost of the CSO to the Tasmanian Government was $10.24 million. The funded CSO arrangement expired on 30 June 2019 and Hydro Tasmania has been notified that the CSO will be unfunded from this date.

Wholesale electricity price (WEP) order

On 21 June 2018 the Energy Minister and Treasurer directed Hydro Tasmania to offer load-following (whole-of-meter) contracts if requested to do so by retailers, for load relating to small customers in Tasmania for 2018–19 (or part thereof) at the price published in a WEP order made by the Treasurer (of $79.68 per megawatt hour [MWh]). This is an unfunded CSO obligation and applies to contracts with all retailers other than Aurora, as the WEP order applies to them. During 2018–19 the cost to Hydro Tasmania of contracting with retailers under this CSO obligation was approximately $0.1 million. A similar direction was issued to Hydro Tasmania on 10 May 2019 in relation to 2019–20. The WEP order price for 2019–20 is $87.56 per MWh.

Granville Harbour Wind Farm

On 5 September 2017 Hydro Tasmania was directed to enter a power purchase agreement with Westcoast Wind to facilitate the construction of the Granville Harbour Wind Farm. The power purchase agreement does not take effect until the wind farm is operational. As the wind farm was not operational in 2018–19 there was no financial impact to Hydro Tasmania in that period.

Above: ***Women in renewables, bridging the gender gap through our apprentice program***

Summary information

Governance summary

The directors of the Corporation at any time during or since the end of the 2018-19 financial year were:

Mr Grant Every-Burns Chairman	Mr Every-Burns is a member of the Corporation's Audit Committee, Risk Management Committee and Human Resources and Remuneration Committee. **Appointed:** 27 August 2012 **Current term:** 13 October 2017 to 12 October 2020
Mr Saul Eslake Independent director	Mr Eslake served as a member of the Audit Committee and as Chairman of the Risk Management Committee, until the expiration of his term. **Appointed:** 17 March 2008 **Final term:** 18 March 2017 to 17 September 2018
Ms Samantha Hogg Independent director	Ms Hogg is a member of the Risk Management Committee and Human Resources and Remuneration Committee and serves as Chairman of the Audit Committee. **Appointed:** 24 August 2015 **Current term:** 24 August 2018 to 23 August 2021
Mr Kenneth Hodgson Independent director	Mr Hodgson is Chairman of the Human Resources and Remuneration Committee. **Appointed:** 13 June 2016 **Current term:** 13 June 2019 to 12 June 2022
Mr Carlo Botto Independent director	Mr Botto became the Chairman of the Risk Management Committee in March 2019. **Appointed:** 31 July 2018 **Current term:** 31 July 2018 to 30 July 2021
Ms Selina Lightfoot Independent director	Ms Lightfoot was appointed as a member of the Audit Committee and the Human Resources and Remuneration Committee in March 2019. **Appointed:** 31 July 2018 **Current term:** 31 July 2018 to 30 July 2021
Mr Stephen Davy Executive director and CEO	Mr Davy is a member of both the Risk Management and Human Resources and Remuneration committees. **Appointed:** 16 December 2014 **Current term:** 28 December 2017 to 4 September 2020

Governance summary (continued)

Table 3: Board committee membership

Audit Committee	Risk Management Committee	Human Resources and Remuneration Committee
Samantha Hogg*	Carlo Botto*#	Ken Hodgson*
Saul Eslake**	Saul Eslake**	Grant Every-Burns
Grant Every-Burns	Grant Every-Burns	Samantha Hogg
Selina Lightfoot#	Stephen Davy	Selina Lightfoot#
	Samantha Hogg	Stephen Davy

* Committee Chairman

** Mr Eslake's term on the Board concluded on 17 September 2018. He attended and chaired the September 2018 Risk Management Committee as a consultant.

\# Ms Lightfoot and Mr Botto were appointed to the Board of the Hydro-Electric Corporation effective 31 July 2018. They commenced their committee roles in early 2019.

