Hydro Tasmania

Powering generations

Annual Report 2017

Our vision

Australia's leading clean energy business inspiring pride and building value for our owners, our customers and our people.

Our values

We put people's health and **safety** first

We build value for our partners and customers through **innovation** and outstanding service

We behave with honesty and **integrity**

We work together, **respect** each other and value our diversity

We are **accountable** for our actions

We are committed to creating a **sustainable** future

Cover image: Brett Brady at Lake Gordon

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 ended 30 June 2017. The report has been prepared in accordance with the provisions of the *Government Business Enterprises Act 1995*.

Grant Every-Burns
Chairman, Hydro-Electric Corporation
October 2017

Stephen Davy
Director, Hydro-Electric Corporation
October 2017

Hydro-Electric Corporation
ABN 48 072 377 158

The year at a glance

Tarraleah Power Station

Matthew McMullen (left) and Simon Stansbie (centre) meet Prime Minister Malcolm Turnbull during the Battery of the Nation announcement in April 2017

2016 – 17 has been a year of consolidation and rebuilding. Our water storages are above the High Reliability Level recommended by the Energy Security Taskforce and we stand ready to help make Tasmania the *Battery of the Nation.*

Achievements

- We invested more than $86.7 million of capital expenditure on our generation assets.
- We maintained hydropower storages at 40% at the start of summer and 30% at the end of summer.
- We launched our Community Grant Program, supporting grassroots community projects.
- Investigating and mapping out development opportunities for Tasmania to make a bigger contribution to the National Electricity Market (NEM) through our Battery of the Nation initiative.
- Entura finished the technical feasibility study on the Kidston pumped hydro energy storage project in North Queensland.
- Momentum Energy enjoyed strong electricity and gas customer growth in a challenging retail environment.
- We took action, with the Tasmanian Government, to limit price impacts for Tasmanian business affected by soaring wholesale prices on the mainland.

Flood damage at Tods flume

Kate Hickey receives Hydro Tasmania's award for corporate volunteering from Tasmanian Governor Kate Warner

Challenges

- Repairing the damage caused by the floods of winter 2016, costing in the realm of $4 million across about 80 sites.
- Managing storm damage on King Island, when almost half our 1200 customers on the island lost power for several days.
- We continue to negotiate in good faith with Tasmanian Gas Pipeline and are determined to get a fair and reasonable arrangement for Tasmanians.
- Commercial discussions are ongoing with Basslink Pty Ltd relating to the extended 2015-16 Basslink outage.

Awards

- Australian Engineering Excellence Awards:
  - We won the Infrastructure Project category for our Rowallan Dam upgrade, testament to how seriously we take dam safety and maintenance.
  - Entura, along with client Tasmanian Irrigation and partner Water Solutions Pty Ltd, won the Environmental Engineering Excellence Award for the Meander Dam integrated water management system.
- Hydro Tasmania won the 2017 corporate award for our employee volunteering program in the Tasmanian Volunteering Awards.
- Momentum Energy had multiple category wins in the Mozo's People's Choice Awards for 2017.

Above: ***Holly Frankcombe (left) and Matthew Howard at Poatina penstock***

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Above: ***Refurbishment works being undertaken at Wayatinah Power Station***

Message from the Chairman and Chief Executive Officer

Chairman Grant Every-Burns

Chief Executive Officer Stephen Davy

Foreword

Hydro Tasmania spent 2016-17 rebounding strongly from past challenges and developing a strong new vision for Tasmania's energy future.

As promised, we've rebuilt storages and restored profitability after the energy supply challenge of 2015-16.

We've supported the Tasmanian Energy Security Taskforce and Public Accounts Committee of the Tasmanian Parliament in their mission to bolster Tasmania's energy security.

We've sought new ways to contribute to the Tasmanian community, mindful of the fact that Hydro's connection and duty towards Tasmania goes well beyond that of most other businesses.

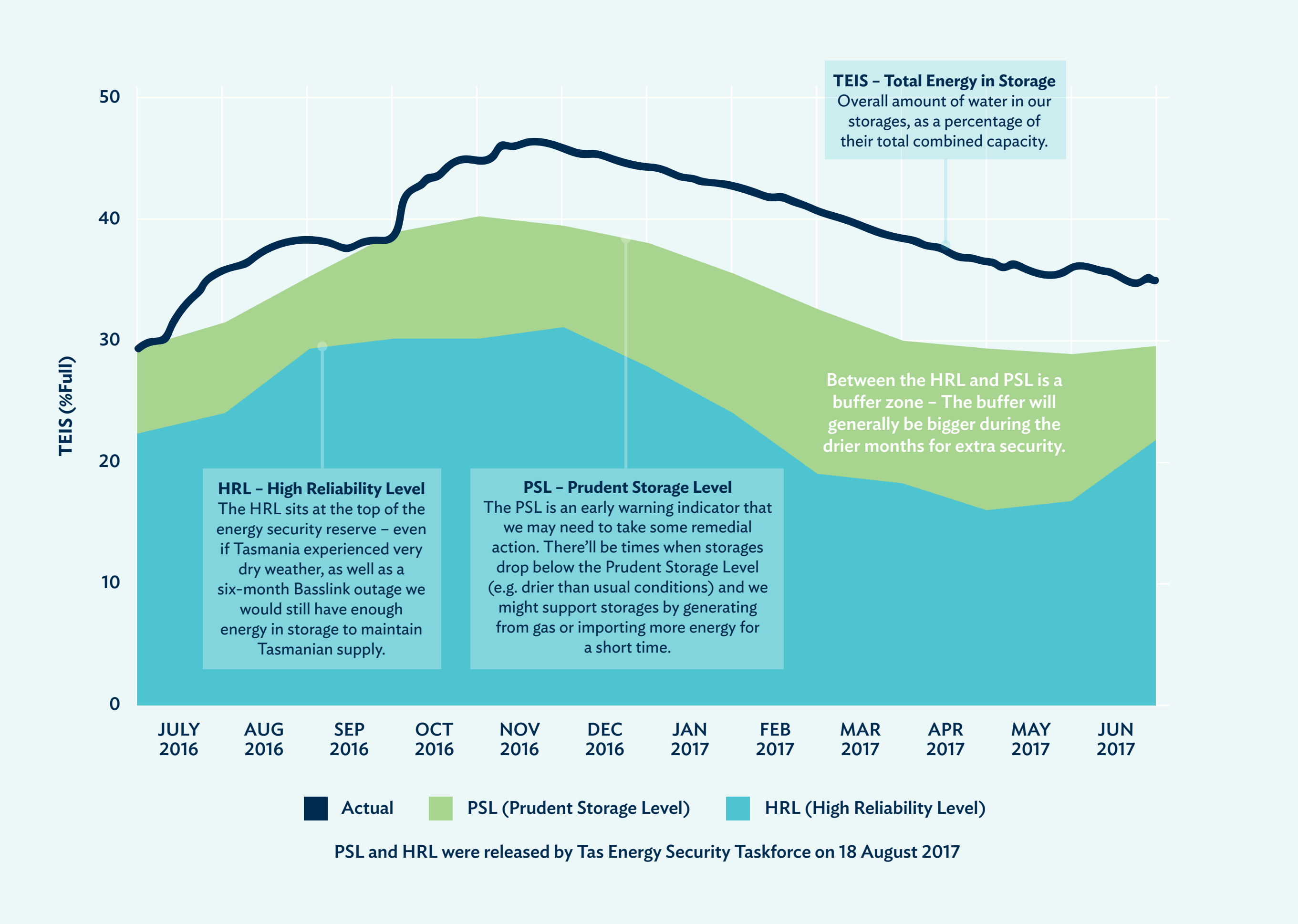
We've sought to listen and communicate more often and more effectively with our most important customers – the people of Tasmania.

And we've forged an ambitious but achievable vision to help lead Australia through its challenging transition to a low-carbon economy, by making Tasmania the *Battery of the Nation*.

We know, more acutely than ever, that Tasmanians want secure and affordable electricity, and want it sourced as cleanly and sustainably as possible. As Australia's largest generator of renewable energy, the needs and priorities of Tasmania shape everything we do.

Significant challenges lie behind and ahead. But in the context of a strained National Energy Market, Tasmania's energy landscape will offer stability and promises more opportunity than it has for many years.

Figure 1: How we measure energy security



Energy Security

At time of writing, our water storages are very securely placed for the summer of 2017-18.

We comfortably exceeded our storage target of 30 per cent at the end of June 2017, and have already exceeded the next target of 40 per cent by the start of summer (1 December). Storages reached 40 per cent on 18 August.

Despite a drier than average autumn and winter this year, careful management of our diverse generating assets (hydropower, wind and gas) has laid a very solid platform.

A conclusive line has now been drawn under the supply challenge of 2015-16, with both the Tasmanian Energy Security Taskforce and Public Accounts Committee releasing their final reports.

Both confirmed that the challenge of 2015-16 was caused by a combination of unprecedented events, and that Hydro Tasmania responded decisively to keep the lights on.

Hydro Tasmania participated wholeheartedly and transparently in both processes. We've welcomed the recommendations of the Taskforce, in particular, as a robust and responsible approach to protecting Tasmania against extreme events without pushing up wholesale energy prices.

All challenges present an opportunity to learn and improve, and the events of 2015-16 are no different. Hydro Tasmania has learned, listened and responded to help give Tasmanians a secure future.

The High Reliability Level concept endorsed by the Taskforce will become a very important and familiar tool for our business. It's designed to both support energy security and, perhaps more importantly, allow Tasmanians to monitor it for themselves.

These important steps and a more conservative approach to water management will ensure that Tasmania is prepared for future variation in inflows and would retain energy security in the event of supply disruptions.

Finances

In 2015-16, Hydro Tasmania posted an underlying loss of $65.4 million before tax, due mainly to the cost of the energy supply challenge. We pledged to rebound strongly in 2016-17 by breaking even or posting a small profit. We've done so, achieving an underlying profit of $20.1 million (before tax, fair value adjustments and revaluations.)

The Accounting loss of $222.6m was due to unfavourable movements in the fair value of Hydro Tasmania's sales contracts for electricity derivatives in Tasmania, also driven by increases in the market price of electricity. Valuation changes in sales contracts are recognised in the Income Statement and are included in the profit or loss result before income tax. Hydro Tasmania's net debt at 30 June 2017 was $733 million which was a reduction of $89 million from the previous year. The operating cash flows were $100 million higher than last year due to the strong underlying result and positive movements in working capital.

The financial result was significantly better than forecast a year ago. This reflects a concentrated effort on cost control and implementing efficiencies across the business and reduced financial costs as a result of the equity injection made during the year by the Tasmanian Government.

Battery of the Nation

The *Battery of the Nation* project is fundamentally about energy security and affordable prices, especially for Tasmania.

If we can double Tasmania's renewable capacity, we'll simultaneously lock in full energy security for our island, ensure Tasmanians enjoy some of Australia's cheapest power prices, and be able to contribute ample surplus flexible, dispatchable energy to mainland Australia, where it's going to be badly needed.

The *Battery of the Nation* involves:

A) Seeking to double Tasmania's renewable energy capacity (to 5,000 megawatts), and securing large-scale renewable storage capacity, by installing about 2,500 MW of pumped hydro energy storage capacity.

B) Upgrading our existing hydropower assets to boost efficiency and capacity. Redeveloping the ageing Tarraleah Power Scheme is one example.

C) Exploring a bigger role for Tasmanian hydropower in the national electricity market.

Pumped hydro energy storage is of great interest - both in Tasmania and across Australia - because of its large scale storage potential and ability to provide reliable energy on-demand for sustained periods.

Wind and solar will play a huge role in Australia's decarbonised energy market, including in Tasmania. However, they're variable types of energy – available only when the sun is shining and the wind is blowing. Pumped hydro energy storage systems can balance the system by providing the stable dispatchable energy that's needed when wind and solar generation is low or non-existent.

We're working closely with Tasmanian stakeholders on the *Battery of the Nation*, and environmental and social impact studies will play an important part.

We've ruled out any development in the Tasmanian Wilderness World Heritage Area or national parks, and excluded any such sites from our studies.

Hydro Tasmania takes its water supply obligations very seriously (for example, to irrigators), and will continue to meet them. Affordable pricing is also very important, and those issues will be considered as part of any pumped hydro energy storage evaluation.

Momentum Energy

Hydro Tasmania's ownership of our mainland retail business, Momentum Energy, continues to be of great benefit in the extremely competitive national market. Ownership of our retail business helps us manage market risk arising from participation in the National Electricity Market.

In 2016-17, Momentum exceeded its overall customer site sales target, with growth of 14 per cent overall and 20 per cent in Victoria. It's therefore one of the fastest-growing energy retailers in Victoria.

Momentum also achieved a Net Promoter Score of +56, exceeding its target of +53, and was recently recognised for customer service in multiple categories at the Mozo's People's Choice Awards.

Significant work was completed during the year on implementation of a new retail customer management system, which will improve Momentum's productivity as well as greatly enhance the customer experience.

Entura

Entura exceeded its profit and sales targets for the year, also achieving a Net Promoter Score of +38.5 (exceeding the target of +30).

There were project wins and progress on existing hydropower, wind and solar projects in Uganda, India, Nepal, the Republic of the Marshall Islands, throughout south-east Asia, and throughout Australia, including in Tasmania.

A key project was the technical feasibility study for the Kidston Pumped Storage Hydro project in Queensland. Entura has built a reputation as the "go to" consultant for pumped hydro energy storage in Australia and is now well-positioned to secure new work in this field, providing invaluable expertise for the *Battery of the Nation* initiative.

In negotiating with PowerChina to form a joint venture to take forward the Entura business we have sought to put the joint venture on as equal a footing as possible. We have not yet been able to reach an agreement that satisfies both PowerChina's requirements and Hydro Tasmania's commercial interests. What we have developed is a very positive relationship, with all parties keen to progress the mutual benefits of partnership. While we explore arrangements that may satisfy the needs of all parties, we are continuing to work together on a range of consulting opportunities internationally and in Australia in hydropower, pumped storage and wind development, and to develop a joint marketing plan and strategy.

Taking the top environmental engineering award by Engineers Australia was also a highlight for Entura. Along with client Tasmanian Irrigation and partner Water Solutions Pty Ltd, Entura won the Environmental Engineering Excellence Award for the Meander Dam integrated water management system at the 2016 Australian Engineering Excellence Awards.

Gas transmission

There's been considerable attention on our ongoing efforts to secure a new gas transmission arrangement with Tasmanian Gas Pipeline (TGP).

We're determined to get a fair and reasonable arrangement for Tasmanians, and continue to negotiate in good faith.

We'd be failing Tasmanians if we accepted an arrangement that's not reasonable or suitable for Tasmania. That includes any arrangement that locks in Tasmania for too long a period at too high a price.

We recognise that certainty is important for Tasmanian gas customers, and Hydro Tasmania has extended gas transportation arrangements for three major gas users until the end of 2017, under the existing contract.

A new arbitration process has been available since 1 August 2017, to help facilitate an arrangement, if required. The purpose of arbitration would be to create the sort of outcome you'd expect in a market where 'workable competition' exists (noting that TGP is a monopoly operator).

However, we'd still prefer to reach a negotiated commercial agreement with TGP.

For Tasmania

Tasmanians are our owners, our most important customers, and the very people we were created to serve. That includes the Tasmanian businesses and industries that rely on our clean energy to power production and employ Tasmanians.

But we're also very aware of the cost pressures on Tasmanians and Tasmanian businesses, and we look to help out wherever possible.

In May, we took swift action to help protect many Tasmanian businesses from soaring wholesale prices on the mainland. Tasmanian wholesale power prices are generally based on the Victorian market, and we believe Victoria's wholesale prices for this new financial year are unsustainably high for Tasmanians. We are therefore pricing wholesale contracts for 2017-18 in line with Victorian prices projected for next financial year (2018-19). At recent market values, the move will reduce the cost of wholesale electricity by about 20 per cent and cost Hydro Tasmania up to $15 million in foregone revenue next financial year. That's revenue we would've received because of higher Victorian prices, but didn't originally expect to make in our financial projections.

Hydro Tasmania has traditionally had a very strong relationship with Tasmanians, built largely on the role we've played in building the state's prosperity over more than a century, and the personal connections that tens of thousands of people have had with us. During the height of the hydropower construction era in Tasmania, Hydro Tasmania seemed to be everywhere. We employed about 7,000 people at that time. We built towns and the roads that led to them, and we attracted migrants and new industry to the state. Everyone in Tasmania was either related to, or knew someone who worked for the Hydro.

That relationship has waned somewhat as our huge construction role has wound back and those personal connections have not carried over to younger generations. Young people are the future of Tasmania. We know they face a range of challenges and as a business we know we've lost much of our connection and relevance for them. We have a role to play in supporting young Tasmanians and providing them with opportunities in their home state.

For that reason, we've employed an education officer to get back into Tasmanian schools, and are establishing our new education program "Generation Hydro". The purpose of the program is to connect young Tasmanians with the history, legacy, challenges, opportunities and innovation of our energy business. It is important that our next generation is afforded the knowledge and encouraged to use their skills and talents to contribute to a strong future for Tasmania.

The program will share our innovation and knowledge of Science, Technology, Engineering and Mathematics (STEM) with young Tasmanians and promote career opportunities in those fields. And we'd like to think that a number of them will end up working with Hydro Tasmania.

We are also strengthening our connection with communities through our formal partnerships, our award-winning employee volunteering program, and a new program that provides support for community-level initiatives.

The Community Grants Program offers grants of up to $5,000 for not-for-profit community projects that make a difference in Tasmanian communities. In its inaugural year we received nearly one hundred applications. Grants were awarded to projects across the state that will support activities including a work-ready program for unemployed young people, equipment to run a healthy garden program, and upgrade of community radio broadcasting equipment.

Tasmania's energy assets

Hydro Tasmania manages an extensive portfolio of assets including 54 major dams and 30 hydropower stations. Our portfolio earns us the place as Australian's largest renewable energy generator, and we are committed to keeping these assets operating safely and reliably for future generations of Tasmanians.

To achieve this we will invest around $1 billion in capital improvements over the coming decade. In the year just ended, we invested $86.7 million in routinely maintaining and upgrading our assets.

That investment included major refurbishments at Cluny, Liapootah and Wayatinah power stations, significant work repairing damage at around 80 sites from the floods of last winter, and progressing work on the innovative Flinders Island renewable energy hub.

Our Asset Management Plan sets out a very clear schedule and budget for maintaining and upgrading our assets, and we're confident we can keep them operating well, safely and efficiently for future generations of Tasmanians.

