

Annual Report

2021-22



Powering a
Bright Future

About this report

This report reviews the operations of Tasmanian Networks Pty Ltd and its subsidiaries of Tasmanian Networks Pty Ltd, TasNetworks Holdings Pty Ltd (non-trading subsidiary), Fortytwo24 Pty Ltd (42-24), Marinus Link Pty Ltd (MLPL) and TasNet Connections Pty Ltd for the 2021-22 financial year.

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



We are committed to providing accessible services to Tasmanian residents from all cultural and linguistic backgrounds. If you have difficulty understanding this Annual Report and require an interpreter, please contact the Translating and Interpreting Service (TIS National) by phoning 131 450.

Contents

About us 02

Chairman message 04

CEO message 06

2021-22 highlights 08

Transforming TasNetworks 10

Our commitment to Corporate Social Responsibility 11

2021-22 Sustainability snapshot 12

Marinus Link 14

Our customers 18

Our energy future 24

Enabling digitisation 31

Our people 32

Our community 36

Protecting our environment 40

42-24 44

Corporate governance 46

Remuneration report 56

Performance against our Statement of Corporate Intent 57

Tasmanian Government reporting requirements 61

Directors' report 63

Auditor's independence declaration 67

Independent Auditor's report 68

Consolidated financial statements 73

Directors' declaration 147

About us

TasNetworks owns, operates and maintains the electricity transmission and distribution network in Tasmania.

We deliver a safe, reliable and affordable electricity supply to more than 295,000 residential, commercial and industrial customers. We facilitate the transfer of electricity between Victoria and Tasmania via Basslink, the sub-sea electricity interconnector. We also provide telecommunications and technology services. We are owned by the State of Tasmania and operate as a commercial business with assets of over \$3.5 billion.

Our responsibilities include:

- Keeping our people and our customers safe
- Tasmanian jurisdictional planner in the National Electricity Market
- Maintaining and replacing network infrastructure to ensure a safe, reliable service for our customers
- Connecting new customers to the network (including small and large-scale generators)
- Investing in the network to support capacity growth
- Operating the network on a day-to-day basis, including all power outage restoration
- Renewable Energy Zone planner and developer
- Maintaining the public lighting system
- Recording and providing regulated meter data to retailers
- Providing telecommunications, data centre and information technology services to customers, including those in the Tasmanian electricity supply industry.

Our locations

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

Our subsidiaries

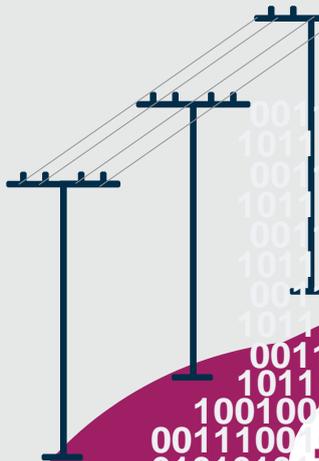
The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), FortyTwo24 (**42-24**) Pty Ltd, Marinus Link Pty Ltd (**MLPL**) and TasNet Connections Pty Ltd.

42-24 provides telecommunications, information technology and data centre services to Tasmanian customers, including those in the Tasmanian electricity supply industry. This business is developing new growth opportunities within the current services and also opportunities to provide competitive energy services, and technology services such as cyber security and digital twin.

MLPL was established with a broad remit to allow for the Project Marinus feasibility and business case assessment; to take any steps necessary to establish the interconnector; to build, own or operate the interconnector; and to undertake any other associated activity. The proposed interconnector, known as Marinus Link, comprises of two 750 megawatt capacity undersea and underground high voltage direct current electricity and telecommunications connection that will link Tasmania's renewable energy generation and storage resources to Victoria and the rest of National Electricity Market (**NEM**). The Marinus Link project and its assets, including our people dedicated to the project, transferred into MLPL on 1 December 2021.

Large Scale Renewables Pty Ltd, which changed its business name to TasNet Connections Pty Ltd, was established to support the growth of TasNetworks' competitive transmission connection services business, facilitating large scale generation and other large industry connections to our network. Once fully operational, competitive transmission connection services will be provided through TasNet Connections to provide customers with a 'one stop shop' for large connections. Services to be provided include professional services to support project development (such as preliminary design) as well as build, own and operate asset services.

What it takes to deliver your power



Average years of service



Transmission

3350
Circuit kilometres of transmission lines

7700
Transmission line support structures

11200
Hectares of easment

49
Substations

Distribution

15318
Kilometres of high voltage powerlines

4900
Kilometres of low voltage powerlines

2694
Kilometres of high and low voltage underground cables

232735
Poles

Telecommunications

1900
Kilometres of fibre optic cable

2
Data centres

People

1150
Employees

*Data excludes TasNetworks' subsidiaries

Chairman message

TasNetworks was created to serve and support Tasmanians.

It was created to deliver Tasmanians and the businesses that drive our economy electricity that's safe, reliable and affordable... underpinning the comfort, enjoyment and opportunity in their lives.



Roger Gill
Chairman TasNetworks

And it was created as a Tasmanian public asset - to give Tasmanians ownership of TasNetworks' ethos and direction. We're here for Tasmanians and our many business customers – delivering for our community.

I'm delighted to be the new Chairman. Firstly, I acknowledge TasNetworks' inaugural Chairman, Dr Dan Norton AO, who finished his term on the Board of TasNetworks in November 2021. During Dan's tenure, the Board has guided TasNetworks from its foundation in 2014 to be well established to play our role in the energy transition as a combined distribution and transmission business. I commend Dan's contribution to TasNetworks, along with fellow Director Peter McIntyre who stepped off the TasNetworks Board in September after five years' service.

These are challenging times. Inflation and cost-of-living pressures are weighing on many Tasmanians who were already feeling the squeeze. That puts power prices even more front-and-centre than usual. It helps that our people are also those people – families, mortgage holders, renters, Tasmanians striving for the best life possible. We see the challenge up-close every day, we're focussed on keeping downward pressure on the network element of power prices.

We also need to help transition our wider communities to cleaner forms of energy. That's important to protect the wellbeing of future generations, to help keep future prices affordable and to grasp the natural advantages of our island.

That's why we embrace our shareholder's stated goal of doubling Tasmania's clean energy in coming decades; it's why we embrace Project Marinus to make that doubling possible; it's why we're building the extra, modernised transmission pathways needed to carry much more electricity produced by wind, sun and water; it's why we are aiming to provide a smarter grid.

These are long and challenging projects. Together, they're Tasmania's biggest developments since the end of hydro-industrialisation itself. We're on track, making good progress, but still far closer to the beginning of the journey than the end. We'll listen, respond and adjust along that journey.



Image credit: Greg Gibson

Of late, Tasmanians have faced concerning headlines about shortages and instability in the National Energy Market, AEMO intervention, and prices that are only heading one way. Despite being an active member of the NEM, Tasmania is secure, energy self-reliant (if ever needed), has an excellent modern network that we're strengthening and expanding, and has the abundant clean energy that everyone else wishes they had. That's a huge advantage, and should be a huge reassurance.