Table 4: Directors' attendance at Board and committee meetings during 2018–19

	Board (regular and special meetings)		Audit Committee		Risk Management Committee		Human Resources and Remuneration Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	15	14*	5	5	4	3*	4	4
Stephen Davy	15	15	0	5	4	4	4	4
Saul Eslake	3	2*	1	1	0	1	0	0
Samantha Hogg	15	13*	5	5	4	4	4	3*
Ken Hodgson	15	14*	0	2	0	1	4	4
Carlo Botto	14	14	0	2	2	4	0	1
Selina Lightfoot	14	13*	2	4	0	1	2	3

A Maximum number of meetings the director could have attended as an appointed member

B Number of meetings attended

* Leave of absence granted

Board and Executive performance evaluation

One of the independent directors, on a rotating basis, evaluates the meeting at the conclusion of each Board meeting. This process allows for contemporaneous consideration of the strengths and opportunities of the meeting, how it ran, the presentations and the discussions.

Each director, including the Chairman, undergoes a formal performance evaluation by their fellow directors and the Hydro Tasmania leadership team when their term of office is under consideration and they elect to seek re-appointment. Following such a process, the Board recommended the re-appointment of Mr Hodgson in April 2019.

The Chairman provides continual individual feedback on performance to each director and is also subject to periodic assessment by the directors.

The Board committees self-assess their performance in accordance with their terms of reference, usually annually. In 2018–19, the Board's Audit and Risk Management committees carried out self-assessments. The leadership team is also asked to provide feedback on the effectiveness of the committee and its members.

The Board is currently considering the merits of an external assessment, taking into consideration the relatively recent appointments of two of its directors. The performance of the CEO and other senior executives is reviewed annually using robust, measurable and qualitative key performance indicators.

Director induction, education and training

Each new Board member receives a Board induction pack and meets with the leadership team and the Corporation Secretary for introductory briefings. Access to the main governance, Board administration and reference materials is available through a secure web-based application used by Hydro Tasmania directors. The information made available to directors includes content suggested by the Guidelines for Tasmanian Government Businesses on Director Induction, Education and Training.

Ongoing training and education for directors is provided through a combination of in-house presentations and site visits as well as through external providers as required. Training is structured to enable directors to be informed of and understand all key developments relating to Hydro Tasmania's business and the industry and environment in which we operate.

This year, the Board and senior management benefitted from a presentation from the CEO of the Integrity Commission, Mr Richard Bingham.

Public interest disclosures

Under the *Public Interest Disclosures Act 2002* (the Act), Hydro Tasmania is required to report on any disclosures about improper conduct by its public officers or Hydro Tasmania. In accordance with the requirements of section 86 of the Act, Hydro Tasmania advises that:

a) Hydro Tasmania's procedures under the Act are available on the Hydro Tasmania website at www.hydro.com.au

b) no disclosures of public interest were made to Hydro Tasmania during the year

c) no public interest disclosures were investigated by Hydro Tasmania during the year

d) no disclosed matters were referred to Hydro Tasmania during the year by the Ombudsman

e) no disclosed matters were referred during the year by Hydro Tasmania to the Ombudsman to investigate

f) no investigations of disclosed matters were taken over by the Ombudsman from Hydro Tasmania during the year

g) there were no disclosed matters that Hydro Tasmania decided not to investigate during the year

h) there were no disclosed matters that were substantiated on investigation as there were no disclosed matters

i) the Ombudsman made no recommendations under the Act that relate to Hydro Tasmania.

Generation statistical summary

Table 5: Generation summary 2013–19

	Units*	2013	2014	2015	2016	2017	2018	2019
					As at June 30			
Mainland Tasmania								
Power stations								
Hydro	Number	30	30	30	30	30	30	30
Thermal (gas)	Number	1	1	1	1	1	1	1
Thermal (diesel)	Number	0	0	0	2[a]	0	0	0
Total	**Number**	**31**	**31**	**31**	**33**	**31**	**31**	**31**
Installed capacity[b]								
Hydro	MW	2281	2281	2281	2281	2281	2283[c]	2283
Thermal (gas)	MW	372	372	372	372	372	372	372
Thermal (diesel)	MW	0	0	0	123	0	0	0
Total	MW	2653	2653	2653	2776	2653	2655	2655
Energy generated[d]								
Hydro	GWh	10627	11932	8176	8038	8305	9178	9681
Thermal (gas)	GWh	140	866	4	769	767	820	465
Thermal (diesel)	GWh	0	0	0	55	0	0	0
Total	**GWh**	**10767**	**12798**	**8180**	**8862**	**9072**	**9998**	**10146**
Generation peak	MW	2222	2168	2 187	2161	2038	2160	2175
Generation load factor[e]	%	55	67	43	47	51	53	53
Bass Strait islands								
King Island								
Diesel	MWh	7968	7220	7430	6587	7482	6010	5939
Wind[f]	MWh	4133	4974	4144	4907	4497	5679	6520
Flinders Island								
Diesel	MWh	3569	3734	3536	3539	4038	2721	2609
Wind/Solar[g]	MWh	0	0	0	0	65	1887	1970
Total Bass Strait islands	**MWh**	**15670**	**15928**	**15110**	**15033**	**16082**	**16297**	**17038**

