Hydro Tasmania

Powering a stronger Tasmania

Annual Report 2020

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: Project Manager James Weller inside the access tunnel at Tribute Power Station

This page: Mackintosh Dam and Power Station

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 2020. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995.*

Grant Every-Burns
Chairman, Hydro-Electric Corporation
September 2020

Samantha Hogg

Samantha Hogg
Director, Hydro-Electric Corporation
September 2020

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance


Foodmarket Director for No Frills Foodmarkets Belinda Walker and Community Engagement Advisor Kieran Massie helping pack food drive donations

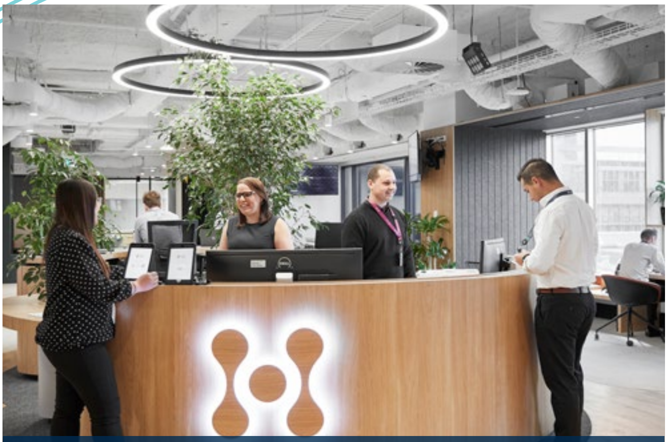
In a challenging year we've had significant achievements, despite the uncertainty presented by the COVID-19 pandemic.

We've continued to progress our *Battery of the Nation* initiative as a key part of Tasmania's Renewable Energy Action Plan, supporting the National Electricity Market's transition to a clean energy future, while focusing on ensuring the benefits of lower power prices, job creation and economic development are realised for Tasmania.

We've managed our storages to generate more electricity and capitalise on favourable trading conditions in the National Electricity Market to achieve strong returns while exceeding our storage targets and remaining well above the High Reliability Level. We are very proud of the increase in support we have provided to the most vulnerable in our communities, driven by the passion and dedication of our people who are committed to delivering for Tasmania.

Achievements

- We achieved a strong operating result (before fair value and revaluations adjustments) of $172 million, well above budget.
- We kept each other safe, achieving a record low Total Recordable Injury Frequency Rate (TRIFR) of 4.24.
- With the move to remote working we successfully supported our office based people to work from home, managing a 350 per cent increase in video conferencing calls and a 1000 per cent increase in VPN users while maintaining service to our customers.
- With funding support from the Australian Renewable Energy Agency, we undertook detailed investigation of three sites considered suitable for pumped hydro development, at Lake Cethana, Lake Rowallan and near Tribute Power Station on the West Coast, and expect to announce our preferred site towards the end of 2020.
- Repulse Power Station had a major upgrade to install a modern control system and eliminate the risk of oil spill into the environment.
- Momentum Energy grew their customer sites by more than 10 per cent.
- In March 2020 the Flinders Island Renewable Energy Hub ticked over 8,760 hours of Zero Diesel Operation, equivalent to a full year of operating in a mode where the island's energy needs were being met by 100 per cent renewable wind and solar energy.
- We demonstrated our commitment to workplace inclusion by launching our Disability and Inclusion Action Plan and submitting it to the Australian Human Rights Commission, along with timeframes for a range of actions that will improve the lives of people with disability.
- Our Melbourne office was transformed into an award winning space that supports cross-business collaboration and flexible work practices.



Our new Melbourne office creates a perfect fusion of innovation and collaboration for our Hydro Tasmania, Entura and Momentum teams

CEO Stephen Davy, General Manager Norske Skog Boyer Mill Dale Richards and Energy Minister Guy Barnett inspect the paper production plant

- We reached an energy supply agreement with Norske Skog that will support continued operation for one of Tasmania's largest industrial employers by locking in energy supply until the end of 2030.
- We released analysis that shows Tasmania is in a unique position to lead the nation in the production of green hydrogen to meet both domestic and global demand.
- We've invested in the recreation sites that Tasmanians treasure, working with Marine and Safety Tasmania to complete significant upgrades at Lake Burbury including installation of a timber walkway at the Thureau Hills boat ramp to improve safe access to the water.
- Our education program, Generation Hydro, went into 32 schools and hosted more than 300 students on tours of our power stations helping spark interest in science, technology, engineering and maths in the next generation.
- We were a major sponsor of:
  - The *West: Out on the Edge* exhibition at the Tasmanian Museum and Art Gallery, a celebration of the uniqueness of Tasmania's rugged west coast.
  - One of the biggest fishing events in Tasmania's history, the 39th FIPS-Mouche World Fly Fishing Championships.
  - The Cataract Gorge Extreme Race, a technically challenging white water event held in the heart of Launceston.
  - Engineers Australia's Driving Diversity Scholarships which support more women entering engineering careers.
- Our annual Community Grant Program saw its largest funding group yet with 11 community and not-for-profit organisations receiving up to $5,000 each, followed by a dedicated COVID-19 Community Grant Program which provided up to $10,000 to 29 recipients.
- Entura completed the microgrid control system for the Agnew Hybrid Renewable Project in remote Western Australia.

Challenges

- The COVID-19 pandemic caused significant disruption to our business, however our people responded with determination to adapt and find a way through the challenges to keep Tasmania's lights on.
- Disputes between Hydro Tasmania and Basslink Pty Ltd on matters related to the 2015 undersea cable fault have been referred to arbitration.

Awards

- Our workplace mental health program, *A New Mindset*, won the Workplace Life Award at the 2019 National Suicide Prevention Australia Conference.
- Bunfu Yu, Entura's Professional Land Use Planner, was awarded the 2019 Award for Planning Excellence (Tasmania) - Outstanding Student Project, as well as being the recipient of the UTAS Mike Shield Award for the best overall student academic performance.
- Grace Uziallo, Geomatics Consultant at Entura, was awarded the Young Spatial Professional of the Year at the Pacific Spatial Excellence Awards.
- Momentum Energy took out the Mozo People's Choice Awards for customer service for the fourth year running.
- Momentum Energy received the Canstar Blue 'Most Satisfied Customers, Dual Fuel' at the national level for the second year running.

Above: ***Environmental Scientist Andy Taylor conducting water sampling at yingina / Great Lake***

Contents

Above: Area Coordinator Leah Powell inspecting a turbine at Mackintosh Power Station

Message from the Chairman and Chief Executive Officer

Chairman Grant Every-Burns

Chief Executive Officer Stephen Davy

Foreword

In a year where everything has changed, there is hope and comfort to be drawn from how Hydro Tasmania rose to the challenges presented by COVID-19. Despite these truly unprecedented disruptions, our people have given Tasmanians the confidence of knowing their essential services remain in place, while also quietly delivering another successful year for the business.

Hope and confidence during such times is invaluable. Over our 100 year history, we have helped to build Tasmania and sought to prepare our State for the future. There's no denying that 2020 has been difficult, but our vision of a renewable energy future continues to become a reality. Hydro Tasmania will be an essential contributor to the State's economic and social recovery from the effects of coronavirus. This will come through progressing *Battery of the Nation* and our role in the Tasmanian Government's Renewable Energy Action Plan, to double our State's clean energy generation by 2040 and drive investment in the emerging hydrogen industry. But our contribution will also be made through our many initiatives, great and small, that continue to support the community, the economy and the environment in our day to day operations.

I would like to take this opportunity to recognise the contribution of CEO Stephen Davy, who has led the business over the past seven years. Under Steve's leadership Hydro Tasmania has laid the groundwork for our future success as a business, taking a bold vision for the role Tasmania can play in a renewable energy future and turning it into an actionable plan through the ***Battery of the Nation*** *initiative.*

On behalf of the Board I thank him for his dedication, passion and hard work.

- **Grant Every-Burns**, Chairman

I am humbled by the opportunity I have been given over the last seven years to lead 'the Hydro' and am proud of the positive impact we are making for Tasmania and our customers.

I have great pride in the way our people have responded to the challenges we've faced, whether related to energy supply or the current pandemic. I am also very proud of the support we have provided to the Tasmanian community, particularly through our Community Grant Program and our education program, Generation Hydro.

I am sad to say goodbye to my colleagues after more than 15 years but Tasmania can be assured that Hydro Tasmania is in very good hands.

- **Stephen Davy**, Chief Executive Officer

Kayaking on Lake Binney

COVID-19 response

Recent months have been dominated by our response to the coronavirus pandemic, to ensure we kept Tasmania's lights on while our people and communities remained safe. Through some decisive action, fast thinking and innovation, we've kept our essential maintenance on track at our power stations and engineering workshop.

When our office and call centre workforces suddenly shifted to working from home, the real value of our previous investments in technology became apparent. It is not an accident that this rapid transition ran so smoothly. It's a credit to our IT professionals that our business is so adaptable and can continue to operate as successfully as it has.

As a major contributor to Tasmania's economy, it has been essential for us to take action to help local business. We continued progressing our major projects to create work for Tasmanians, particularly in our regional areas. We committed to paying invoices within 14 days to get money into the local economy faster.

We also took opportunities to help the community directly through an expansion of our community programs. Our annual Community Grant Program saw its largest funding group yet with 11 recipients of up to $5,000 each, followed by a dedicated COVID-19 Community Grant Program which provided up to $10,000 to 29 recipients. These were in addition to extra funding for Colony 47 and The Smith Family to support kids to continue their learning from home during lockdown and beyond.

In total, over $238,000 was provided to a wide range of community organisations and in many cases, this has been the result of staff initiatives and direct donations. Though the impacts of coronavirus continue to be felt, we can be proud of how our people have responded.

Our people

Hydro Tasmania's success is driven by the dedication of our people, and our ability to recruit the best talent available. As we prepare the business to support Tasmania achieve its goal of producing 200 per cent of state demand from renewable energy sources by 2040, we are growing our work force to deliver the projects needed. Hydro Tasmania, including Entura and Momentum Energy, now employs more than 1,300 people.

We have undertaken a number of business improvement initiatives this year to support our people and make Hydro Tasmania not just a desirable place to work, but to continue working. Our teams in Melbourne had the chance to reimagine the office environment and design an award winning space that supports cross-business collaboration and flexible work practices.

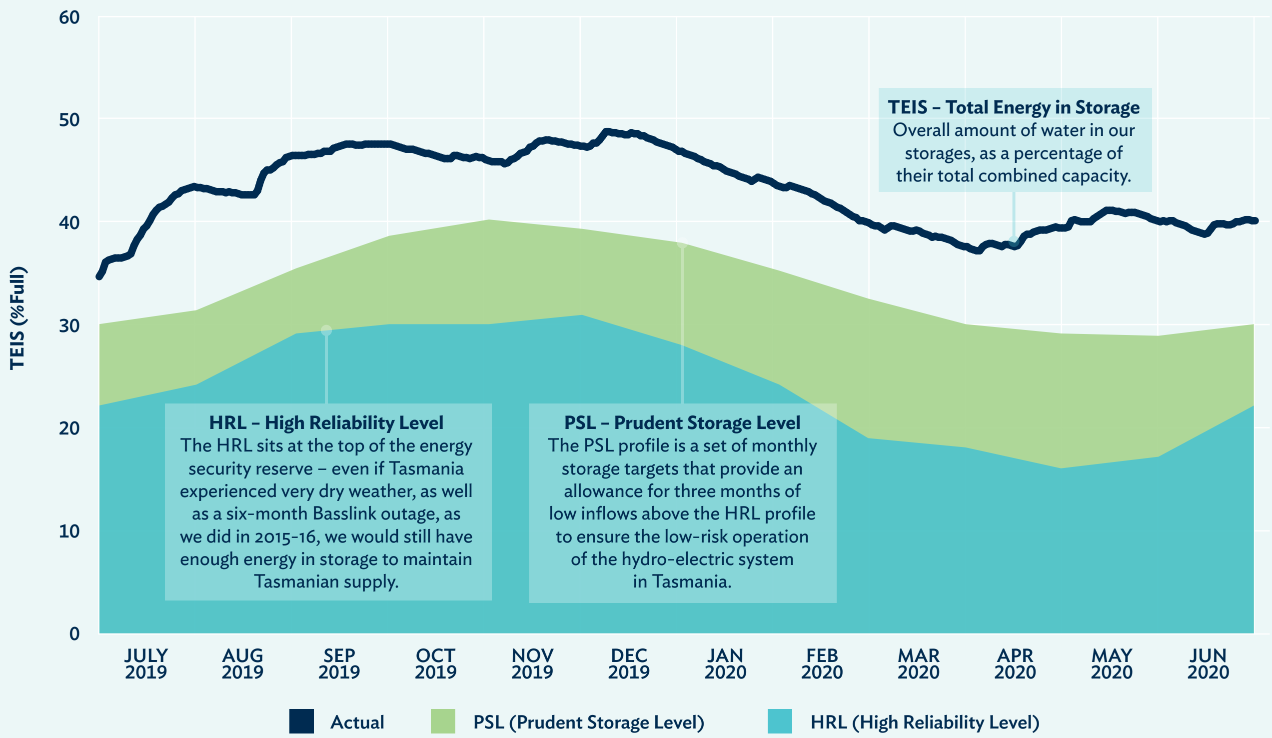
In February 2020, we demonstrated our commitment to workplace inclusivity by launching our Disability Inclusion Action Plan and submitting it to the Australian Human Rights Commission. This followed the success of our workplace mental health program, *A New Mindset*, at the 2019 National Suicide Prevention Australia Conference, where we won the Workplace Life Award.

Energy security

We have maintained a very secure level of energy storage throughout the year, comfortably exceeding our storage targets and remaining well above the High Reliability Level required by the Tasmanian Energy Security Risk Response Framework.

It has been a good year for inflows, which enabled us to increase our yield and power generation, while also reaching June 2020 with storages at 40 per cent – a secure position that can give every Tasmanian confidence. These excellent storage levels were also maintained during planned maintenance of the Basslink interconnector in September 2019.

Figure 1: How we measure energy security



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

Finances

Having reported an extremely productive 2018-19, we are very pleased to have achieved another strong result for the people of Tasmania, with an excellent underlying profit of $172 million, which was 54 per cent above budget.

This outstanding result was built on favourable trading conditions in the National Electricity Market, with prices higher than expected, and good rains that allowed for increased generation and production of more large scale generation certificates than was budgeted.

However, we must recognise that the energy industry is changing rapidly so we are positioning our business to respond to the anticipated lower revenue environment. Over the past year, we have delivered a number of targeted business improvement initiatives that have resulted in cost savings of more than $20 million.

Hydro Tasmania's net debt (borrowings less cash held) at 30 June 2020 was $627 million, which has increased $78 million on the previous year due to lower customer receipts, net payments for financial derivatives and higher dividend payments.

We increased our dividend return to the people of Tasmania supporting economic stimulus and delivery of these programs for Tasmanians through these challenging times.

Capital investment

The maintenance and modernisation of our generation assets continues to be our biggest investment, reflecting its central importance to the business and the State. Our capital investment program included the following projects.

- Completion of full generating unit refurbishments of Wilmot, Trevallyn Unit 2 and Catagunya Unit 1, to increase both efficiency and maximum capacity. This represented a major portion of our capital investment at approximately $55 million over several years.
- Completion of a program to replace the aged power transformers at Liapootah and Catagunya. This removes not only a production risk, but also mitigates safety and environmental risks. This program cost approximately $45 million across three years in supply, planning and installation.
- A $5 million project to replace the original 32-year-old unit controls, excitation, governor and protection systems on Gordon Unit 3, the first of the planned upgrades to our three most valuable units.
- Completion of a major upgrade to the Repulse Power Station to install a modern control system and eliminate the risk of oil spill into the environment.

- Commencement of work on a $20 million upgrade to the capacity of the Murchison Dam spillway, in line with modern guidelines.
- Signing procurement contracts for new turbine parts at Poatina, Gordon and Lemonthyme, costing $30 million over the next several years as we initiate the next phase of our refurbishment program, a core deliverable of the Strategic Asset Management Plan.