The projects we're investing in and working on are the long-term solutions to those issues. All along we're there in the immediate: keeping the lights on; maintaining the network; restoring outages as quickly as possible; keeping prices as low as we can; contributing cleanness, certainty and stability to the NEM.

Our greatest duty, and our greatest privilege, is that while Tasmanians get on with the daily challenges and opportunities of life, we're always there in the background... delivering today, and powering a bright future.

Roger Gill
TasNetworks Chairman

CEO message

My leadership of TasNetworks focusses on clean, reliable and affordable electricity.

Those three principles guide all our decisions, along with the sacred and non-negotiable priority of keeping our people safe.

'Affordable' means keeping power prices as low as possible for Tasmanians, which means being efficient and minimising our own costs. Affordability is the top priority of most Tasmanian customers, when surveyed. That's understandable, when many people already struggle to achieve the comfort and security they want. We are Tasmanians, and we're here to support Tasmanians.

Network charges account for about 40 per cent of a typical Tasmanian power bill. In 2021, I took charge of a business that had managed to reduce network charges over several consecutive years (even if overall power prices sometimes fluctuated, based on non-network factors) while keeping the network safe and reliable. That included a most recent drop of 5.2 per cent in 2020-21, bringing network charges down to the same level, in real terms, as 2009-10.

The price of virtually everything's going up at the moment, because that's the inflation period we're in. However, I was pleased that we could limit our 2022-23 Annual Pricing Proposal to an increase consistent with CPI, and no more. In the current climate, with huge cost and supply chain pressures, that result takes discipline and hard work.

There'll be no complacency in our efforts to keep prices as low as possible for Tasmanians. One of my first steps as CEO was commissioning an external review. While TasNetworks' ratings for safety, reliability and customer satisfaction are all steadily improving, the review made clear that we can't sustain rising costs. We must get more efficient to help keep Tasmanians' prices down, keep improving customer service, and ensure we can afford to build what our island needs for a bigger clean energy future.



Seán Mc Goldrick
CEO TasNetworks

We've therefore embarked on a two-year transformation process to streamline our business, drive efficiency, and reduce management from seven layers to four. We expect to reduce our overall number of roles from about 1,200 to about 950 via voluntary redundancies, natural attrition and managing vacancies. Crucially, there'll be no forced redundancies. Every team member who chooses to stay at TasNetworks can do so (albeit, their role may change, with re-training), meaning our people will continue to have job and income security. In a 2021 survey, many of our people said they wanted to get 'back to basics' and reduce business layers, which we're doing. We're working closely and productively with relevant trade unions. Safety remains sacred and non-negotiable, at any cost. There'll be no depot closures. Our front-line field areas won't be materially affected (nor network reliability, in the process) because, if anything, we actually need more specialist line-workers and field support.

'Reliable' means maintaining a high-quality network and minimising outages. The number of distribution outages suffered by Tasmanians dropped from almost 4,300 in 2013/14 to just under 3,600 in 2020/21. Transmission outages (much rarer) have halved in the past couple of years. Reliability is heading in the right direction, with more work to do. It's no co-incidence that our customer satisfaction rating's improved strongly over the same period.

Everyone notices power outages, and no-one enjoys them. That's why our people respond any time, in any weather, to keep Tasmanians safe and connected. Unplanned outages are still common in modern networks; Tasmania has about 30 to 40 each week. We invest strongly and perform about 160 planned maintenance outages each week to keep the network as safe and reliable as possible. We go further in poor-performing parts of the network.

The violent storm that hit much of Tasmania late on June 11th, 2022, left the worst damage we've seen in decades. It again showed that even modern networks are no match for the extremes of nature. At the peak, however brief, about 20,000 customers lost power. Several thousand customers spent a number of cold days and nights without power – mostly in remote parts of the north-west. We put virtually every person and asset we could into the field, including many people who worked on their intended days off. Our crews worked long, gruelling shifts, to restore customers as quickly as possible. They were strongly supported by many team members behind the scenes, and I was immensely proud and impressed by the skill and dedication our people displayed. I visited the front-line (Claude Road near Sheffield), and could sense their deep commitment and sense of duty to our community. We appreciate the overwhelming support and recognition we've received from Tasmanians.

'Clean' means helping transition Australia to clean energy sources. We're at the front-line of efforts to double Tasmania's clean energy capacity in coming decades. The journey alone will cut Australia's emissions. We're talking about the biggest contribution Tasmania will ever make towards combatting climate change and protecting future generations.

That transition, doubling our clean energy, cutting Australia's emissions, becoming a clean energy powerhouse, only happens if we build Project Marinus, as well as the new transmission projects needed to support the transition. We can only attract wind, solar and pumped hydro developers to produce that surplus electricity if we can sell that surplus electricity; and we can only sell that surplus electricity via more mainland interconnection.

The electricity industry's more dangerous than most... which means safety is sacred and non-negotiable. I'm an engineer. My career's been much more about hard hats, oily hands and the people you're shoulder-to-shoulder with (and accountable for), than about board rooms and financial targets. Every day that our people return safe and healthy from work counts as success, no matter what else has challenged us or gone wrong. And any day that one of our people suffers injury or worse, is a grievous failure, no matter what else we've achieved.

Our Total Recordable Injury Frequency Rate's considered the best indicator of safety performance (obviously, lower = better). In 2015/16, it came in at a monthly average of 20. For the past two years, it's about five. Our safety record has improved enormously. I intend to keep it that way, whatever else may change.

Because we belong to Tasmanians, many Tasmanians expect more from us than just clean, reliable and affordable power. They expect us to be good citizens who reflect their own values and concerns. As well as helping double Tasmania's clean energy, we're taking steps to clean up our own business through development of our Climate Action Plan; we're hugely committed to supporting electric vehicle development in Tasmania – including updating our own fleet; we've signed-up to the Australian Energy Charter, which holds us accountable to very high customer standards (including clean, reliable, affordable); we've renewed our commitment to the Tasmanian Aboriginal community through our Reconciliation Action Plan; we continue to diversify and expand opportunities in our traditionally male-dominated industry; and we support Tasmanians in need through our community grants program and partnerships with crucial local charities and causes.

I've worked in the energy industry all around the world – from war-torn regions to my Irish homeland. I'm deeply impressed by the skill, commitment and vision of the people I've discovered at TasNetworks. I look forward to a bold and exciting future together.



Seán Mc Goldrick

TasNetworks Chief Executive Officer

2021-22 highlights

Performance

Our customers

We care for our customers and make their experience easier.