* MW (megawatt); MWh (megawatt hour) = one thousand kilowatt hours; GWh (gigawatt hour) = one million kilowatt hours

[a] Temporary diesel generation of up to a maximum registered capacity of 236 MW was installed at six sites during the latter part of 2015–16. As at 30 June 2016 diesel generation was still installed at Bell Bay Power Station and Que River Substation.

[b] Power station registered nameplate capacity.

Generation statistical summary (continued)

Generation summary 2013–19 (continued)

[c] From 2 May 2018 installed capacity increased by 2 MW due to Cluny Power Station upgrade.

[d] Mainland Tasmania energy generated is calculated as the net energy measured at the power station market and distribution connection points.

[e] Calculated as average MW divided by peak MW. Average MW calculated from total energy divided by hours in the year.

[f] King Island wind generation is calculated as the net wind output from Hydro Tasmania's wind generators.

[g] Net energy supplied to customers from Hydro Tasmania's wind turbine, Flinders Island Renewable Energy Developments Pty Ltd's wind turbine and Hydro Tasmania's solar installation at Flinders Island.

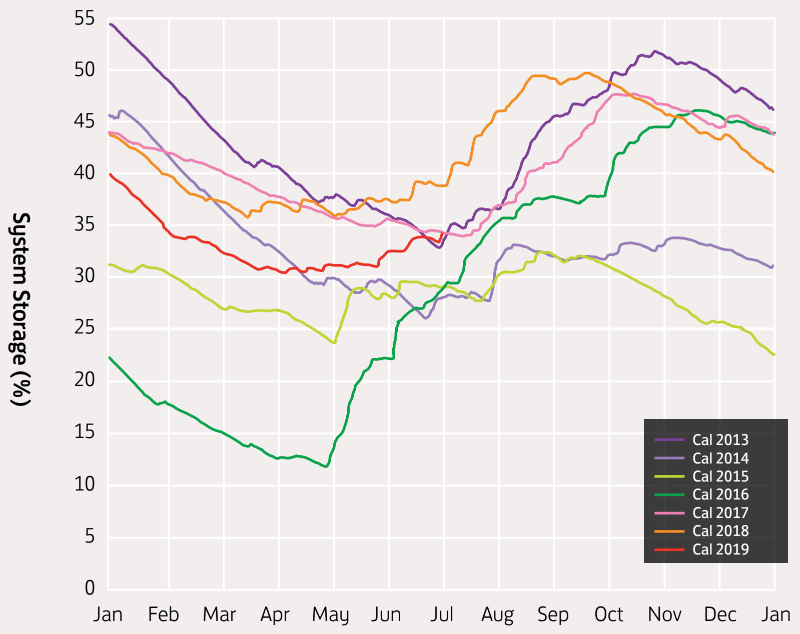
Table 6: Basslink imports and exports at 30 June 2013–2019

	Financial year ending 30 June						
	2013	2014	2015	2016	2017	2018	2019
Export (GWh)	2293	3113	725	479	977	1074	1496
Import (GWh)	251	20	2141	1067	1342	865	991
Net[a] (GWh)	2042	3093	–1417	–588	–365	209	505

[a] Positive numbers indicate net export, negative numbers indicate net import

Table 7: Energy in storage at 1 July 2019

	Storage at 1 July						
TEIS	2013	2014	2015	2016	2017	2018	2019
GWH	4732	4059	4268	4205	5031	5658	5007
%	32.8	28.1	29.6	29.1	34.8	39.2	34.7