Battery of the Nation

Real progress was made on the journey to transition the *Battery of the Nation* initiative from a bold vision to an actionable plan. We accelerated the detailed investigation of three sites considered suitable for a potential pumped hydro development, at Lake Cethana, Lake Rowallan and near Tribute Power Station on the West Coast. As well as geotechnical, environmental and heritage assessments of each site, we've undertaken grassroots community engagement, to listen and understand what is most important to these local communities. We look forward to announcing a preferred site towards the end of 2020.

Our dedication to bringing our community on the journey can also be seen in the establishment of the new Cradle Coast Future Energy Hub. This joint initiative with the Cradle Coast Authority and TasNetworks is designed to showcase our state's exciting energy future, bringing together Tasmania's renewable energy industry proponents to share information with the community.

Our new white paper analyses demonstrated the value of *Battery of the Nation* and explained the advantages of the deep storage available in Tasmania for the National Electricity Market. These white papers and our work to date on *Battery of the Nation* has been supported by the Australian Renewable Energy Agency.

We also welcomed the release of a positive business case for TasNetworks' Marinus Link interconnector and the confirmation by the Australian Energy Market Operator of the need for greater interconnection, as a part of its 2020 Integrated System Plan. Marinus Link will unlock Tasmania's full renewable energy potential and we stand ready to play our part.

'Green' hydrogen

Advancements in hydrogen production, storage and transport technology present further opportunities, with our analysis demonstrating that Tasmania is in a unique position to lead a new 'green' Australian hydrogen industry, thanks to the competitive advantages of our renewable energy resources. Following the release of the Tasmanian Government's renewable hydrogen prospectus, we are looking forward to working with new investors to provide a secure clean energy supply.

Momentum Energy

Despite very challenging circumstances, overall Momentum Energy had a positive year, growing their customer base while still being able to provide much-needed support to customers affected by COVID-19.

Our mainland retailer increased customer sites by 11.9 per cent and diversified its product offerings with the introduction of the low-cost 'Self-Serve' and the mid-range 'Bill Boss' products. The team also took out the Mozo People's Choice Awards for customer service for the fourth year running and the Canstar Blue "Most Satisfied Customers, Dual Fuel" at the national level for the second year running.

In January, Momentum Energy welcomed new employees joining the business at our Cambridge office as part of plans to relocate the bulk of Momentum Energy's customer service operations to Tasmania. Momentum is well ahead of its target of delivering more than 70 jobs to the State.

Entura

Our specialist power and water consulting business has made another significant contribution to the success of our business and continues to showcase our expertise locally and overseas.

Key projects in Australia included providing Owner's Engineer and grid connection services to the new Cattle Hill Wind Farm in Tasmania and completing the microgrid control system for the Agnew Hybrid Renewable Project in remote Western Australia.

Internationally, Entura has been particularly active with renewable energy developments in the Pacific, assisting utilities and funding agencies such as the Asian Development Bank in the Cook Islands and Tonga. Entura has also contributed to preparation of the Alaoa Multi-Purpose Dam Project in Samoa, which will provide flood retention, water supply reliability and hydro generation to replace diesel generation. Elsewhere, Entura is providing detailed design for hydropower projects in Nepal and Laos.

Entura seeks feedback from its clients against a series of criteria covering reliability, responsiveness, competency and trust, creating a 'delivery excellence' score to measure performance. We are proud that Entura was able to improve on the previous year's delivery excellence score this year, which is a substantial achievement given the project delivery challenges posed by COVID-19.

Mossy Marsh siphon at the Tarraleah canals

National energy policy

For many years now, Hydro Tasmania has supported the development of long-term energy and climate policy to provide a stable framework for investment.

Tasmania can play a significant role in decarbonising Australia's National Electricity Market. If Tasmania can seize the future energy opportunity available, including Hydro Tasmania's *Battery of the Nation* vision, our State could contribute approximately 10 per cent of our nation's energy needs. These projects require careful strategic planning and investment that can provide both immediate and long-term benefits to the local and national economy as we recover from the impacts of coronavirus.

For Tasmania

Beyond our role in the national and local economy, we recognise that Hydro Tasmania's activities contribute to the general wellbeing of our community in a wide variety of ways. Tasmanians expect us to look after their best interests and we have embraced this role through every aspect of our operations.

We continue to promote the responsible and safe use of our recreation sites to both local and interstate visitors and fund upgrades to facilities. In late 2019 we sponsored the 39th FIPS-Mouche World Fly Fishing Championships showcasing Tasmania's world-class waters, stepping-up our support for Tasmanian angling and tourism.

We welcomed Tasmanians into our power stations to experience our operations at Devils Gate and Tarraleah first hand. We also supported the Tasmanian Museum and Art Gallery to share our heritage through the *West: Out on the Edge* exhibition, which featured many elements of Hydro Tasmania's rich history from the West Coast.

The launch of our new automated water alerts portal has provided immediate benefit to farmers and other landowners downstream from our dams. An automated alert to their phone or email gives them advance warning of changes to river levels that could impact their equipment, a particular concern for irrigators. We've launched this program successfully in the Upper Derwent Valley and look forward to expanding it to other areas soon.

Our Generation Hydro education program continues to support uptake of STEM learning, as we prepare Tasmanians for future careers in renewable energy.

Conclusion

Having experienced such a successful year, amid the social and economic disruption of COVID-19, we returned almost all of this year's post-tax profit as a dividend for the benefit of all Tasmanians. Tasmanians can feel proud of our achievements. They should also share a sense of hope about the future. Australia's transition to clean renewable energy is underway and we are well-positioned to both benefit from and contribute to that future while also supporting Tasmania's economic recovery.

Above: ***Education Advisor Gina Harvey leading hands-on activities at Sheffield District School***

Business overview

Who we are

Our purpose is to make energy better together. Tasmanians are our owners, our most important customers, and the very people we were created to serve. Hydro Tasmania, Entura and Momentum Energy now employ over 1,300 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 solutions to business and residential customers 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.

Figure 2: Active ownership structure

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

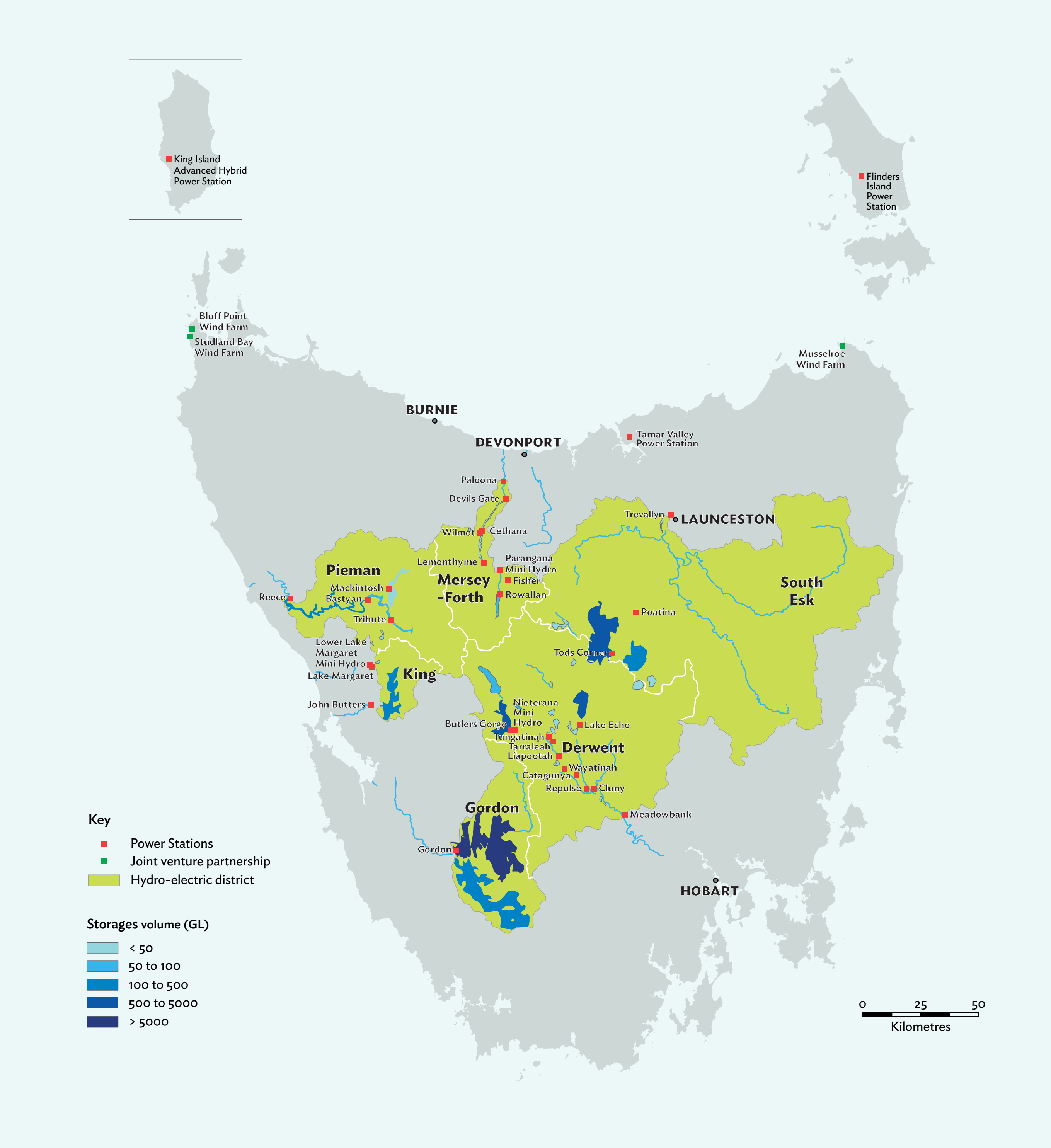
Joint Ventures (50% holding)

- 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

Figure 3: Hydro Tasmania's Tasmanian operations



Operating environment

With strong regard for the COVID-19 pandemic that is devastating the global economy, Hydro Tasmania's strategic focus must remain unchanged. Through support for, and actions consistent with, government energy policy, helping underpin Tasmanian community and economic development, as well as building and commercialising the *Battery of the Nation,* Hydro Tasmania will maintain the long-term capability of the Tasmanian hydro-electric system.

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 station closures 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.

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 aging coal-fired generation
- a highly competitive national electricity retail market
- numerous regulatory changes in energy retailing in Victoria and nationally
- 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 strategy is focussed 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 maximise the value of 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.

The *Battery of the Nation* initiative is pursuing opportunities for Tasmania to make a substantially larger 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 Tasmania's hydropower system and renewable energy resources. If realised, this would support Tasmania's economy by delivering employment and attracting new industry and supporting 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 lead Australia's renewable energy transition.

Above: ***Measuring a galaxiid at yingina / Great Lake to monitor ecosystem health***

Financial Report

For the year ended 30 June 2020

Statement of Financial Performance

for the year ended 30 June 2020

	NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
Revenue					
Sale of products and services	2(a)	1,784,507	1,824,372	826,277	798,585
Fair value gains	2(c)	205,576	281,668	195,051	267,223
Share of profit of associates and joint venture entities		31,397	-	-	-
Other		5,636	26,181	4,931	25,769
Total revenue		2,027,116	2,132,221	1,026,259	1,091,577
Expenses					
Direct expenses		1,184,848	1,214,769	306,743	282,516
Labour		159,659	160,453	120,972	128,914
Depreciation and amortisation		125,966	118,065	112,959	107,978
Finance expenses	2(b)	44,185	50,129	43,576	48,317
Fair value losses	2(d)	302,416	233,472	298,637	221,612
Revaluation and impairment expenses/(gains)	2(e)	878,931	11,050	880,667	26,589
Share of loss of associates and joint venture entities		-	11,478	-	-
Other		109,173	116,614	60,888	63,831
Total expenses		2,805,178	1,916,030	1,824,442	879,757
Profit/(loss) before income tax equivalent expense		(778,062)	216,191	(798,183)	211,820
Comprising:					
Result before fair value movements and revaluation expenses		171,800	195,012	186,070	192,798
Net fair value gains/(losses)		(96,840)	48,196	(103,586)	45,611
Net fair value gains/(losses) from associates and joint ventures		25,909	(15,967)	-	-
Revaluation and impairment (expenses)/gains		(878,931)	(11,050)	(880,667)	(26,589)
Profit/(loss) before income tax equivalent expense		(778,062)	216,191	(798,183)	211,820
Income tax equivalent expense/(benefit)	4(a)	(234,061)	56,237	(236,677)	63,597
Profit/(loss) after tax attributable to owners of the parent		(544,001)	159,954	(561,506)	148,223

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 2020

	NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
Profit/(loss) after tax attributable to owners of the parent		(544,001)	159,954	(561,506)	148,223
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Revaluation of property, plant and equipment		(179,885)	(194)	(179,886)	(193)
Actuarial gain/(loss) on RBF provision	20	1,302	(43,804)	1,302	(43,804)
Income tax relating to components of other comprehensive income		53,732	14,153	53,732	14,153
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		9	(162)	-	-
Fair value gain/(loss) on cash flow hedges					
Interest rate swaps		1,047	(651)	1,047	(651)
Derivative revaluation		817,838	(426,772)	817,838	(426,772)
Share of other comprehensive income of associates		(4,771)	-	-	-
Income tax relating to components of other comprehensive income		(244,237)	128,276	(245,665)	128,227
Total other comprehensive income		445,035	(329,154)	448,368	(329,040)
Total comprehensive income/(loss) attributable to the owners of the parent		(98,966)	(169,200)	(113,138)	(180,817)

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 2020

		CONSOLIDATED		PARENT	
	NOTE	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets					
Cash and cash equivalents		15,143	16,945	12,547	14,393
Receivables	6	341,739	390,621	184,117	226,942
Investments	7(a)	-	49,503	-	49,500
Inventories	8	4,415	3,763	4,415	3,763
Other financial assets	11(a)	234,818	256,557	234,818	256,471
Other	12(a)	13,595	15,646	7,055	11,212
Total current assets		609,710	733,035	442,952	562,281
Non-current assets					
Investments	7(b)	-	-	203,827	203,827
Investments in joint ventures	7(b)	57,440	42,540	-	-
Property plant and equipment	9	3,405,743	4,404,861	3,349,725	4,348,580
Other financial assets	11(b)	584,974	417,348	584,974	417,348
Intangible assets	10	74,225	79,781	41,610	45,920
Goodwill	13	16,396	16,396	-	-
Other	12(b)	14,503	8,502	1,373	78
Total non-current assets		4,153,281	4,969,428	4,181,509	5,015,753
TOTAL ASSETS		4,762,991	5,702,463	4,624,461	5,578,034
Current liabilities					
Payables	14	307,052	345,534	233,165	266,864
Interest-bearing liabilities	15(a)	137,729	65,775	137,729	65,775
Provisions	17(a)	325,441	381,791	270,120	329,307
Provision for income tax	4(c)	240	10,643	240	10,643
Other financial liabilities	18(a)	280,124	512,547	280,124	512,547
Other	19	2,485	3,249	139,216	149,933
Total current liabilities		1,053,071	1,319,539	1,060,594	1,335,069
Non-current liabilities					
Interest-bearing liabilities	15(a)	533,644	552,845	533,644	552,845
Deferred tax liability	4(d)	200,623	304,415	281,265	395,333
Provisions	17(b)	412,769	437,661	339,353	345,891
Other financial liabilities	18(b)	1,035,035	1,341,454	1,035,035	1,341,454
Total non-current liabilities		2,182,071	2,636,375	2,189,297	2,635,523
TOTAL LIABILITIES		3,235,142	3,955,914	3,249,891	3,970,592
NET ASSETS		1,527,849	1,746,549	1,374,570	1,607,442
EQUITY					
Contributed equity		678,206	678,206	678,206	678,206
Reserves		295,891	(148,233)	299,235	(148,222)
Retained earnings		553,752	1,216,576	397,129	1,077,458
TOTAL EQUITY		1,527,849	1,746,549	1,374,570	1,607,442