Customer satisfaction

7.6/10

Joined the Energy Charter - supporting the energy sector towards a customer-centric future

Engaged over

200

customers on our 2024-29 Revenue Proposal

Our people

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

22

Graduates and Apprentices employed

Total recordable incident frequency rate reduced by

0.8

(4.0 for 21-22)

Gender Pay Gap

4.3%

a leader against the electricity industry average

Our business

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

Invested back into our network

\$226m

Marinus Link and North West Transmission Development confirmed as fully actionable by the Australian Energy Market Operator

Proactive bird mitigation installed on distribution lines

110km

Our owners

We operate our business to deliver sustainable shareholder outcomes.

Operating profit after tax

\$39.7m

Dividends

\$5.122m

Large scale connections revenue

\$4.9m

2030 Focus areas



Resilience

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



Growth

at scale, in
competitive
energy services.



Safety

of our people,
the community
and the
environment.



Renewable energy

Connecting new
customers and
progressing Marinus
Link energy services.



Efficiency

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



Transforming TasNetworks

TasNetworks has a critical role to play in the energy transition, and we are transforming to ensure that the business is best prepared for the future.

In 2021-22, TasNetworks undertook a Strategic Review to assess the way we do business. We identified opportunities to optimise our business to best meet future challenges, and keep electricity affordable for Tasmanians by ensuring network charges are as low as they can be. Over the next two years, TasNetworks is focusing on initiatives to empower our teams, while maintaining the highest standards of safety, reliability and quality that is an integral part of TasNetworks' DNA.

At its heart, transformation seeks to:

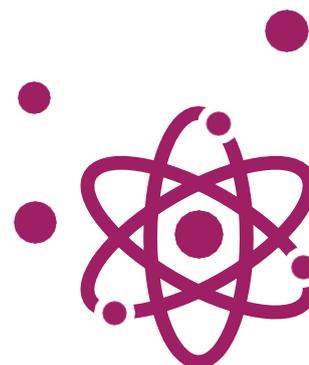
- **Reset** the foundations on which TasNetworks was built and
- **Refocus** the business on our core mission of delivering safe, reliable, and affordable electricity to Tasmanians.

We will achieve this by:

- Streamlining processes, technological solutions and organisational frameworks to empower our people in the field and encourage innovation
- Workforce planning to prepare our people for the opportunities and challenges of the energy transition, enabling organisational agility and performance
- Improving our procurement process

- Harnessing the power of robust data analysis to reduce lead times, maximise productivity, and allocate critical resources to where they're needed most
- Investing in our people and our leaders so they can grow both personally and professionally in a vibrant workplace that values curiosity, bravery, and ownership.

Ensuring we have the right people, with the right capabilities, at the right time is an essential part of our future success.



Our commitment to Corporate Social Responsibility

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

Trust is developed by working to minimise our impact and create shared value for our customers, our people and our broader community over the long term.

At this time, our most important contribution is our role in the renewable energy transition, which can drastically reduce carbon emissions and support the fight against climate change.

Our biggest challenge is to see through this transition by upgrading our existing electricity grid so that impacted communities can benefit, and our natural environment is respected. We play an important role in shaping Australia's energy future, and as we implement our business strategy we will act responsibly and with integrity.

In 2021-22 we refreshed our materiality assessment, which identifies affordability, reliability, climate change and the renewable energy transition as being the issues with the highest impact and opportunity to our business and our communities.

This work helps us to identify our priority areas for action, and supports relevant reporting on our impacts and progress against the UN Sustainable Development Goals (pages 12-13). Our business transformation (page 10), will also help us identify opportunities to provide more value to our customers while preparing for the challenges of a changing energy landscape.

We are strongly committed to addressing customer concerns and priorities, and in response to this, in 2021 we signed up to the Energy Charter. The purpose of the Energy Charter is to progress the culture and solutions required to deliver a more affordable, sustainable and reliable energy system for all in line with community expectations. We will use this framework to put customers at the centre as we transition to a clean energy future, innovate with peers and build trust with the Tasmanian community.

Energy Charter Report

2021 - 2022



Review our first Energy Charter Report:
[Tasnetworks.com.au/TheEnergyCharter](https://tasnetworks.com.au/TheEnergyCharter)

2021-22 Sustainability snapshot

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. We continue to work to uplift performance and address environmental and societal challenges and our business transformation program is a key part of this uplift. The following tables provide a summary of our performance and key actions aligning with our four focus SDGs.



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

Affordable and Clean Energy How we're addressing

Distribution Prices will increase below CPI for residential and small business customers in 2022-23	●	Page 23
Working with developers on an additional 14 large scale renewable energy projects, to those already in progress	●	Page 26
Customer trust maintained at 70%	●	Page 18
Customer Satisfaction maintained at 7.6/10	●	Page 19
Secured funding support from the Tasmanian and Australian governments to the end of the Design and Approvals phase of Marinus Link	●	Page 15

Commitments

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



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

Life on Land How we're addressing

45 Reportable Environmental Incidents (13 oil releases, 31 threatened fauna and 1 threatened flora)	●	Page 59
Climate Change Emissions Reduction Pathway developed and undertook a risk and opportunity Scenario Analysis	●	Page 29
Scope 1 & 2 GHG emissions 98,515.7 tCO ₂ e, an increase of 5.3%	●	Page 30
Proactively mitigated approximately 110km of distribution lines to reduce bird strikes	●	Page 40

Commitments

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

11 SUSTAINABLE CITIES AND COMMUNITIES



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

Sustainable Cities and Communities

How we're addressing

Network supply availability – 97.93% - a decrease of 2%	●	Page 60
Met 62.37% of community reliability targets, a decrease of 17.6%	●	Page 60
Gap analysis undertaken on Climate Change Resilience and Adaptation Strategy	●	Page 29
Completed Waste Management Assessment	●	Page 43
Total waste to landfill 62% of overall waste	●	Page 43
Invested \$200k in community organisations in Tasmania	●	Page 38
Two failures to notify life-support customers of a planned outage	●	Page 59
Developed our Future Network System Roadmap	●	Page 28

Commitments

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

8 DECENT WORK AND ECONOMIC GROWTH



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

Decent Work and Economic Growth

How we're addressing

Our Reflect Reconciliation Action Plan delivered with majority of actions complete	●	Page 36
65% spend on local business (39% Tas based & 26% interstate with local presence), reduced 3%	●	
Developed North West Transmission Developments Economic Development Discussion Paper	●	Page 27
Established a North West Transmission Developments regional Youth Panel	●	Page 37
Gender Pay Gap – 4.3%, reduced 1.3% – a leader against the national average and electricity industry average of 7.8%	●	Page 32
Gender Balance - 23% women and 77% men - just under the industry benchmark of 24.6% women and 75.4% men	●	Page 32
Total Recordable Injury Frequency Rate – 4.0, reduced by .8	●	Page 35
Implemented a 10% weighting on Aboriginal and Torres Strait Islander businesses into procurement evaluation	●	Page 36
Employee engagement – 67%, down 2% from 2019-20, but remaining close to the utility benchmark (not measured in 2021-22)	●	Page 32

Commitments

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





I

INK



Work to progress Marinus Link, a proposed undersea and underground electricity and telecommunications connector between Tasmania and Victoria, continued throughout financial year 2021-22.