Conclusion

Australia is seeking solutions for energy affordability, security and carbon emissions reduction. We will monitor the changing environment and investigate opportunities for Tasmania to contribute to a secure and reliable future NEM through the Battery of the Nation initiative.

In doing so, we will maintain our focus on Tasmania and Tasmanians. Tasmanians are our owners, our most important customers, and the very people we were created to serve. In our analysis of opportunities for Hydro Tasmania and for the State, our consideration will always be whether it is good for Tasmania.

With Tasmania's energy future secure, it's the right time to explore a much bigger and crucial role in Australia's energy future.

Our state already proves that hydropower can provide the reliable and affordable base-load power Australia badly needs into the future. We also have nation-leading expertise when it comes to integrating renewable energy into the grid in a stable and affordable way. We've done that innovatively and successfully in Tasmania, and it's the very challenge mainland Australia is starting to grapple with.

Hydro Tasmania has powered this state for more than a century. These forward looking projects and reinvestment in Hydro Tasmania's existing assets prepare us for the next 100 years.

It's the right time to see if an expanded role for Tasmanian energy resources stacks up – either fully or partly.

If we're right, and it's a good answer for Australia, then Tasmanians will also reap the benefit of extra development and jobs, as well as having the most reliable and best-priced energy supply in Australia.

Above: ***Gordon Power Station at Strathgordon***

Financial Report

For the year ended 30 June 2017

Income Statement

for the Year Ended 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
Revenue					
Sale of products and services	2(a)	1,440,403	1,335,863	512,326	453,443
Fair value gains	2(c)	46,979	10,586	2,468	196
Share of profit of joint venture entities		2,114	-	-	-
Other		39,127	21,580	66,537	20,872
Total revenue		1,528,623	1,368,029	581,331	474,511
Expenses					
Direct expenses		1,048,215	1,022,785	215,667	225,373
Labour		129,311	124,821	101,150	95,989
Depreciation and amortisation		109,094	100,666	104,358	94,873
Finance expenses	2(b)	56,668	58,219	55,960	91,306
Fair value losses	2(d)	375,001	296,151	375,001	289,253
Revaluation and impairment expenses/(gains)	2(e)	781	(58,697)	11,130	(73,370)
Share of loss of joint venture entities		-	102	-	-
Other		118,261	116,285	67,324	72,757
Total expenses		1,837,331	1,660,332	930,590	796,181
Profit/(loss) before income tax equivalent expense		(308,708)	(292,303)	(349,259)	(321,670)
Comprising:					
Result before fair value movements and revaluation expenses		20,095	(65,435)	34,404	(105,983)
Net fair value gains/(losses)		(328,022)	(285,565)	(372,533)	(289,057)
Revaluation and impairment (expenses)/gains		(781)	58,697	(11,130)	73,370
Profit/(loss) before income tax equivalent expense		(308,708)	(292,303)	(349,259)	(321,670)
Income tax equivalent expense/(benefit)	4(a)	(86,095)	(87,283)	(103,247)	(79,303)
Profit/(loss) after tax attributable to owners of the parent		(222,613)	(205,020)	(246,012)	(242,367)

The Income Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 21 to 76.

Statement of Comprehensive Income

for the Year Ended 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
Profit/(loss) after tax attributable to owners of the parent		(222,613)	(205,020)	(246,012)	(242,367)
Other comprehensive income					
Items that will not be reclassified in subsequent years to operating result					
Revaluation of property, plant and equipment		(597)	356,131	(597)	356,131
Actuarial gain/(loss) on RBF provision	19	56,193	(66,838)	56,193	(66,838)
Income tax relating to components of other comprehensive income		(16,679)	(86,788)	(16,679)	(86,788)
Items that may be reclassified in subsequent years to operating result					
Foreign currency translation gain/(loss)		278	255	-	-
Fair value gain/(loss) on cash flow hedges		2,480	(1,873)	2,480	(1,873)
Income tax relating to components of other comprehensive income		(827)	485	(744)	562
Total other comprehensive income		40,848	201,372	40,653	201,194
Total comprehensive income/(loss) attributable to the owners of the parent		(181,765)	(3,648)	(205,359)	(41,173)

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 21 to 76.

Balance Sheet

as at 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
Current assets					
Cash and cash equivalents		17,054	21,395	14,550	15,066
Receivables	6	368,659	380,872	216,278	215,135
Investments	7(a)	100,003	61,303	100,000	61,300
Inventories	8	2,932	3,113	2,932	3,113
Other financial assets	11(a)	518,799	237,272	518,614	237,214
Current tax asset	4(c)	3,160	26,105	3,160	26,105
Other	12(a)	50,559	11,982	8,770	4,521
Total current assets		1,061,166	742,042	864,304	562,454
Non-current assets					
Investments	7(b)	-	-	203,827	203,827
Investments in joint ventures	7(b)	59,262	63,804	-	-
Property plant and equipment	9	4,570,874	4,549,079	4,518,018	4,493,700
Other financial assets	11(b)	537,109	384,312	537,109	384,312
Intangible assets	10	75,329	79,546	70,479	76,468
Goodwill	13	16,396	16,396	-	-
Other	12(b)	1,840	51,307	-	-
Total non-current assets		5,260,810	5,144,444	5,329,433	5,158,307
TOTAL ASSETS		6,321,976	5,886,486	6,193,737	5,720,761
Current liabilities					
Payables	14	318,713	315,839	256,177	227,764
Interest-bearing liabilities	15(a)	85,838	60,720	85,838	60,720
Provisions	16(a)	124,017	94,863	79,348	40,497
Other financial liabilities	17(a)	768,550	394,312	768,550	394,312
Other	18	7,209	11,217	175,247	172,384
Total current liabilities		1,304,327	876,951	1,365,160	895,677
Non-current liabilities					
Interest-bearing liabilities	15(a)	768,995	849,380	768,995	849,380
Deferred tax liability	4(d)	472,997	564,199	556,360	661,944
Provisions	16(b)	393,903	484,636	313,127	370,507
Other financial liabilities	17(b)	1,417,215	1,015,613	1,417,215	1,015,613
Total non-current liabilities		3,053,110	2,913,828	3,055,697	2,897,444
TOTAL LIABILITIES		4,357,437	3,790,779	4,420,857	3,793,121
NET ASSETS		1,964,539	2,095,707	1,772,880	1,927,640
EQUITY					
Contributed equity		678,206	628,206	678,206	628,206
Reserves		243,870	242,357	243,884	242,566
Retained earnings		1,042,463	1,225,144	850,790	1,056,868
TOTAL EQUITY		1,964,539	2,095,707	1,772,880	1,927,640

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial report included on pages 21 to 76.

Cash Flow Statement

for the Year Ended 30 June 2017

	NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Inflows:					
Receipts from customers		1,649,181	1,393,006	611,900	436,366
Operating grants and subsidies received		17,308	11,584	17,308	11,584
Interest received		3,050	277	3,037	244
Outflows:					
Payments to suppliers and employees		(1,512,165)	(1,339,184)	(496,330)	(388,461)
Interest paid		(34,731)	(34,671)	(34,731)	(34,670)
Government guarantee fee		(5,045)	(8,483)	(5,045)	(8,483)
Income tax equivalent paid		-	(5,000)	-	(5,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5(b)	117,598	17,529	96,139	11,580
CASH FLOW FROM INVESTING ACTIVITIES					
Inflows:					
Proceeds from sale of property, plant and equipment		422	25	422	11
Proceeds from financial derivatives		47,297	54,015	47,294	50,824
Proceeds from loans to associates		-	266	-	-
Net receipts of intercompany loans		-	-	2,016	12,005
Dividends from joint venture		5,875	4,650	-	-
Dividends from subsidiaries		-	-	29,048	-
Outflows:					
Payments for property, plant and equipment		(131,213)	(109,078)	(131,115)	(106,205)
NET CASH USED IN INVESTING ACTIVITIES		(77,619)	(50,122)	(52,335)	(43,365)
CASH FLOW FROM FINANCING ACTIVITIES					
Inflows:					
Proceeds from Tascorp loans		-	290,200	-	290,200
Equity contributions received		50,000	70,000	50,000	70,000
Outflows:					
Repayment of Tascorp loans		(54,900)	(234,900)	(54,900)	(234,900)
Repayment of finance lease		(720)	(703)	(720)	(703)
Dividends paid		-	(25,000)	-	(25,000)
NET CASH USED IN FINANCING ACTIVITIES		(5,620)	99,597	(5,620)	99,597
NET INCREASE/(DECREASE) IN CASH		34,359	67,004	38,184	67,812
CASH AT BEGINNING OF THE YEAR		82,698	15,694	76,366	8,554
CASH AT END OF THE YEAR	5(a)	117,057	82,698	114,550	76,366

The Cash Flow Statement is to be read in conjunction with the notes to and forming part of the financial report included on pages 21 to 76.

Statement of Changes in Equity

for the year ended 30 June 2017

		CONSOLIDATED		PARENT	
	NOTE	2017 $'000	2016 $'000	2017 $'000	2016 $'000
CONTRIBUTED EQUITY					
Balance at the beginning of the year		628,206	558,206	628,206	558,206
Equity contributions from the State of Tasmania		50,000	70,000	50,000	70,000
Balance at the end of the year		678,206	628,206	678,206	628,206
RESERVES					
Asset revaluation reserve					
Balance at the beginning of the year		249,292	-	249,292	-
Asset revaluation (decrement)/increment		(597)	356,131	(597)	356,131
Deferred income tax recognised directly in reserves	4(b)	179	(106,839)	179	(106,839)
Balance at the end of the year		248,874	249,292	248,874	249,292
Cash flow hedge reserve	1.2(k),				
Balance at the beginning of the year	1.2(s)	(6,726)	(5,415)	(6,726)	(5,415)
Interest rate swaps		2,480	(1,873)	2,480	(1,873)
Deferred income tax recognised directly in reserves	4(b)	(744)	562	(744)	562
Balance at the end of the year		(4,990)	(6,726)	(4,990)	(6,726)
Foreign currency translation reserve					
Balance at the beginning of the year		(209)	(387)	-	-
Foreign currency translation		278	255	-	-
Deferred income tax recognised directly in reserves	4(b)	(83)	(77)	-	-
Balance at the end of the year		(14)	(209)	-	-
TOTAL RESERVES		243,870	242,357	243,884	242,566
RETAINED EARNINGS					
Balance at the beginning of the year		1,225,144	1,501,951	1,056,868	1,371,026
Net (loss)/profit		(222,613)	(205,020)	(246,012)	(242,367)
Dividend paid		-	(25,000)	-	(25,000)
Deferred income tax recognised directly in equity	4(b)	(16,858)	20,051	(16,858)	20,051
Actuarial gain/(loss) on defined benefit plans	19	56,193	(66,838)	56,193	(66,838)
Other		597	-	599	(4)
Balance at the end of the year		1,042,463	1,225,144	850,790	1,056,868
TOTAL EQUITY		1,964,539	2,095,707	1,772,880	1,927,640

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 21 to 76.

1.1 Details of reporting entity

The consolidated financial statements and notes thereto relate to Hydro-Electric Corporation (the Corporation), which is a Tasmanian Government Business Enterprise and a consolidated reporting entity. The Corporation was established as the Hydro-Electric Commission by the *Hydro-Electric Commission Act 1944* and was incorporated by the *Hydro-Electric Corporation Act 1995*. The Corporation trades using the business names, Hydro Tasmania, Entura, and through the Corporation's subsidiaries, Momentum Energy Pty Ltd and AETV Pty Ltd.

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

The Corporation owns 54 major dams, 30 operating hydropower stations, the Tamar Valley gas-fired power station, and supplies electricity to the Bass Strait islands via diesel and wind power generation. The Corporation sells energy to retail customers through its subsidiary, Momentum Energy Pty Ltd, trading in all regions of the National Electricity Market (NEM). The Corporation also operates the Entura consulting business.

At 30 June 2017 the Corporation had 1,105 full-time equivalent employees (FTEs) (2016: 1,036 FTEs) including 5 non-executive directors (2016: 5 FTEs).

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

The financial report for the year ended 30 June 2017 was adopted by the directors on 14 August 2017.

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, inventory of environmental energy products and 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 Corporation 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 Corporation and have recently been issued or amended. As they are not yet effective the Corporation has chosen not to adopt them for the year ended 30 June 2017:

Standard/Interpretation	*Effective for annual reporting periods beginning on or after*	*Expected to be initially applied in the financial year ending*
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2018
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2018	30 June 2019
AASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments'	1 January 2018	30 June 2019
AASB 2017-2 'Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle'	1 January 2017	30 June 2018
Interpretation '22 Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019

1.2 Summary of significant accounting policies (continued)

Impact of changes to Australian Accounting Standards and Interpretations

AASB 9 'Financial Instruments', and the relevant amending standards

AASB 9 issued in December 2009 introduced new requirements for the classification and measurement of financial assets. AASB 9 was subsequently amended in December 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in December 2013 to include the new requirements for general hedge accounting. Another revised version of AASB 9 was issued in December 2014 mainly to include:

a) impairment requirements for financial assets and

b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of AASB 9:

- all recognised financial assets that are within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under AASB 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, AASB 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under AASB 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, AASB 9 requires an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in AASB 139. Under AASB 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Corporation anticipate that the application of AASB 9 in the future may impact on amounts reported in respect of the Group's financial assets and financial liabilities. On this basis the Corporation is going to early adopt AASB 9 from 1 July 2017.

1.2 Summary of significant accounting policies (continued)

AASB 16 'Leases'

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The accounting model for lessees will require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. AASB 16 applies to annual periods beginning on or after 1 January 2019. The directors of the Corporation anticipate that the application of AASB 16 in the future may have a material impact on the amounts reported and disclosures made in the Corporation's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of AASB 16 until the Corporation performs a detailed review.

AASB 15 'Revenue from Contracts with Customers'

- AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 'Revenue,' AASB 111 'Construction Contracts' and the related Interpretations when it becomes effective.
- The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:
  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.
- Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The directors of the Corporation anticipate that the application of AASB 15 in the future is not likely to have a material impact on the amounts reported in the Group's consolidated financial statements. However, the Corporation is still in the process of completing a detailed assessment on the anticipated impacts and disclosure.

(c) Principles of consolidation

The consolidated financial report includes the Corporation, 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 Corporation obtained control and until such time as the Corporation ceased to control the entity. The financial reports of subsidiaries are prepared for the same reporting period as the Corporation.

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 Corporation's accounting policies, the Corporation 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(n) describes the judgement process adopted to estimate the recoverable amount of property, plant and equipment when an indication of revaluation exists or when a previous indicator of revaluation has reversed.
- **Financial liabilities and financial assets**
  Notes 1.2(k) and (s) describe the valuation methods applied to the Corporation's financial liabilities and financial assets which include judgements about market conditions and activity.

Note 3 details assumptions on financial assets and liabilities.

(e) Significant accounting estimates and assumptions

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

1.2 Summary of significant accounting policies (continued)

(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.

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.

(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 Balance Sheet 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 Corporation carries its hydro generation assets at fair value. The basis for the fair value calculation is described in note 9.

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

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:

	2017	2016
Hydro Generation	3 – 150 years	3 – 150 years
Other Generation	3 – 50 years	3 – 50 years
Motor Vehicles	4 – 33 years	4 – 33 years
Minor Assets	1 – 10 years	1 – 10 years
Buildings	5 – 50 years	5 – 50 years

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) Financial assets

Financial assets in the scope of AASB 139 'Financial Instruments: Recognition and Measurement' are classified as loans and receivables, or at fair value through profit or loss. When financial assets are initially recognised they are measured at fair value. The Corporation 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 Corporation commits to purchase the assets.

- **Loans and receivables**
  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 Corporation manages together, has a recent actual pattern of trading and is a derivative that is not designated and effective as a hedging instrument.

(l) 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(n) contains more information on the treatment of Goodwill.

(m) 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(i).

1.2 Summary of significant accounting policies (continued)

(n) Asset impairment

At each reporting date the Corporation assesses whether there is an indication that an asset may be impaired. If any such indication exists the Corporation 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 Corporation 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 pre-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.

(o) 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.

(p) 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 Corporation 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.

(q) 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 Corporation 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.

1.2 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

- **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.

(r) Taxation

Income tax equivalent

Under the *Government Business Enterprises Act 1995* the Corporation is required to pay an income tax equivalent to the State of Tasmania as if it were a company under Commonwealth income tax laws. As a result the Corporation applies tax effect accounting principles prescribed in 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 Corporation 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 Corporation 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)

(s) 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.

The Corporation enters into derivative financial instruments to manage financial exposure to electricity prices, exchange rates and interest rates.

Derivatives are initially recognised at fair value on the date the Corporation becomes party to a contract. At subsequent reporting dates the fair value is remeasured and any gain or loss (with the exception of cash flow hedges qualifying for hedge accounting) is recognised in the Income Statement.

The Corporation designates certain derivatives as effective hedges to allow hedge accounting rules to be applied. A hedge is effective if it demonstrates changes in fair value or cash flows that offset those attributable to the hedged risk over the designated hedging period. At inception of a hedge relationship the Corporation formally designates and documents the hedge relationship to which the Corporation wishes to apply hedge accounting and the alignment of the hedge to the Corporation's risk management objectives and strategies. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Corporation will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedges are hedges of the Corporation's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised as a gain or loss from current year operations in the Income Statement.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast transaction occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are recognised as gains or losses from current year operations in the Income Statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(t) Leases

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

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

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

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

(u) Borrowing expenses

Borrowing costs associated with the raising of loans are expensed when incurred except those borrowing costs directly attributable to an asset. Borrowing costs attributable to an asset are included in the capital cost of the asset.

(v) 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.

(w) Foreign currency

The consolidated statements of the Corporation 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 (k) or 1.2 (s).

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)

(x) Joint ventures

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

An investor controls an investee if they have power over the investee, are exposed to variable returns, and are able to use their power over the investee to affect the amount of the returns. The Corporation 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 Corporation having power over any of the joint ventures. The Corporation 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 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 is zero, the Corporation's share of a loss by the joint venture 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 Corporation's share of the venture's assets, liabilities, revenues and expenses.

(y) Segment Information

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

(z) Contributed equity

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

(aa) Government grants

Government grants are recognised as revenue when there is reasonable assurance that the Corporation 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.