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 2020

		CONSOLIDATED		PARENT	
	NOTE	2020 $'000	2019 $'000	2020 $'000	2019 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		2,022,347	2,045,412	955,877	925,116
Operating grants and subsidies received		1,200	12,646	1,200	12,646
Interest received		478	2,158	476	2,154
Outflows:					
Payments to suppliers and employees		(1,693,394)	(1,697,009)	(605,418)	(571,807)
Interest paid		(24,681)	(28,803)	(24,678)	(28,803)
Lease interest paid		(837)	-	(837)	-
Government guarantee fee		(6,704)	(7,870)	(6,704)	(7,870)
Income tax equivalent paid		(70,638)	(69,101)	(70,638)	(69,101)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	227,771	257,433	249,278	262,335
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		401	5,095	363	5,072
Net proceeds from financial derivatives		-	108,625	-	108,625
Dividends from joint venture		4,023	5,255	-	-
Outflows:					
Net payments for financial derivatives		(42,688)	-	(42,698)	-
Net payments of loans to associates		-	(26)	-	-
Net payments of intercompany loans		-	-	(27,027)	(12,178)
Payments for property, plant and equipment		(141,499)	(145,067)	(131,949)	(132,673)
NET CASH USED IN INVESTING ACTIVITIES		(179,763)	(26,118)	(201,311)	(31,154)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		119,300	34,300	119,300	34,300
Outflows:					
Repayment of Tascorp loans		(92,450)	(184,300)	(92,450)	(184,300)
Repayment of finance lease		(6,163)	(757)	(6,163)	(757)
Dividends paid		(120,000)	(80,000)	(120,000)	(80,000)
NET CASH USED IN FINANCING ACTIVITIES		(99,313)	(230,757)	(99,313)	(230,757)
NET (DECREASE)/INCREASE IN CASH		(51,305)	558	(51,346)	424
CASH AT BEGINNING OF THE YEAR		66,448	65,890	63,893	63,469
CASH AT END OF THE YEAR	5(a)	15,143	66,448	12,547	63,893

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 2020

	NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'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		125,762	125,956	125,763	125,956
Asset revaluation (decrement)/increment		(179,885)	(194)	(179,886)	(193)
Deferred income tax recognised directly in reserves	4(b)	54,123	-	54,123	-
Balance at the end of the year		-	125,762	-	125,763
Cash flow hedge reserve	1.2(ac)				
Balance at the beginning of the year	1.2(ae)	(273,985)	25,211	(273,985)	25,211
Interest rate swaps		1,047	(651)	1,047	(651)
Share of associates interest rate swaps		(4,771)	-	-	-
Derivative revaluation		817,838	(426,772)	817,838	(426,772)
Deferred income tax recognised directly in reserves	4(b)	(244,233)	128,227	(245,665)	128,227
Balance at the end of the year		295,896	(273,985)	299,235	(273,985)
Foreign currency translation reserve					
Balance at the beginning of the year		(10)	103	-	-
Foreign currency translation		9	(162)	-	-
Deferred income tax recognised directly in reserves	4(b)	(4)	49	-	-
Balance at the end of the year		(5)	(10)	-	-
TOTAL RESERVES		295,891	(148,233)	299,235	(148,222)
RETAINED EARNINGS					
Balance at the beginning of the year		1,216,576	1,166,080	1,077,457	1,038,691
Net profit/(loss)		(544,001)	159,954	(561,506)	148,223
Dividend paid		(120,000)	(80,000)	(120,000)	(80,000)
Deferred income tax recognised directly in equity	4(b)	(391)	14,153	(391)	14,153
Actuarial gain/(loss) on defined benefit plans	20	1,302	(43,804)	1,302	(43,804)
Other		266	193	267	195
Balance at the end of the year		553,752	1,216,576	397,129	1,077,458
TOTAL EQUITY		1,527,849	1,746,549	1,374,570	1,607,442

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 Limited 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 Limited, trading in all regions of the National Electricity Market (NEM) except Tasmania. The Group also operates the Entura consulting business.

At 30 June 2020 the Group had 1,294 full-time equivalent employees (FTEs) (2019: 1,236 FTEs) including 5 non-executive directors (2019: 5 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 2020 was adopted by the directors on 14 August 2020.

1.2 Summary of significant accounting policies

The significant accounting policies which 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; and
- 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 (IFRS).

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 2020:

Standard/Interpretation	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 17 'Insurance Contracts'	1 January 2021	30 June 2022
AASB 2014-10 '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 2018-7 'Definition of Material'	1 January 2020	30 June 2021
AASB 2018-9 'Definition of a Business'	1 January 2020	30 June 2021
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	1 January 2020	30 June 2021
AASB 2019-3 'Interest rate benchmark reform'	1 January 2020	30 June 2021
AASB 2019-5 'Disclosure of effect of new IFRS standards not yet issued in Australia'	1 January 2020	30 June 2021
AASB 2020-1 'Classification of liabilities as Current or Non-current'	1 January 2020	30 June 2021
AASB 2020-3 'Annual Improvements'	1 January 2020	30 June 2021
Conceptual Framework for Financial Reporting	1 January 2020	30 June 2021

1.2 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations

Change in accounting policy

AASB 16 'Leases'

In the current year, the Group has applied AASB 16 which became effective for the group from 1 July 2019. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 will continue to be applied to those contracts entered or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the lessee has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117.

The Group applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered into or changed on or after 1 July 2019.

(b) Impact on lessee accounting

Former operating leases

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

Applying AASB 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets (adjusted for prepayments, accrued lease payments and make good provisions) and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by AASB 16. This expense is presented within 'other expenses' in profit or loss

Former finance leases

The main differences between AASB 16 and AASB 117 with respect to contracts formerly classified as finance leases 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. This change did not have a material effect on the Group's consolidated financial statements.

Impact on Lessor Accounting

AASB 16 does not change substantially how a lessor accounts for leases. Under AASB 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, AASB 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets. Under AASB 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under AASB 117). As required by AASB 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

1.2 Summary of significant accounting policies (continued)

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

	1 July 2019 $'000
STATEMENT OF FINANCIAL POSITION	
Non-current assets	
Property plant and equipment	19,998
	19,998
Current liabilities	
Interest-bearing liabilities	3,773
Income received in advance	(916)
Non-current liabilities	
Interest-bearing liabilities	17,141
	19,998

Impact on Financial Statements

On Transition to AASB 16, the Group recognised an additional $20m of right-of-use assets and $21m of lease liabilities, recognising the difference in Income Received in Advance.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.95%.

	CONSOLIDATED 1 July 2019 $'000	PARENT 1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	707	207
Discounted using the incremental borrowing rate at 1 July 2019	705	205
Finance lease liabilities recognised as at 30 June 2019	3,620	3,620
Recognition exemption for:		
short-term leases	(669)	(169)
leases of low-value assets	–	–
Finance Leases recalculated due to transition to AASB 16	9226	9226
Additional leases identified post 1 July 2019	7,933	7,933
Extension and termination options reasonably certain to be exercised	99	99
Lease liabilities recognised as 1 July 2019	20,914	20,914

(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 current factors and circumstances indicate the current carrying value does not reflect fair value.

- **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.

1.2 Summary of significant accounting policies (continued)

(e) Significant accounting estimates and assumptions

The Retirement Benefits Fund liability detailed in note 20 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 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 segment 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.

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 and 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:

	2020	2019
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 is no future economic benefits expected from its continued use. Any gain or loss is reported in the Income Statement.

1.2 Summary of significant accounting policies (continued)

(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 of 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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 of 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; and
- 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 and 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 Income Statement. 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.

1.2 Summary of significant accounting policies (continued)

(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. Payables are gross amounts, accrued expenses are net of GST.

(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.

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 Bond 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 Income Statement 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.

1.2 Summary of significant accounting policies (continued)

(q) Taxation

Income tax equivalent

Under the *Government Business Enterprises Act 1995* and the *National Tax Equivalents Regime (NTER)* 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 set-off exists and they relate to the same taxable entity and the same taxation authority.

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.

1.2 Summary of significant accounting policies (continued)

(r) Leases

Corporation as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Group as a lessor

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

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

(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 Income Statement.

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 that Hydro Tasmania has significant influence, but not control over the financial and operating policies of the entity.

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 Income Statement 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 34.

(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 Income Statement on a basis that matches the timing of the expenditure.

(z) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognise revenue when it transfers control of a product or service to a customer.

- **Electricity and gas sales**

  Revenue from generated electricity and traded gas is earned from the AEMO at market prices 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 AEMO at market prices. 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 18 disclosures 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 Income Statement 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 the Group 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 2020				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	Total $'000
Sale of electricity	206,414	682,938	697,157	-	1,586,509
Sale of gas	88,072	13,879	46,911	-	148,862
Rendering of services	-	-	-	28,565	28,565
Other revenue	-	-	20,571	-	20,571
	294,486	696,817	764,639	28,565	1,784,507

	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

	PARENT 2020				
	Residential $'000	Business $'000	Wholesale[1] $'000	Other $'000	Total $'000
Sale of electricity	3,861	-	747,792	-	751,653
Sale of gas	-	-	25,180	-	25,180
Rendering of services	-	-	-	28,873	28,873
Other revenue	-	-	20,571	-	20,571
	3,861	-	793,543	28,873	826,277

	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

1 Sale of electricity includes settlement of energy price derivatives of ($34,172) (2019: ($374,493)). Refer note 18 Other Financial Liabilities.

2. Revenue and expenses (continued)

		NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
(b)	**Finance expenses**					
	Loan interest		25,069	27,491	25,069	27,491
	Government guarantee fee		6,378	7,550	6,378	7,550
	RBF net interest	20	11,296	13,060	11,296	13,060
	Lease interest expense		837	-	837	-
	Net other finance costs/(revenue)		605	2,028	(4)	216
			44,185	50,129	43,576	48,317
(c)	**Fair value gains**					
	Energy price derivatives – unwind of fair value of cash flow hedges		140,313	141,720	140,313	141,720
	Energy price derivatives – economic hedges		-	125,255	-	125,255
	Onerous contracts		64,675	13,525	54,738	208
	Other		588	1,168	-	40
			205,576	281,668	195,051	267,223
(d)	**Fair value losses**					
	Basslink financial asset and liabilities		23,410	23,546	23,410	23,546
	Energy price derivatives – economic hedges		275,175	-	275,175	-
	Treasury derivatives		52	267	52	267
	Site rehabilitation provision		3,314	11,860	-	-
	Onerous contracts		465	197,799	-	197,799
			302,416	233,472	298,637	221,612
	Net fair value gains/(losses)		(96,840)	48,196	(103,586)	45,611
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment in investment in associate		8,282	-	-	-
	Impairment of loans carried at amortised cost		-	-	10,018	26,589
	Impairment (gain)/expense of generation assets		870,649	11,050	870,649	-
			878,931	11,050	880,667	26,589

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 re-measurement of the fair value of energy price derivatives at 30 June 2020 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 re-measurement of the net financial liability to fair value at 30 June 2020 has resulted in a loss being recorded in the Statement of Financial Performance (note 2(d)). Note 21(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 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 where 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

The Group recognises revenue from electricity and gas services by estimating customer consumption between the last invoice date and the end of the reporting period and applying this estimate against the various customer pricing data.

COVID-19

A thorough and systematic review of the valuation models has been performed by the Group this year. Management has exercised significant judgement in assessing the impacts of the COVID-19 pandemic and in asserting reasonable assumptions which reflect the conditions existing at the reporting date.

4. Income tax equivalent

		CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
(a)	**Income tax (benefit)/expense reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	60,490	72,543	69,579	78,997
	Adjustments in respect of income tax of prior years	(255)	(8,944)	(256)	(8,943)
	Income tax expense in relation to foreign operations	-	-	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	(294,296)	(7,362)	(306,000)	(6,457)
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	(234,061)	56,237	(236,677)	63,597
	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	(778,062)	216,191	(798,184)	211,820
	Income tax expense/(benefit) calculated at 30%	(233,419)	64,857	(239,455)	63,546
	Adjustment in respect of income tax of previous years	(255)	(8,993)	(256)	(8,990)
	Income tax expense in relation to foreign operations	501	-	-	-
	Expenditure not deductible for income tax purposes	319	1,132	28	1,065
	Franking credits from investments	(1,207)	(759)	-	-
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	3,006	7,976
	Income tax expense/(benefit) recognised in the Statement of Comprehensive Income	(234,061)	56,237	(236,677)	63,597
(b)	**Income tax benefit/(expense) recognised directly in equity**				
	Revaluation of effective hedges	(245,665)	128,227	(245,665)	128,227
	Actuarial assessment of RBF provision	(391)	14,153	(391)	14,153
	Revaluation of property, plant and equipment	54,123	-	54,123	-
	Foreign currency translation reserve	(4)	49	-	-
	Share of other comprehensive income of associates	1,431	-	-	-
	Income tax (expense)/benefit recognised in equity	(190,506)	142,429	(191,933)	142,380
(c)	**Current tax assets and liabilities**				
	Provisions for income tax	(240)	(10,643)	(240)	(10,643)
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	551,592	735,505	503,256	682,315
	Deferred tax liabilities comprise:				
	Assessable temporary differences	752,215	1,039,920	784,521	1,077,648
	Net deferred tax liabilities	200,623	304,415	281,265	395,333

4. Income tax equivalent (continued)

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

	2020 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	930,309	(258,585)	(54,123)	-	-	617,601
Financial assets	90,950	30,833	-	-	-	121,783
Investments in joint venture	(4,340)	5,901	(1,431)	-	-	130
Other	18,661	(5,960)	-	-	-	12,701
	1,035,580	(227,811)	(55,554)	-	-	752,215
Deferred tax assets:						
Provision for employee entitlements	116,410	(275)	(391)	-	-	115,744
Basslink and other financial liabilities	252,169	37,829	-	-	-	289,998
Electricity derivatives	221,201	40,101	(245,665)	-	-	15,637
Provisions	129,393	(16,694)	-	-	-	112,699
Other	11,992	5,526	(4)	-	-	17,514
	731,165	66,487	(246,060)	-	-	551,592
Net deferred tax liabilities	304,415	(294,298)	190,506	-	-	200,623

	2020 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	974,087	(261,863)	(54,123)	-	-	658,101
Financial assets	90,950	30,833	-	-	-	121,783
Other	12,611	(7,974)	-	-	-	4,637
	1,077,648	(239,004)	(54,123)	-	-	784,521
Deferred tax assets:						
Provision for employee entitlements	115,348	(771)	(391)	-	-	114,186
Basslink and other financial liabilities	252,169	37,829	-	-	-	289,998
Electricity derivatives	221,201	40,101	(245,665)	-	-	15,637
Provisions	84,643	(15,937)	-	-	-	68,706
Other	8,954	5,775	-	-	-	14,729
	682,315	66,997	(246,056)	-	-	503,256
Net deferred tax liabilities	395,333	(306,001)	191,933	-	-	281,265

4. Income tax equivalent (continued)

	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

All deferred tax balances relate to continuing operations.

At 30 June 2020, there is no recognised or unrecognised deferred income tax liability (2019: 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	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a)	Cash reconciliation				
	Cash	15,143	16,945	12,547	14,393
	Money market investments	-	49,503	-	49,500
		15,143	66,448	12,547	63,893
	Reconciliation of net cash provided by operating activities to net profit for the year				
(b)	Profit/(loss) after income tax equivalent expense	(544,001)	159,954	(561,506)	148,223
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	105,849	95,627	101,995	92,353
	Amortisation	20,117	22,438	10,964	15,625
	Revaluations and impairment	878,931	11,050	880,667	26,589
	Loss on derecognition of property, plant and equipment	1,906	5,189	1,801	4,976
	Equity accounted share of joint venture (profit)/loss	(31,397)	11,477	-	-
	Impairment of investment	-	1,100	-	-
	Net fair value (gains)/losses	96,840	(48,196)	103,586	(45,611)
	Income tax (benefit)/expense	(234,061)	56,237	(236,677)	63,597
	Cash from operating profit before changes in working capital	294,184	314,876	300,830	305,752
	(Increase)/decrease in receivables	48,891	(3,272)	42,710	2,551
	(Increase)/decrease in inventories	(652)	(675)	(652)	(675)
	Increase/(decrease) in other financial assets and liabilities	13,512	10,044	20,412	22,523
	Increase/(decrease) in payables	(38,483)	(2,552)	(33,699)	(9,862)
	Increase/(decrease) in provisions	(19,043)	8,113	(9,685)	11,147
	Income tax equivalent paid	(70,638)	(69,101)	(70,638)	(69,101)
	Net cash provided by operating activities	227,771	257,433	249,278	262,335

6. Receivables

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	363,164	397,464	184,292	227,049
Provision for impairment	(21,425)	(6,843)	(175)	(107)
	341,739	390,621	184,117	226,942
Ageing of past due but not impaired trade receivables:				
60–90 days	2,090	1,620	355	407
Over 90 days	1,241	993	335	957
	3,331	2,613	690	1,364

The amount past due but not impaired included in trade receivables is predominantly attributable to consulting services clients and retail customers. In the current year a new Net Bad Debt Expense model was developed which includes a new methodology for doubtful debt provisioning, is compliant with AASB 9, and includes an allocation for additional credit risk due to business or economic issues including the effects of COVID-19. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents the expected amount of receivables to be written off in the future. The Group wrote off $10.8m of bad debts during the year (2019: $9.5m). The Group does not hold any security over the balances past due.