As coal retires, Australia needs access to affordable, 'on-demand' electricity and the ability to store energy for long periods.

Marinus Link will unlock low-cost, clean and reliable electricity for use across the National Electricity Market (NEM).

Currently in the Design and Approvals phase, Marinus Link is identified as a project of national significance that will contribute to Australia's emission reduction targets, critical to address increasing risks of climate change.

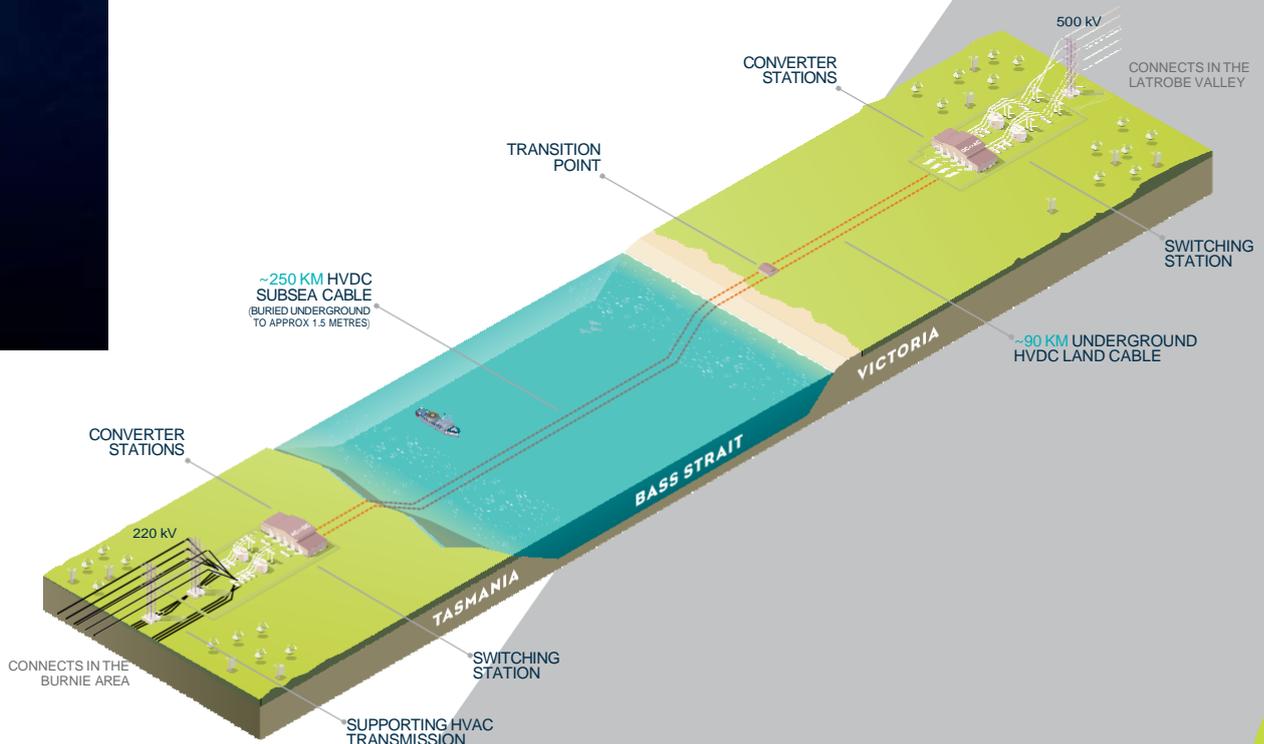
Marinus Link Pty Ltd (MLPL) is a subsidiary of TasNetworks and has financial support from the Australian and Tasmanian Governments, which together committed \$244 million toward the planning and design of Marinus Link as a national priority project.

Market operator identifies urgent need for Marinus Link

This year, the Australian Energy Market Operator (AEMO) confirmed that Marinus Link is a critical and urgently required part of Australia's low-cost, reliable and clean energy future.

AEMO's 2022 Integrated System Plan (ISP), released in June, highlights Tasmania's opportunity to develop its clean energy resources for the benefit of all Australians, playing a critical role in supporting the transition to cleaner, more reliable energy at lowest cost.

The ISP identified that Marinus Link will improve access to Tasmania's existing hydro capacity and unlock the development of additional hydro and wind capacity as well as pumped hydro energy storage.



FY21-22 Highlights

Work on the Design and Approvals stage of Marinus Link continued throughout financial year 2021-22, with a Final Investment Decision (FID) targeted for late 2024.

We also progressed our work with the Australian and Tasmanian governments to ensure a fair cost allocation for customers in the National Electricity Market, relative to the benefits that customers receive. We continue active discussions with the Tasmanian and Australian governments on an appropriate cost allocation framework.

December
2021

MLPL was established as a fully operational subsidiary of TasNetworks. MLPL became the responsible entity for progressing Marinus Link High Voltage Direct Current (HVDC) interconnector and converter stations. TasNetworks retained responsibility for the associated High Voltage Alternating Current (HVAC) transmission upgrades in Tasmania, known as the North West Transmission Developments (NWTd).

February
2022

The Australian owned TEK Ocean Spirit departed the Port of Burnie in north west Tasmania for MLPL's largest underwater engineering survey of Bass Strait. The survey will inform the final design and installation methods for the interconnector.

April
2022

MLPL welcomed further funding support from the Tasmanian and Australian governments. Respective governments signed a memorandum of understanding (MOU) to progress Project Marinus (Marinus Link and NWTd) to the end of the Design and Approvals phase, demonstrating a strong commitment to see Marinus Link reach Final Investment Decision (FID) in late 2024. The delivery milestones outlined in the MOU and project agreement are on track.

June
2022

MLPL completed the pre-qualification of suppliers for the HVDC cables and converters. MLPL announced the selection of seven reputable and proven international HVDC businesses to tender for the manufacture, construction and commissioning of Marinus Link.

Ongoing

MLPL continued to engage with land owners, Traditional Owners, and communities along the proposed alignment. We completed geotechnical, environmental, ecology, cultural heritage, and agricultural surveys. This work allows us to understand the natural environment and the local community while meeting statutory requirements and supports planning and development activities.

What is Marinus Link?



Marinus Link will benefit all Australians

Marinus Link will unlock Tasmania's low-cost, clean and reliable electricity for use across the NEM, servicing Queensland, New South Wales, ACT, Victoria, Tasmania and South Australia.

It will support Tasmania's existing hydropower system and development of pumped hydro and allow Tasmania to draw on excess solar and wind generated power to work alongside hydro and pumped hydro storages.

Marinus Link will contribute to Australia's emission reduction targets, critical to address increasing risks of climate change. Marinus Link's 1500 megawatt (MW) capacity is equal to the former Hazelwood power station in Victoria, and three times the capacity of the existing Tasmania to Victoria connector, Basslink.