(ab) Revenue recognition

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

- **Electricity and gas sales**
  Revenue from generated electricity and traded gas is earned from the Australian Energy Market Operator (AEMO) at market price and is recognised at the time the electricity or gas is provided. Revenue from sale of gas to other parties is recognised at contract prices at the time of delivery. Revenue from sale of retail electricity is earned at contract prices and is recognised at the time of delivery to the customer. Retail electricity sold is purchased from AEMO at market price. Exposure to fluctuations in market price is managed through the use of derivative contracts executed principally in the Tasmanian and Victorian regions. The realised gain or loss on settlement of these contracts against market price is included in electricity revenue or cost of electricity as applicable.
- **Environmental energy products**
  Revenue from environmental energy products is recognised at the time the Corporation has earned the right to register the products.
- **Consulting services**
  Consulting revenue is recognised on the basis of work completed and with regard to 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.

(ac) Rounding

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

(ad) Comparative figures

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

2. Revenue and expenses

		NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
(a)	**Revenue**					
	Revenue from the sale of goods		1,416,030	1,309,534	490,092	431,488
	Revenue from the rendering of services		24,373	26,329	22,234	21,955
			1,440,403	1,335,863	512,326	453,443
(b)	**Finance expenses**					
	Loan interest		34,039	34,518	34,039	34,518
	Government guarantee fee		8,714	7,855	8,714	7,855
	RBF interest	19	12,960	14,474	12,960	14,474
	Other finance costs		955	1,372	247	34,459
			56,668	58,219	55,960	91,306
(c)	**Fair value gains**					
	Treasury derivatives		629	196	629	196
	Onerous contracts		39,099	10,390	1,839	-
	Site rehabilitation provision		7,251	-	-	-
			46,979	10,586	2,468	196
(d)	**Fair value losses**					
	Basslink financial asset and liabilities		37,834	94,366	37,834	94,366
	Energy price derivatives		296,368	189,245	296,368	189,245
	Treasury derivatives		-	-	-	-
	Site rehabilitation provision		-	5,523	-	-
	Onerous contracts		40,694	6,821	40,694	5,446
	Other		105	196	105	196
	Fair value losses		375,001	296,151	375,001	289,253
	Fair value gains/(losses)		(328,022)	(285,565)	(372,533)	(289,057)
(e)	**Revaluation and impairment expense/(gain)**					
	Impairment of loan carried at amortised cost		781	-	11,130	23,191
	Revaluation (gain)/loss of generation assets		-	(58,697)	-	(96,561)
			781	(58,697)	11,130	(73,370)

3. Assumptions and judgements

Financial assets and liabilities

Changes in the fair value of financial assets and liabilities described below are presented as gains or losses through the Income Statement 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 Corporation is to let the obligations run their course and deliver the associated financial benefits.

- **Energy price derivatives**
  The Corporation trades in energy price derivatives in all regions of the National Electricity Market (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 139 Financial Instruments: Recognition and Measurement* financial derivatives are recorded at their fair value. Movement in fair value is recorded as a gain or loss in the Income Statement as detailed in note 2(c) and (d).

  Mainland electricity contracts are valued using published forward energy prices. The remeasurement of the fair value of energy price derivatives at 30 June 2017 has resulted in a loss being recorded in the Income Statement (note 2(d)). Details of the methodology adopted are provided in note 20(c).

- **Basslink financial asset and liabilities**
  The financial asset and liabilities associated with the Basslink agreements are recorded at fair value in accordance with AASB 139. The remeasurement of the net financial liability to fair value at 30 June 2017 has resulted in loss being recorded in the Income Statement (note 2(d)). Note 20(c) details the methodology used to calculate the fair value of the Basslink financial asset and liabilities.

Asset valuation

Assets are fair valued and assessed for impairment in accordance with the methodology described in note 1.2(n). Note 9 describes the inputs to the asset revaluation model. Goodwill generated by acquisition of a business is attributed to cash generating units (CGU) as described in note 1.2(n). 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 Corporation's weighted average cost of capital.

Site rehabilitation provision

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

Onerous Contracts

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

Unbilled energy

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

4. Income tax equivalent

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Income tax (benefit)/expense reported in Statement of Comprehensive Income**				
	Current income tax liability/(receivable)	17,588	4,763	14,750	401
	Adjustments in respect of income tax of prior years	4,164	(415)	4,377	(209)
	Income tax expense in relation to foreign operations	228	511	-	-
	Deferred income tax expense arising from origination and reversal of temporary differences	(108,075)	(92,142)	(122,374)	(79,495)
	Income tax (benefit)/expense recognised in the Statement of Comprehensive Income	(86,095)	(87,283)	(103,247)	(79,303)
	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	(308,708)	(292,303)	(349,259)	(321,670)
	Income tax (benefit)/expense calculated at 30%	(92,611)	(87,691)	(104,777)	(96,501)
	Adjustment in respect of income tax of previous years	4,376	(185)	4,377	(209)
	Income tax expense in relation to foreign operations	228	511	-	-
	Expenditure not deductible for income tax purposes	1,912	82	2,528	211
	Effect of transactions within the tax consolidated group that are not subject to taxation	-	-	(5,375)	17,196
	Income tax (benefit)/expense recognised in the Statement of Comprehensive Income	(86,095)	(87,283)	(103,247)	(79,303)
(b)	**Income tax (expense)/benefit recognised directly in equity**				
	Revaluation of effective hedges	(744)	562	(744)	562
	Actuarial assessment of RBF provision	(16,858)	20,051	(16,858)	20,051
	Revaluation of property, plant and equipment	179	(106,839)	179	(106,839)
	Other	(83)	(77)	-	-
	Income tax (expense)/benefit recognised in equity	(17,506)	(86,303)	(17,423)	(86,226)
(c)	**Current tax assets and liabilities**				
	Current tax asset	3,160	26,105	3,160	26,105
(d)	**Deferred tax balances**				
	Deferred tax assets comprise:				
	Deductible temporary differences	819,429	606,314	780,740	554,638
	Tax losses	3,848	3,533	3,848	3,533
		823,277	609,847	784,588	558,171
	Deferred tax liabilities comprise:				
	Assessable temporary differences	1,296,274	1,174,046	1,340,948	1,220,115
	Net deferred tax liabilities	472,997	564,199	556,360	661,944

4. Income tax equivalent (continued)

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

	2017 CONSOLIDATED					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,009,317	(6,141)	(179)	-	-	1,002,997
Electricity derivatives	50,930	119,427	-	-	-	170,357
Financial assets	100,375	(355)	-	-	-	100,020
Other	13,424	9,651	-	(175)	-	22,900
	1,174,046	122,582	(179)	(175)	-	1,296,274
Deferred tax assets:						
Provision for employee entitlements	119,837	227	(16,858)	-	-	103,206
Basslink and other financial liabilities	423,348	233,496	(744)	-	-	656,100
Provisions	54,703	(1,678)	-	16	-	53,041
Other	8,426	(1,388)	(83)	127	-	7,082
	606,314	230,657	(17,685)	143	-	819,429
Net deferred tax liabilities	567,732	(108,075)	17,506	(318)	-	476,845
Unused tax losses and credits	(3,533)	-	-	(315)	-	(3,848)
Net deferred tax liabilities	564,199	(108,075)	17,506	(633)	-	472,997

	2017 PARENT					
	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Adjustments $'000	Acquisitions $'000	Closing balance $'000
Deferred tax liabilities:						
Property, plant and equipment	1,060,938	(9,658)	(179)		-	1,051,101
Electricity derivatives	50,930	119,427	-	-	-	170,357
Financial assets	100,375	(355)	-	-	-	100,020
Other	7,872	11,598	-	-	-	19,470
	1,220,115	121,012	(179)	-	-	1,340,948
Deferred tax assets:						
Provision for employee entitlements	119,032	79	(16,858)	-	-	102,253
Basslink and other financial liabilities	423,348	233,496	(744)	-	-	656,100
Provisions	4,372	11,255	-	-	-	15,627
Other	7,886	(1,444)	-	318	-	6,760
	554,638	243,386	(17,602)	318	-	780,740
Net deferred tax liabilities	665,477	(122,374)	17,423	(318)	-	560,208
Unused tax losses and credits	(3,533)	-	-	(315)	-	(3,848)
Net deferred tax liabilities	661,944	(122,374)	17,423	(633)	-	556,360

4. Income tax equivalent (continued)

	2016 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	886,434	16,044	106,839	-	-	1,009,317
Electricity derivatives	18,392	32,538	-	-	-	50,930
Financial assets	120,873	(20,498)	-	-	-	100,375
Other	17,589	(4,165)	-	-	-	13,424
	1,043,288	23,919	106,839	-	-	1,174,046
Deferred tax assets:						
Provision for employee entitlements	100,877	(1,091)	20,051	-	-	119,837
Basslink and other financial liabilities	309,035	113,751	562	-	-	423,348
Provisions	50,276	4,427	-	-	-	54,703
Other	9,530	(1,026)	(77)	-	-	8,426
	469,718	116,061	20,536	-	-	606,314
Net deferred tax liabilities	573,572	(92,142)	86,303	-	-	567,732
Unused tax losses and credits	(3,892)	359	-	-	-	(3,533)
Net deferred tax liabilities	569,680	(91,783)	86,303	-	-	564,199

	2016 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	930,269	23,830	106,839	-	-	1,060,938
Electricity derivatives	18,392	32,538	-	-	-	50,930
Financial assets	120,873	(20,498)	-	-	-	100,375
Other	9,917	(2,045)	-	-	-	7,872
	1,079,451	33,825	106,839	-	-	1,220,115
Deferred tax assets:						
Provision for employee entitlements	99,991	(1,010)	20,051	-	-	119,032
Basslink and other financial liabilities	309,035	113,751	562	-	-	423,348
Provisions	2,723	1,649	-	-	-	4,372
Other	8,956	(1,070)	-	-	-	7,886
	420,705	113,320	20,613	-	-	554,638
Net deferred tax liabilities	658,746	(79,495)	86,226	-	-	665,477
Unused tax losses and credits	(3,892)	359	-	-	-	(3,533)
Net deferred tax liabilities	654,854	(79,136)	86,226	-	-	661,944

All deferred tax balances relate to continuing operations.

At 30 June 2017, there is no recognised or unrecognised deferred income tax liability (2016: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or joint ventures. The Group has no liability for additional taxation should such amounts be remitted.

5. Note to the cash flow statement

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	Cash reconciliation				
	Cash	17,054	21,395	14,550	15,066
	Money market investments	100,003	61,303	100,000	61,300
		117,057	82,698	114,550	76,366
	Reconciliation of net cash provided by operating activities to net profit for the year				
(b)	(Loss)/profit after income tax equivalent expense	(222,613)	(205,020)	(246,012)	(242,367)
	Adjusted for non-cash items of income and expense:				
	Depreciation of property, plant and equipment	92,016	84,678	88,726	80,328
	Amortisation	17,078	15,988	15,632	14,545
	Revaluations and impairment	781	(58,697)	11,130	(73,370)
	Loss on derecognition of property, plant and equipment	3,926	1,901	3,926	1,517
	Equity accounted share of joint venture (profit)/loss	(2,114)	102	-	-
	Intercompany loans forgiven	-	-	-	34,166
	Fair Value Adjustments	328,022	285,565	372,533	289,057
	Income Tax (Benefit)/Expense	(86,095)	(87,283)	(103,247)	(79,303)
	Cash from operating profit before changes in working capital	131,001	37,234	142,688	24,573
	Decrease/(increase) in receivables	12,492	(130,396)	(7,882)	(116,059)
	Decrease/(increase) in inventories	181	(574)	181	(574)
	(Decrease)/increase in other financial assets and liabilities	(29,416)	(46,245)	(66,182)	(25,471)
	Increase/(decrease) in payables	3,069	151,556	28,526	131,874
	Increase/(decrease) in provisions	271	10,954	(1,192)	2,237
	Income tax equivalent paid	-	(5,000)	-	(5,000)
	NET CASH PROVIDED BY OPERATING ACTIVITIES	117,598	17,529	96,139	11,580

6. Receivables

	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
Trade receivables	371,034	384,768	216,294	215,190
Provision for impairment	(2,375)	(3,896)	(16)	(55)
	368,659	380,872	216,278	215,135
Ageing of past due but not impaired trade receivables:				
60-90 Days	1,009	403	144	97
Over 90 Days	2,518	2,282	400	352
	3,527	2,685	544	449

The amount past due but not impaired included in trade receivables is predominantly attributable to consulting services clients and retail customers. A provision for impairment has been recorded following assessment of the credit quality of the clients or customers with overdue accounts. This provision represents those accounts considered to be wholly or partially non-recoverable. The Corporation expensed $4.5m of bad debts during the year (2016: $4.4m).

The Corporation does not hold any security over the balances past due.

7. Investments

		NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
(a)	**Current investments**					
	Money Market Investments		100,003	61,303	100,000	61,300
(b)	**Non-current investments**					
	Investment in Joint Ventures	30	59,262	63,804	-	-
	Investment in Subsidiaries		-	-	203,827	203,827
			59,262	63,804	203,827	203,827

8. Inventories

	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
Maintenance stores	2,932	3,113	2,932	3,113
	2,932	3,113	2,932	3,113

9. Property, plant and equipment

Asset valuation

The hydro generation class of assets is carried at fair value. The fair value calculation is based on an internally generated Tasmanian energy price curve derived from the published three-year Victorian energy price curve. These prices are determined by market assessment of the many variables that may influence future prices including pending regulation and legislation. The price curve has been validated by comparison to other published price trend predictions in the National Electricity Market (NEM). The valuation also includes projected revenue under the existing large-scale mandatory renewable energy target until 2030 based on observed market prices.

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

Beyond the period when market prices are observable, the Corporation derives forecast prices from an internal model for use in the fair value calculation. The modelled prices assume an uplift in electricity prices from carbon abatement policies from 2022 onwards. There is no carbon included in either the market or modelled prices prior to 2022.

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

Revenue and expenses in the fair value calculation are inflated at the forecast CPI and are discounted using the Corporation's pre-tax nominal weighted average cost of capital of 11% (2016: 11%). This has been validated against Australian financial and equity market data.

Movements in fair value of hydro generation assets will offset movement in the fair value of financial liabilities for the same forecast price change. Fair value of hydro generation assets is estimated to increase by $525 million (2016: $674 million) 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 $3,858 million (2016: $3,884 million).

Revaluation of assets

Note 1.2(i) and (n) details the Corporation's valuation policy with respect to assets.

An assessment in 2017 has indicated there is no requirement for a revaluation of the generation class of assets.

Details of the Group's generation assets fair value hierarchy as at 30 June 2017 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value as at 30/06/17 $'000
Generating Plant	-	-	4,284,747	4,284,747

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

9. Property, plant and equipment (continued)

2017 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	4,408,208	21,222	14,400	66,299	89,335	174,135	4,773,599
Additions	-	-	67	-	153	130,993	131,213
Disposals	(57)	-	(1,348)	(17)	(1,180)	(4,079)	(6,681)
Transfers#	82,380	2,446	1,811	2,974	2,956	(88,234)	4,333
Net revaluation adjustment	-	-	-	-	-	-	-
Balance at the end of the year	4,490,531	23,668	14,930	69,256	91,264	212,815	4,902,464
Accumulated depreciation							
Balance at the beginning of the year	(108,260)	(13,423)	(6,200)	(23,552)	(73,085)	-	(224,520)
Disposals	25	-	1,025	16	1,136	-	2,202
Transfers#	(17,374)	-	-	(13)	131	-	(17,256)
Revaluation and impairment	-	-	-	-	-	-	-
Depreciation expense	(80,175)	(621)	(2,291)	(2,855)	(6,074)	-	(92,016)
Balance at the end of the year	(205,784)	(14,044)	(7,466)	(26,404)	(77,892)	-	(331,590)
Net book value at the end of the year	4,284,747	9,624	7,464	42,852	13,372	212,815	4,570,874

2017 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	4,276,930	21,132	14,151	48,006	84,858	171,381	4,616,458
Additions	-	-	-	-	143	130,973	131,116
Disposals	(58)	-	(1,348)	(17)	(1,106)	(7,970)	(10,499)
Transfers#	63,626	2,446	1,797	2,680	2,756	(83,008)	(9,703)
Net revaluation adjustment		-	-	-	-	-	-
Balance at the end of the year	4,340,498	23,578	14,600	50,669	86,651	211,376	4,727,372
Accumulated depreciation							
Balance at the beginning of the year	(13,002)	(13,379)	(6,062)	(19,501)	(70,814)	-	(122,758)
Disposals	25	-	1,025	16	1,064	-	2,130
Transfers#	(6)	-	-	6	-	-	-
Revaluation and impairment	-	-	-	-	-	-	-
Depreciation expense	(78,431)	(604)	(2,231)	(2,142)	(5,318)	-	(88,726)
Balance at the end of the year	(91,414)	(13,983)	(7,268)	(21,621)	(75,068)	-	(209,354)
Net book value at the end of the year	4,249,084	9,595	7,332	29,048	11,583	211,376	4,518,018

9. Property, plant and equipment (continued)

2016 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	4,173,469	20,229	14,465	63,705	86,989	159,726	4,518,583
Additions	-	-	-	-	500	108,578	109,078
Disposals	(253)	(264)	(2,768)	(340)	(5,928)	(1,706)	(11,259)
Transfers#	70,939	1,257	2,703	2,934	7,774	(92,463)	(6,856)
Net revaluation adjustment	164,053	-	-	-	-	-	164,053
Balance at the end of the year	4,408,208	21,222	14,400	66,299	89,335	174,135	4,773,599
Accumulated depreciation							
Balance at the beginning of the year	(286,463)	(12,949)	(6,071)	(21,073)	(72,340)	-	(398,896)
Disposals	290	68	1,986	240	5,887	-	8,471
Transfers#	(3)	-	-	(1)	(155)	-	(159)
Revaluation and impairment	250,738	-	-	-	-	-	250,738
Depreciation expense	(72,822)	(542)	(2,115)	(2,718)	(6,477)	-	(84,674)
Balance at the end of the year	(108,260)	(13,423)	(6,200)	(23,552)	(73,085)	-	(224,520)
Net book value at the end of the year	4,299,948	7,799	8,200	42,747	16,250	174,135	4,549,079

2016 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	4,042,189	20,139	14,200	46,589	83,692	155,856	4,362,665
Additions	-	-	-	-	500	105,705	106,205
Disposals	(251)	(264)	(2,752)	(340)	(5,896)	(1,107)	(10,610)
Transfers#	70,939	1,257	2,703	1,757	6,562	(89,073)	(5,855)
Net revaluation adjustment	164,053	-	-	-	-	-	164,053
Balance at the end of the year	4,276,930	21,132	14,151	48,006	84,858	171,381	4,616,458
Accumulated depreciation							
Balance at the beginning of the year	(232,240)	(12,921)	(5,944)	(17,620)	(70,758)	-	(339,483)
Disposals	290	68	1,986	240	5,867	-	8,451
Transfers#	(3)	-	-	-	3	-	-
Revaluation and impairment	288,602	-	-	-	-	-	288,602
Depreciation expense	(69,651)	(526)	(2,104)	(2,121)	(5,926)	-	(80,328)
Balance at the end of the year	(13,002)	(13,379)	(6,062)	(19,501)	(70,814)	-	(122,758)
Net book value at the end of the year	4,263,928	7,753	8,089	28,505	14,044	171,381	4,493,700

Net transfers relate to transfers of capital work in progress to intangible assets and the reclassification of items between cost and accumulated depreciation.