Hydro has recognised an additional $8.8m in provisioning for doubtful debts up to 30 June 2020 due to the potential impacts of COVID-19 and the ability of customers to pay their bills. The increased provision has taken account of customer payment behaviour and a risk analysis of the customer segments to determine the extra provision amount.

7. Investments

		CONSOLIDATED		PARENT	
	NOTE	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a) Current investments					
Money market investments		-	49,503	-	49,500
(b) Non-current investments					
Investment in joint ventures	31	57,440	42,540	-	-
Investment in subsidiaries		-	-	203,827	203,827
		57,440	42,540	203,827	203,827

8. Inventories

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Maintenance stores	4,415	3,763	4,415	3,763
	4,415	3,763	4,415	3,763

9. Property, plant and equipment

Asset valuation

The hydro generation class of assets is carried at fair value using a long term price benchmark model. This year the organisation is utilising a third party long term price forecast model as the basis for the long term price curve. As part of the fair value calculation the first 3 years of the LTPB are overlaid with the current Victorian market forward curve. Incorporated into the model are a number of key assumptions regarding variables that may influence future prices including market developments, 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.

The other principal inputs to the fair value of generation assets are forecast generation, inflation, discount rate and terminal growth rate. 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 8900 Gigawatt hours (GWh) per annum at the generator, adjusted to the node for the valuation. As disclosed in note 21, 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 CPI and are discounted using the Group post-tax nominal weighted average cost of capital (WACC) of 7.25% (2019: 7.7%). This has been substantiated 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 $382m (2019: $484m) 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 $3,961m (2019: $3,973m) pre-impairment considerations.

Gas-fired generation assets are carried at fair value based on an independent valuation every 3 years.

Revaluation of assets

Note 1.2(i) and (m) details the Groups 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. In 2020 an assessment has indicated a downwards valuation of the Hydro Tasmania generation class of assets. This is attributed to a reduction in the forecast of long term future energy prices and a decrease of generation at the node.

Details of the Groups generation assets fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/20 $'000
Generating plant				
Consolidated	-	30,250	3,035,467	3,065,717
Parent	-	-	3,033,813	3,033,813

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

9. Property, plant and equipment (continued)

2020 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	4,361,005	25,807	15,735	74,935	90,702	193,864	4,762,048
Additions	-	-	-	33,129	1,271	141,499	175,899
Disposals	(828)	-	(1,638)	(8,315)	(11,416)	(724)	(22,921)
Transfers#	78,289	600	1,315	8,450	7,596	(110,858)	(14,608)
Net revaluation adjustment	(320,660)	-	-	-	-	-	(320,660)
Balance at the end of the year	4,117,806	26,407	15,412	108,199	88,153	223,781	4,579,758
Accumulated depreciation							
Balance at the beginning of the year	(236,543)	(15,481)	(7,668)	(31,038)	(66,456)	-	(357,186)
Disposals	639	-	1,410	6,001	10,842	-	18,892
Transfers#	(40)	-	-	-	40	-	-
Revaluation and impairment	(729,872)	-	-	-	-	-	(729,872)
Depreciation expense	(86,273)	(757)	(2,029)	(8,328)	(8,462)	-	(105,849)
Balance at the end of the year	(1,052,089)	(16,238)	(8,287)	(33,365)	(64,036)	-	(1,174,015)
Net book value at the end of the year	3,065,717	10,169	7,125	74,834	24,117	223,781	3,405,743

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	28,014
Minor Assets	642

2020 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	4,198,910	25,626	15,437	58,230	86,301	183,937	4,568,441
Additions	-	-	-	33,129	1,271	131,949	166,349
Disposals	(773)	-	(1,628)	(7,713)	(8,662)	(2,744)	(21,520)
Transfers#	77,073	600	1,314	2,932	5,953	(94,540)	(6,668)
Net revaluation adjustment	(320,660)	-	-	-	-	-	(320,660)
Balance at the end of the year	3,954,550	26,226	15,123	86,578	84,863	218,602	4,385,942
Accumulated depreciation							
Balance at the beginning of the year	(107,581)	(15,379)	(7,447)	(26,325)	(63,129)	-	(219,861)
Disposals	616	-	1,400	5,399	8,095	-	15,510
Transfers#	(40)	-	-	-	40	-	-
Revaluation and impairment	(729,872)	-	-	-	-	-	(729,872)
Depreciation expense	(83,860)	(745)	(2,019)	(7,619)	(7,751)	-	(101,994)
Balance at the end of the year	(920,737)	(16,124)	(8,066)	(28,545)	(62,745)	-	(1,036,217)
Net book value at the end of the year	3,033,813	10,102	7,057	58,033	22,118	218,602	3,349,725

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	28,014
Minor Assets	642

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

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
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

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	1,535
Minor Assets	457

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
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

Included in the above line items are right-of-use assets over the following:	$'000
Land & buildings at cost	1,535
Minor Assets	457

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

10. Intangible assets

	CONSOLIDATED		PARENT	
	2020 Software at cost $'000	2019 Software at cost $'000	2020 Software at cost $'000	2019 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	183,984	185,660	134,478	141,463
Additions	-	-	-	-
Disposals	(6,442)	(11,003)	(4,246)	(10,944)
Transfers from capital work in progress	14,608	9,327	6,668	3,959
Balance at the end of the year	192,150	183,984	136,900	134,478
Accumulated amortisation				
Balance at the beginning of the year	(104,203)	(88,077)	(88,558)	(79,211)
Disposals	6,395	6,312	4,231	6,278
Transfers	-	-	-	-
Amortisation expense	(20,117)	(22,438)	(10,963)	(15,625)
Balance at the end of the year	(117,925)	(104,203)	(95,290)	(88,558)
Net book value at the end of the year	74,225	79,781	41,610	45,920

11. Other financial assets

		CONSOLIDATED		PARENT	
	NOTE	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a) Current other financial assets					
Energy price derivatives – economic hedges	18	127,251	145,745	127,251	145,745
Energy price derivatives – cash flow hedges	18	7,496	-	7,496	-
Basslink financial asset (i)	18	64,428	46,530	64,428	46,530
Environmental energy products		35,643	64,282	35,643	64,196
		234,818	256,557	234,818	256,471
(b) Non-current other financial assets					
Basslink financial asset (i)	18	341,517	256,638	341,517	256,638
Basslink security deposit (ii)		50,000	50,000	50,000	50,000
Energy price derivatives – economic hedges	18	30,014	110,710	30,014	110,710
Energy price derivatives – cash flow hedges	18	163,443	-	163,443	-
		584,974	417,348	584,974	417,348

(i) The Basslink financial asset represents the fair value of the contractual rights to receive revenue under the Basslink Services Agreement (note 21).

(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 3 years of the agreement.

12. Other assets

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a) Current other assets				
Prepayments	7,004	9,651	6,550	9,451
Other	6,591	5,995	505	1,761
	13,595	15,646	7,055	11,212
(b) Non-current other assets				
Prepayments	1,483	251	1,373	78
Other	13,020	8,251	-	-
	14,503	8,502	1,373	78

13. Goodwill

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'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 if there are any indications of impairment. The assessment found there were no indicators for impairment of Goodwill.

14. Payables

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade creditors	225,251	261,946	204,810	243,963
Accrued expenses	75,573	77,747	22,127	17,060
Accrued interest payable	6,228	5,841	6,228	5,841
	307,052	345,534	233,165	266,864

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp (i)	131,850	65,000	131,850	65,000
	Finance lease liability (ii)	5,879	775	5,879	775
		137,729	65,775	137,729	65,775
	Non-current				
	Loans from Tascorp (i)	510,000	550,000	510,000	550,000
	Finance lease liability (ii)	23,644	2,845	23,644	2,845
		533,644	552,845	533,644	552,845

(i) The loans from Tascorp are unsecured

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

		CONSOLIDATED		PARENT	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
(b)	**Loan facilities**				
	Master loan facility				
	Facility limit	1,305,000	1,305,000	1,305,000	1,305,000
	Facility used/committed	641,850	615,000	641,850	615,000
	Facility balance	663,150	690,000	663,150	690,000
	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	4,426	4,447	4,426	4,447
	Facility balance	3,074	3,053	3,074	3,053

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 4 years. The policy also places limits around maturity profile of the debt. The maturity profile of the Group's debt as at 30 June 2020 is included in note 21. At 30 June 2020, the consolidated entity has a deficiency of current assets to current liabilities of $443m (2019: $587m). Having regard to the budgeted cash flows for the year ending 30 June 2021 and the unused loan facilities of $693m (2019: $720m), there is sufficient funding to settle the current liabilities as and when they become due and payable.

As part of the Government's response to the COVID-19 pandemic, the Treasurer has ensured that all Government businesses have access to sufficient funds. On 15 June 2020 the Treasurer provided explicit support to the Tasmanian Public Finance Corporation for Hydro Tasmania's borrowing limit of $1,335m.

15. Interest-bearing liabilities (continued)

	PARENT & CONSOLIDATED			
	2020 $'000 Less than one year	2020 $'000 Between one and five years	2020 $'000 Later than five years	2020 $'000 Total
(c) Finance lease liabilities				
Future minimum lease payments	6,657	21,706	3,473	31,836
Interest	(778)	(1,482)	(53)	(2,313)
Present value of future minimum lease payments	5,879	20,224	3,420	29,523

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

(d) Reconciliation of financing activities

Liabilities	Closing balance	New leases acquired	Change in fair value	Interest charged	Cash received	Cash repayments	Closing balance
	2019	Non-cash changes			Cash flows		2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Finance lease	3,620	34,494	(3,265)	837	-	(6,163)	29,523
Tascorp loans	615,000	-	-	-	119,300	(92,450)	641,850
	618,620	34,494	(3,265)	837	119,300	(98,613)	671,373

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

(e) Fair value disclosures

Details of the fair value of the Group's interest-bearing liabilities are set out in note 18.

16. Leases

Leases as a Lessee

The Group leases many assets including land and buildings and IT equipment. Information about leases for which the Group is lessee is presented below.

	CONSOLIDATED			PARENT		
Rights-of-use assets	Property $'000	Equipment $'000	Total $'000	Property $'000	Equipment $'000	Total $'000
Balance at 1 July 2019	18,727	1,271	19,998	18,727	1,271	19,998
Additions	14,402	-	14,402	14,402	-	14,402
Disposals	(39)	-	(39)	(39)	-	(39)
Depreciation	(5,076)	(629)	(5,705)	(5,076)	(629)	(5,705)
Balance at 30 June 2020	28,014	642	28,656	28,014	642	28,656

Lease liabilities Maturity analysis – contractual undiscounted cash flows	CONSOLIDATED 2020 $'000	PARENT 2020 $'000
Less than one year	6,657	6,657
One to five years	21,706	21,706
More than five years	3,473	3,473
Total undiscounted lease liabilities	31,836	31,836
Current	5,879	5,879
Non-current	23,644	23,644
Lease liabilities in statement of financial position	29,523	29,523

Amounts recognised in profit and loss	CONSOLIDATED $'000	PARENT $'000
2020 – Leases under AASB 16		
Depreciation expense on right-of-use assets	5,705	5,705
Interest expense on lease liabilities	837	837
Income from sub-leasing right-of-use assets	(150)	(150)
Expense relating to short-term leases	619	235
Expense relating to leases of low value assets	17	13
	7,028	6,640
2019 – Leases under AASB 117		
Operating lease expense	5,473	3,974
Sub-lease income presented in 'other revenue'	(147)	(147)
	5,326	3,827

16. Leases (continued)

Amounts recognised in the statement of cash flows	CONSOLIDATED 2020 $'000	PARENT 2020 $'000
Total cash outflow for leases*	6,799	6,799
	6,799	6,799

*cash outflow includes right-of-use assets, short-term and low value leases

Extension Options

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses, at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options it there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $19.9m.

17. Provisions

		NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
(a)	**Current provisions**					
	Employee entitlements		28,628	36,318	23,907	33,090
	Retirement Benefits Fund provision	20	18,265	19,217	18,265	19,217
	Other provisions		278,548	326,256	227,948	277,000
			325,441	381,791	270,120	329,307
(b)	**Non-current provisions**					
	Employee entitlements		4,074	3,557	3,685	3,261
	Retirement Benefits Fund provision	20	335,239	338,572	335,239	338,572
	Other provisions		73,456	95,532	429	4,058
			412,769	437,661	339,353	345,891

Employee entitlements include redundancy costs.

17. Provisions (continued)

Other provisions	CONSOLIDATED Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2019	322,743	35,997	63,048	421,788
Additional provision recognised	–	80,480	429	80,909
Reductions arising from payments	–	–	(133)	(133)
Reductions from settlement	–	(91,292)	–	(91,292)
Movements resulting from re-measurement or settlement without cost	(62,582)	–	3,314	(59,268)
Balance at 30 June 2020	260,161	25,185	66,658	352,004

Other provisions	PARENT Onerous contracts(i) $'000	Regulatory schemes $'000	Site rehabilitation(ii) $'000	Total $'000
Balance at 1 July 2019	281,058	–	–	281,058
Additional provision recognised	–	–	429	429
Reductions arising from payments	–	–	–	–
Movements resulting from re-measurement or settlement without cost	(53,110)	–	–	(53,110)
Balance at 30 June 2020	227,948	–	429	228,377

(i) Onerous contracts include gas contracts, lease liabilities and Large Generation Certificates valuation. There is judgment required in estimating the costs and timing of the future cashflows relating to the Large Generation Certificates. As these are longer term contracts, a discount rate of 10.36% has been applied to the net forecast future cash outflows. A 1% movement in the discount rate would increase/decrease the provision by $10 million.

(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.

18. Other financial liabilities

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
(a) Current other financial liabilities				
Basslink Services Agreement	87,317	62,544	87,317	62,544
Basslink Facility Fee Swap	43,756	38,968	43,756	38,968
Interest rate swaps	4,319	5,323	4,319	5,323
Energy trade credit support	–	10,100	–	10,100
Energy price derivatives – economic hedges	103,456	79,417	103,456	79,417
Energy price derivatives – cash flow hedges	41,276	316,195	41,276	316,195
	280,124	512,547	280,124	512,547
(b) Non-current other financial liabilities				
Basslink Services Agreement	491,665	407,165	491,665	407,165
Basslink Facility Fee Swap	343,916	331,879	343,916	331,879
Energy price derivatives – economic hedges	149,609	23,062	149,609	23,062
Energy price derivatives – cash flow hedges	49,845	579,348	49,845	579,348
	1,035,035	1,341,454	1,035,035	1,341,454

18. Other financial liabilities (continued)

	NOTE	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		741,567	472,290	741,567	472,290
Amount included in electricity revenue due to settlement during the year		(34,172)	(374,493)	(31,702)	(375,166)
Net cash payments/(receipts) on futures margin account		42,610	(109,482)	42,610	(109,482)
Fair value (gain)/loss on contracts outstanding as at 30 June		(734,023)	753,252	(736,493)	753,925
Liability/(asset) at the end of the year		15,982	741,567	15,982	741,567
Represented by:					
Current energy price derivative liability – economic hedges	18(a)	103,456	79,417	103,456	79,417
Current energy price derivative liability – cash flow hedges	18(a)	41,276	316,195	41,276	316,195
Non-current energy price derivative liability – economic hedges	18(b)	149,609	23,062	149,609	23,062
Non-current energy price derivative liability – cash flow hedges	18(b)	49,845	579,348	49,845	579,348
		344,186	998,022	344,186	998,022
Current energy price derivative asset – economic hedges	11(a)	127,251	145,745	127,251	145,745
Current energy price derivative asset – cash flow hedges	11(a)	7,496	–	7,496	–
Non-current energy price derivative asset – economic hedges	11(b)	30,014	110,710	30,014	110,710
Non-current energy price derivative asset – cash flow hedges	11(b)	163,443	–	163,443	–
		328,204	256,455	328,204	256,455
Net energy price derivatives liability/(asset)		15,982	741,567	15,982	741,567
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		537,388	514,911	537,388	514,911
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		(54,981)	(77,253)	(54,981)	(77,253)
Increase/(decrease) in present value of projected rights and obligations of later years as at the beginning of the year		28,942	64,232	28,942	64,232
(Gain)/loss arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		49,360	35,498	49,360	35,498
Balance at the end of the year		560,709	537,388	560,709	537,388
Represented by:					
Current Basslink financial liability	18(a)	131,073	101,512	131,073	101,512
Non-current Basslink financial liability	18(b)	835,581	739,044	835,581	739,044
		966,654	840,556	966,654	840,556
Current Basslink financial asset	11(a)	64,428	46,530	64,428	46,530
Non-current Basslink financial asset	11(b)	341,517	256,638	341,517	256,638
		405,945	303,168	405,945	303,168
Net Basslink financial liability		560,709	537,388	560,709	537,388

19. Other liabilities

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current other liabilities				
Income received in advance	2,384	2,016	335	1,883
Loans from subsidiaries (i)	–	–	138,780	146,817
Other	101	1,233	101	1,233
	2,485	3,249	139,216	149,933

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

20. Retirement Benefits Fund provision

Plan information

The Retirement Benefits Fund (RBF) is a defined benefit fund which pays lump sum or pension benefits on retirement, death, invalidity or upon reaching preservation age after resignation. 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 SIS legislation, as far as practicable.