Marinus Link will provide significant economic benefits. It will deliver 2800 direct and indirect jobs and approximately \$2.9 billion in direct economic investment in Tasmania and Victoria. It will further unlock approximately \$7 billion in additional investments in wind, solar and hydro developments and firm up other renewable energy projects.

Marinus Link will include optic fibres which will increase the existing telecommunications capacity between Tasmania and Victoria by 300%. It will provide more choice and greater reliability into the telecommunications market.

Marinus Link will comprise HVDC cables, fibre optic cables, and converter stations in both Tasmania and Victoria. It will be about 345 kilometres long - 255 kilometres of undersea cables and 90 kilometres of underground cables.

Marinus Link will be supported by more than 240 kilometres of high voltage alternating current network developments in Tasmania (the North West Transmission Developments). Together, these projects are known as Project Marinus.

Marinus Link has a
1500 megawatt (MW) capacity,
equal to the power supply for
1.5 million Australian homes.

Our customers



Supporting customers affected by storms

In June 2022, parts of north and north-west Tasmania were impacted by a severe weather event. High winds, with gusts reported up to 170 kilometres per hour, impacted regions from Burnie through to the Fingal Valley.

At the height of the storm, 20,000 customers were without power and our crews were managing 100 separate outages. Restoration challenges included the sheer number of damaged assets, dangerous, unsafe or inaccessible terrain and the rural regions affected.

Once the most severe weather period had passed our crews could begin to safely restore customers. Over 100 crew members (plus contractors) supported the restoration efforts. This included vegetation crews, traffic management, scoping crews and line workers, and contractors were also flown in from inter-state to assist. All planned work was cancelled and many team members returned from leave to assist.

We were particularly aware of businesses affected, such as the dairy industry, and worked with key agencies to prioritise restoration efforts wherever possible. Due to these efforts and two-way communication, we

were able to restore the majority of impacted dairies within timeframes that allowed operators to maintain animal welfare.

In response to the significant impact on customers, TasNetworks chose not to exercise the option to apply to the Office of the Tasmanian Economic Regulator (OTTER) for this storm event to be treated as an exempted outage under the GSL scheme. We intend to honour all GSL payments to impacted customers, estimated to be \$1.83M.

In addition, TasNetworks has chosen to pay an additional \$160 to customers that were without power for more than four days, estimated to be a further \$170k in payments.

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Photo credit: Rodney Braithwaite © The Advocate/ACM.





Customer Satisfaction Results

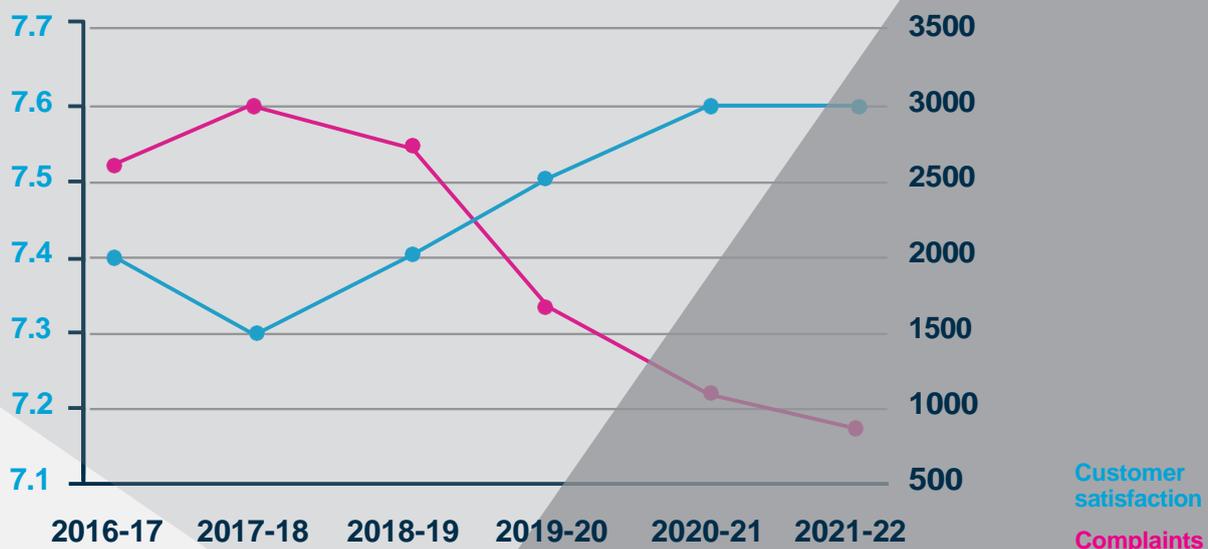
2021-22 has seen TasNetworks continue to retain our customer satisfaction overall score of 7.6 out of 10. The survey data gained has shaped improvement programs, with the last 12 months focusing on the final stages of the Customer Connections Refresh Program, incorporating a new service model for complex distribution connections processes, and upgrades to our customer management system and Connections Portal. TasNetworks also participates in Customer Service Benchmarking Australia's (CSBA) energy benchmarking research program. To date, we have performed well,

and for 2021-22 we ranked first in four out of five areas – Unplanned outages, Planned outages, and General Enquiries and Complaints. We placed second for New Connections.

We have also continued to see a significant reduction in complaints this year, which can be attributed to improvements in our customer processes, the systems and tools we use to provide information, and the increased use of our SMS system.

Customer satisfaction and complaints

Over the past years our customer satisfaction has been trending up as complaints trend down.



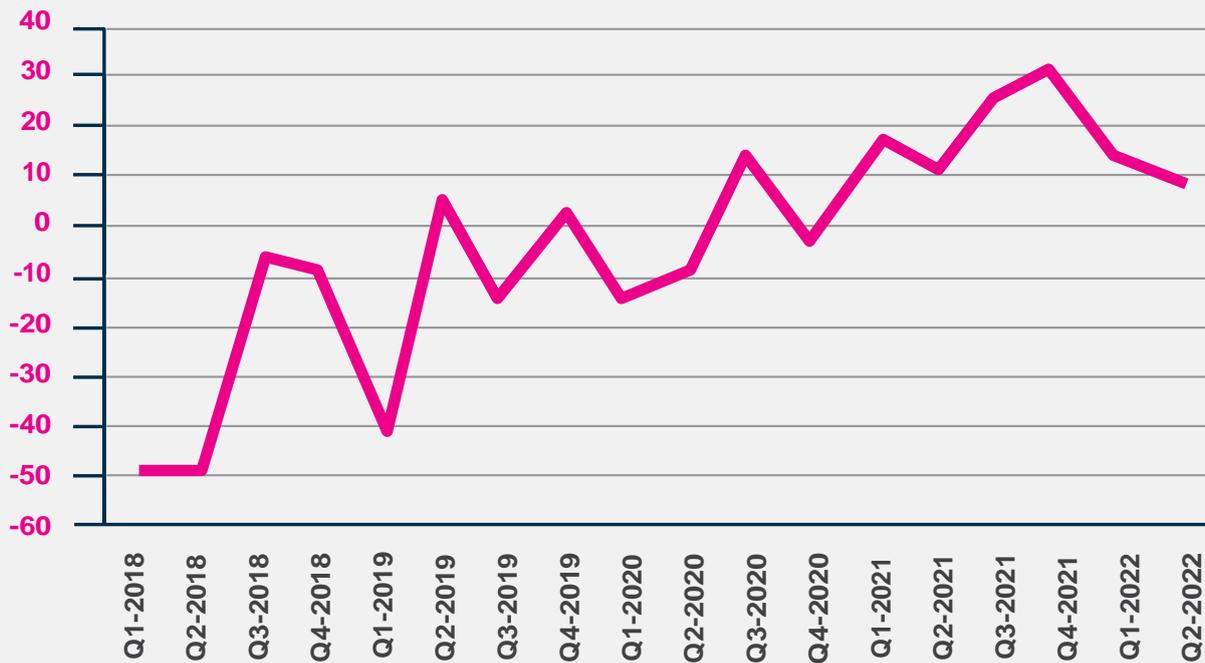
The Customer Connections Refresh Program