10. Intangible assets

	CONSOLIDATED		PARENT	
	2017 Software at cost $'000	2016 Software at cost $'000	2017 Software at cost $'000	2016 Software at cost $'000
Gross carrying amount				
Balance at the beginning of the year	131,043	124,213	125,878	120,182
Additions	-	-	-	-
Disposals	(932)	(159)	(932)	(159)
Transfers from capital work in progress	13,013	6,989	9,703	5,855
Balance at the end of the year	143,124	131,043	134,649	125,878
Accumulated amortisation				
Balance at the beginning of the year	(51,497)	(35,813)	(49,410)	(35,009)
Disposals	872	144	872	144
Transfers	(92)	159	-	-
Amortisation expense	(17,078)	(15,987)	(15,632)	(14,545)
Balance at the end of the year	(67,795)	(51,497)	(64,170)	(49,410)
Net book value at the end of the year	75,329	79,546	70,479	76,468

11. Other financial assets

		NOTE	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000	PARENT 2017 $'000	PARENT 2016 $'000
(a)	**Current other financial assets**					
	Energy price derivatives	17	366,172	121,282	366,172	121,282
	Basslink financial asset (i)	17	47,978	48,758	47,978	48,758
	Environmental energy products		104,649	67,232	104,464	67,174
			518,799	237,272	518,614	237,214
(b)	**Non-current other financial assets**					
	Basslink financial asset (i)	17	285,424	285,827	285,424	285,827
	Basslink security deposit (ii)		50,000	50,000	50,000	50,000
	Energy price derivatives	17	201,685	48,485	201,685	48,485
			537,109	384,312	537,109	384,312

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

(ii) Basslink security deposit represents the contribution made to the asset owner upon commissioning. This will be recovered via lower facility fee payments over the final 3 years of the agreement.

12. Other assets

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Current other assets**				
	Prepayments	42,436	5,568	7,910	4,325
	Other	8,123	6,414	860	196
		50,559	11,982	8,770	4,521
(b)	**Non-current other assets**				
	Prepayments	303	48,925	-	-
	Other	1,537	2,382	-	-
		1,840	51,307	-	-

13. Goodwill

	CONSOLIDATED		PARENT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at the beginning of the year	16,396	16,396	-	-
Impairment losses	-	-	-	-
Closing balance of goodwill	16,396	16,396	-	-

14. Payables

	CONSOLIDATED		PARENT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade creditors	249,112	228,926	231,691	193,469
Accrued expenses	62,788	79,636	17,673	27,018
Accrued interest payable	6,813	7,277	6,813	7,277
	318,713	315,839	256,177	227,764

15. Interest-bearing liabilities

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Interest-bearing liabilities**				
	Current				
	Loans from Tascorp (i)	85,100	60,000	85,100	60,000
	Finance Lease Liability (ii)	738	720	738	720
		85,838	60,720	85,838	60,720
	Non-current				
	Loans from Tascorp (i)	765,000	845,000	765,000	845,000
	Finance Lease Liability (ii)	3,995	4,380	3,995	4,380
		768,995	849,380	768,995	849,380

(i) The loans from Tascorp are unsecured

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

			CONSOLIDATED		PARENT	
		NOTE	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(b)	**Loan facilities**					
	Master loan facility					
	Facility limit		925,000	1,045,000	925,000	1,045,000
	Facility used/committed		850,100	905,000	850,100	905,000
	Facility balance		74,900	140,000	74,900	140,000
	Standby revolving credit facility					
	Facility limit		40,000	40,000	40,000	40,000
	Facility used/committed		-	-	-	-
	Facility balance		40,000	40,000	40,000	40,000
	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		4,129	4,264	4,129	4,264
	Facility balance		3,371	3,236	3,371	3,236

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 Corporation's debt as at 30 June 2017 is included in Note 20. The current interest bearing liabilities as at 30 June 2017 of $85.84m will be settled with budgeted cash inflows. In addition, Hydro Tasmania had unused loan facilities of $114.9m as at 30 June 2017.

15. Interest-bearing liabilities (continued)

		PARENT & CONSOLIDATED			
		2017 $'000	2017 $'000	2017 $'000	2017 $'000
		Less than one year	Between one and five years	Later than five years	Total
(c)	**Finance lease liabilities**				
	Future minimum lease payments	738	3,142	1,691	5,571
	Interest	-	(418)	(420)	(838)
	Present value of future minimum lease payments	738	2,724	1,271	4,733

	PARENT & CONSOLIDATED			
	2016 $'000	2016 $'000	2016 $'000	2016 $'000
	Less than one year	Between one and five years	Later than five years	Total
Future minimum lease payments	720	3,065	2,505	6,290
Interest	-	(454)	(736)	(1,190)
Present value of future minimum lease payments	720	2,611	1,769	5,100

(d) Fair value disclosures

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

16. Provisions

			CONSOLIDATED		PARENT	
		NOTE	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Current provisions**					
	Employee entitlements		20,827	19,712	18,082	17,441
	Retirement Benefits Fund provision	19	18,143	18,841	18,143	18,841
	Other provisions		85,047	56,310	43,123	4,215
			124,017	94,863	79,348	40,497
(b)	**Non-current provisions**					
	Employee entitlements		5,787	5,313	5,412	4,917
	Retirement Benefits Fund provision	19	299,548	355,888	299,548	355,888
	Other provisions		88,568	123,435	8,167	9,702
			393,903	484,636	313,127	370,507
	Employee entitlements include redundancy costs.					

16. Provisions (continued)

	CONSOLIDATED			
Other provisions	**Onerous Contracts(i) $'000**	**Regulatory Schemes $'000**	**Site Rehabilitation(ii) $'000**	**Total $'000**
Balance at 1 July 2016	93,017	27,818	58,910	179,745
Additional provision recognised	40,694	64,711	-	105,405
Reductions arising from payments	(483)	-	(1,139)	(1,622)
Reductions from settlement	-	(63,564)	-	(63,564)
Reductions resulting from re-measurement or settlement without cost	(39,098)	-	(7,251)	(46,349)
Balance at 30 June 2017	94,130	28,965	50,520	173,615

	PARENT			
Other provisions	**Onerous Contracts(i) $'000**	**Regulatory Schemes $'000**	**Site Rehabilitation(ii) $'000**	**Total $'000**
Balance at 1 July 2016	12,917	-	1,000	13,917
Additional provision recognised	40,694	-	-	40,694
Reductions arising from payments	(483)	-	(1,000)	(1,483)
Reductions resulting from re-measurement or settlement without cost	(1,838)	-	-	(1,838)
Balance at 30 June 2017	51,290	-	-	51,290

(i) Onerous contracts include gas contracts, lease liabilities and LGC's valuation.

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

17. Other financial liabilities

		CONSOLIDATED		PARENT	
		2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
(a)	**Current other financial liabilities**				
	Basslink Services Agreement	103,402	75,942	103,402	75,942
	Basslink Facility Fee Swap	36,294	26,632	36,294	26,632
	Interest rate swaps	7,128	9,608	7,128	9,608
	Energy price derivatives	621,726	282,130	621,726	282,130
		768,550	394,312	768,550	394,312
(b)	**Non-current other financial liabilities**				
	Basslink Services Agreement	484,420	400,641	484,420	400,641
	Basslink Facility Fee Swap	297,212	382,950	297,212	382,950
	Energy price derivatives	635,583	232,022	635,583	232,022
		1,417,215	1,015,613	1,417,215	1,015,613

17. Other financial liabilities (continued)

		CONSOLIDATED		PARENT	
	NOTE	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Energy price derivatives movement reconciliation:					
Liability/(asset) at the beginning of the year		344,385	96,908	344,385	96,908
Amount included in electricity revenue due to settlement during the year		(293,120)	(557,559)	(293,120)	(447,652)
Net cash (payments)/receipts on futures margin account		(48,697)	(58,832)	(48,697)	(58,832)
Fair value loss/(gain) on contracts outstanding as at 30 June		686,884	863,868	686,884	753,961
Liability/(asset) at the end of the year		689,452	344,385	689,452	344,385
Represented by:					
Current energy price derivative liability	17(a)	621,726	282,130	621,726	282,130
Non-current energy price derivative liability	17(b)	635,583	232,022	635,583	232,022
		1,257,309	514,152	1,257,309	514,152
Current energy price derivative asset	11(a)	366,172	121,282	366,172	121,282
Non-current energy price derivative asset	11(b)	201,685	48,485	201,685	48,485
		567,857	169,767	567,857	169,767
Net energy price derivatives liability/(asset)		689,452	344,385	689,452	344,385
Net Basslink financial liability movement reconciliation:					
Balance at the beginning of the year		551,580	460,924	551,580	460,924
Current year net (revenue) and operating expenses realised during the year and included in the operating valuation		(53,817)	(25,984)	(53,817)	(25,984)
(Decrease)/increase in present value of projected rights and obligations of later years as at the beginning of the year		(44,673)	(38,261)	(44,673)	(38,261)
Loss/(gain) arising on re-estimation of fair value of contract rights and obligations over the remaining contract term as at 30 June		134,836	154,901	134,836	154,901
Balance at the end of the year		587,926	551,580	587,926	551,580
Represented by:					
Current Basslink financial liability	17(a)	139,696	102,574	139,696	102,574
Non-current Basslink financial liability	17(b)	781,632	783,591	781,632	783,591
		921,328	886,165	921,328	886,165
Current Basslink financial asset	11(a)	47,978	48,758	47,978	48,758
Non-current Basslink financial asset	11(b)	285,424	285,827	285,424	285,827
		333,402	334,585	333,402	334,585
Net Basslink financial liability		587,926	551,580	587,926	551,580

18. Other liabilities

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Current other liabilities**				
	Income received in advance	5,976	8,629	5,892	8,540
	Loans from subsidiaries (i)	-	-	168,122	162,611
	Other	1,233	2,588	1,233	1,233
		7,209	11,217	175,247	172,384

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

19. Retirement benefits fund provision

Plan Information

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

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

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

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

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

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

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

There are a number of risks to which the scheme exposes the Corporation. 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.

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

19. Retirement benefits fund provision (continued)

Reconciliation of the net liability recognised in the Balance Sheet:

	NOTE	2017 $'000	2016 $'000
Defined benefit obligation		389,032	441,233
Fair value of plan assets		(71,341)	(66,504)
Net superannuation liability		317,691	374,729
Comprising:			
Current net liability	16	18,143	18,841
Non-current net liability	16	299,548	355,888
Net superannuation liability		317,691	374,729

Reconciliation of the present value of the defined benefit obligation:

	2017 $'000	2016 $'000
Present value of defined benefit obligations at the beginning of the year	441,233	382,777
Current service cost	4,595	3,951
Interest cost	15,219	17,773
Contributions by plan participants	1,111	1,205
Actuarial (gains)/losses arising from changes in demographic assumptions	(9,091)	-
Actuarial (gains)/losses arising from changes in financial assumptions	(39,307)	61,804
Actuarial losses/(gains) arising from liability experience	378	3,291
Benefits paid	(24,481)	(28,900)
Taxes, premiums and expenses paid	(625)	(668)
Present value of defined benefit obligations at year end	389,032	441,233

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

Reconciliation of the fair value of scheme assets:

	2017 $'000	2016 $'000
Fair value of plan assets at beginning of the year	66,504	71,540
Interest income	2,259	3,299
Actual return on plan assets less interest income	8,174	(1,743)
Employer contributions	18,399	21,771
Contributions by plan participants	1,111	1,205
Benefits paid	(24,481)	(28,900)
Taxes, premiums and expenses paid	(625)	(668)
Fair value of plan assets at end of the year	71,341	66,504

19. Retirement benefits fund provision (continued)

Fair value of scheme assets:

		2017		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	100.0%	45.3%	54.7%	0.0%
Equity instruments	100.0%	7.0%	85.0%	8.0%
Debt instruments	100.0%	0.0%	100.0%	0.0%
Derivatives	100.0%	0.1%	99.9%	0.0%
Total	100.0%	34.1%	63.7%	2.2%

		2016		
		Quoted prices in active markets -	Significant observable inputs -	Unobservable inputs
Asset category	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	100.0%	100.0%	0.0%	0.0%
Equity instruments	100.0%	45.5%	43.9%	10.6%
Debt instruments	100.0%	27.1%	41.0%	31.9%
Derivatives	100.0%	0.0%	100.0%	0.0%
Real Estate	100.0%	0.0%	100.0%	0.0%
Total	100.0%	52.1%	36.4%	11.5%

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

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 3.30% has been used, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

The Actuarial assumptions used in the calculations have been agreed with the Tasmanian Department of Treasury and Finance and have been specified in the preceding tables of this note.

Significant actuarial assumptions as at balance date:

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

19. Retirement benefits fund provision (continued)

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

	2017 $'000	2016 $'000
Gain/(loss) recognised in Other Comprehensive Income		
Actuarial gains/(losses)	56,193	(66,838)

Sensitivity analysis:

The defined benefit obligation as at 30 June 2017 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: 1% pa lower discount rate assumption

Scenario B: 1% pa higher discount rate assumption

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

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

	Base Case	Scenario A -1.0% pa discount rate	Scenario B +1.0% pa discount rate	Scenario C -1.0% pa increase rate	Scenario D +1.0% pa increase rate
Discount rate %	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase rate %	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation (A$'000s)	389,032	439,257	348,122	357,177	425,807

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

There were no asset and liability matching strategies adopted by the fund.

The Corporation 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 Corporation is 12.1 years.

	2018 $'000
Expected employer contributions	18,143

20. Financial instruments disclosures

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

The Corporation's principal financial instruments are derivatives and loans. The Corporation 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 Corporation'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 Corporation holds are detailed in the following table:

	CONSOLIDATED				PARENT			
	Carrying amount 2017 $'000	Net fair value 2017 $'000	Carrying amount 2016 $'000	Net fair value 2016 $'000	Carrying amount 2017 $'000	Net fair value 2017 $'000	Carrying amount 2016 $'000	Net fair value 2016 $'000
Financial assets								
Cash	17,054	17,054	21,395	21,395	14,550	14,550	15,066	15,066
Loans and receivables								
Receivables	368,659	368,659	380,872	380,872	216,278	216,278	215,135	215,135
Held to maturity								
Investments	100,003	100,003	61,303	61,303	100,000	100,000	61,300	61,300
Fair value through profit or loss								
Interest rate swaps	200,476	200,476	260,646	260,646	200,476	200,476	260,646	260,646
Forward foreign exchange contracts	169	169	9	9	169	169	9	9
Basslink financial asset	333,402	333,402	334,585	334,585	333,402	333,402	334,585	334,585
Energy price derivatives	567,857	567,857	169,767	169,767	567,857	567,857	169,767	169,767
Other assets	42,442	42,442	5,624	5,624	7,910	7,910	4,325	4,325
	1,630,062	1,630,062	1,234,201	1,234,201	1,440,642	1,440,642	1,060,833	1,060,833
Financial liabilities								
Loans and payables								
Accounts payable	311,898	311,898	308,562	308,562	249,364	249,364	220,486	220,486
Tascorp loans	856,913	872,495	912,277	880,117	856,913	872,495	912,277	880,117
Designated hedge accounting derivatives								
Interest rate swaps	7,128	7,128	9,608	9,608	7,128	7,128	9,608	9,608
Fair value through profit or loss								
Interest rate swaps	200,476	200,476	260,646	260,646	200,476	200,476	260,646	260,646
Forward foreign exchange contracts	541	541	1,039	1,039	541	541	1,039	1,039
Basslink Services Agreement	587,822	587,822	476,583	476,584	587,822	587,822	476,583	476,583
Basslink Facility Fee Swap	333,506	333,506	409,582	409,582	333,506	333,506	409,582	409,582
Energy price derivatives	1,257,309	1,257,309	514,151	514,151	1,257,309	1,257,309	514,151	514,151
Other liabilities	2,711	2,711	2,505	2,505	2,626	2,626	2,417	2,417
	3,558,304	3,573,886	2,894,953	2,862,794	3,495,685	3,511,267	2,806,789	2,774,629

20. Financial instruments disclosures (continued)

(b) Financial risk management objectives and policies

The Corporation 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 Corporation enters into these derivatives in accordance with the policies approved by the Board. All hedges are cash flow hedges (refer note 1.2(s)).

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(k) and (s).

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

(i) Capital risk management

The Corporation'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 Corporation includes loans disclosed in note 15, contributed equity and cash and cash equivalents disclosed in note 5.

The Corporation is subject to financial covenants on its borrowings and the Basslink Facility Fee Swap. 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 Corporation reviews its capital risk and performance against these covenants on a monthly basis.

The Corporation has been compliant with all financial covenants.

(ii) Market risk management

The Corporation'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 Corporation'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 Corporation'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. The Corporation 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 Corporation's current Tasmanian forward contracts are determined by the actual load consumed in the contract period.

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

The Corporation 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.

	2017				2016			
	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	19,283	-	19,283	-	23,379	-	23,379	-
Energy derivative net liability	107,978	-	107,978	-	128,089	-	128,089	-
Electricity forward price -10%								
Basslink net liability	(16,654)	-	(16,654)	-	(24,118)	-	(24,118)	-
Energy derivative net liability	(108,010)	-	(108,010)	-	(123,228)	-	(123,228)	-

The sensitivity of the fair value of the Basslink Services Agreement 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.

20. Financial instruments disclosures (continued)

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 National Electricity Market (NEM). Beyond the period when market prices are observable, the Corporation derives forecast prices from an internal model.

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

(B) *Interest rates*

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

Cash flow hedges

The Corporation 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 Corporation. Interest rate exposure on specific loans is managed using highly effective hedge derivatives. The Corporation applies hedge accounting treatment to hedges of the Tascorp debt as described in note 1.2(s).