Storage levels 2013–2019

Cal – calendar year

Financial summary

Financial results

Table 8: Financial results 2015–2019

	Financial year ending 30 June				
	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m
Result before fair value, impairment and tax	62.4	(65.4)	20.1	167.9	195.0
Profit/(loss) before tax[a]	191.5	(292.3)	(308.7)	168.8	216.2
Comprehensive income/(loss)	169.2	(3.6)	(181.8)	30.7	(169.2)
Cash flow from operating activities	25.5	17.5	117.6	357.1	257.4
Net debt	839	827	738	703	549
Weighted average cost of debt	6.67%	5.32%	4.87%	4.90%	5.08%
Capital expenditure	100.7	109.1	131.0	124.9	145.1
Other expansion and acquisitions	0.0	0.0	0.0	0.0	0.0
Total assets	5,198	5,886	6,322	5,706	5,702

[a] Profit/(loss) before tax is impacted by movements in the fair value of energy derivatives, and by the impairment of generation assets.

	Financial year ending 30 June				
	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m
Government guarantee fee	8.9	8.5	8.6	8.2	7.9
Income tax equivalent	80.1	5.0	0.0	8.6	69.1
Ordinary dividend[b]	118.6	25.0	0.0	0.0	80.0
Special dividend	0.0	0.0	0.0	0.0	0.0
Rates equivalent	3.9	4.0	4.1	4.3	4.4
Total returns	211.5	42.5	12.7	21.1	161.4

[b] Represents the dividend paid in the period, relating to performance in the previous period.

Five-year summary

Table 9: Financial statistics 2015–2019, year ending 30 June

	Financial year ending 30 June				
	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Five-year profile — Statement of Comprehensive Income					
Income					
Sales of goods and services	1,467,161	1,335,863	1,440,403	1,769,696	1,824,372
Other income	17,062	21,580	41,241	25,662	26,181
TOTAL INCOME	**1,484,223**	**1,357,443**	**1,481,644**	**1,795,358**	**1,850,553**
Less expenses					
Labour	126,060	124,821	129,311	140,791	160,453
Direct operating expenses	1,034,271	1,022,785	1,048,215	1,196,666	1,214,769
Depreciation and amortisation of non-current assets	92,918	100,666	109,094	116,521	118,065
Impairment of non-current assets	(232,066)	(58,697)	781	227	11,050
Finance costs	71,927	58,219	56,668	54,379	50,129
Net fair value movements	102,927	285,565	328,022	(1,111)	(48,196)
Other operating expenses	96,695	116,387	118,261	119,099	128,092
TOTAL EXPENSES	**1,292,732**	**1,649,746**	**1,790,352**	**1,626,572**	**1,634,362**
NET PROFIT/(LOSS) BEFORE TAX	**191,491**	**(292,303)**	**(308,708)**	**168,786**	**216,191**
Five-year profile — Balance Sheet					
Assets					
Cash and cash equivalents	15,694	82,698	117,057	65,890	66,448
Investments	68,556	63,804	59,262	58,144	42,540
Receivables	250,476	380,872	368,659	387,512	390,621
Property, plant and equipment	4,208,087	4,628,625	4,646,203	4,474,381	4,484,642
Financial and other assets	654,720	730,487	1,130,795	720,178	718,212
TOTAL ASSETS	**5,197,533**	**5,886,486**	**6,321,976**	**5,706,105**	**5,702,463**
Liabilities					
Payables	164,283	315,839	318,713	347,891	345,534
Provisions	501,707	579,499	517,920	571,401	819,452
Interest bearing liabilities	855,015	910,100	854,833	769,204	618,620
Tax liabilities	569,678	564,199	472,997	470,350	315,058
Financial liabilities	1,052,495	1,421,142	2,192,974	1,551,703	1,857,250
TOTAL LIABILITIES	**3,143,178**	**3,790,779**	**4,357,437**	**3,710,549**	**3,955,914**
NET ASSETS	**2,054,355**	**2,095,707**	**1,964,539**	**1,995,556**	**1,746,549**
EQUITY	**2,054,355**	**2,095,707**	**1,964,539**	**1,995,556**	**1,746,549**
Five-year profile — Capital Works					
Expenditure					
Generation assets	73,182	77,029	83,837	88,314	101,121
Bass Strait islands	1,461	1,676	2,883	2,592	2,052
Land and buildings	624	2,110	4,082	4,534	9,608
Fleet	3,905	1,818	1,931	2,748	2,003
Information systems	20,811	17,619	32,031	24,555	26,831
Renewable developments	334	7,680	4,662	280	2,111
Other assets	381	1,146	1,567	1,913	1,341
TOTAL CAPITAL EXPENDITURE	**100,698**	**109,078**	**130,993**	**124,936**	**145,067**