The Customer Connections Refresh Program completed the final delivery of improvements to the Connections Portal and our internal systems in March 2022. This marks the end of the Program which commenced in September 2019 to deliver trusted, faster, and simpler connections for customers through consistent and transparent pricing, process, and communications.

29 August 2021	31 August 2021	10 December 2021	3 March 2022
We released improvements to the Connections Portal and our internal system for Basic applications and Electrical Works Requests (EWRs). As a result our customers are experiencing a much faster approval process.	We launched the new Negotiated Connections Service Model with the focus on improved support for our customers through the connections process, this change also reduced handoffs between internal teams.	We released improvements to our Connections Portal and our internal system for Simple Negotiated applications, resulting in more efficient processing of applications with a further reduction in manual data entry processes.	We released the final major improvements to our Connections Portal and our internal system for Negotiated application. All connection applications are now improved for our customers and our team members.

New Connections Net Promoter Score 2018-2022

Since 2018 we've seen a rise in our Net Promoter Score:





Revenue Reset 2024-29 (R24)

Our goal for Revenue Reset (R24) is to develop a Combined Proposal that delivers outcomes our customers and stakeholders value and is capable of acceptance by the Australian Energy Regulator.

Striking a balance

As the provider of electricity transmission and distribution network services in Tasmania, TasNetworks must submit a transmission revenue proposal and a distribution regulatory proposal (Combined Proposal) to the Australian Energy Regulator (AER) every five years in what is known as a Revenue Reset. At the conclusion of this process, the AER will release a final decision that outlines how much revenue we can recover from our customers in the next regulatory period (1 July 2024 and 30 June 2029).

Developing the Combined Proposal is a mammoth task, requiring several years of dedicated work from over 100 specialists across the business. The final document details our proposed plans for building, operating and maintaining Tasmania's electricity network for the coming regulatory period and the customer pricing associated with those investments.

While every Revenue Reset is critical, the rapidly rising costs across the economy and the demands of shifting to more renewable energy sources has made striking the right balance for our customers both more complex and important than ever before.

For this reason, the decision was made early in R24 that the business must not only develop a Combined Proposal that is capable of acceptance by the AER, but also a proposal that balances our customer priorities of affordability and reliability, while also enabling the adoption of new technologies like solar generation, batteries and electric vehicles.

As the energy industry moves through a period of change and adaptation, the priorities and expectations of our customers are more important than ever.

“Everyone should be able to afford the essential things and heat their homes.”

“For some people the price of power is unliveable (high) – when you have to make a choice between food and electricity it’s just wrong.”

“We don’t want dirt cheap electricity if the environment will be ruined.”

“Now is the time TasNetworks should be focusing on it (climate change), the last two years have shown you never know what the next catastrophic event will be.”

The following themes evolved over our engagement and shaped the common themes that all audiences focused on. These themes are all connected and tensions exist as we navigate discussions on the best solution for Tasmanians while continuing to engage on the issues that matter the most to all our customers:

- **Affordable for all:** electricity affordability is the most important factor for both our customers and stakeholders
- **Reliable now – resilient for the future for the entire state:** maintaining current levels of network reliability and increasing poor performing areas is the expected minimum. For resilience, targeted action in high risk areas to improve outcomes, and an expectation that TasNetworks has a planned approach to resilience investment are also key
- **A transparent, socially responsible approach which ensures a sustainable solution for Tasmania:** long term, sustainable solutions are regarded as being critical, along with transparency and openness of approach to ensure plans and investments are aligned with customer expectations and needs for the future
- **Proactive, long term investment in renewable energy that increases Tasmania’s capability and unlocks associated community benefits:** an expectation that investment in renewables is steady and well planned when required, and for government support given the significance of the required investment.



TasNetworks will submit its Combined Proposal to the AER in late January 2023. You can follow the progress of R24 by visiting our dedicated engagement platform, Talk with TasNetworks.

Pricing

Customers are changing how they use electricity. The growth of household solar pv, electric vehicles and batteries is changing how customers engage with the electricity network. In addition, more options are available for customers to control their energy needs and manage their usage.

The introduction of cost reflective tariffs continue TasNetworks' pricing reform by providing our customers pricing signals that better reflect their use of the electricity distribution network. Changes in our assignment rules in 2019 has allowed more customers the ability to access our cost reflective tariffs through our time of use consumption tariffs.

These time of use tariffs provide customers the opportunity to reduce their total cost of electricity by shifting consumption to the cheaper off-peak periods. Close to 58,000 customers are on cost reflective tariffs, which is around 19 per cent of all customers.

The network charges paid by electricity customers in Tasmania are determined by the revenue we are allowed to earn and the volume of electricity consumed.

We are conscious that our network plans and associated expenditure are being made in a period of rising inflation, with increasing cost pressures affecting many electricity customers. Recognising this situation, we intend to sustainably minimise the revenue we require by being judicious with the investments we make, taking care to safely maximise the length of service of our assets, and by working efficiently.

Tasmania's colder climate results in higher household usage, particularly in winter. Electricity bills for some households represent a significant contribution to the cost of living. TasNetworks is committed to balancing customer needs and sustainable pricing outcomes.

residential customers =

257,169

Total number of business customers =

39,030

(incl irrigation customers, otherwise 35,517 for business)

Number of residential customers on cost reflective tariffs =

47,935

Number of business customers on cost reflective tariffs =

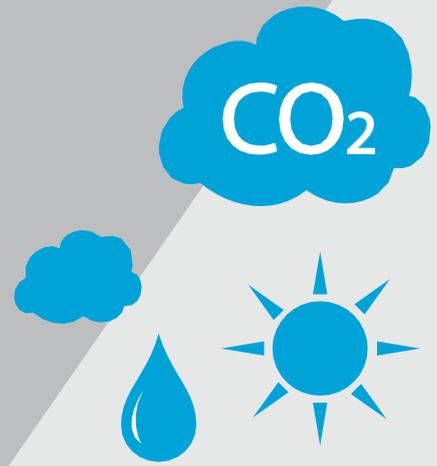
9,746

(or 13,259 with irrigation)

% of customers with advanced meters =

43.8%

Our energy future



2030 and beyond

Tasmania is 100 per cent self-sufficient in renewable energy, generated on-island by the state's hydro-electric generators and world-class wind. Over the next 20 years, as part of Australia's transition to a more sustainable future, the State is set to increase its renewable energy capabilities further. Tasmania will expand its role as a supplier of zero emission energy to both Tasmanian customers and mainland Australia and produce green hydrogen for both domestic and international markets.