In pursuit of these objectives, the Corporation 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 2017 fixed rate loans varied from 2.60% to 5.45% (2016: 2.60% to 5.45%). Floating rates were based on bank bill rates and these varied from 1.72% to 1.74% (2016: 1.89% to 1.96%).

The Government Guarantee Fee rate varied from 0.6% to 1.7% for this financial year (2016: 0.6% to 1.7%).

Basslink

The Basslink Services Agreement (BSA) and Floating Facility Fee Instrument (FFFI) between the Corporation 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 Basslink Facility Fee (BFF) by the Corporation to BPL. These agreements are financial assets and financial liabilities whereby the Corporation 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 Corporation entered into the Basslink Facility Fee Swap (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 Corporation 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.

	2017				2016			
	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	679	-	679	-	1,443	-	1,443	-
Financial liabilities	(1,397)	(26)	(1,397)	(26)	(1,578)	(31)	(1,578)	(31)
Forward interest rates -1 bps								
Financial assets	(679)	-	(679)	-	(1,443)	-	(1,443)	-
Financial liabilities	1,397	26	1,397	26	1,578	31	1,578	31

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 (WACD) for 2017 for both the parent and consolidated entities is 4.87% (2016: 5.32%). This incorporates both loans and interest rate swaps as at the reporting date and also includes the average government guarantee fee of 0.99% (2016: 0.99%).

20. Financial instruments disclosures (continued)

(C) *Foreign currency rates*

The Corporation 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 Corporation as a whole.

The Corporation 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 Corporation considers the risk exposure to be insignificant.

The Corporation 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.

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

	CONSOLIDATED		PARENT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Receivables				
Not later than one year	2,979	296	2,979	296
Later than one year but not later than two years	1,209	59	1,209	59
Later than two years	857	-	857	-
Total	5,045	355	5,045	355
Payables				
Not later than one year	8,823	21,797	8,823	21,797
Later than one year but not later than two years	3,979	6,493	3,979	6,493
Later than two years	299	1,889	299	1,889
Total	13,101	30,179	13,101	30,179

(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 Corporation measures credit risk on non-derivative financial instruments as the carrying amount of any instruments that represent an asset to the Corporation.

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.

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

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

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

Basslink interest rate swaps

While the BFFS transaction has been executed with a single counterparty, the Corporation has also entered into supplementary interest rate swap transactions with other counterparties to mitigate the potential credit risk associated with a single counterparty. These swaps are readily tradeable financial instruments.

20. Financial instruments disclosures (continued)

	CONSOLIDATED		PARENT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Credit risk exposure by instrument type				
Financial assets				
Investments and bank balances	117,057	82,698	114,550	76,366
Receivables	368,659	380,872	216,278	215,135
Basslink financial asset	-	-	-	-
Derivative financial instruments				
Interest rate swaps	-	-	-	-
Forward foreign exchange contracts	-	-	-	-
Energy price derivatives	15,677	45,928	15,677	45,928
Environmental product contracts	19,219	98,687	19,219	98,687
Total credit risk exposure	520,612	608,185	365,724	436,116
Credit risk exposure by entity ratings				
Australian-based entities				
AA+ to AA- ratings	85,523	72,556	70,155	19,395
A+ to A- ratings	944	347	944	347
BBB+ to BBB- ratings	3,589	35,956	3,589	35,956
Unrated	319,861	497,467	291,036	380,418
	409,917	606,326	365,724	436,116
Overseas-based entities				
AA+ to AA- ratings	85	-	-	-
A+ to A- ratings	10,923	1,679	-	-
BBB+ to BBB- ratings	99,447	180	-	-
Unrated	-	-	-	-
	110,455	1,859	-	-
Total credit risk exposure	520,372	608,185	365,724	436,116

(iv) *Liquidity Risk*

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

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

The Corporation's exposure at 30 June 2017 is detailed in the tables below. The tables are based on the undiscounted cash flows of the financial assets and liabilities based on the date on which the payments fall due. The tables include principal and interest cash flows.

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

20. Financial instruments disclosures (continued)

	2017 CONSOLIDATED				2017 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								
Loans and receivables								
Cash	17,054	-	-	-	14,550	-	-	-
Receivables	368,659	-	-	-	216,278	-	-	-
Held to maturity								
Investments	100,003	-	-	-	100,000	-	-	-
Fair value through profit or loss								
Interest rate swaps	14,709	14,725	102,221	151,406	14,709	14,725	102,221	151,406
Forward foreign exchange contracts	41	16	50	-	41	16	50	-
Energy price derivatives	159,112	209,815	199,386	32,327	159,112	209,815	199,386	32,327
Basslink financial asset	23,989	23,989	191,914	424,810	23,989	23,989	191,914	424,810
Other assets	42,442	-	-	-	7,910	-	-	-
	726,009	248,545	493,571	608,543	536,589	248,545	493,571	608,543
Financial liabilities								
Loans and payables								
Accounts payable	311,898	-	-	-	249,364	-	-	-
Tascorp loans	60,579	54,832	479,146	398,650	60,579	54,832	479,146	398,650
Designated hedge accounting derivatives								
Interest rate swaps	928	850	6,156	439	928	850	6,156	439
Fair value through profit or loss								
Interest rate swaps	14,709	14,725	102,221	151,406	14,709	14,725	102,221	151,406
Forward foreign exchange contracts	324	197	171	-	324	197	171	-
Basslink Services Agreement	53,523	53,523	352,414	858,515	53,523	53,523	352,414	858,515
Basslink Facility Fee Swap	11,085	10,667	81,203	175,970	11,085	10,667	81,203	175,970
Energy price derivatives	257,678	271,008	590,034	215,674	257,678	271,008	590,034	215,674
Other liabilities	2,711	-	-	-	2,626	-	-	-
	713,435	405,802	1,611,345	1,800,654	650,816	405,802	1,611,345	1,800,654

20. Financial instruments disclosures (continued)

	2016 CONSOLIDATED				2016 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								
Loans and receivables								
Cash	21,395	-	-	-	15,066	-	-	-
Receivables	380,872	-	-	-	215,135	-	-	-
Held to maturity								
Investments	61,303	-	-	-	61,300	-	-	-
Fair value through profit or loss								
Interest rate swaps	14,362	14,136	108,203	175,384	14,362	14,136	108,203	175,384
Forward foreign exchange contracts	6	-	-	-	6	-	-	-
Energy price derivatives	77,175	45,166	52,376	-	77,175	45,166	52,376	-
Basslink financial asset	24,379	24,379	174,614	432,219	24,379	24,379	174,614	432,219
Other assets	5,624	-	-	-	4,325	-	-	-
	585,116	83,681	335,193	607,603	411,748	83,681	335,193	607,603
Financial liabilities								
Loans and payables								
Accounts payable	308,562	-	-	-	220,486	-	-	-
Tascorp loans	26,457	67,091	500,200	496,204	26,457	67,091	500,200	496,204
Designated hedge accounting derivatives								
Interest rate swaps	990	1,065	6,490	1,879	990	1,065	6,490	1,879
Fair value through profit or loss								
Interest rate swaps	14,362	14,136	108,203	175,384	14,362	14,136	108,203	175,384
Forward foreign exchange contracts	601	363	625	-	601	363	625	-
Basslink Services Agreement	39,261	39,261	289,497	835,620	39,261	39,261	289,497	835,620
Basslink Facility Fee Swap	19,396	24,877	186,033	393,458	19,396	24,877	186,033	393,458
Energy price derivatives	124,512	107,626	248,126	41,000	124,512	107,626	248,126	41,000
Other liabilities	2,505	-	-	-	2,417	-	-	-
	536,646	254,419	1,339,174	1,943,545	448,482	254,419	1,339,174	1,943,545

20. Financial instruments disclosures (continued)

(c) Fair values

AASB 139 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 Corporation 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							
	2017				2016			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique -market observable inputs $'000	Level 3 Valuation technique -non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique -market observable inputs $'000	Level 3 Valuation technique -non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Interest rate swaps	-	200,476	-	200,476	-	260,646	-	260,646
Forward foreign exchange contracts	-	169	-	169	-	9	-	9
Basslink financial asset	-	-	333,402	333,402	-	-	334,585	334,585
Energy price derivatives	362,112	-	205,745	567,857	94,667	48,172	26,928	169,767
	362,112	200,645	539,147	1,101,904	94,667	308,827	361,513	765,007
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	7,128	-	7,128	-	9,608	-	9,608
Fair value through profit or loss								
Interest rate swaps	-	200,476	-	200,476	-	260,646	-	260,646
Forward foreign exchange contracts	-	541	-	541	-	1,039	-	1,039
Basslink Services Agreement	-	-	587,822	587,822	-	-	476,584	476,584
Basslink Facility Fee Swap	-	-	333,506	333,506	-	-	409,582	409,582
Energy price derivatives	330,036	-	927,273	1,257,309	89,810	64,286	360,055	514,151
	330,036	208,145	1,848,601	2,386,782	89,810	335,579	1,246,221	1,671,610

The market observable inputs for energy derivatives have been reclassified in 2017 to level 3 due to a change in approach to forward prices effective from 1 July 2016. The amounts of the reclassification are an asset of 54,714 and liability of 102,147 into level 3 in 2017.

20. Financial instruments disclosures (continued)

	PARENT							
	2017				2016			
	Level 1 Quoted market prices $'000	Level 2 Valuation technique -market observable inputs $'000	Level 3 Valuation technique -non market observable inputs $'000	Total $'000	Level 1 Quoted market prices $'000	Level 2 Valuation technique -market observable inputs $'000	Level 3 Valuation technique -non market observable inputs $'000	Total $'000
Financial assets								
Fair value through profit or loss								
Interest rate swaps	-	200,476	-	200,476	-	260,646	-	260,646
Forward foreign exchange contracts	-	169	-	169	-	9	-	9
Basslink financial asset	-	-	333,402	333,402	-	-	334,585	334,585
Energy price derivatives	362,112	-	205,745	567,857	94,667	48,172	26,928	169,767
	362,112	200,645	539,147	1,101,904	94,667	308,827	361,513	765,007
Financial liabilities								
Designated hedge accounting derivatives								
Interest rate swaps	-	7,128	-	7,128	-	9,608	-	9,608
Fair value through profit or loss								
Interest rate swaps	-	200,476	-	200,476	-	260,646	-	260,646
Forward foreign exchange contracts	-	541	-	541	-	1,039	-	1,039
Basslink Services Agreement	-	-	587,822	587,822	-	-	476,583	476,583
Basslink Facility Fee Swap	-	-	333,506	333,506	-	-	409,582	409,582
Energy price derivatives	330,036	-	927,273	1,257,309	89,810	64,286	360,055	514,151
	330,036	208,145	1,848,601	2,386,782	89,810	335,579	1,246,220	1,671,609

Basslink financial instruments

The Basslink financial instruments comprise the Basslink Services Agreement (BSA), Floating Facility Fee Instrument (FFFI) and Basslink Facility Fee Swap (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 inter-regional revenues (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 17 year forward market interest rate.

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

20. Financial instruments disclosures (continued)

Energy price derivatives

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

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

The relationship of unobservable inputs to the fair value of energy price derivatives is 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 Basslink Services Agreement and Facility Fee Swap 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	(727,127)	Discounted cash flow	Long term flat electricity price	-10% to +10%	165,345 to (165,313)
Basslink Services Agreement and Facilty Fee Swap	(587,925)	Discounted cash flow	Weighted average cost of capital	10% to 12% (11%)	(16,788) to 15,475
			Average Victorian price spread	-10% to +10%	(16,654) to 19,283
			Long term average annual generation (GWh)	8,400 to 9,000 (8,700)	(40,756) to 40,756
			Counterparty credit margin	0.24% to 0.64% (0.44%)	4,681 to (4,594)
			Long term interest rate	2.01% to 2.41% (2.21%)	(4,315) to 4,329

21. Commitments for expenditure

		CONSOLIDATED		PARENT	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a)	**Capital expenditure commitments**				
	Not later than 1 year	28,163	25,730	28,163	25,730
	Over 1 year and up to 2 years	7,840	8,956	7,840	8,956
	Later than 2 years	-	1,639	-	1,639
		36,003	36,325	36,003	36,325
(b)	**Operating lease commitments**				
	Future minimum lease payments				
	Not later than 1 year	5,157	4,938	3,693	3,633
	Over 1 year and up to 2 years	4,332	4,878	3,146	3,633
	Over 2 years and up to 5 years	9,438	10,234	9,438	9,196
	Later than 5 years	5,768	8,685	5,768	8,685
		24,695	28,735	22,045	25,147

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

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

22. Contingent assets and liabilities

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

A consolidated statement of comprehensive income and retained profits, and a consolidated statement of financial position, comprising the company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2017, are set out in note 31.

The Corporation and Basslink Pty Ltd ("BPL") have made claims against each other in respect of contractual arrangements between them concerning the Basslink interconnector. The claims relate to the outage of the interconnector between 20 December 2015 and 13 June 2016 and are unresolved as at 30 June 2017.

23. Auditor's remuneration

	CONSOLIDATED		PARENT	
	2017 $	2016 $	2017 $	2016 $
Amounts received, or due and receivable, by the Auditor-General from the Corporation for auditing the financial statements of the Corporation	383,830	380,580	383,830	380,580
Amounts received, or due and receivable, for compliance audits	9,710	9,400	9,710	9,400
Amounts received, or due and receivable to Deloitte Touche Tohmatsu, for local and international tax matters	116,670	134,648	116,670	134,648
Amounts received, or due and receivable to Deloitte Touche Tohmatsu, for other professional services	70,244	-	70,244	-
	580,454	524,628	580,454	524,628

24. Key management personnel compensation

a) Remuneration policy

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

The remuneration structures take into account:

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

Remuneration packages include contribution to post-employment superannuation plans.

The Corporation has complied with Treasury guidelines in the presentation of the executive remuneration in 2017.

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.

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

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

No other leave 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 and salary sacrifice provisions.

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 individual contracts.

The aggregate compensation to key management personnel of the Corporation is:

	2017 $'000	2016 $'000
Short-term employee benefits	3,757	3,322
Post-employment benefits	334	334
Other long-term benefits	-	-
Termination benefits	-	-
	4,091	3,656

24. Key management personnel compensation (continued)

b) Director remuneration

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

	2017			
Director Remuneration	Directors' Fees $'000	Committee Fees $'000	Super-annuation $'000	Total 2016/17 $'000
Mr G Every-Burns (Chairman)	113	10	12	135
Mr S Eslake	52	14	6	72
Mr K Hodgson	52	2	5	59
Ms S Hogg	52	12	6	70
Ms T Matykiewicz	52	8	6	66
Total	321	46	35	402

	2016			
Director Remuneration	Directors' Fees $'000	Committee Fees $'000	Super-annuation $'000	Total 2015/16 $'000
Mr G Every-Burns (Chairman)	111	10	12	133
Mr S Eslake	52	14	6	72
Ms J Healey - resigned 31/08/2015	9	3	1	13
Mr K Hodgson - appointed 13/06/2016	2	-	-	2
Ms S Hogg - appointed 24/08/2015	44	8	5	57
Ms T Matykiewicz	52	7	6	65
Mr S Kalinko - resigned 16/12/2015	25	4	3	32
Total	295	46	33	374

24. Key management personnel compensation (continued)

c) Executive remuneration

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

	2017							
Executive Remuneration	Base Salaries $'000	Short term incentive payments $'000	Termin-ation benefits $'000	Super-annuation $'000	Vehicles $'000	Other benefits $'000	Other non-monetary benefits $'000	Total 2016/17 $'000
Mr E Albertini Chief Operating Officer	379	54	-	20	9	-	12	474
Ms A Bird Acting Chief Information Officer (from 27/02/17)	91	8	-	7	1	-	3	110
Mr A Catchpole Director, Strategy & Market Development	338	43	-	20	4	1	10	416
Ms T Chu Managing Director Entura	286	47	-	20	7	1	9	370
Mr S Davy Chief Executive Officer	480	80	-	20	13	-	14	607
Mr A Evans GM Corporate Governance & Secretary	259	34	-	20	7	2	8	330
Mr G Flack Director, Wholesale Energy Services	300	40	-	33	11	-	10	394
Mr P Geason Managing Director Momentum	331	49	-	31	-	-	9	420
Ms K Gillies Acting Chief Financial Officer (from 23/12/16)	127	14	-	8	4	-	5	158
Mr M Smith Chief Financial Officer (to 22/12/16)	168	-	-	10	4	-	5	187
Mr L Stow Chief Information Officer (to 26/02/17)	198	-	-	19	-	-	6	223
Total	2,957	369	-	208	60	4	91	3,689

24. Key management personnel compensation (continued)

c) Executive remuneration (continued)

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

	2016							
Executive Remuneration	Base Salaries $'000	Short term incentive payments $'000	Termination benefits $'000	Superannuation $'000	Vehicles $'000	Other benefits $'000	Other non-monetary benefits $'000	Total 2015/16 $'000
Mr E Albertini Chief Operating Officer	375	-	-	19	8	-	12	414
Mr A Catchpole Director, Strategy & Market Development	331	-	-	19	6	1	10	367
Ms T Chu Managing Director Entura	256	-	-	19	5	1	8	289
Mr S Davy Chief Executive Officer	475	-	-	19	14	-	14	522
Mr A Evans GM Corporate Governance & Secretary	254	-	-	19	8	1	8	290
Mr G Flack Director, Wholesale Energy Services	288	-	-	32	11	-	10	341
Mr P Geason Managing Director Momentum	324	-	-	33	-	-	10	367
Mr M Smith Chief Financial Officer	331	-	-	19	-	-	10	360
Mr L Stow Chief Information Officer	292	-	-	32	-	-	8	332
Total	2,926	-	-	211	52	3	90	3,282

The Directors of the Corporation as at 30 June 2017 were:

Mr S Davy
Mr S Eslake
Mr G Every-Burns
Mr K Hodgson
Ms S Hogg
Ms T Matykiewicz

During the year no non-executive Directors of the Corporation undertook any overseas trips (2016: $19,065).

Employees undertook overseas travel on 215 occasions during the year at a cost of $992,842 (2016:$980,812). Of these 123, at a cost of $538,107 (2016: $360,025), were made and recovered while undertaking work for Entura clients.