Procurement summary

Table 10: Consultancies valued at more than $50,000 (ex GST), 2018–19

Name of consultant	Location	Description	Period of engagement	Total paid (AUD)
Clayton Utz	Sydney, NSW	Legal advisors	1 July 2018 – 30 June 2019	$5,759,118
Pacific Consulting Group Pty Ltd	Sydney, NSW	Financial consultants	1 July 2018 – 30 June 2019	$1,183,668
PricewaterhouseCoopers	Melbourne, VIC	Financial consultants	1 July 2018 – 30 June 2019	$670,262
Cushman & Wakefield Pty Ltd	Melbourne, VIC	Facilities consultants	10 December 2018 – 30 April 2019	$471,383
Pitt & Sherry Operations Pty Ltd	Launceston and Hobart, TAS	Compliance and risk consultants	1 July 2018 – 30 June 2019	$447,103
AECOM Australia Pty Ltd	Melbourne, VIC	Engineering consultants	1 July 2018 – 30 June 2019	$385,255
Cova Thinking Pty Ltd	Hobart, TAS	Environmental consultants	1 July 2018 – 30 June 2019	$378,568
Howarth Fisher and Associates	Sandy Bay, TAS	Engineering consultants	1 July 2018 – 30 June 2019	$360,332
DamWatch Engineering Ltd	Wellington, New Zealand	Engineering consultants	1 July 2018 – 30 June 2019	$324,722
DNV GL Energy	Arnhem, Netherlands	Engineering consultants	1 July 2018 – 30 June 2019	$281,585
SICC Services	Devonport, TAS	Engineering consultants	1 July 2018 – 30 June 2019	$273,924
Veldhoen + Company	Sydney, NSW	Management consultants	30 July 2018 – 30 June 2019	$270,561
GHD Pty Ltd	Hobart, TAS	Engineering consultants	1 July 2018 – 30 June 2019	$258,270
Advisian Pty Ltd	Melbourne, VIC	Engineering consultants	1 July 2018 – 30 June 2019	$232,185
Sodia Group	Melbourne, VIC	Management consultants	1 July 2018 – 30 June 2019	$221,206
WSP UK Limited	London, UK	Engineering consultants	1 July 2018 – 30 June 2019	$217,293
White & Case	Melbourne, VIC	Legal advisors	1 July 2018 – 30 June 2019	$217,011
Biosis Pty Ltd	Victoria	Environmental consultants	1 July 2018 – 30 June 2019	$172,909
WMA Water Pty Ltd	Hobart, TAS	Environmental consultants	1 July 2018 – 30 June 2019	$172,648
ReGenerateNZ Ltd	Christchurch, NZ	Engineering consultants	1 July 2018 – 30 June 2019	$169,226
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering consultants	1 July 2018 – 30 June 2019	$162,477
Make Studios Australia Pty Ltd	Melbourne, VIC	Marketing consultants	25 February 2019 – 30 June 2019	$149,955
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental consultants	1 July 2018 – 30 June 2019	$137,800
Gondwana Heritage Solutions	Oatlands, TAS	Heritage consultants	1 July 2018 – 30 June 2019	$135,632
Baynes Geologic Pty Ltd	Malmsbury, VIC	Geotechnical consultants	1 July 2018 – 30 June 2019	$125,876
Pitcher Partners Consulting Pty Ltd	Melbourne, VIC	Compliance and risk consultants	1 July 2018 – 30 June 2019	$123,508

Procurement summary (continued)