Under the State Government's Tasmanian Renewable Energy Target (**TRET**), the State's renewable energy output will double, so that by 2040 Tasmania will produce twice as much clean energy as it does now. Realising this ambition will require substantial adaptation of the current Tasmanian transmission network.

To integrate both the industrial-scale production of hydrogen and the new renewable generation required to supply that load, significant adaptation of Tasmania's transmission system will be required.

The key elements of our plans for the future are, as required:

- enhancing the 220 kV Palmerston-Sheffield transmission corridor, which is required under the majority of future scenarios;
- supporting the development of Renewable Energy Zones (**REZs**)
- developing the transmission network in the State's north-west to support the proposed Marinus Link interconnector with Victoria, as well as new wind generation in the north-west Tasmania REZ; and
- managing system strength and stability as increasing amounts of inverter-based generation (such as wind farms) are connected to the Tasmanian power system.



REZs are geographic areas offering excellent renewable energy resources, with wind dominating in Tasmania. Four REZs have been identified for Tasmania, three onshore and one offshore. Development in these targeted areas allows for better planning of and coordination with the electricity network, ensuring our electricity system is reliable, secure, and developed at the lowest possible cost.

2030 timeline



Tasmania's bulk electricity is generated using a combination of hydro-electric generation and the island's world-class wind resources.

The wind resource quality in Tasmania is amongst the highest across the country.

While wind farms on mainland Australia typically have average capacity factors of between 30 and 35 per cent, many areas of Tasmania offer average capacity factors of 45 per cent or more.

Tasmania is in an enviable position to take advantage of the economic opportunities linked to hydrogen's potential as an energy store, energy carrier and a zero-emission replacement for fossil fuels.

With its existing and future renewable energy generation assets, in conjunction with its abundant freshwater resources, Tasmania has the potential to become a global competitor in large-scale green hydrogen production.

This will contribute to decarbonising the NEM and drive economic activity in Tasmania.

Battery of the Nation (BoTN) is a Hydro Tasmania initiative.

The project includes improvement to the efficiency of some of Hydro Tasmania's existing hydro power schemes.

BoTN aims to grow Tasmania's capacity to generate dispatchable renewable electricity in order to supply new industries in Tasmanian and also to export to mainland Australia.

Marinus Link is a proposed 1,500 MW undersea and underground interconnector linking the Tasmanian and Victorian power systems.

Marinus Link will predominantly export power from Tasmania to the mainland, however it will also be able to facilitate imports of energy into Tasmania to help facilitate hydrogen production and new renewable energy such as wind and solar.



Large scale connections

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

We are proud to support Tasmania's pathway to securing a renewable energy future, growing the economy, attracting investment and creating jobs in Tasmanian regional communities.

We are working with Renewables, Climate and Future Industries Tasmania (**ReCFIT**) and other infrastructure providers like TasWater and TasPorts, to help plan the implementation of the Tasmanian Renewable Hydrogen Action Plan and establish a green hydrogen hub at Bell Bay.

To assist proponents with the planning for their projects, we have published a Renewable Hydrogen Connections brochure and technical performance requirements for the connection of new load in the Bell Bay area. We have also published a Transmission Network Strategy to better engage with proponents of both green hydrogen and new renewable energy generation projects. We will continue to work with all stakeholders to understand the future requirements of the Tasmanian power system to support large-scale green hydrogen developments.

For more information visit:

www.tasnetworks.com.au/transmission

www.tasnetworks.com.au/renewable-hydrogen

North West Transmission Developments

The North West Transmission Developments (NWTD) include 240km of new and upgraded transmission lines and other energy infrastructure that will support Tasmania's ambition to be a world-leading renewable energy provider.

The projects will link Cressy, Sheffield, Burnie, Hampshire and Staverton to strengthen the backbone of Tasmania's transmission network supporting Marinus Link and other renewable energy developments.

In 2021-22, the NWTD continued work through the design and approvals phase, refining transmission routes, increasing community engagement activities and undertaking preparations for environment, planning and heritage approvals.

Transmission line routes

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

In 2021, as project design matured, two significant changes were made in response to environmental surveys and landowner feedback.

On the Staverton to Hampshire Hills transmission line, TasNetworks revised a proposed 10 km section after studies and geotechnical drilling indicated part of the route was to be located on land that is exposed to historic landslides, landslip hazard areas and was close to karst features and areas of native forest.

On the Palmerston to Sheffield transmission line in response to landowner concerns and a comprehensive review, TasNetworks proposed to remove the existing 220kV single circuit transmission line from the route, once the new 220kV double circuit transmission line is commissioned.

Community, landowner and stakeholder engagement

In 2021-22, the NWTD held regular drop-in and pop-up information sessions in Tasmania's north-west at community halls, events, outside shopping centres and at the Future Energy Hub in Burnie. These face-to-face activities were also supplemented by online webinars and forums, online and telephone surveys, and activities.

Engagement with impacted communities focused on awareness raising and information sharing at various locations, including markets at Burnie, Wilmot and Penguin, high-traffic areas in Deloraine and Burnie, and the Westbury Agricultural Show.

The NWTD is working closely with landowners, and access agreements have now been reached with approximately 75 per cent of landowners, representing around 89 per cent of land across the developments.

In October 2021, the NWTD formed a Stakeholder Liaison Group that meets bi-monthly and is independently chaired, with representatives from key industry groups, peak bodies, education, skills and training sectors and state government organisations.

The NWTD also held dedicated economic development workshops in the North West to review and prioritise actions in the development of an economic development strategy and action plan.

Environment, Planning and Heritage approvals

Field surveys and technical reports to inform the final technical design and approvals process including the Environmental Impact Statement progressed throughout 2021-22 including geotechnical, ecological, cultural heritage and social impact assessments.

In 2022, TasNetworks submitted two new referrals to the Commonwealth Department of Agriculture, Water and Energy under the *Environmental Protection, Biodiversity and Conservation Act 1999* (EPBC Act) for Sheffield to Staverton upgrades and the remaining North West Transmission Developments.