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

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

20. Retirement Benefits Fund provision (continued)

Reconciliation of the net liability recognised in the Balance Sheet:

	NOTE	2020 $'000	2019 $'000
Defined benefit obligation		420,102	429,439
Fair value of plan assets		(66,598)	(71,650)
Net superannuation liability		353,504	357,789
Comprising:			
Current net liability	17	18,265	19,217
Non-current net liability	17	335,239	338,572
Net superannuation liability		353,504	357,789

Reconciliation of the present value of the defined benefit obligation:

	2020 $'000	2019 $'000
Present value of defined benefit obligations at the beginning of the year	429,439	388,290
Current service cost	4,141	3,418
Interest cost	13,546	16,170
Contributions by plan participants	1,196	1,251
Actuarial (gains)/losses arising from changes in demographic assumptions	(1,287)	–
Actuarial losses/(gains) arising from changes in financial assumptions	(5,008)	49,959
Actuarial losses/(gains) arising from liability experience	2,285	(8,258)
Benefits paid	(24,202)	(21,381)
Taxes, premiums and expenses paid	(8)	(10)
Present value of defined benefit obligations at year end	420,102	429,439

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

Reconciliation of the fair value of scheme assets:

	2020 $'000	2019 $'000
Fair value of plan assets at beginning of the year	71,650	74,778
Interest income	2,250	3,110
Actual return on plan assets less interest income	(2,708)	(2,103)
Employer contributions	18,420	16,005
Contributions by plan participants	1,196	1,251
Benefits paid	(24,202)	(21,381)
Taxes, premiums and expenses paid	(8)	(10)
Fair value of plan assets at end of the year	66,598	71,650

20. Retirement Benefits Fund provision (continued)

Fair value of scheme assets:

		2020		
		Quoted prices in active markets –	Significant observable inputs –	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Australian equities	10,656	–	10,656	–
International equities	13,586	–	13,586	–
Infrastructure	8,591	2,331	–	6,260
Diversified fixed interest	16,782	–	16,782	–
Property	11,988	–	11,988	–
Alternative Investments	4,995	–	4,995	–
Total	66,598	2,331	58,007	6,260

		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	–

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 1.60% has been used, in order to be 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:

	2020 %	2019 %
Assumptions to determine defined benefit cost		
Discount rate (active members)	3.25	4.30
Discount rate (pensioners)	3.25	4.30
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

20. Retirement Benefits Fund provision (continued)

	2020 %	2019 %
Assumptions to determine defined benefit obligation		
Discount rate (active members)	3.15	3.25
Discount rate (pensioners)	3.15	3.25
Expected rate of increase in compulsory preserved amounts	3.00	3.00
Expected salary increase rate	3.00	3.00
Expected pension increase rate	2.25	2.50

	2020 $'000	2019 $'000
(Loss)/gain recognised in Other Comprehensive Income		
Actuarial (losses)/gains	1,302	(43,804)

Sensitivity analysis:

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

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

Scenario A: 0.5% pa lower discount rate assumption

Scenario B: 0.5% pa higher discount rate assumption

Scenario C: 0.5% pa lower expected pension increase rate assumption

Scenario D: 0.5% pa higher expected pension increase rate assumption

	Base case	Scenario A -0.5% pa discount	Scenario B +0.5% pa discount	Scenario C -0.5% pa increase	Scenario D +0.5% pa increase
Discount rate %	3.15	2.65	3.65	3.15	3.15
Pension increase rate %	2.25	2.25	2.25	1.75	2.75
Defined benefit obligation (A$'000s)	420,102	447,035	394,880	400,861	441,107

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 12.6 years.

	2021 $'000
Expected employer contributions	18,265

21. 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 2020 $'000	Net fair value 2020 $'000	Carrying amount 2019 $'000	Net fair value 2019 $'000	Carrying amount 2020 $'000	Net fair value 2020 $'000	Carrying amount 2019 $'000	Net fair value 2019 $'000
Financial assets								
Cash	15,143	15,143	16,945	16,945	12,547	12,547	14,393	14,393
Amortised cost								
Receivables	341,739	341,739	390,621	390,621	184,117	184,117	226,942	226,942
Investments	–	–	49,503	49,503	–	–	49,500	49,500
Designated hedge accounting derivatives								
Energy price derivatives – cash flow hedges	170,939	170,939	–	–	170,939	170,939	–	–
Fair value through profit or loss								
Interest rate swaps	261,623	261,623	242,916	242,916	261,623	261,623	242,916	242,916
Forward foreign exchange contracts	144	144	25	25	144	144	25	25
Basslink financial asset	405,945	405,945	303,168	303,168	405,945	405,945	303,168	303,168
Energy price derivatives – economic hedges*	157,266	157,266	256,455	256,455	157,266	157,266	256,455	256,455
Other assets	7,484	7,484	10,131	10,131	6,550	6,550	9,451	9,451
	1,360,283	1,360,283	1,269,764	1,269,764	1,199,131	1,199,131	1,102,850	1,102,850
Financial liabilities								
Amortised cost								
Accounts payable	300,824	300,824	348,944	348,944	226,938	226,938	270,275	270,275
Tascorp loans	648,078	657,186	620,841	657,186	648,078	657,186	620,841	657,186
Designated hedge accounting derivatives								
Interest rate swaps	5,380	5,380	6,427	6,427	5,380	5,380	6,427	6,427
Energy price derivatives – cash flow hedges	91,121	91,121	895,543	895,543	91,121	91,121	895,543	895,543
Fair value through profit or loss								
Interest rate swaps	260,562	260,562	241,813	241,813	260,562	260,562	241,813	241,813
Forward foreign exchange contracts	241	241	112	112	241	241	112	112
Basslink Services Agreement	578,983	578,983	469,709	469,709	578,983	578,983	469,709	469,709
Basslink Facility Fee Swap	387,672	387,672	370,848	370,848	387,672	387,672	370,848	370,848
Energy price derivatives – economic hedges	253,065	253,065	102,479	102,479	253,065	253,065	102,479	102,479
Other liabilities	2,160	2,160	11,382	11,382	111	111	11,250	11,250
	2,528,086	2,537,194	3,068,098	3,104,443	2,452,151	2,461,259	2,989,297	3,025,642

*Energy price derivatives – economic hedges include a balance of $31.8m relating to Hydro-Electric Corporation futures cash account.

21. Financial instruments disclosures (continued)

(a) Financial instrument categories (continued)

Cash flow hedges

The Group designates specific electricity and interest rate derivative hedging transactions in cash flow hedge relationships as described in accounting policy note 1.2 (ae). These electricity derivative hedging transactions are used to manage electricity price risks associated with the Groups' operations. These interest rate derivative hedging transactions are used to manage interest rate risks associated with the Groups' funding positions.

The effective portion of the changes in the fair value of the derivative is recognised in other comprehensive income and presented in cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur in the future.

The hedge ratio between the notional amount of the hedging instrument and hedged item is one. Potential sources of ineffectiveness included:

- Changes in credit risks of the derivative counterparties and the group;
- Designating the economic hedges after trade date resulting in a non-zero fair values on hedge designation date;
- Contractual features embedded in the actual hedging instruments that cannot be replicated in the hedged item;

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

			CONSOLIDATED 2020		
	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[1,3]	5,380	1,047	–	–	–
Energy price derivatives – cash flow hedges[1,2,3]	(79,818)	817,838	17,211	140,313	–

			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[1,3]	6,427	(651)	–	–	–
Energy price derivatives – cash flow hedges[1,2,3]	895,543	(426,772)	(17,211)	141,720	–

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 performance that includes hedge ineffectiveness and hedge unwind is fair value gains
3 The line item in the statement of performance that includes hedge ineffectiveness and hedge unwind is fair value losses

21. 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 notes 1.2(ac).

The Corporation'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.

21. 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.

	2020				2019			
	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	25,492	–	25,492	–	31,061	–	31,061	–
Energy derivative – economic hedges net liability	30,159	–	30,159	–	173,649	–	173,649	–
Energy derivative – cash flow hedges net liability	8,896	(181,350)	8,896	(181,350)	11,005	(257,904)	11,005	(257,904)
Electricity forward price – 10%								
Basslink net liability	(24,305)	–	(24,305)	–	(31,061)	–	(31,061)	–
Energy derivative – economic hedges net liability	(30,242)	–	(30,242)	–	(173,649)	–	(173,649)	–
Energy derivative – cash flow hedges net liability	–	172,454	–	172,454	–	278,305	–	278,305

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 a third party long term price curve.

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 Corporation to commodity price risk.

(B) Interest rates

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

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 2020 fixed rate loans varied from 1.25% to 5.45% (2019: 2.60% to 5.45%). Floating rates were based on bank bill rates and these were 0.10% at 30 June 2020 (2019: 1.30% to 1.64%).

The Government Guarantee Fee rate varied from 0.78% to 1.73% for this financial year (2019: 0.78% to 1.76%). The group designates specific interest rate swaps in cash flow hedge relationships. Refer to note 21(a) for further details.

21. 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 Income Statement of a movement of 1 basis point (bps) in forecast interest rates.

	2020				2019			
	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	518	–	518	–	616	–	616	–
Financial liabilities	(1,197)	(11)	(1,197)	(11)	(1,264)	(16)	(1,264)	(16)
Forward interest rates -1 bps								
Financial assets	(518)	–	(518)	–	(616)	–	(616)	–
Financial liabilities	1,197	11	1,197	11	1,264	16	1,264	16

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 2020 for both the parent and consolidated entities is 4.92% (2019: 5.08%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 1.00% (2019: 1.07%).

(C) Foreign currency

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.

21. 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Receivables				
Not later than one year	2,882	2,727	2,882	2,727
Later than one year but not later than two years	147	754	147	754
Later than two years	–	142	–	142
Total	3,029	3,623	3,029	3,623
Payables				
Not later than one year	904	8,059	904	8,059
Later than one year but not later than two years	1,997	601	1,997	601
Later than two years	–	–	–	–
Total	2,901	8,660	2,901	8,660

(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 regulated 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. Hydro has recognised an additional $8.8m in provisioning for doubtful debts up to 30 June 2020 due to the potential impacts of COVID-19 and the ability of customers to pay their bills.

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.

21. Financial instruments disclosures (continued)

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

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	15,143	66,448	12,547	63,893
Receivables	341,739	390,622	184,117	226,942
Basslink financial asset	–	–	–	–
Derivative financial instruments				
Interest rate swaps	–	–	–	–
Forward foreign exchange contracts	–	–	–	–
Energy price derivatives	7,214	136,700	7,214	136,700
Environmental product contracts	3,399	36,173	3,399	36,173
Total credit risk exposure	367,495	629,943	207,277	463,708
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA – ratings	30,698	46,363	16,692	33,448
A+ to A – ratings	4,755	8,255	4,755	8,255
BBB+ to BBB – ratings	690	14,078	690	14,078
Unrated	128,840	380,118	185,140	407,927
	164,983	448,814	207,277	463,708
Overseas-based entities				
AA+ to AA- ratings	–	–	–	–
A+ to A- ratings	12,561	18,238	–	–
BBB+ to BBB- ratings	189,273	162,203	–	–
Unrated	678	688	–	–
	202,512	181,129	–	–
Total credit risk exposure	367,495	629,943	207,277	463,708

(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.

21. Financial instruments disclosures (continued)

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

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

	2020 CONSOLIDATED				2020 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	15,143	–	–	–	12,547	–	–	–
Receivables	341,739	–	–	–	184,117	–	–	–
Designated hedge accounting derivatives								
Energy price derivatives – cash flow hedges	(50)	7,958	99,923	106,069	(50)	7,958	99,923	106,069
Fair value through profit or loss								
Interest rate swaps	18,122	17,732	128,049	116,368	18,122	17,732	128,049	116,368
Forward foreign exchange contracts	129	6	8	–	129	6	8	–
Energy price derivatives – economic hedges	54,436	41,327	30,577	–	54,436	41,327	30,577	–
Basslink financial asset	32,214	32,214	253,245	379,641	32,214	32,214	253,245	379,641
Other assets	7,484	–	–	–	6,550	–	–	–
	469,217	99,237	511,802	602,078	308,065	99,237	511,802	602,078
Financial liabilities								
Amortised cost								
Accounts payable	300,824	–	–	–	226,938	–	–	–
Tascorp loans	91,941	58,885	354,703	215,422	91,941	58,885	354,703	215,422
Designated hedge accounting derivatives								
Interest rate swaps	1,280	1,258	3,112	–	1,280	1,258	3,112	–
Energy price derivatives – cash flow hedges	3,163	4,993	16,096	(2,604)	3,163	4,993	16,096	(2,604)
Fair value through profit or loss								
Interest rate swaps	18,068	17,678	127,616	115,772	18,068	17,678	127,616	115,772
Forward foreign exchange contracts	40	192	65	–	40	192	65	–
Basslink Services Agreement	55,629	55,629	444,653	675,523	55,629	55,629	444,653	675,523
Basslink Facility Fee Swap	9,877	9,720	80,362	110,026	9,877	9,720	80,362	110,026
Energy price derivatives – economic hedges	73,422	74,291	162,783	55,072	73,422	74,291	162,783	55,072
Other liabilities	2,160	–	–	–	111	–	–	–
	556,404	222,646	1,189,390	1,169,211	480,469	222,646	1,189,390	1,169,211

21. 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 derivatives								
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

21. Financial instruments disclosures (continued)

(c) Fair values

AASB 9 requires recognition of some financial assets and financial liabilities at fair value on the Balance Sheet.

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

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.