25. Related party information

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
CONSOLIDATED								
Woolnorth Wind Farm Holding Pty Ltd	10,570	36,570	2,058	967	1,222	167	-	-
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
Kakamas Hydro Electric Power (Pty) Ltd	-	-	-	-	-	-	-	-
PARENT								
HT Wind Operations Pty Ltd	-	-	-	-	-	-	155,423	151,169
Cathedral Rocks Construction and Management Pty Ltd	-	-	-	-	-	-	-	-
Bell Bay Power Pty Ltd	30	51	-	-	917	788	-	-
Bell Bay Three Pty Ltd	-	-	-	-	-	-	1,424	1,424
Lofty Ranges Power Pty Ltd	-	-	-	-	494	357	-	-
Hydro Tasmania Consulting (Holding) Pty Ltd	-	-	-	-	-	-	-	-
Hydro Tasmania Consulting India Pty Ltd	-	-	-	-	-	-	-	-
Hydro Tasmania Wind Developments Pty Ltd	-	-	-	-	-	-	327	516
RE Storage Project Holding Pty Ltd	-	-	13	18	806	846	-	-
Heemskirk Windfarm Pty Ltd	-	-	-	-	-	-	-	-
Studland Bay Holdings Pty Ltd	-	-	-	-	-	-	-	-
Bluff Point Holdings Pty Ltd	-	-	-	-	-	-	-	-
Momentum Energy Pty Ltd	62,691	61,846	-	253	-	-	-	6,014
AETV Pty Ltd	-	-	7,404	8,832	317,288	315,247	-	-
Hydro Tasmania South Africa (Pty) Ltd	-	-	-	-	5,403	112	-	-
Hydro Tasmania Neusberg (Pty) Ltd	-	-	-	-	1,337	314	-	-

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

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

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

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

26. Events subsequent to balance date

After due enquiry, there have not been any matters or circumstances since the end of the financial year that have significantly affected or may have significantly affected the operations of the Corporation, the results of those operations or the state of affairs of the Corporation in subsequent financial years.

27. Government grants

The Corporation has recognised $17.3 million of grant revenue during the year (2016: $11.5 million) as detailed below:

Community Service Obligations

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

During the year ended 30 June 2017, the State paid the Corporation $9.9 million (2016: $11.4 million) as reimbursement of the cost of providing CSO.

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 islands diesel generated electricity. The total project value is $12.8m, of which ARENA will fund $5.5m.

During the year ended 30 June 2017 the corporation received $3.96 million (2016: $0) for the Flinders Island Hybrid Energy Hub project.

ARENA have currently committed to providing a further $0.9m in funding up to 31 December 2017, with an additional $0.5m contingency grant available.

Department of Resources, Energy and Tourism – Rottnest Island Renewable Energy & Water Nexus Project

In May 2015 the Commonwealth Government entered into a funding agreement with the Australian Renewable Energy Agency (ARENA) to reduce diesel fuel usage by the introduction of solar energy and to demonstrate the ability to desalinate water at times of high renewable energy availability. The total project value is $6.51m, of which ARENA will fund $4.01m, with an additional $0.79m contingency grant available.

During the year ended 30 June 2017 the corporation received $3.45m (2016: $0) for the Rottnest Island Renewable Energy & Water Nexus project.

Regional Development Australia – Waddamana Power Station Heritage Site Improvement Project

During the year ended 30 June 2016 the Commonwealth Government entered into a $50k funding agreement through the Tourism Demand Driver Infrastructure Fund to improve the accessibility and tourism experience at the Waddamana Power Station Heritage Site and Great Lake Power Scheme. The total project value is $100k, of which the corporation will receive $50k in funding.

During the year ended 30 June 2017 the corporation received $5k (2016: $45k).

28. Controlled entities

	Footnote	Country of incorporation	Percentage of share held by Hydro-Electric Corporation 2017 %	2016 %
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
Hydro Tasmania Consulting (Holding) Pty Ltd	5	Australia	100	100
Momentum Energy Pty Ltd	6	Australia	100	100
HT Wind Operations Pty Ltd	7	Australia	100	100
Hydro Tasmania South Africa (Pty) Ltd	8	South Africa	100	100
AETV Pty Ltd	9	Australia	100	100

Footnotes

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

29. Interest in joint ventures

			CONSOLIDATED				PARENT			
			Ordinary share ownership interest		Joint venture agreement voting rights		Ordinary share ownership interest		Joint venture agreement voting rights	
	Principal activity	Joint venture balance date	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
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	-	-	-	-
Woolnorth Wind Farm Holding Pty Ltd	Wind farm operation	30 June	25	25	25	25	-	-	-	-
Kakamas Hydro Electric Power (Pty) Ltd	Hydro operation	30 June	25	25	25	25	-	-	-	-

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

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

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

30. Incorporated joint ventures

The income statements and balance sheets of the following incorporated joint ventures are not consolidated but are instead accounted for under the equity method.

	CONSOLIDATED			
	Woolnorth Wind Farm Joint Venture 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Kakamas Hydro Electric Power Pty Ltd 25%	Total
	2017 $'000	2017 $'000	2017 $'000	2017 $'000
Income statement				
Revenue	97,193	-	4,212	101,405
Expenses	76,603	-	9,298	85,901
Profit/(loss) before income tax expense	20,590	-	(5,086)	15,504
Income tax expense	(7,050)	-	-	(7,050)
Net profit after tax	13,540	-	(5,086)	8,454
Balance Sheet				
Current assets	78,016	54	8,302	86,372
Non-current assets	541,727	-	47,438	589,165
Total assets	619,743	54	55,740	675,537
Current liabilities	48,648	-	3,093	51,741
Non-current liabilities	393,391	-	47,745	441,136
Total liabilities	442,039	-	50,838	492,877
Net assets	177,704	54	4,902	182,660
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning	13,375	(21)	(1,065)	12,289
Share of profit after income tax expense	3,385	-	(1,272)	2,114
Share of accumulated profits/(losses) at the end of the year	16,760	(21)	(2,337)	14,403
Movements in carrying amount of investment in joint ventures				
Carrying amount at the beginning of the year	60,526	17	3,261	63,804
Dividends received	(5,875)	-	-	(5,875)
Impairment of investment	-	-	(781)	(781)
Share of profit after income tax for the year	3,385	-	(1,272)	2,114
Carrying amount at the end of the year	58,036	17	1,209	59,262

30. Incorporated joint ventures (continued)

	CONSOLIDATED			
	Woolnorth Wind Farm Joint Venture 25%	Cathedral Rocks Construction and Management Pty Ltd 50%	Kakamas Hydro Electric Power Pty Ltd 25%	Total
	2016 $'000	2016 $'000	2016 $'000	2016 $'000
Income statement				
Revenue	88,492	1	4,900	93,393
Expenses	83,244	-	8,625	91,869
Profit/(loss) before income tax expense	5,248	1	(3,725)	1,524
Income tax expense	(1,935)	-	-	(1,935)
Net profit after tax	3,313	1	(3,725)	(411)
Balance Sheet				
Current assets	87,047	53	5,905	93,005
Non-current assets	561,018	-	47,297	608,315
Total assets	648,065	53	53,202	701,320
Current liabilities	55,065	-	4,043	59,108
Non-current liabilities	403,306	-	41,684	444,990
Total liabilities	458,371	-	45,727	504,098
Net assets	189,694	53	7,475	197,222
Share of accumulated profits/(losses)				
Share of accumulated profits/(losses) at the beginning	12,547	(22)	(134)	12,391
Share of profit after income tax expense	828	1	(931)	(102)
Share of accumulated profits/(losses) at the end of the year	13,375	(21)	(1,065)	12,289
Movements in carrying amount of investment in joint ventures				
Carrying amount at the beginning of the year	64,348	16	4,192	68,556
Dividends received	(4,650)	-	-	(4,650)
Share of profit after income tax for the year	828	1	(931)	(102)
Carrying amount at the end of the year	60,526	17	3,261	63,804

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

The Woolnorth Wind Farm joint venture has finance agreements in place which impose conditions on it making distributions in the form of dividends or loan repayments.

31. Deed of cross guarantee

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

	CONSOLIDATED	
	2017 $'000	2016 $'000
Consolidated statement of comprehensive income and retained profits		
Revenue	1,521,043	1,353,672
Expenses	1,845,086	1,675,478
(Loss)/profit before income tax equivalent expense	(324,043)	(321,806)
Income tax equivalent (benefit)/expense	(86,951)	(86,170)
(Loss)/profit for the period	(237,092)	(235,636)
Other comprehensive income	40,848	201,373
Total comprehensive (loss)/income for the period	(196,244)	(34,263)
Retained earnings at the beginning of the period	1,082,146	1,499,825
Dividends paid	-	(25,000)
Net (loss)/profit	(237,092)	(235,636)
Other movements	147,038	(157,043)
Retained earnings at the end of the period	992,092	1,082,146

31. Deed of cross guarantee (continued)

	CONSOLIDATED 2017 $'000	CONSOLIDATED 2016 $'000
Current assets		
Cash and cash equivalents	14,721	15,234
Receivables	365,529	380,068
Investments	100,003	61,303
Inventories	2,932	3,113
Other financial assets	518,799	237,272
Current tax asset	3,160	26,105
Other	46,567	9,295
Total current assets	1,051,711	732,390
Non-current assets		
Investments	184,410	184,410
Property plant and equipment	4,558,073	4,535,936
Other financial assets	537,109	384,312
Intangible assets	75,329	79,546
Goodwill	16,396	16,396
Other	1,537	50,956
Total non-current assets	5,372,854	5,251,556
TOTAL ASSETS	6,424,565	5,983,946
Current liabilities		
Payables	320,571	317,939
Interest-bearing liabilities	85,838	60,720
Provisions	120,944	93,364
Other financial liabilities	768,549	394,311
Other	175,247	166,213
Total current liabilities	1,471,149	1,032,547
Non-current liabilities		
Interest-bearing liabilities	768,995	849,380
Deferred tax liability	476,774	567,510
Provisions	376,251	462,021
Other financial liabilities	1,417,214	1,015,613
Total non-current liabilities	3,039,234	2,894,524
TOTAL LIABILITIES	4,510,383	3,927,071
NET ASSETS	1,914,182	2,056,875
EQUITY		
Contributed equity	678,206	628,206
Reserves	243,884	346,523
Retained earnings	992,092	1,082,146
TOTAL EQUITY	1,914,182	2,056,875

32. Dividend

	CONSOLIDATED		PARENT	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Declared and paid during the year				
Statutory dividend	-	25,000	-	25,000

At the date of signing the Annual Report the Board has declared that no dividend is payable in respect of the 2017 financial year.

33. Segment information

Identification of reportable segments

The Corporation 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 National Electricity Market from hydro generation assets and provides consulting services.

(ii) AETV

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

(iii) Momentum Energy

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

Basis of accounting for purposes of reporting by operating segments

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

Inter-segment revenues are eliminated on consolidation.

33. Segment information (continued)

	YEAR ENDED 30 JUNE 2017					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total Segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	513,038	203,130	836,436	1,552,604	(112,201)	1,440,403
Fair value gains	5,734	41,245	-	46,979	-	46,979
Share of joint venture	2,114	-	-	2,114	-	2,114
Other revenue	68,025	7	143	68,175	(29,048)	39,127
Total revenue	588,911	244,382	836,579	1,669,872	(141,249)	1,528,623
Segment results						
Depreciation & amortisation	104,775	1,781	2,538	109,094	-	109,094
Finance expenses	55,960	-	708	56,668	-	56,668
Fair value losses	375,001	-	-	375,001	-	375,001
Net revaluation and impairment	11,130	-	-	11,130	(10,349)	781
Other expense	386,318	218,205	803,466	1,407,989	(112,202)	1,295,787
Total expense	933,184	219,986	806,712	1,959,882	(122,551)	1,837,331
Profit/(loss) before income tax equivalent expense	(344,273)	24,396	29,867	(290,010)	(18,698)	(308,708)
Comprising:						
Result before fair value movements and revaluation	36,122	(16,847)	29,867	49,142	(29,047)	20,095
Net fair value gains/(losses)	(369,267)	41,245	-	(328,022)	-	(328,022)
Revaluation and impairment (expenses)/gains	(11,130)	-	-	(11,130)	10,349	(781)
Profit/(loss) before income tax equivalent expense	(344,275)	24,398	29,867	(290,010)	(18,698)	(308,708)
Income tax equivalent expense	(102,391)	7,295	9,001	(86,095)	-	(86,095)
Segment profit/(loss) after tax	(241,884)	17,103	20,866	(203,915)	(18,698)	(222,613)
Total assets	6,107,545	87,334	146,513	6,341,392	(19,416)	6,321,976
Total liabilities	4,267,912	341,455	66,466	4,675,833	(318,396)	4,357,437
Other disclosures						
Investment in joint venture	59,262	-	-	59,262	-	59,262
Capital expenditure	131,193	-	20	131,213	-	131,213

Inter-segment revenues are eliminated on consolidation.

33. Segment information (continued)

	YEAR ENDED 30 JUNE 2016					
	Hydro Tasmania $'000	AETV $'000	Momentum Energy $'000	Total Segments $'000	Adjustments/ eliminations $'000	Consolidated $'000
Revenue						
External customers	457,125	131,490	854,861	1,443,476	(107,613)	1,335,863
Fair value gains	196	10,390	-	10,586	-	10,586
Other revenue	21,409	70	353	21,832	(252)	21,580
Total revenue	478,730	141,950	855,214	1,475,894	(107,865)	1,368,029
Segment results						
Depreciation & amortisation	95,211	3,159	2,296	100,666	-	100,666
Finance expenses	57,141	-	1,078	58,219	-	58,219
Fair value losses	292,764	3,387	-	296,151	-	296,151
Net revaluation and impairment	(73,370)	37,864	-	(35,506)	(23,191)	(58,697)
Share of joint venture	102	-	-	102	-	102
Other expense	399,050	157,079	815,627	1,371,756	(107,865)	1,263,891
Total expense	770,898	201,489	819,001	1,791,388	(131,056)	1,660,332
Profit/(loss) before income tax equivalent expense	(292,168)	(59,539)	36,213	(315,494)	23,191	(292,303)
Comprising:						
Result before fair value movements and revaluation	(72,970)	(28,678)	36,213	(65,435)	-	(65,435)
Net fair value gains/(losses)	(292,568)	7,003	-	(285,565)	-	(285,565)
Revaluation and impairment (expenses)/gains	73,370	(37,864)	-	35,506	23,191	58,697
Profit/(loss) before income tax equivalent expense	(292,168)	(59,539)	36,213	(315,494)	23,191	(292,303)
Income tax equivalent expense	(80,416)	(17,820)	10,953	(87,283)	-	(87,283)
Segment profit/(loss) after tax	(211,752)	(41,719)	25,260	(228,211)	23,191	(205,020)
Total assets	5,725,715	102,140	164,063	5,991,918	(105,432)	5,886,486
Total liabilities	3,829,597	373,363	75,834	4,278,794	(488,015)	3,790,779
Other disclosures						
Investment in joint venture	63,804	-	-	63,804	-	63,804
Capital expenditure	106,205	-	2,873	109,078	-	109,078

33. Segment information (continued)

	YEAR ENDED	
	2017 $'000	2016 $'000
Reconciliation of profit		
Segment profit	(203,915)	(228,211)
Energy sales	112,202	107,613
Purchased energy	(112,202)	(107,865)
Other income	(29,047)	252
Interest expense	-	-
Intercompany loan impairment	10,349	23,191
Income tax	-	-
Consolidated Profit	(222,613)	(205,020)
Reconciliation of assets		
Segment total assets	6,341,392	5,991,918
Elimination of investment in subsidiary	(19,416)	(105,432)
Corporation total assets	6,321,976	5,886,486
Reconciliation of liabilities		
Segment total liabilities	4,675,833	4,278,794
Elimination of intercompany revaluation and balances	(318,396)	(488,015)
Corporation total liabilities	4,357,437	3,790,779

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 2017

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 2017 and the financial position at 30 June 2017 of the Corporation and its subsidiaries;

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

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

c) there are reasonable grounds to believe that the Corporation, AETV Pty Ltd and Momentum Energy Pty Ltd will be able to meet any obligations or liabilities to which they are or may become subject 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 2017 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 2017 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 2017 give a true and fair view.

Signed in accordance with a resolution of the directors:

G Every-Burns
Chairman
14 August 2017

S Hogg
Director
14 August 2017

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 l Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

14 August 2017

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 2017, 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 l Respect l Camaraderie l Continuous Improvement l Customer Focus

Strive l Lead l Excel l 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 balance sheet as at 30 June 2017, the consolidated Income statements and the statements of 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 certification statement by the directors.

In my opinion, the accompanying financial report:

(a) presents fairly, in all material respects, the Group's financial position as at 30 June 2017 and of its financial performance and its cash flows for the year then ended

(b) is in accordance with the *Government Business Enterprises Act 1995* and Australian Accounting Standards.

Basis for Opinion

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

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

I confirm that the independence declaration provided to the directors of the Corporation on 14 August 2017 would be in the same terms if provided to the directors at the time of this auditor's report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Generation assets *Refer to notes 1.2(i) and 9*	
As at 30 June 2017 the Group's generation assets of $4 284.75m recognised at fair value, represented 68% of the total assets on the balance sheet. Significant management judgment was required in determining the value of the generation assets, based on underlying assumptions which included long-term electricity prices, generation capacity, and inflation and discount rates. Changes in the underlying assumptions can significantly impact the valuation of the generation assets.	• Obtaining an understanding of, and testing, the key controls relevant to the preparation of the valuation model used to assess the fair value of the generation assets. • Assessing management's methodology and basis for assumptions used in the valuation model. • In conjunction with independent valuation and treasury experts: o Assessing and challenging the key model assumptions relating to long term electricity prices. o Assessing and challenging the key model assumptions relating to generation capacity, and inflation and discount rates. o Performing sensitivity analysis in relation to the key model assumptions. • Testing, on a sample basis, the mathematical accuracy of the discounted cash flow model. • Assessing the appropriateness of the related disclosures to the financial statements.