Herbert Smith Freehills	Melbourne, VIC	Legal advisors	1 July 2018 – 30 June 2019	$114,679
Gartner Australasia Pty Limited	Melbourne, VIC	IT consultants	1 July 2018 – 30 June 2019	$112,100
Baringa Partners LLP	Sydney, NSW	Strategic advisory services	1 July 2018 – 30 March 2019	$108,000
BluPrint Consulting	Hobart, TAS	Stakeholder management	1 July 2018 – 30 June 2019	$100,850
Quest Integrity AUS Pty Limited	Varsity Lakes, QLD	Engineering consultants	1 July 2018 – 30 June 2019	$98,750
E3 International Pty Ltd	Surfers Paradise, QLD	Energy consultant	1 July 2018 – 30 June 2019	$90,000
Deloitte Touche Tohmatsu	Melbourne, VIC	Financial consultants	1 July 2018 – 30 June 2019	$89,435
Deloitte Private PL	Melbourne, VIC	Financial consultants	1 July 2018 – 30 June 2019	$88,793
Contrado Solutions Pty Ltd	Mount Martha, VIC	IT consultants	4 September 2018 – 21 December 2018	$81,600
Injury Prevention Services Pty Ltd	Hobart, TAS	Safety consultants	1 July 2018 – 30 June 2019	$70,588
Sidco Pty Ltd	Werribee, VIC	Power systems consultant	15 January 2019 – 30 June 2019	$68,343
Urbis Pty Ltd	Melbourne, VIC	Environmental consultants	1 July 2018 – 30 June 2019	$65,482
Rachel Trindade	South Yarra, VIC	Legal advisors	1 July 2018 – 30 June 2019	$64,838
Energeia Pty Ltd	Sydney, NSW	Energy consultant	22 October 2018 – 30 June 2019	$63,125
Austral Research and Consulting	Hobart, TAS	Environmental consultants	1 October 2018 – 30 June 2019	$54,955
Johnstone McGee & Gandy P/L	Hobart, TAS	Facilities consultants	1 July 2018 – 30 June 2019	$53,050
Total				$14,627,065
Total expenditure on 173 other consultants engaged for $50,000 or less				$3,107,161
In addition to the consultants listed in the table above Entura engages consultants for specialist advice in the delivery of services to external clients and Hydro Tasmania engaged other consultants on a confidential basis for specialist advice				$495,349
Total payments to consultants				**$18,229,575**

Procurement summary (continued)

Table 11: Proportion of spending on local suppliers

	Location of supplier	2014–15	2015–16	2016–17	2017–18	2018–19
Proportion of spending (Hydro Tasmania group)[a]	Mainland Australia	32.4%	48.1%	40.6%	31.5%	32.7%
	Tasmania	56.7%	40.0%	45.7%	57.9%	57.9%
	Overseas	10.9%	11.9%	13.7%	10.6%	9.3%
Value of spending (Hydro Tasmania group)	Mainland Australia	$60,802,847	$90,770,814	$92,423,337	$63,150,052	$70,676,477
	Tasmania	$106,573,508	$75,485,085	$104,217,841	$116,248,330	$125,160,459
	Overseas	$20,548,738	$22,456,813	$31,072,040	$21,348,313	$20,180,672
Proportion of spending (Momentum Energy)	Mainland Australia	97.2%	99.7%	97.9%	98.6%	98.8%
	Tasmania	0.7%	0.2%	1.4%	0.8%	0.7%
	Overseas	2.1%	0.1%	0.7%	0.6%	0.5%
Value of spending (Momentum Energy)	Mainland Australia	$15,461,034	$15,748,334	$12,434,999	$14,924,790	$24,178,730
	Tasmania	$110,481	$30,705	$179,857	$119,979	$165,472
	Overseas	$328,085	$16,614	$83,986	$97,446	$125,491

[a] Includes Entura and AETV Power

Payment of accounts summary

Table 12: Accounts due or paid within each year for Hydro Tasmania and subsidiary companies

Measure	
Creditor days: 1,934 creditors with the following payment terms:	
7 days	118
14 days	283
21 days	20
30 days	1513
Total number of accounts due for payment	29,903
Number of accounts paid on time[a]	29,188
Amount due for payment	$240,487,301.17
Amount paid on time	$232,043,646.87
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	$0.00

[a] Reasons for delays are related to identification of disputed invoices. Actions taken to improve performance have been implemented including:

- account reviews with key suppliers to ensure timely receipt of invoices to the correct recipient
- increased reporting for timely invoice management.

About this report

Hydro Tasmania's annual report covers the financial year from 1 July 2018 to 30 June 2019. The report complies with the requirements of the *Government Business Enterprises Act 1995* and the associated Treasurer's Instructions and guidelines for Tasmanian Government businesses.

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We welcome feedback, comments and any queries regarding this report or its contents so that we can continue to improve its value to our readers.

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Back cover image: New life after the 2018/19 summer bushfires in the South West

Hydro Tasmania