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

	CONSOLIDATED							
	2020				2019			
	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								
Designated hedge accounting derivatives								
Energy price derivatives – cash flow hedges	–	–	170,938	170,938	–	–	–	–
Fair value through profit or loss								
Interest rate swaps	–	261,623	–	261,623	–	242,916	–	242,916
Forward foreign exchange contracts	–	144	–	144	–	25	–	25
Basslink financial asset	–	–	405,945	405,945	–	–	303,168	303,168
Energy price derivatives – economic hedges	83,016	6,958	67,292	157,266	106,295	28,107	122,053	256,455
	83,016	268,725	644,175	995,916	106,295	271,048	425,221	802,564
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	–	5,380	–	5,380	–	6,427	–	6,427
Energy price derivatives – cash flow hedges	–	–	91,121	91,121	–	–	895,543	895,543
Fair value through profit or loss								
Interest rate swaps	–	260,562	–	260,562	–	241,813	–	241,813
Forward foreign exchange contracts	–	241	–	241	–	112	–	112
Basslink Services Agreement	–	–	578,983	578,983	–	–	469,709	469,709
Basslink Facility Fee Swap	–	–	387,672	387,672	–	–	370,848	370,848
Energy price derivatives – economic hedges	61,555	93,156	98,355	253,066	45,839	5,209	51,431	102,479
	61,555	359,339	1,156,131	1,577,025	45,839	253,561	1,787,531	2,086,931

21. Financial instruments disclosures (continued)

(c) Fair values (continued)

	PARENT							
	2020				2019			
	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								
Designated hedge accounting derivatives								
Energy price derivatives – cash flow hedges	–	–	170,938	170,938	–	–	–	–
Fair value through profit or loss								
Interest rate swaps	–	261,623	–	261,623	–	242,916	–	242,916
Forward foreign exchange contracts	–	144	–	144	–	25	–	25
Basslink financial asset	–	–	405,945	405,945	–	–	303,168	303,168
Energy price derivatives – economic hedges	83,016	6,958	67,292	157,266	106,295	28,107	122,053	256,455
	83,016	268,725	644,175	995,916	106,295	271,048	425,221	802,564
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	–	5,380	–	5,380	–	6,427	–	6,427
Energy price derivatives – cash flow hedges	–	–	91,121	91,121	–	–	895,543	895,543
Fair value through profit or loss								
Interest rate swaps	–	260,562	–	260,562	–	241,813	–	241,813
Forward foreign exchange contracts	–	241	–	241	–	112	–	112
Basslink Services Agreement	–	–	578,983	578,983	–	–	469,709	469,709
Basslink Facility Fee Swap	–	–	387,672	387,672	–	–	370,848	370,848
Energy price derivatives – economic hedges	61,555	93,156	98,355	253,066	45,839	5,209	51,431	102,479
	61,555	359,339	1,156,131	1,577,025	45,839	253,561	1,787,531	2,086,931

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

	CONSOLIDATED 2020 $'000	PARENT 2020 $'000
Balance at the beginning of the period	(1,362,309)	(1,362,309)
Net gain/(loss) recognised in other comprehensive income	817,838	817,838
Net gain/(loss) from financial instruments at fair value	32,515	32,515
Balance at the end of the period	(511,956)	(511,956)

21. 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, adjusting for any inception day 1 fair value gains / losses as required under AASB 13. Projected market price is based on a third party long term 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 21(c).

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

- 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 as follows:

- 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	(95,799)	Discounted cash flow	Long term flat electricity price	-10% to +10%	(30,242) to 30,159
Energy price derivatives – cash flow hedges	79,818	Discounted cash flow	Long term flat electricity price	-10% to +10%	172,454 to (172,454)
Basslink Services Agreement and Facility Fee Swap	(560,710)	Discounted cash flow	Weighted average cost of capital	10% to 12% (11%)	(18,296) to 8,060
			average Victorian price spread	-10% to +10%	(24,305) to 25,492
			Long term average annual generation (GWh)	8,600 to 9,200 (8,900)	(56,443) to 56,443
			Counterparty credit margin	0.19% to 0.39% (0.29%)	1,156 to (1,146)
			Long term interest rate	0.79% to 0.99% (0.89%)	(1,028) to (127)

22. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2020 $'000	2019 $'000	2020 $'000	2019 $'000
(a)	**Capital expenditure commitments**				
	Not later than one year	37,828	29,363	37,818	29,363
	Later than one year but not later than two years	13,129	4,869	13,129	4,869
	Later than two years but not later than five years	8,185	424	8,185	424
	Later than 5 years	254	275	254	275
		59,396	34,931	59,386	34,931

23. Contingent assets and liabilities

Under the terms of ASIC Instrument [15-0576] and [15-0577], AETV Pty Ltd and Momentum Energy Pty Limited 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 Limited.

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 2020, are set out in note 32.

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 2020.

24. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2020 $	2019 $	2020 $	2019 $
Amounts received, or due and receivable, by the Auditor-General from the Group for auditing the financial statements of the Group	402,220	380,220	402,220	380,220
Amounts received, or due and receivable, for compliance audits	11,735	11,736	11,735	11,736
	413,955	391,956	413,955	391,956

25. 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, Remuneration and Safety 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 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*, with the exception of 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 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 is additional fees paid in respect of 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 GBEs 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short-term employee benefits	378	373	4,312	3,945	4,690	4,318
Post-employment benefits	36	36	363	275	399	311
Other long-term employee benefits	–	–	188	46	188	46
Termination benefits	–	–	162	–	162	–
	414	409	5,025	4,266	5,439	4,675

25. Key management personnel compensation (continued)

b) Director remuneration[1]

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

			2020			
Name	Position	Period	Directors' fees $'000	Committee fees $'000	Super-annuation[2] $'000	Total 2019-20 $'000
Non-executive directors						
Mr G Every-Burns	Chairman	Full term	116	10	12	138
Mr C Botto	Director	Full term	54	10	6	70
Mr K Hodgson	Director	Full term	54	4	5	63
Ms S Hogg	Director	Full term	54	16	7	77
Ms S Lightfoot	Director	Full term	54	6	6	66
Executive director						
Mr S Davy	Chief Executive Officer[3]	Full term	-	-	-	-
Total			332	46	36	414

			2019			
Name	Position	Period	Directors' fees $'000	Committee fees $'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

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.

25. Key management personnel compensation (continued)

c) Executive remuneration

The following table discloses the remuneration details for each person that acted as a senior executive during the current financial year:

	2020								
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 2019-20 $'000
Mr E Albertini Chief Asset Management & Investment Officer	409	31	21	7	–	468	–	(2)	466
Mr J Barriga Chief Information Officer (from 05/08/19)	319	17	30	1	–	367	–	29	396
Mr V Borovac Chief Financial Officer (to 17/09/19)	70	–	18	–	–	88	142	4	234
Mr I Brooksbank Chief Financial Officer (from 25/11/19)	191	14	18	–	–	223	–	3	226
Mr A Catchpole Chief Strategy Officer	357	25	21	5	–	408	–	21	429
Ms A Childs Managing Director Momentum	334	26	36	12	–	408	–	21	429
Ms T Chu Managing Director Entura	316	24	21	4	–	365	–	13	378
Mr J Clark[8] Acting Chief Operations Officer (from 08/08/19 to 11/02/20)	141	–	13	–	–	154	–	4	158
Mr S Davy Chief Executive Officer	506	42	21	16	–	585	–	26	611
Mr G Flack Chief Operations Officer	331	23	65	7	–	426	–	5	431
Mr J Jenkins[8] Acting Chief Financial Officer (from 17/09/19 to 25/11/19)	61	–	6	–	–	67	–	(5)	62
Ms K McKenzie Chief Governance Officer	292	22	31	–	–	345	–	27	372
Mr S McKinnon Chief Information Officer (to 22/08/19)	58	–	11	–	–	69	20	(2)	87
Mr R Tanti Chief People Officer	284	16	30	–	–	330	–	26	356
Ms C Wykamp Chief Commercial Officer	328	23	21	–	–	372	–	18	390
Total	3,997	263	363	52	–	4,675	162	188	5,025

25. Key management personnel compensation (continued)

c) Executive remuneration (continued)

The following table discloses the remuneration details for each person that acted as a senior executive during the previous 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[8] 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

25. 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.

[8] When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence. Individuals are considered members of key management personnel when acting arrangements are for more than a period of one month.

The Directors of the Group as at 30 June 2020 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 (2019: nil).

Employees undertook overseas travel on 131 occasions during the year at a cost of $613,405 (2019: $1,356,967). Of these 89, at a cost of $417,669 (2019: $844,743), were made while undertaking work for clients. The cost of Entura travel on client business was recovered from these clients.

26. Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	33,331	48,808	77,763	63,749	92	71	–	–
Cathedral Rocks Construction and Management Pty Ltd	–	–	–	–	–	–	–	–
Kakamas Hydro Electric Power (Pty) Ltd	–	–	–	–	–	–	–	–
PARENT								
HT Wind Operations Pty Ltd	–	–	–	–	–	–	167,226	163,203
Cathedral Rocks Construction and Management Pty Ltd	–	–	–	–	–	–	–	–
Bell Bay Power Pty Ltd	28	8	–	–	1,295	1,203	–	–
Bell Bay Three Pty Ltd	–	–	–	–	–	–	1,424	1,424
Lofty Ranges Power Pty Ltd	–	–	–	–	196	302	–	–
Entura Hydro Tasmania Consulting (Holding) Pty Ltd	–	–	–	–	–	–	–	–
Hydro Tasmania Consulting India Pvt Ltd	–	–	–	–	–	–	33	148
HT Wind Developments Pty Ltd	–	–	–	–	–	–	603	509
HT Wind New Zealand Pty Ltd	–	–	–	–	–	–	–	–
RE Storage Project Holding Pty Ltd	–	–	–	–	715	744	–	–
Heemskirk Holdings Pty Ltd	–	–	–	–	–	–	–	–
Heemskirk Windfarm Pty Ltd	–	–	–	–	–	–	–	–
Woolnorth Studland Bay Holdings Pty Ltd	–	–	–	–	–	–	–	–
Woolnorth Bluff Point Holdings Pty Ltd	–	–	–	–	–	–	–	–
Momentum Energy Pty Limited	465,647	502,573	–	–	33,933	21,760	–	–
AETV Pty Ltd	89	304	13,379	14,454	311,001	301,075	–	–
Hydro Tasmania South Africa (Pty) Ltd	–	–	–	–	5,403	5,403	–	–
Hydro Tasmania Neusberg (Pty) Ltd	–	–	–	–	1,578	1,578	–	–

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 impaired.

27. Events subsequent to balance date

Subsequent to the end of the financial year there have been considerable ongoing economic impacts in Australia and globally arising from the outbreak of the COVID-19 pandemic and Government actions to reduce the spread of the virus.

The Group is monitoring the developments, including any requirements imposed by both the Australian and State Governments and the impact on its operations, people, customers and suppliers.

At the date of signing the financial report, the Group is unable to fully determine the future financial impacts that the COVID-19 pandemic may have, however, the Group has taken into account the potential financial impacts where exposures are expected and made appropriate disclosures about the expected impact of COVID-19 throughout these financial statements.

28. Government grants

The Corporation has recognised $1.20 million (2019: $12.65m) of grant revenue during the year ended 30 June 2020 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*.

On 7 May 2019, the State renewed the CSO contract and ceased funding the agreement.

During the year ended 30 June 2020, the Corporation did not receive any reimbursement of the cost of providing the CSO (2019: $10.24m).

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

During the year ended 30 June 2015, the Commonwealth 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 funded up to $5.5m.

During the year ended 30 June 2020, the Corporation did not receive any funding (2019: $0.7m) for the Flinders Island Hybrid Energy Hub project due to the project being closed as at 30 June 2019.

IEA Hydro Activities

In April 2018, the Commonwealth Government entered into a $280k funding agreement through the Australian Renewable Energy Agency (ARENA) for 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 2020, the Corporation did not receive any funding (2019: $257k) for the IEA Hydro Activities from ARENA.

***Battery of the Nation* Project**

On 20th 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' (BotN). Over the next 3 years, ARENA has initially agreed to fund $3.8m in relation to a number of projects, including pumped hydro, Tarraleah redevelopment and the future state NEM.

During the year end 30 June 2020, ARENA paid $1.20m (2019: $1.45m) for BoTN funding.

29. Controlled entities

	Footnote	Country of incorporation	Percentage of share held by the Group 2020 %	Percentage of share held by the Group 2019 %
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 Limited	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 Limited 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.

30. Interest in associates and joint ventures

	Principal activity	Associate and joint venture balance date	CONSOLIDATED Ordinary share ownership interest 2020 %	CONSOLIDATED Ordinary share ownership interest 2019 %	CONSOLIDATED Associate and joint venture agreement voting rights 2020 %	CONSOLIDATED Associate and joint venture agreement voting rights 2019 %	PARENT Ordinary share ownership interest 2020 %	PARENT Ordinary share ownership interest 2019 %	PARENT Associate and joint venture agreement voting rights 2020 %	PARENT Associate and joint venture agreement voting rights 2019 %
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	–	–	–	–

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 31).

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 held a 25% interest. This interest was disposed of on 14 February 2020. The principal activity of the business was to develop and operate a hydro scheme in Neusberg South Africa.

31. 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
	2020 $'000	2020 $'000	2020 $'000	2020 $'000
Statement of financial performance				
Revenue	110,468	3,436	–	113,904
Expenses	76,008	5,748	–	81,756
Profit/(loss) before fair value	34,460	(2,312)	–	32,148
Fair value gains/(losses)	148,054	–	–	148,054
Profit/(loss) before income tax benefit	182,514	(2,312)	–	180,202
Income tax benefit	(54,614)	–	–	(54,614)
Net (loss)/profit after tax	127,900	(2,312)	–	125,588
Statement of financial position				
Current assets	83,053	–	55	83,108
Non-current assets	519,562	–	–	519,562
Total assets	602,615	–	55	602,670
Current liabilities	67,311	–	–	67,311
Non-current liabilities	305,613	–	–	305,613
Total liabilities	372,924	–	–	372,924
Net assets	229,691	–	55	229,746
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning of the year	11,278	(4,448)	(21)	6,809
Share of profit after income tax expense	31,975	(578)	–	31,397
Share of accumulated profits/(losses) at the end of the year	43,253	(5,026)	(21)	38,206
Movements in carrying amount of investment				
Carrying amount at the beginning of the year	42,523	–	17	42,540
Dividends received	(4,023)	–	–	(4,023)
Impairment of investment	(8,281)	578	–	(7,703)
Share of associates other comprehensive income	(4,771)	–	–	(4,771)
Share of profit after income tax for the year	31,975	(578)	–	31,397
Carrying amount at the end of the year	57,423	–	17	57,440

31. 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
	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 expense	17,649	–	–	17,649
Net 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

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.

32. Deed of cross guarantee

The following consolidated statement of comprehensive income and retained profits, and the statement of financial position comprises the Group and its controlled entities which are party to the Deed of Cross Guarantee (refer note 23), after eliminating all transactions between parties to the Deed.

	CONSOLIDATED	
	2020 $'000	2019 $'000
Consolidated statement of comprehensive income and retained profits		
Revenue	1,995,111	2,129,006
Expenses	2,792,742	1,899,626
(Loss)/profit before income tax equivalent expense	(797,631)	229,380
Income tax equivalent (benefit)/expense	(239,226)	60,904
(Loss)/profit for the period	(558,405)	168,476
Other comprehensive income	448,368	(329,040)
Total comprehensive (loss)/income for the period	(110,037)	(160,564)
Retained earnings at the beginning of the period	1,187,408	1,128,388
Dividends paid	(120,000)	(80,000)
Net (loss)/profit	(558,405)	168,476
Other movements	1,177	(29,456)
Retained earnings at the end of the period	510,180	1,187,408

32. Deed of cross guarantee (continued)

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000
Current assets		
Cash and cash equivalents	12,757	14,588
Receivables	339,800	387,044
Investments	–	49,503
Inventories	4,415	3,764
Other financial assets	234,818	256,557
Other	13,558	15,608
Total current assets	605,348	727,064
Non-current assets		
Investments	184,410	184,410
Property plant and equipment	3,393,439	4,392,391
Intangible assets	74,222	79,778
Deferred tax asset	73,403	79,912
Other financial assets	584,974	417,349
Goodwill	16,396	16,396
Other	14,393	8,330
Total non-current assets	4,341,237	5,178,566
TOTAL ASSETS	4,946,585	5,905,630
Current liabilities		
Payables	303,758	342,262
Interest-bearing liabilities	137,729	65,775
Provisions	315,444	391,775
Other financial liabilities	280,124	512,548
Other	173,827	170,490
Total current liabilities	1,210,882	1,482,850
Non-current liabilities		
Interest-bearing liabilities	533,644	552,845
Deferred tax liability	398,138	495,668
Provisions	281,265	315,421
Other financial liabilities	1,035,035	1,341,454
Total non-current liabilities	2,248,082	2,705,388
TOTAL LIABILITIES	3,458,964	4,188,238
NET ASSETS	1,487,621	1,717,392
EQUITY		
Contributed equity	678,206	678,206
Reserves	299,235	(148,222)
Retained earnings	510,180	1,187,408
TOTAL EQUITY	1,487,621	1,717,392

33. Dividend

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Declared and paid during the year				
Statutory dividend	–	120,000	–	120,000
Proposed for approval (not recognised as a liability as at 30 June)				
Statutory dividend	115,000	–	115,000	–

34. 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 Chief Executive Officer (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 trading in all regions of the NEM except Tasmania.

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.