Energy price derivative assets and liabilities *Refer to notes 1.2(k), 1.2(s), 3, 11, 17 and 20*	
As at 30 June 2017 the Group's energy price derivative assets totalled \$567.86m and energy price derivative liabilities totalled \$1 257.31m. 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 independent treasury experts: o Obtaining an understanding of, and testing, key controls relevant to valuation and recording of the energy price derivative assets and liabilities. o Assessing and challenging management's assumptions within the long term energy price curve, including consideration of the historical curve, publicly available industry information, and current practice by other industry participants. o Agreeing, on a sample basis, management's inputs into the valuation models to relevant underlying agreements o independently recalculating the valuations of the Group's energy price derivatives and evaluate these in comparison with the carrying values determined by management. o Assessing the appropriateness of related disclosures to the financial statements.
Basslink financial assets and liabilities *Refer to notes 1.2(k), 1.2(s), 3, 11, 17 and 20*	
As at 30 June 2017 the Group's Basslink financial assets totalled \$333.40m and Basslink financial liabilities totalled \$921.33m. Significant management judgment was required in valuing the financial assets and liabilities as they are sensitive to inputs within the discounted cash flow model such as electricity prices, forecast sales of electricity 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 independent treasury experts: o Obtaining an understanding of, and testing, the key controls relating to the valuation and recording of Basslink financial assets and liabilities. o Assessing management's valuation methodology, the basis for assumptions used and compliance with relevant accounting standards. o Assessing and challenging management's assumptions within the long term energy price curve, including consideration of the historical curve, publicly available industry information, and current practice by other industry participants.

	o Evaluating and challenging key model assumptions such as import/export volume forecasts, cash flow assumptions, and inflation and discount rates including performing a look-back assessment of historical actuals. o Performing sensitivity analysis in relation to the key model assumptions. o Testing, on a sample basis, the mathematical accuracy of the discounted cash flow model. o Assessing the appropriateness of related disclosures to 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, related safeguards.

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

Rod Whitehead
Auditor-General

Tasmanian Audit Office

21 August 2017
Hobart

Above: ***James Sherrin at Lake Gordon***

Statement of Corporate Intent

The following Statement of Corporate Intent was agreed upon between Hydro Tasmania's Board and Shareholding Ministers during 2016–17 and includes performance targets which are updated each year. The 2017–18 Statement of Corporate intent, including updated performance targets, will be published on Hydro Tasmania's website.

Hydro Tasmania's 2016-17 Statement of Corporate Intent

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.

Our business

Hydro Tasmania's primary purpose is to 'efficiently generate, trade and sell electricity and environmental energy products in the National Electricity Market (NEM).'

Building on 100 years of experience in the electricity industry, the Hydro Tasmania group operates as one business focused on delivering value to our customers through our three brands: Hydro Tasmania (electricity and gas generation and trading), Momentum Energy (retail electricity and gas) and Entura (professional services). Each brand operates as part of the integrated group to deliver the business strategy, enhance value and mitigate strategic risks so that Hydro Tasmania can deliver sustainable financial returns to the Tasmanian Government.

The ownership structure (active entities) of the Hydro-Electric Corporation is shown in Figure 2 and business structure is shown in Figure 3.

Figure 2: Hydro Tasmania's ownership structure as at 1 July 2016

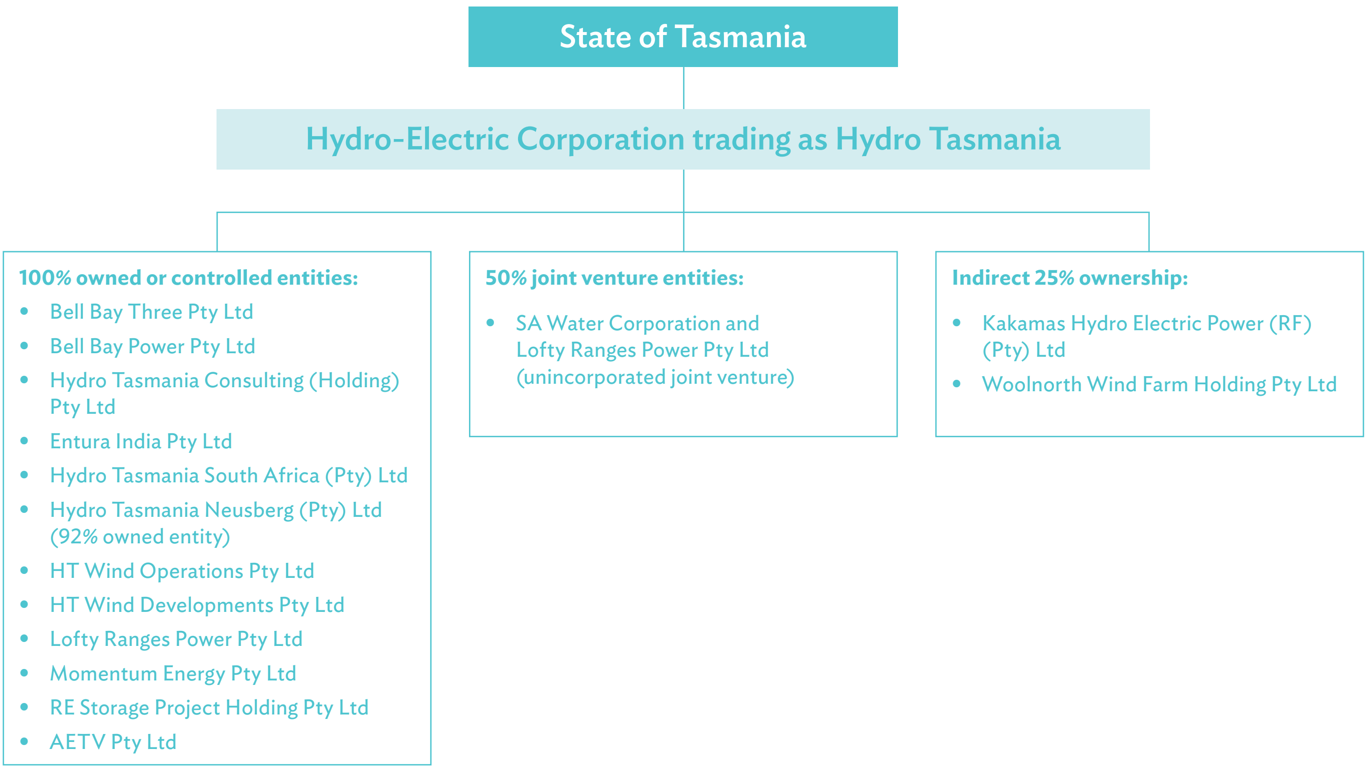
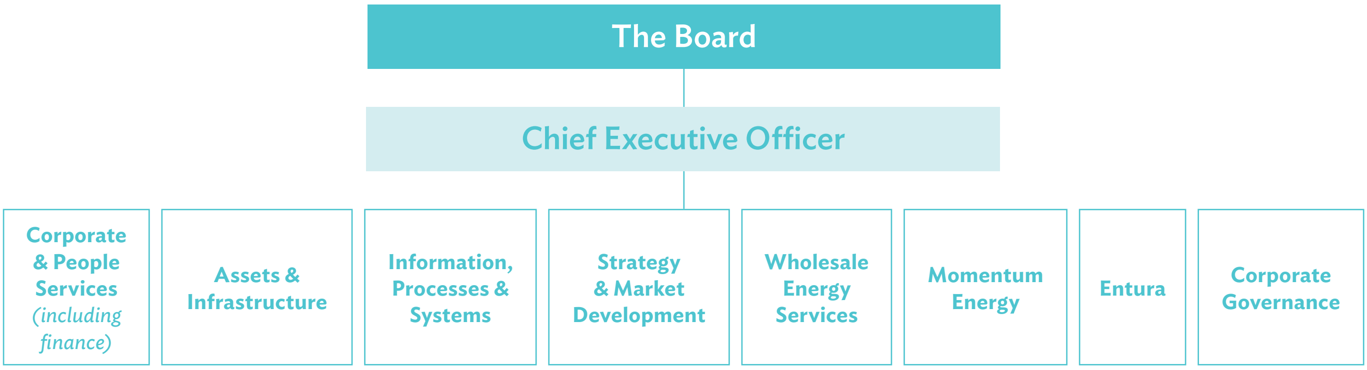


Figure 3: Hydro Tasmania's business structure as at 1 July 2016



Our operations

Hydro Tasmania is Australia's largest water manager, responsible for many significant lakes, rivers and smaller water bodies in six large catchments covering 35 per cent of Tasmania's land area (Figure 4). Hydro Tasmania's main business is the generation of electricity from 30 hydropower stations and one gas-powered station and the sale of this electricity in the National Electricity Market. In 2015-16, 81 per cent of electricity generated was from hydropower and 8 per cent was from gas[1]. Off-grid, the Bass Strait islands' electricity supply is generated from diesel, wind and solar.

Momentum Energy is based in Melbourne and sells electricity and energy services to business and residential customers in Victoria, South Australia, the Australian Capital Territory, Queensland and New South Wales, and gas to customers in Victoria. Momentum Energy provides retail services to the Bass Strait islands. We also operate a telesales centre in Tasmania, employing approximately 27 people.

Woolnorth Wind Farm Holding Pty Ltd is a joint venture with Shenhua Clean Energy Holdings Pty Ltd (owned by Chinese energy company Shenhua Group). Our share is 25 per cent. The joint venture owns the Studland Bay, Bluff Point and Musselroe wind farms, with a combined generating capacity of 308 MW.

Entura provides engineering, scientific and management services relating to water management and energy supply to national and international clients as well as to Hydro Tasmania for operational and capital programs associated with our generation infrastructure and developments.

Based at Cambridge in Tasmania, Entura has offices in Melbourne, Brisbane, India and South Africa and project offices in South Australia and the Northern Territory. Entura's international work extends across the Pacific Islands (including Papua New Guinea), New Zealand, Southeast Asia, South Asia (principally India and Nepal) and Southern Africa.

Strategic challenges

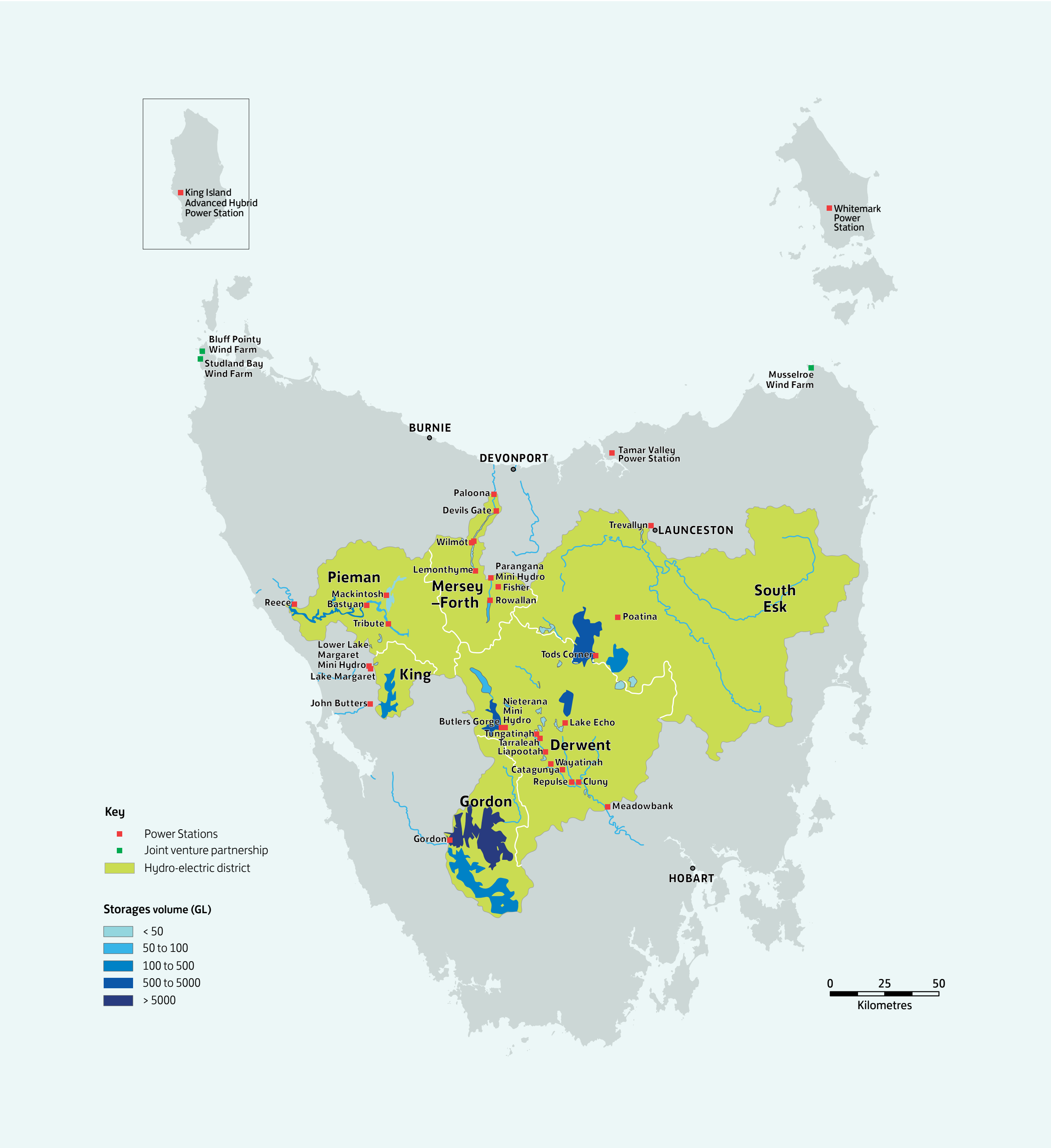
Hydro Tasmania operates in the highly dynamic and competitive NEM, which is undergoing a period of significant transformation. This transformation includes:

- increasing solar capacity being installed (AEMO forecast 20,890 MW of rooftop solar will be installed by 2035). One in seven houses already have rooftop solar installed in Australia
- battery storage is emerging as the next major disrupter as it becomes economically attainable technology for home use, particularly in conjunction with solar PV systems
- network providers have begun offering solar and battery storage, competing against the traditional retailers while addressing grid support during peak demand
- developments in technology and enhanced customer awareness leading to changes in the way that electricity is produced, sold, bought and consumed.

Other external factors affecting Hydro Tasmania include uncertainties and change in national renewable energy and climate change policies and changes in the Australian gas industry.

[1] The remainder was a mix of wind and diesel.

Figure 4: Hydro Tasmania's Tasmanian operations



Our strategic direction

Hydro Tasmania's vision is to be Australia's leading clean energy business, inspiring pride and building value for our owners, our customers and our people. Our strategy seeks to deliver on this vision by providing profitable revenue growth, ensuring a customer-first approach and maintaining our renewable energy generation assets for future generations.

Hydro Tasmania will continue to work closely with the Tasmanian Government to ensure we are as efficient as possible to assist the Government to achieve its vision of restoring energy as a competitive advantage for Tasmania. This will include working with the Tasmanian Energy Security Taskforce to help secure Tasmania's energy security.

While our main focus will always be to meet the needs and expectations of our Tasmanian customers, our mainland retail brand Momentum Energy will continue to create value for all Tasmanians as we grow customer numbers on the mainland. Our strategy continues to evolve to ensure we can respond flexibly to the rapidly changing operating environment. We will pursue profitable revenue growth by increasing the value of our customer base in electricity, gas and energy services, and by reducing costs while continuing to manage business risks. In addition, the technological advancements developed for the King Island Renewable Energy Integration Project have positioned Hydro Tasmania to continue pursuing emerging opportunities in hybrid energy solutions.

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 so Hydro Tasmania can continue to be Australia's leading clean energy business.

Performance against 2016-17 performance agreement

In signing this Statement of Corporate Intent, the Board of Hydro Tasmania committed to the targets proposed for 2016-17 on a best endeavours basis, subject to section 24 of the GBE Act. The Board of Hydro Tasmania agreed 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.

Table 1: Key Performance Indicators for 2016-17.

Key performance indicators (KPIs)	2016-17 targets	Performance
Financial Indicators		
Results before fair value movements and revaluations	$6 million	$20 million[1]
Capital expenditure	Satisfactory external validation of the ten-year asset management plan	Satisfactory external validation
	For capital expenditure projects greater than $500,000[2]: 100% on time 100% on budget	91% on time 87% on budget[2]
Return on equity[3]	0.66%	1.02%
Cost savings target	Momentum operating costs per account equal to or less than budget	Operating costs per accounts were less than budget
	Non-customer facing OPEX less than $148 million	$134 million
Retail profit before tax	Profit before tax >= budget	Profit was below budget[4]
Non-financial Indicators		
Lost time injury (LTI)	0	2[5]
Hydro generation availability	Availability target of 80 per cent achieved	85.2%
Regulatory compliance obligations	Zero breaches resulting in enforced regulatory undertakings or penalties	Zero
Storage levels - preferred minimum operating level	Minimum of 30% at the end of June 2017 with average inflows, with a trajectory through ~40% prior to summer	>34% at end of June 2017, on track to achieve 40% by summer 2017. Storages exceeded 40% at the start of summer 2016.
Returns to government (accrual)		
Ordinary dividend	$0	$0
Total other returns to government	$9 million	$12.7 million
Total returns to government	$9 million	$12.7 million

1 Measured against the targets approved via the Investment Management Team process.

2 There was a total of 23 projects >$500k completed in 2016-17. Of this, 20 were on budget and 21 were on time.

3 This calculation reflects the Underlying Result divided by Total Equity.

4 Momentum Energy operates in an extremely competitive market. While its profit for 2016-17 was below expectations, Momentum Energy still made a significant contribution to the group result.

5 The target of zero lost time injuries was not met for 2016-17 due to two lost time injuries occurring within the business. Each injury resulted in the loss of one full shift from work before returning to duties.

Above: ***Matthew Howard at Poatina Power Station***

Summary Information

Governance summary

Board and Executive performance evaluation

The Board and the Board committees carried out self-assessments in 2016-17. Each director, including the Chairman, undergoes a formal performance evaluation, conducted by their peers, when their term of office is under consideration and they are seeking re-appointment. The Chairman provides continuous individual feedback on performance to each director and is also subject to periodic assessment by the directors. The Board Committees undertake self-assessment of their performance in accordance with their Terms of Reference, usually on an annual basis. Following annual self-assessments the Board will consider undertaking an external performance evaluation each fourth year. The performance of the Chief Executive Officer 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 Executive and the Corporation Secretary for immediate dissemination of introductory information. Other information, similar to that referenced in the Guidelines for Tasmanian Government Businesses on Director Induction, Education and Training is provided in hard copy, where necessary. Access to the main governance, organisation and Board administration documents and reference materials is available through appropriate means, ensuring that resources are up-to-date and at hand.

Ongoing training and education for directors is provided in-house or through external providers as required. This ensures that directors are informed of and understand all key developments relating to Hydro Tasmania's business, and the industry and environment in which we operate.