34. Segment information (continued)

	YEAR ENDED 30 JUNE 2020					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	826,122	106,626	987,441	1,920,189	(135,682)	1,784,507
Fair value gains	195,638	9,937	–	205,575	–	205,575
Share of associates and joint ventures	31,397	–	–	31,397	–	31,397
Other revenue	5,108	1	528	5,637	–	5,637
Total revenue	1,058,265	116,564	987,969	2,162,798	(135,682)	2,027,116
Segment results						
Depreciation & amortisation	113,092	2,704	10,170	125,966	–	125,966
Finance expenses	43,576	–	609	44,185	–	44,185
Fair value losses	301,140	1,276	–	302,416	–	302,416
Net revaluation and impairment	888,949	–	–	888,949	(10,018)	878,931
Other expense	490,122	127,450	971,790	1,589,362	(135,682)	1,453,680
Total expense	1,836,879	131,430	982,569	2,950,878	(145,700)	2,805,178
Profit/(loss) before income tax equivalent expense	(778,614)	(14,866)	5,400	(788,080)	10,018	(778,062)
Comprising:						
Result before fair value movements and revaluation	189,927	(23,527)	5,400	171,800	–	171,800
Net fair value gains/(losses)	(105,501)	8,661	–	(96,840)	–	(96,840)
Net fair value gains/(losses) from associates and joint ventures	25,909	–	–	25,909	–	25,909
Revaluation and impairment (expenses)/gains	(888,949)	–	–	(888,949)	10,018	(878,931)
Profit/(loss) before income tax equivalent expense	(778,614)	(14,866)	5,400	(788,080)	10,018	(778,062)
Income tax equivalent expense	(231,512)	(4,460)	1,911	(234,061)	–	(234,061)
Segment profit/(loss) after tax	(547,102)	(10,406)	3,489	(554,019)	10,018	(544,001)
Total assets	4,457,263	105,672	219,473	4,782,408	(19,417)	4,762,991
Total liabilities	2,713,773	404,362	117,007	3,235,142	–	3,235,142
Other disclosures						
Investment in joint venture	57,440	–	–	57,440	–	57,440
Capital expenditure	131,949	–	9,550	141,499	–	141,499

Inter-segment revenues are eliminated on consolidation.

34. 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 ventures	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 expense	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 associates and 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 expense	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	5,391,265	113,865	216,750	5,721,880	(19,417)	5,702,463
Total liabilities	3,435,992	402,149	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

34. Segment information (continued)

	YEAR ENDED	
Reconciliation of profit	**2020 $'000**	**2019 $'000**
Segment profit	(554,019)	133,825
Energy sales	135,682	143,427
Purchased energy	(135,682)	(143,427)
Intercompany loan impairment	10,018	26,129
Consolidated profit	(544,001)	159,954
Reconciliation of assets		
Segment total assets	4,782,408	5,721,880
Elimination of investment in subsidiary	(19,417)	(19,417)
Corporation total assets	4,762,991	5,702,463
Reconciliation of liabilities		
Segment total liabilities	3,235,142	3,955,914
Elimination of intercompany revaluation and balances	–	–
Corporation total liabilities	3,235,142	3,955,914

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 2020 and the financial position at 30 June 2020 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 Limited 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 2020 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 2020 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 2020 give a true and fair view.

Signed in accordance with a resolution of the directors:

Grant Every-Burns

G Every-Burns
Chairman
14 August 2020

Samantha Hogg

S Hogg
Director
14 August 2020

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 2020

Auditor’s independence declaration

Tasmanian Audit Office

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

14 August 2020

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 2020, 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 2020, the consolidated statements of financial performance, comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the 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 2020 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 (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

I confirm that the independence declaration 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 2020, the Group's generation assets of $3 065.72m recognised as fair value, represented 64% 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, inflation, discount rate and terminal growth 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, 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.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Energy price derivatives *Refer to notes 1.2(ae), 2, 3, 11, 18 and 21*	
As at 30 June 2020, the Group's energy price derivative assets totalled $328.20m and energy price derivative liabilities totalled $344.19m. 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 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. • Performing sensitivity analysis in relation to the key model assumptions. • 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.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Basslink financial assets and liabilities *Refer to notes 1.2(ae), 2, 3, 11, 17 and 21*	
As at 30 June 2020, the Groups Basslink financial assets totalled $405.94m and Basslink financial liabilities totalled $966.65m. 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: • Obtaining an understanding of the valuation and recording of Basslink's financial assets and liabilities. • Assessing management's valuation methodology, the basis for assumptions used and compliance with relevant accounting standards. • 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. • Reperforming the valuation of Basslink financial assets and liabilities and comparing the result to the Group's valuation. • Performing sensitivity analysis in relation to the key model assumptions. • 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.

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

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

Rod Whitehead
Auditor-General

Tasmanian Audit Office

14 August 2020
Hobart

Above: ***Students from Sheffield District High School visiting Cethana Power Station***

Statement of Corporate Intent

The following Statement of Corporate Intent was agreed upon between Hydro Tasmania's Board and Shareholding Ministers during 2019–20 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

Our purpose is to make energy better together. 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 over 1,200 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.

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.

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 aging coal fired generation.
- a highly competitive national electricity retail market.
- numerous regulatory changes in energy retailing in Victoria and nationally.
- 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 strategy is focussed 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 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.

The *Battery of the Nation* initiative is 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 Tasmania's hydropower system and renewable energy resources. If realised, this would be good for Tasmania's economy by delivering employment and attracting new industry and supporting 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 lead Australia's renewable energy transition.

Key financial and non-financial performance indicators and associated targets for FY2019-20 and estimates for subsequent years are set out in the table below. Dividends have been included based on the Government's 90% dividend Policy. However this results in forecast debt that in the view of the Hydro Tasmania Board may be unsustainable. Dividend recommendations are made annually by Hydro Tasmania's Board, based on financial sustainability and other strategic considerations.

Table 1: Key Performance Indicators

Key performance indicators (KPIs)	Target 2019–20	2020-21	2021-22	2022-23
Financial Indicators				
Results before fair value movements and revaluations	$112m	$115m	$80m	$78m
Net debt	$698m	$721m	$767m	$780m
Return on equity	3.90%	4.00%	2.84%	2.78%
Capital expenditure	Satisfactory external validation of the ten year asset management plan			
	For capital expenditure projects greater than $500,000: 100% on time and budget			
EBIT improvement target	Momentum Energy operating costs per account less than budget	Operating costs per account less than previous year		
	Net general operating expense in FY2019-20 of $137.9m. The targeted FY2019-20 result before fair value movements and tax includes $12.6m of efficiencies attributed to the Making it Happen program that has recently been implemented			
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget			
Non-financial Indicators				
Total recordable injury frequency rate	<5			
Portfolio availability	Availability target of 80 per cent achieved			
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings of penalty notices			
Storage levels	Consistent with the High Reliability level			

Returns to government (accrual)				
Ordinary dividend	$120m	$75m	$72m	$51m
Total other returns to government	$46m	$46m	$34m	$34m
Total returns to Government	$166m	$121m	$107m	$85m

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 2019-20 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 2019–20 targets is outlined below.

Table 2: **Performance against Statement of Corporate Intent**

Key performance indicators (KPIs)	Target 2019–20	Results
Results before fair value movements and revaluations	$112 million	$171.8 million
Core gross borrowings	$698 million	$625 million
Return on equity	3.9 per cent	7.2 per cent
Capital expenditure	Satisfactory external validation of the ten-year asset management plan	A external appraisal by Ascension Consulting deemed the ten year asset management plan satisfactory[a]
	For capital expenditure projects greater than $500,000: 100 per cent on time 100 per cent on budget	93.7 per cent on time 93.7 per cent on budget
Cost savings target	Momentum Energy operating costs per account less than budget	Momentum Energy operating costs per account were significantly impacted by an increased doubtful debt provision of $8.8m caused by the COVID-19 pandemic.
	Net general operating expenses equal to $137.9 million.	$141.2 million.
Retail earnings before interest tax and depreciation (EBITDA)	Retail EBITDA equal to or greater than budget	The retail EBITDA was below budget due to the increased doubtful debt provision caused by the COVID-19 pandemic.
Total recordable injury frequency rate	<5	4.24
Portfolio availability	Availability target of 80 per cent	Average portfolio availability for the 12 months ending June 2020 was 90.3 per cent
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties	Three breaches resulting in enforced regulatory undertakings or penalties[b]
Storage levels – preferred minimum operating level	Consistent with the prudent storage level (PSL) and high reliability level (HRL)	Storages finished the year at 40.0 per cent, above the PSL of 30.0 per cent and HRL of 20.0 per cent
Ordinary dividend	$120 million	$120 million
Total other returns to government	$46 million	$82 million
Total returns to government	$166 million	$202 million

[a] There were sixteen projects during the year. Of these sixteen projects there was one that was not completed on time and one that was not completed on budget.

[b] – One incident resulted in sixty penalty notices and an enforced undertaking from Essential Services Commission of Victoria (ESCV).
– One incident resulted in an enforced undertaking from Essential Services Commission of Victoria.
– One incident resulted in five penalty notices from the Australian Energy Regulator(AER).

Community Service Obligations

Formalised directions issued by the Energy Minster and Treasurer to Hydro Tasmania to perform community service obligations (CSOs) pursuant to section 65(1) of the *Government Business Enterprises Act 1995* (Tas) (GBE Act) as required by section 55(2)(a) of the GBE Act.

Bass Strait islands

The Hydro Tasmania group provides electricity services on the Bass Strait islands, including retail services provided by Momentum Energy, under a CSO. The CSO arrangement was funded by the Tasmanian Government in each year until June 30 2019. Following the expiration of the funding arrangement Hydro Tasmania has been directed to continue operations as a CSO on an unfunded basis. The CSO ensures that consumers on the Bass Strait islands receive electricity at a concessional and regulated price. In 2019-20 the cost of the CSO to Hydro Tasmania was $9.08 million.

Wholesale electricity price (WEP) order

In the previous financial year (June 2018) the Energy Minister and Treasurer directed Hydro Tasmania to offer load-following (whole-of-meter) contracts if requested to do so by all retailers, for load relating to small customers in Tasmania at a price published in a WEP order made by the Treasurer. This unfunded CSO obligation was extended for 2019-20 at a WEP order price of $87.56 per MWh, being lower than a market-based price.

Granville Harbour Wind Farm

On 5 September 2017 Hydro Tasmania was directed to enter a power purchase agreement with West Coast Wind to facilitate the construction of the Granville Harbour Wind Farm. The power purchase agreement did not take effect until the wind farm became operational in 2020. In 2019-20, this unfunded CSO direction has an implied cost to Hydro Tasmania of approximately $0.5 million due the prevailing market price for LGCs.

Above: ***Maintenance Assistant Christophe Volpi walking down to the V notch at Murchison Dam***

Summary information

Governance summary

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

Mr Grant Every-Burns Chairman	Mr Every-Burns was first appointed to the Board in August 2012. He is a member of the Corporation's Audit Committee, Risk Management Committee and HR, Remuneration and Safety Committee. **Appointed:** 27 August 2012 **Current term:** 13 October 2017 to 12 October 2020 Mr Every-Burns has received confirmation of a further appointment term from 13 October 2020 until 12 October 2022.
Ms Samantha Hogg Independent director	Ms Hogg was first appointed to the Board in August 2015. She is a member of the Risk Management Committee and HR, Remuneration and Safety 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 was first appointed to the Board in June 2016. He is Chairman of the HR, Remuneration and Safety Committee. **Appointed:** 13 June 2016 **Current term:** 13 June 2019 to 12 June 2022
Mr Carlo Botto Independent director	Mr Botto was appointed to the Board in July 2018. He 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 to the Board in July 2018. She was appointed as a member of the HR, Remuneration and Safety Committee in March 2019 and Audit Committee in April 2019. **Appointed:** 31 July 2018 **Current term:** 31 July 2018 to 30 July 2021
Mr Stephen Davy Executive director and CEO	Mr Davy was appointed as an Executive Director in December 2014. He is a member of both the Risk Management and HR, Remuneration and Safety committees. **Appointed:** 16 December 2014 **Current term:** 28 December 2017 to 4 September 2020 Mr Davy has not sought reappointment and his term ended on 4 September 2020.

Governance summary (continued)

Table 3: Board committee membership

Audit Committee	Risk Management Committee	HR, Remuneration and Safety Committee
Samantha Hogg*	Carlo Botto*	Ken Hodgson*
Grant Every-Burns	Stephen Davy	Stephen Davy
Selina Lightfoot	Grant Every-Burns	Grant Every-Burns
	Samantha Hogg	Samantha Hogg
		Selina Lightfoot

* Committee Chairman

Table 4: Directors' attendance at Board and committee meetings during 2019–20

	Board (regular and special meetings)		Audit Committee		Risk Management Committee		HR, Remuneration and Safety Committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	16	15*	5	5	4	4	4	4
Stephen Davy	16	16	0	5**	4	4	4	4
Samantha Hogg	16	14*	5	5	4	4	4	3*
Ken Hodgson	16	16	0	4**	0	2**	4	4
Carlo Botto	16	16	0	5**	4	4	0	3**
Selina Lightfoot	16	16	5	5	0	0	4	4

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

B Number of meetings attended

* Leave of absence granted

** Not a member of this committee, however, attended as a guest

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 given and the quality of discussions.

Each director, including the Chairman, undergoes a formal performance evaluation by their fellow directors and the Hydro Tasmanian leadership team when their term of office is under consideration and they elect to seek re-appointment. Due to the expiration of his current term in 2020, a formal review of the Chairman's performance was conducted during the financial year. His re-appointment was recommended and has since been approved by Cabinet.

In addition, the Chairman provides continual individual feedback on performance to each director.

The performance of each Board Committee is assessed in accordance with their Terms of Reference, usually annually. In 2019-20, the Board's Audit and Risk Management committees carried out self-assessments. The leadership team and relevant management personnel are also asked to provide feedback on the effectiveness of the committee and its members.

The Board elected not to undertake an external evaluation during the 2019-20 year. 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 Hydro Tasmania 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 paid a keen interest in the planning and approaches adopted during the emerging COVID-19 pandemic receiving regular updates outside of scheduled Board meetings.

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 public interest disclosures 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 2014–20

	Units*	As at June 30						
		2014	2015	2016	2017	2018	2019	2020
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	–	–	2[a]	–	–	–	–
Total	**Number**	**31**	**31**	**33**	**31**	**31**	**31**	**31**
Installed capacity[b]								
Hydro	MW	2,281	2,281	2,281	2,281	2,283[c]	2,283	2,287[d]
Thermal (gas)	MW	372	372	372	372	372	372	372
Thermal (diesel)	MW	–	–	123	–	–	–	–
Total	**MW**	**2,653**	**2,653**	**2,776**	**2,653**	**2,655**	**2,655**	**2,659**
Energy generated[e]								
Hydro	GWh	11,932	8,176	8,038	8,305	9,178	9,681	9,697
Thermal (gas)	GWh	866	4	769	767	820	465	87
Thermal (diesel)	GWh	–	–	55	–	–	–	–
Total	**GWh**	**12,798**	**8,180**	**8,862**	**9,072**	**9,998**	**10,146**	**9,784**
Generation peak	MW	2,168	2,187	2,161	2,038	2,160	2,175	2,131
Generation load factor[f]	%	67	43	47	51	53	53	52
Bass Strait islands								
King Island								
Diesel	MWh	7,220	7,430	6,587	7,482	6,010	5,939	5,834
Wind[g]	MWh	4,974	4,144	4,907	4,497	5,679	6,520	7,329
Flinders Island								
Diesel	MWh	3,734	3,536	3,539	4,038	2,721	2,609	2,064
Wind/Solar[h]	MWh	–	–	–	65	1,887	1,970	2,769
Total Bass Strait islands	**MWh**	**15,928**	**15,110**	**15,033**	**16,082**	**16,297**	**17,038**	**17,996**

* 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 2014-20 (continued)

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

[d] From September 2019 installed capacity increased by 3.6 MW due to Liapootah Unit 3 upgrade.

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

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

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

[h] 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.

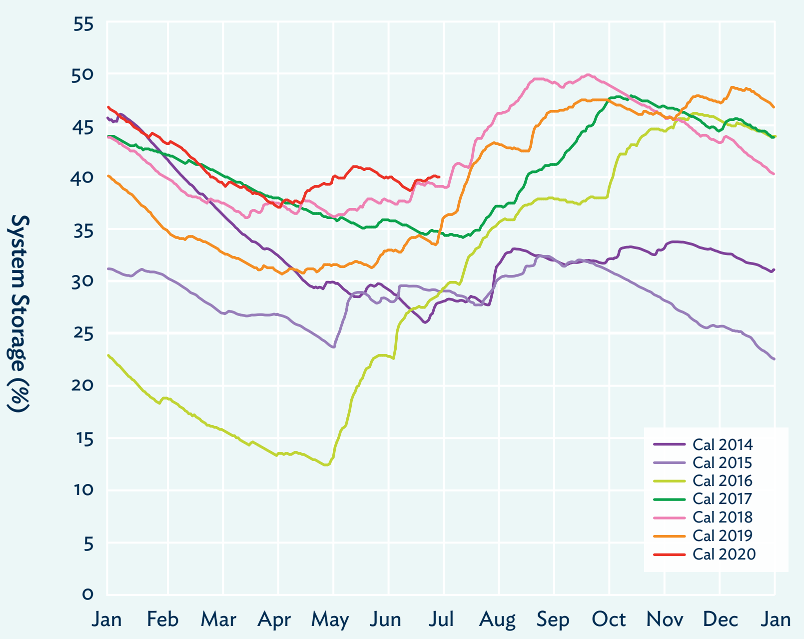
Table 6: Basslink imports and exports at 30 June 2014–2020

	Financial year ending 30 June						
	2014	2015	2016	2017	2018	2019	2020
Export (GWh)	3113	725	479	977	1074	1496	1376
Import (GWh)	20	2141	1067	1342	865	991	867
Net[a] (GWh)	3093	(1417)	(588)	(365)	209	505	509

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

Table 7: Energy in storage at 1 July 2020

	Storage at 1 July						
TEIS	2014	2015	2016	2017	2018	2019	2020
GWh	4059	4268	4205	5031	5658	5007	5774
%	28.1	29.6	29.1	34.8	39.2	34.7	40.0



Storage levels 2014–2020

Cal – calendar year

Financial summary

Financial results

Table 8: Financial results 2016–2020

	Financial year ending 30 June				
	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m
Result before fair value, impairment and tax	(65.4)	20.1	167.9	195.0	171.8
Profit/(loss) before tax[a]	(292.3)	(308.7)	168.8	216.2	(778.1)
Comprehensive income/(loss)	(3.6)	(181.8)	30.7	(169.2)	(99.0)
Cash flow from operating activities	17.5	117.6	357.1	257.4	227.8
Net debt	827	738	703	549	627
Weighted average cost of debt	5.32%	4.87%	4.90%	5.08%	4.92%
Capital expenditure	109.1	131.0	124.9	145.1	141.5
Other expansion and acquisitions	0.0	0.0	0.0	0.0	0.0
Total assets	5,886	6,322	5,706	5,702	4,763

[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				
	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m
Government guarantee fee	8.5	8.6	8.2	7.9	6.7
Income tax equivalent	5.0	0.0	8.6	69.1	70.6
Ordinary dividend[a]	25.0	0.0	0.0	80.0	120.0
Special dividend	0.0	0.0	0.0	0.0	0.0
Rates equivalent	4.0	4.1	4.3	4.4	4.6
Total returns	42.5	12.7	21.1	161.4	201.9

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

Five-year summary

Table 9: Financial statistics 2016–2020, year ending 30 June

	Financial year ending 30 June				
	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
Five-year profile — Statement of Comprehensive Income					
Income					
Sales of goods and services	1,335,863	1,440,403	1,769,696	1,824,372	1,784,507
Other income	21,580	41,241	25,662	26,181	5,636
TOTAL INCOME	**1,357,443**	**1,481,644**	**1,795,358**	**1,850,553**	**1,790,143**
Less expenses					
Labour	124,821	129,311	140,791	160,453	159,659
Direct operating expenses	1,022,785	1,048,215	1,196,666	1,214,769	1,184,848
Depreciation and amortisation of non-current assets	100,666	109,094	116,521	118,065	125,966
Impairment of non-current assets	(58,697)	781	227	11,050	878,931
Finance costs	58,219	56,668	54,379	50,129	44,185
Net fair value movements	285,565	328,022	(1,111)	(48,196)	96,840
Other operating expenses	116,387	118,261	119,099	128,092	77,776
TOTAL EXPENSES	**1,649,746**	**1,790,352**	**1,626,572**	**1,634,362**	**2,568,205**
NET PROFIT/(LOSS) BEFORE TAX	**(292,303)**	**(308,708)**	**168,786**	**216,191**	**(778,062)**
Five-year profile — Balance Sheet					
Assets					
Cash and cash equivalents	82,698	117,057	65,890	66,448	15,143
Investments	63,804	59,262	58,144	42,540	57,440
Receivables	380,872	368,659	387,512	390,621	341,739
Property, plant and equipment	4,628,625	4,646,203	4,474,381	4,484,642	3,405,743
Financial and other assets	730,487	1,130,795	720,178	718,212	942,926
TOTAL ASSETS	**5,886,486**	**6,321,976**	**5,706,105**	**5,702,463**	**4,762,991**
Liabilities					
Payables	315,839	318,713	347,891	345,534	307,052
Provisions	579,499	517,920	571,401	819,452	738,210
Interest bearing liabilities	910,100	854,833	769,204	618,620	671,373
Tax liabilities	564,199	472,997	470,350	315,058	200,863
Financial liabilities	1,421,142	2,192,974	1,551,703	1,857,250	1,317,644
TOTAL LIABILITIES	**3,790,779**	**4,357,437**	**3,710,549**	**3,955,914**	**3,235,142**
NET ASSETS	**2,095,707**	**1,964,539**	**1,995,556**	**1,746,549**	**1,527,849**
EQUITY	**2,095,707**	**1,964,539**	**1,995,556**	**1,746,549**	**1,527,849**
Five-year profile — Capital Works					
Expenditure					
Generation assets	77,029	83,837	88,314	101,121	95,559
Bass Strait islands	1,676	2,883	2,592	2,052	2,387
Land and buildings	2,110	4,082	4,534	9,608	5,134
Fleet	1,818	1,931	2,748	2,003	2,937
Information systems	17,619	32,031	24,555	26,831	26,618
Renewable developments	7,680	4,662	280	2,111	7,726
Other assets	1,146	1,567	1,913	1,341	1,138
TOTAL CAPITAL EXPENDITURE	**109,078**	**130,993**	**124,936**	**145,067**	**141,499**

Procurement summary

Table 10: **Consultancies valued at more than $50,000 (ex GST), 2019–20**

Name of consultant	Location	Description	Period of engagement	Total paid (AUD)
Clayton Utz - Sydney	Sydney, NSW	Legal Advisors	1 July 2019 to 30 June 2020	$5,495,250
Pacific Consulting Group	Sydney, NSW	Financial Consultants	1 July 2019 to 30 June 2020	$2,228,573
SFDC Australia Pty Ltd	Sydney, NSW	IT Consultants	1 July 2019 to 30 June 2020	$1,616,430
White & Case	Melbourne, VIC	Legal Advisors	1 July 2019 to 30 June 2020	$879,511
Price Waterhouse Coopers - VIC	Melbourne, VIC	Financial Consultants	1 July 2019 to 30 June 2020	$766,217
CloudSense	Sydney, NSW	IT Consultants	1 July 2019 to 30 June 2020	$735,412
AECOM Australia Pty Ltd	Melbourne, VIC	Engineering Consultants	1 July 2019 to 30 June 2020	$524,757
Pitt & Sherry Operations Pty Ltd	Launceston and Hobart, TAS	Compliance and Risk Consultants	1 July 2019 to 30 June 2020	$426,359
Sodia	Melbourne, VIC	Management Consultants	1 July 2019 to 30 June 2020	$330,568
Howarth Fisher and Associates	Sandy Bay, TAS	Engineering Consultants	1 July 2019 to 30 June 2020	$283,834
Veris Australia Pty Ltd	Devonport,TAS	Survey Consultants	1 July 2019 to 30 June 2020	$276,710
WSP UK Limited	London, UK	Engineering Consultants	1 July 2019 to 30 June 2020	$257,286
Baringa Partners LLP	Sydney, NSW	Strategic Advisory Services	1 July 2019 to 30 June 2020	$254,082
Cova Thinking Pty Ltd	Hobart, TAS	Environmental Consultants	1 July 2019 to 30 June 2020	$245,243
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering Consultants	1 July 2019 to 30 June 2020	$208,661
Herbert Smith Freehills	Melbourne,VIC	Legal Advisors	1 July 2019 to 30 June 2020	$195,784
DamWatch Engineering Ltd	Wellington, New Zealand	Engineering Consultants	1 July 2019 to 30 June 2020	$179,768
Mercer Consulting Aus	Victoria,VIC	HR Consultant	1 July 2019 to 30 June 2020	$164,971
Veldhoen + Company	Sydney, NSW	Management Consultants	1 July 2019 to 30 June 2020	$164,497
Deloitte Private PL Melbourne	Melbourne,VIC	Financial Consultants	1 July 2019 to 30 June 2020	$162,575
PricewaterhouseCoopers Consulting	Melbourne,VIC	Strategic Advisory Services	1 July 2019 to 30 June 2020	$149,300
Hive Legal Pty Ltd	Melbourne,VIC	Legal Advisors	1 July 2019 to 30 June 2020	$148,000
Gondwana Heritage Solutions	Oatlands, TAS	Heritage Consultants	1 July 2019 to 30 June 2020	$131,068
Biosis Pty Ltd	Victoria	Environmental Consultants	1 July 2019 to 30 June 2020	$128,440
Advisian Pty Ltd	Melbourne, VIC	Engineering Consultants	1 July 2019 to 30 June 2020	$125,606
White Legal Pty Ltd	Brisbane,QLD	Legal Advisors	1 July 2019 to 30 June 2020	$114,170

Procurement summary (continued)

Name of consultant	Location	Description	Period of engagement	Total paid (AUD)
Deloitte Touche Tohmatsu - TAS	Hobart,TAS	Financial Consultants	1 July 2019 to 30 June 2020	$111,041
Gartner Australasia Pty Limited	Melbourne, VIC	IT Consultants	1 July 2019 to 30 June 2020	$110,673
ConMoto Group Pty Ltd	Clifton Beach,TAS	Legal Advisors	1 July 2019 to 30 June 2020	$108,350
SICC Services	Devonport, TAS	Engineering Consultants	1 July 2019 to 30 June 2020	$103,647
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental Consultants	1 July 2019 to 30 June 2020	$90,913
Derwent Catchment Project	Hamilton,TAS	Environmental Consultants	1 July 2019 to 30 June 2020	$85,440
WMA Water Pty Ltd	Hobart, TAS	Environmental Consultants	1 July 2019 to 30 June 2020	$84,330
Quest Integrity AUS Pty Limited	Varsity Lakes, QLD	Engineering Consultants	1 July 2019 to 30 June 2020	$82,350
Rachel Trindade	South Yarra,VIC	Legal Advisors	1 July 2019 to 30 June 2020	$81,288
GHD Pty Ltd - TAS	Hobart, TAS	Engineering Consultants	1 July 2019 to 30 June 2020	$80,059
Austral Research and Consulting	Hobart, TAS	Environmental Consultants	1 July 2019 to 30 June 2020	$78,670
Make Studios Australia Pty Ltd	Melbourne,VIC	HR Consultant	1 July 2019 to 30 June 2020	$66,233
XS-Energy Pty Ltd	Tranmere,TAS	Strategic Advisory Services	1 July 2019 to 30 June 2020	$65,654
Page Seager Lawyers	Hobart,TAS	Legal Advisors	1 July 2019 to 30 June 2020	$62,448
Sidco Pty Ltd	Werribee,VIC	HR Consultant	1 July 2019 to 30 June 2020	$59,045
IPM	Hobart, TAS	Safety Consultants	1 July 2019 to 30 June 2020	$58,632
O'Meara Consulting LLC	Cedar Rapids,USA	Energy Development	1 July 2019 to 30 June 2020	$57,984
Baynes Geologic Pty Ltd	Malmsbury, VIC	Geotrechnical Consultants	1 July 2019 to 30 June 2020	$57,083
Celsius Graphic Design	Collingwood,VIC	Marketing Consultant	1 July 2019 to 30 June 2020	$54,437
Seed Advisory Pty Ltd	Melbourne,VIC	Energy Development	1 July 2019 to 30 June 2020	$52,950
Total				$17,744,301
Total expenditure on 47 other consultants engaged for $50,000 or less				$766,893
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				$2,342,963
Total payments to consultants				**$20,854,157**

Procurement summary (continued)

Table 11: Proportion of spending on local suppliers

	Location of supplier	2015–16	2016–17	2017–18	2018–19	2019–20
Proportion of spending (Hydro Tasmania group)[a]	Mainland Australia	48.1%	40.6%	31.5%	32.7%	32.1%
	Tasmania	40.0%	45.7%	57.9%	57.9%	61.6%
	Overseas	11.9%	13.7%	10.6%	9.3%	6.2%
Value of spending (Hydro Tasmania group)	Mainland Australia	$90,770,814	$92,423,337	$63,150,052	$70,676,477	$67,655,930
	Tasmania	$75,485,085	$104,217,841	$116,248,330	$125,160,459	$129,682,000
	Overseas	$22,456,813	$31,072,040	$21,348,313	$20,180,672	$13,121,715
Proportion of spending (Momentum Energy)	Mainland Australia	99.7%	97.9%	98.6%	98.8%	98.6%
	Tasmania	0.2%	1.4%	0.8%	0.7%	0.4%
	Overseas	0.1%	0.7%	0.6%	0.5%	1%
Value of spending (Momentum Energy)	Mainland Australia	$15,748,334	$12,434,999	$14,924,790	$24,178,730	$30,729,694
	Tasmania	$30,705	$179,857	$119,979	$165,472	$117,075
	Overseas	$16,614	$83,986	$97,446	$125,491	$316,344

[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: 1,725 creditors with the following payment terms:	
7 days	94
14 days	220
21 days	15
30 days	1396
Total number of accounts due for payment	30176
Number of accounts paid on time[a]	28071
Amount due for payment	$241,622,755.68
Amount paid on time	$217,187,964.00
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	$ 0

[a] Reasons for delays include delays in ongoing improvements in the process for internal approvals for payments to be made and identification of disputed invoices. Actions taken to improve performance include:

- Account reviews with key suppliers to address payment terms and dispute processes
- Increased use of automated features in invoice system to streamline processing
- Improved reporting developed for timely invoice management

About this report

Hydro Tasmania's annual report covers the financial year from 1 July 2019 to 30 June 2020. 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.

Hydro Tasmania

www.hydro.com.au

4 Elizabeth Street
Hobart, Tasmania 7000
Postal Address: GPO Box 355
Hobart Tasmania 7001

Phone within Australia: 1300 360 441
Phone international: +61 3 6230 5111
Fax: +61 3 6230 5855
Email: contactus@hydro.com.au

Entura

www.entura.com.au

89 Cambridge Park Drive
Cambridge, Tasmania 7170
Phone: +61 3 6245 4500
Fax: +61 3 6245 4550
Email: info@entura.com.au

Melbourne

Level 8, 530 Collins Street
Melbourne, Victoria 3000
Phone: +61 3 8628 9700
Fax: +61 3 8628 9764

Adelaide

322 Glen Osmond Road,
Myrtle Bank, South Australia, 5064
Phone: +61 8 8338 0085
Fax: +61 8 8338 4733

New Delhi, India

Unit 3A, 3rd Floor
Plot No. FC-24, Film City Sector-16A,
Noida, District Gautam Budh Nagar,
Uttar Pradesh-201301, India
+91 120 403 3100
+91 120 403 3130

Momentum Energy

www.momentum.com.au

Postal Address:
PO Box 353 Flinders Lane
Melbourne, Victoria 8009
Phone: 1800 794 824 (1800 SWITCH)
1300 662 778 (Customer Care)
Email: info@momentum.com.au

Contact

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.

Contact us by phone on 1300 360 441 or email contactus@hydro.com.au or write to GPO Box 355, Hobart, Tasmania, Australia 7001

facebook.com/HydroTasmania

twitter.com/HydroTasmania

youtube.com/HydroTasmania

linkedin.com/company/hydro-tasmania


Hydro
Tasmania