Table 2: Board committee membership at 30 June 2017

Audit committee	Risk Management Committee	Human Resources and Remuneration committee
Samantha Hogg*	Saul Eslake*	Tessa Matykiewicz *
Saul Eslake	Grant Every-Burns	Grant Every-Burns
Grant Every-Burns	Stephen Davy	Stephen Davy
Tessa Matykiewicz[1]		Samantha Hogg
		Ken Hodgson

*Committee Chair

[1] Formerly Tessa Jakszewicz

Governance summary (continued)

Table 3: Directors' attendance at Board and committee meetings during FY 2016-17

	Board (regular and special meetings)		Audit Committee		Risk Management committee		Human Resources and Remuneration committee	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Grant Every-Burns	15	14*	5	5	4	3*	4	4
Stephen Davy	15	15			4	4	4	4
Saul Eslake	15	15	5	5	4	4		
Tessa Matykiewicz	15	14*	5	4*			4	4
Samantha Hogg	15	14*	5	5	1	1	4	4
Ken Hodgson	15	15					4	4

A= Maximum number of meeting the director could have attended

B= Number of meetings attended

*= Leave of absence granted

Public interest disclosures

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

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

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

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

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

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

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

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

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

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

Find more information on Hydro Tasmania's governance at www.hydro.com.au/about-us/governance

Generation statistical summary

Table 4: Generation summary 2013–2017

	Units	As at 30 June 2013	2014	2015	2016	2017
Mainland Tasmania						
Power stations						
Hydro	Number	30	30	30	30	30
Thermal (gas)	Number	1	1	1	1	1
Thermal (diesel)	Number	0	0	0	2[1]	0
Wind	Number	0[2]	0	0	0	0
Total	**Number**	**31**	**31**	**31**	**33**	**31**
Installed capacity[3]						
Hydro	MW	2,281	2,281	2,281	2,281	2,281
Thermal (gas)	MW	372	372	372	372	372
Thermal (diesel)	MW	0	0	0	123	0
Wind	MW	0	0	0	0	0
Total	**MW**	**2,653**	**2,653**	**2,653**	**2,776**	**2,653**
Energy generated[4]						
Hydro	GWh	10,627	11,932	8,176	8,038	8,305
Thermal (gas)	GWh	140[5]	866	4	769	767
Thermal (diesel)	GWh	0	0	0	55	0
Wind	GWh	0	0	0	0	0
Total	**GWh**	**10,767**	**12,798**	**8,180**	**8,862**	**9,072**
Generation peak	MW	2,222	2,168	2,187	2,161	2,038
Generation load factor[6]	%	55	67	43	47	51
Bass Strait islands						
King Island						
Diesel	MWh	7,968	7,220	7,430	6,587	7,482
Wind[8]	MWh	4,133	4,974	4,144	4,907[7]	4,497
Flinders Island						
Diesel	MWh	3,569	3,734	3,536	3,539	4,038
Wind[8]	MWh	0	0	0	0	65
Total Bass Strait islands	**MWh**	**15,670**	**15,928**	**15,110**	**15,033**	**16,082**

Generation statistical summary (continued)

Table 4: Generation summary 2013–2017 (continued)

1) 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.
2) Musselroe Wind Farm transferred from Hydro Tasmania on 5 February 2013 before operational production commenced.
3) Power station registered capacity.
4) Mainland Tasmania energy generated is calculated as the net energy measured at the power station market and distribution connection points.
5) Tamar Valley Power Station energy generated for the month of June 2013.
6) Calculated as average MW divided by peak MW. Average MW calculated from total energy divided by hours in the year.
7) King Island wind generation is calculated as the net wind output for the year from Hydro Tasmania's wind generators.
8) Net energy from Hydro Tasmania's 900 kW wind turbine installed at Flinders Island in late 2016.

Table 5: Basslink imports and exports at 30 June

	Financial year ending 30 June				
	2013	2014	2015	2016	2017
Export (GWh)	2,293	3,113	725	479	977
Import (GWh)	251	20	2,141	1,067	1,342
Net[a] (GWh)	2,042	3,093	(1,417)	(588)	(365)

[a] Bracketed numbers indicate net import

Financial summary

Financial results

Table 6: Financial results

	Financial year ending 30 June				
	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m
Result before fair value, impairment and tax	237.7	241.1	62.3	(65.4)	20.1
Profit/(loss) before tax [a]	(248.5)	182.7	183.4	(292.3)	(308.7)
Comprehensive income/(loss)	(382.2)	147.9	169.2	(3.6)	(181.8)
Cash flow from operating activities	261.5	242.9	25.5	17.5	117.6
Net debt	860.2	845.6	834.0	822.3	733.0
Weighted average cost of debt	6.88%	7.39%	6.67%	5.32%	4.87%
Capital expenditure	164.0	118.3	100.7	109.1	131.0
Total assets	5,123	5,024	5,195	5,886	6,322

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

Returns to government

Table 7: Returns to the Tasmanian Government (cash)

	Financial year ending 30 June				
Source	2013 $m	2014 $m	2015 $m	2016 $m	2017 $m
Government guarantee fee	8.6	11.4	8.9	8.5	8.6
Income tax equivalent	52.8	104.2	80.1	5.0	0.0
Ordinary dividend [a]	50.7	116.0	118.6	25.0	0.0
Rates equivalent	3.6	3.8	3.9	4.0	4.1
Total returns	115.7	235.4	211.5	42.5	12.7

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

Five-year summary

Table 8: **Financial statistics, 2013 – 2017, year ending 30 June**

	Year Ending 30 June				
	2013 $'000's	2014 $'000's	2015 $'000's	2016 $'000's	2017 $'000's
Five Year Profile – Statement of Comprehensive Income					
Income					
Sales of goods and services	1,541,617	1,978,012	1,467,161	1,335,863	1,440,403
Other income	13,616	15,125	17,062	21,580	41,241
TOTAL INCOME	**1,555,233**	**1,993,137**	**1,484,223**	**1,357,443**	**1,481,644**
Less Expenses					
Labour	123,242	149,941	126,060	124,821	129,311
Direct operating expenses	960,782	1,319,456	1,034,271	1,022,785	1,048,215
Depreciation and amortisation of non-current assets	91,373	88,230	92,918	100,666	109,094
Impairment of non-current assets	484,315	220,492	(232,066)	(58,697)	781
Finance costs	67,501	79,840	71,927	58,219	56,668
Fair value movements	1,923	(162,110)	110,927	285,565	328,022
Other operating expenses	82,074	114,557	96,695	116,387	118,261
TOTAL EXPENSES	**1,811,210**	**1,810,406**	**1,300,732**	**1,649,746**	**1,790,352**
NET PROFIT/(LOSS) BEFORE TAX	**(255,977)**	**182,731**	**183,491**	**(292,303)**	**(308,708)**
Five Year Profile – Balance Sheet					
Assets					
Cash and cash equivalents	39,806	13,012	15,683	82,698	117,057
Investments	66,696	68,939	68,556	63,804	59,262
Receivables	220,828	241,086	250,476	380,872	368,659
Property, plant and equipment	4,188,436	3,969,795	4,208,087	4,628,625	4,646,203
Financial and other assets	613,592	731,972	652,966	730,487	1,130,795
TOTAL ASSETS	**5,129,358**	**5,024,804**	**5,195,768**	**5,886,486**	**6,321,976**
Liabilities					
Payables	142,732	176,073	164,283	315,839	318,713
Provisions	551,369	559,090	501,707	579,499	517,920
Interest bearing liabilities	905,795	864,003	855,015	910,100	854,833
Tax liabilities	621,103	555,087	569,678	564,199	472,997
Financial liabilities	1,119,204	1,066,047	1,041,764	1,421,142	2,192,974
TOTAL LIABILITIES	**3,340,203**	**3,220,300**	**3,132,447**	**3,790,779**	**4,357,437**
NET ASSETS	**1,789,155**	**1,804,504**	**2,063,321**	**2,095,707**	**1,964,539**
EQUITY	**1,789,155**	**1,804,504**	**2,063,321**	**2,095,707**	**1,964,539**
Five Year Profile – Capital Works					
Expenditure					
Generation assets	85,732	71,034	73,182	77,029	83,837
Bass Strait Islands	1,828	1,164	1,461	1,676	2,883
Land and buildings	1,286	686	624	2,110	4,082
Fleet	2,887	3,646	3,905	1,818	1,998
Information systems	57,047	36,329	20,811	17,619	32,034
Renewable developments	8,654	412	334	7,680	4,662
Other assets	6,604	5,426	381	1,146	1,717
TOTAL CAPITAL EXPENDITURE	**164,038**	**118,697**	**100,698**	**109,078**	**131,213**

Community Service Obligations

Bass Strait islands

The Hydro Tasmania group provides electricity services on the Bass Strait islands under a Community Service Obligation (CSO) funded by the Tasmanian Government. Retail services are provided by Momentum Energy. The CSO ensures that consumers on the Bass Strait islands receive electricity at a concessional and regulated price. In 2016-17 the net cost of the CSO to the Tasmanian Government was $9.9 million.

Wholesale Electricity Price (WEP) direction

On 9 June 2017 the Energy Minister and Treasurer issued a direction to Hydro Tasmania under section 65 of the *Government Business Enterprises Act 1995 (Tas).* Hydro Tasmania was directed to offer load following (whole of meter) contracts if requested to do so by retailers, for load relating to small customers in Tasmania who are recontracting for FY2017-18 (or part thereof) at the price published in a WEP Order made by the Treasurer ($83.79/MWh). The financial impact to Hydro Tasmania of such transactions will be reported in the FY2017-18 Annual report, as the transactions will relate to the 2017-18 period.

Procurement summary

Table 9: Consultancies valued at more than $50,000 (ex GST), 2016–17

Name of consultant	Location	Description	Period of engagement	Total paid (AUD)
Clayton Utz	Sydney, NSW	Legal Advisors	1 July 2016 to 30 June 2017	$ 1,874,948
Page Seager	Hobart, TAS	Legal Advisors	1 July 2016 to 30 June 2017	$ 1,332,089
Pitt & Sherry (Operations) Pty Ltd	Launceston and Hobart, TAS	Engineering Consultants	1 July 2016 to 30 June 2017	$ 615,969
Price Waterhouse Coopers	Melbourne, VIC	Financial Consultants	1 July 2016 to 30 June 2017	$ 599,813
Ernst & Young	Brisbane, QLD	Regulatory Consultants	14 October 2016 to 30 June 2017	$ 588,459
Pitcher Partners Consulting	Melbourne, VIC	Compliance and Risk Consultants	24 October 2016 to 30 June 2017	$ 520,372
GHD Pty Ltd	Hobart, TAS	Engineering Consultants	1 July 2016 to 30 June 2017	$ 514,491
KPMG	Melbourne, VIC	Financial Consultants	1 July 2016 to 30 June 2017	$ 501,614
Parsons Brinckerhoff	Newcastle upon Tyne, UK	Engineering Consultants	1 July 2016 to 30 June 2017	$ 275,694
Woodland Management Pty Ltd	Prospect Vale, TAS	Environmental Consultants	1 July 2016 to 30 June 2017	$ 272,900
SICC Services	Devonport, TAS	Engineering Consultants	1 July 2016 to 30 June 2017	$ 270,914
Howarth Fisher and Associates Pty Ltd	Sandy Bay, TAS	Engineering Consultants	1 July 2016 to 30 June 2017	$ 258,620
SEMF Pty Ltd	Hobart, TAS	Environmental Consultants	1 July 2016 to 30 June 2017	$ 224,210
Shaping Change	Lower Longley, Tasmania	Strategic Advisory Services	1 July 2016 to 30 June 2017	$ 219,895
Aquasia Pty Limited	Sydney, NSW	Strategic Advisory Services	6 October 2016 to 30 June 2017	$ 189,048
Worley Parsons Services Pty Ltd	Melbourne, VIC	Engineering Consultants	1 July 2016 to 30 June 2017	$ 186,888
K & L Gates	Melbourne, VIC	Legal Advisors	1 July 2016 to 30 June 2017	$ 186,772
Hive Legal Pty Ltd	Melbourne, VIC	Legal Advisors	1 July 2016 to 30 June 2017	$ 186,382
DamWatch Engineering Ltd	Wellington, New Zealand	Engineering Consultants	1 July 2016 to 30 June 2017	$ 178,519
Information Services Group, America	Sydney, NSW	Information Technology Consultants	30 January 2017 to 30 June 2017	$ 175,200
AECOM Services Pty Ltd	Melbourne, VIC	Engineering Consultants	1 July 2016 to 30 June 2017	$ 152,293
ESS Earth Sciences Pty Ltd	Richmond, VIC	Engineering Consultants	1 July 2016 to 30 June 2017	$ 131,875
E3 International Pty Ltd	Surfers Paradise, QLD	Strategic Advisory Services	1 July 2016 to 30 June 2017	$ 129,950
Norton Rose Fulbright	Melbourne, VIC	Legal Advisors	1 July 2016 to 30 June 2017	$ 126,092
Deloitte Growth Solutions Pty Ltd	Hobart, TAS	Financial Consultants	1 July 2016 to 30 June 2017	$ 118,135
KPMG Financial Advisory Services (Australia) Pty Ltd	Melbourne, VIC	Financial Consultants	1 July 2016 to 30 June 2017	$ 111,807

Name of consultant	Location	Description	Period of engagement	Total paid (AUD)
Vierram Pty Ltd t/as Friendly Persuasion	Pyrmont, NSW	Marketing Consultants	1 October 2016 to 30 June 2017	$ 109,828
Tomten Consulting	Hobart, TAS	Strategic Advisory Services	1 July 2016 to 30 June 2017	$ 105,419
Gondwana Heritage Solutions	Oatlands, TAS	Heritage Consultants	1 July 2016 to 30 June 2017	$ 102,597
Astral Consulting Service Pty Ltd	Melbourne, VIC	Information Technology Consultants	14 October 2016 to 25 January 2017	$ 99,040
Ascension Solutions Pty Ltd	Rosny Park, TAS	HSE Consultants	1 July 2016 to 30 June 2017	$ 93,032
Johnstone McGee & Gandy Pty Ltd	Hobart, TAS	Engineering Consultants	1 July 2016 to 30 June 2017	$ 88,525
Frameworks for Change	Hobart, TAS	Strategic Advisory Services	1 July 2016 to 30 June 2017	$ 87,250
IPM	Hobart, TAS	WHS Consultants	1 July 2016 to 30 June 2017	$ 86,564
LDS Consulting	Melbourne, VIC	Marketing Consultants	20 April 2017 to 30 June 2017	$ 83,500
Celsius Graphic Design	Collingwood, VIC	Marketing Consultants	1 July 2016 to 30 June 2017	$ 81,254
Western Bison Pty Ltd	Dilston, TAS	Engineering Consultants	1 July 2016 to 5 April 2017	$ 77,081
Quest Integrity AUS Pty Limited	Varsity Lakes, QLD	Engineering Consultants	1 July 2016 to 30 June 2017	$ 75,340
SGM Consulting	Kialla, VIC	Engineering Consultants	10 October 2016 to 30 June 2017	$ 73,081
Capgemini Australia Pty Ltd	Sydney, NSW	Information Technology Consultants	1 July 2016 to 30 June 2017	$ 72,996
Herbert Smith Freehills	Melbourne, VIC	Legal Advisors	1 July 2016 to 30 June 2017	$ 66,821
Risk & Emergency Management Solutions Pty Ltd	Franklin, ACT	WHS Consultants	1 July 2016 to 30 June 2017	$ 64,105
Stephen Bendeich	Hobart, TAS	Legal Advisors	25 November 2016 to 30 June 2017	$ 59,963
Frontier Economics	Melbourne, VIC	Financial Consultants	1 July 2016 to 30 June 2017	$ 59,812
Jarosite Consulting Pty Ltd	Bells Beach, VIC	Strategic Advisory Services	1 July 2016 to 23 August 2016	$ 57,300
Trinity P3 Pty Ltd	Sydney, NSW	Marketing Consultants	1 July 2016 to 16 March 2017	$ 55,000
Johnson Winter & Slattery	Melbourne, VIC	Legal Advisors	1 December 2016 to 6 February 2017	$ 54,134
International Tank & Pipe Co	Oregon, USA	Engineering Consultants	20 March 2017 to 30 June 2017	$ 53,674
Mercedes Lentz Consulting	Collingwood, VIC	Strategic Advisory Services	22 July 2016 to 30 June 2017	$ 52,555
Total				$11,701,820
Total expenditure on 233 other consultants engaged for $50 000 or less				$3,204,557
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				$1,182,463
Total payments to consultants				**16,088,840**

Procurement summary (continued)

Table 10: Proportion of spending on local suppliers

	2012-13	2013-14	2014-15	2015-16	2016-17	Explanatory notes
Proportion of spending on local suppliers for the Hydro Tasmania group (%)	Mainland Australia: 68.2 Tasmania: 28.9 Overseas: 2.9	Mainland Australia: 51 Tasmania: 41 Overseas:8	Mainland Australia: 32.4 Tasmania: 56.7 Overseas: 10.9	Mainland Australia: 48.1 Tasmania: 40.0 Overseas: 11.9	Mainland Australia: 40.6 Tasmania: 45.7 Overseas: 13.7	Includes Entura and TVPS
Proportion of spending on local suppliers at Momentum Energy (%)	Mainland Australia: 93.8 Tasmania: 0.6 Overseas: 5.5	Mainland Australia: 98.6 Tasmania: 0.2 Overseas: 1.2	Mainland Australia: 97.2 Tasmania: 0.7 Overseas: 2.1	Mainland Australia: 99.7 Tasmania: 0.2 Overseas: 0.1	Mainland Australia: 97.9 Tasmania: 1.4 Overseas: 0.7	

Table 11: Accounts due or paid within each year—Hydro Tasmania and subsidiary companies

Measure	
Creditor days: 1718 creditors with the following payment terms:	
7 days	169
14 days	207
21 days	9
30 days	1333
Total number of accounts due for payment	27,178
Number of accounts paid on time[a]	22,021
Amount due for payment	$237,896,530.69
Amount paid on time	$177,678,358.90
Number of payments for interest on overdue accounts	3
Interest paid on overdue accounts	$3,305.36

[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 2016 to 30 June 2017.

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.

A measure of our performance against a range of business sustainability indicators is presented on our website. https://www.hydro.com.au/about-us/publications/annual-reports

The Statement of Corporate Intent is an integral part of the report, providing background information about Hydro Tasmania, our operating environment and strategic direction. See page 85.

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

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