Electric Vehicle (EV) Grid Trial

TasNetworks has commenced an Electric Vehicle (EV) Trial with four other participating distribution network service providers from Victoria and ACT. The trial is partially funded by the Australian Renewable Energy Agency. 22 residential customers were recruited to test the capability of smart charging technology, and to help us understand:

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

Using real-time network capacity information from this trial, we can better prepare for EV uptake on our electrical system.

Our Future Distribution System

The push for clean energy, electrification and the data accessibility is enabling community led change within our distribution system. New technologies are becoming an important enabler of efficient and sustainable distribution integration and customer services.

TasNetworks Future Distribution System Vision and Roadmap has been developed to articulate our plan for Tasmania's distribution network in response to the evolving needs of our customers, emerging community expectations and efficiencies from accelerating technology transformation. It is a foundational plan that prioritises engagement with customers and stakeholders to continually refine our approach and measure progress over time.

At present, a large emphasis is placed on facilitating customer adoption of Distributed Energy Resources (DER), which include rooftop solar photovoltaics (PV), battery storage and rapidly expanding EV Charging. This is based on principles of sharing DER value equitably, using DER to improve electricity affordability and optimising access for DER connections.

**Our Future Distribution Vision:
*Bring agility to our distribution system for the advantage of all our customers.***

Taking action on Climate Change

TasNetworks commits to tackling climate change risk and taking climate action. Our climate change response is being shaped with customers to better understand their expectations and how we can meet them.

We are well placed to contribute to global efforts to reduce carbon emissions and transition to an affordable and clean energy future. Critically, our commitment is to deliver value to electricity consumers by optimising the investment in our transmission and distribution network to meet the evolving needs of consumers.

We are collaborating with the Tasmanian Government and businesses on climate action. We commit to embedding sustainable and socially responsible practices through transparent and authentic reporting of social, environmental, economic risks and opportunities associated with climate change.

“Now is the time TasNetworks should be focusing on it (climate change), the last two years have shown you never know what the next catastrophic event will be.”

– TasNetworks’ customer

Managing climate change risks

As well as its broader risks to society more generally, climate change poses both physical and transitional risks to TasNetworks business, specifically:

- **Physical risks** – changes in local and global climate patterns may impact our physical electricity network and assets. Increased frequency and severity of bush fires, storms, floods and sea level rise poses direct challenges for service delivery, safety and reliability and may indirectly impact, the community and environment.
- **Transitional risks** – that arise due to policy, legal, social and technical and market changes required to shift to a low carbon economy – this means TasNetworks will need to adapt to meet community, stakeholder and regulator expectations.

Physical Risks

To ensure safe and reliable service to customers we need to consider climate change effects in our in decision-making. A series of climatic factors with the potential to adversely affect Tasmania’s electricity network have been identified including wind, temperature, more intense storms, rain and bushfire. For each factor, the risks and consequences have been assessed and ways to mitigate the risks identified.

The strategies TasNetworks uses to mitigate the risks to its assets from climate change include:

- Trials of non-burnable power poles at selected high-value pole locations
- Trialling fire-resistant paint for selected power poles in high fire danger locations
- Updating TasNetworks’ overhead distribution powerline design and construction manual
- Monitoring for any increases in weather extremes
- Monitoring for any increase in occurrence of asset overloading failure rates.

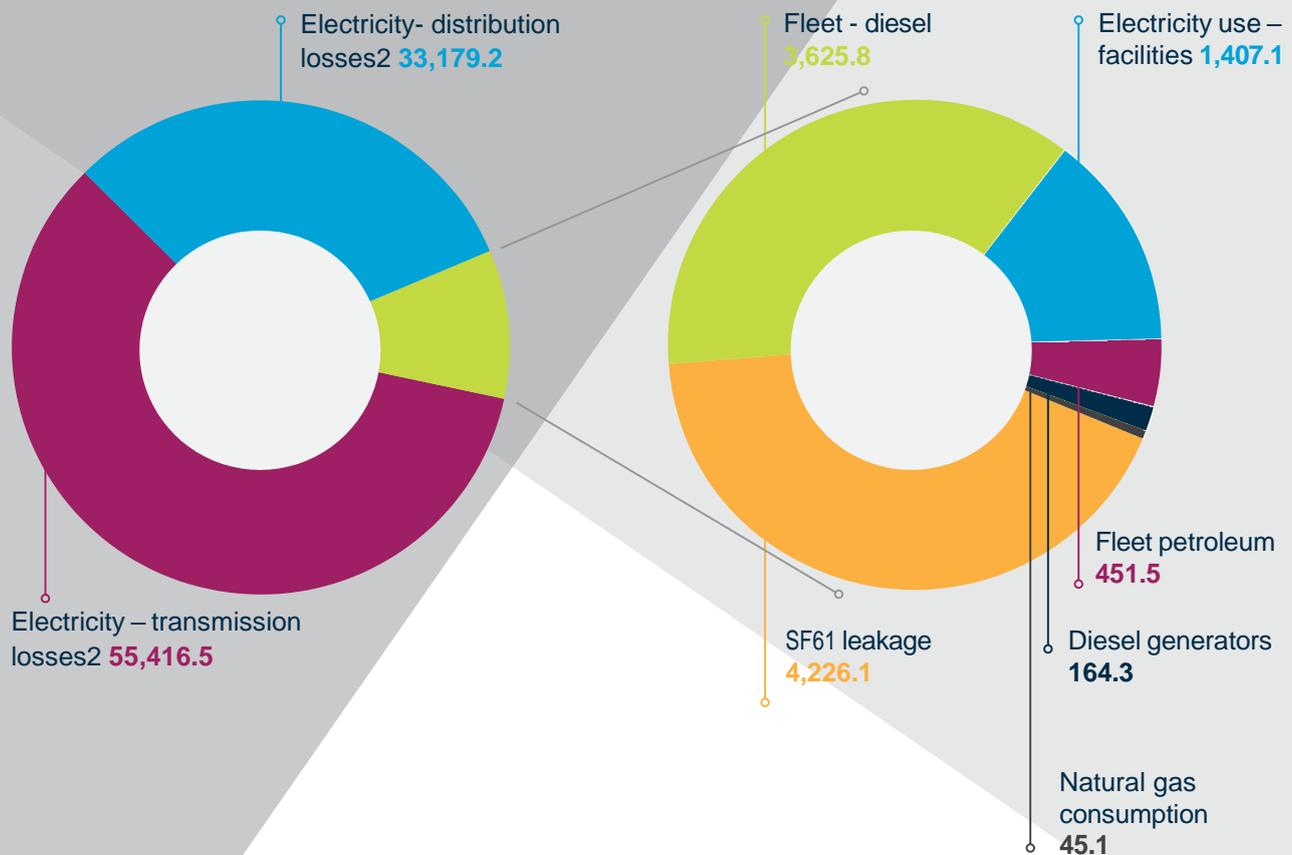


Transitional Risks

To better understand our transitional climate risks and opportunities as well as to support a move towards Taskforce of Climate Related Financial Disclosures (TCFD), TasNetworks undertook a TCFD aligned scenario analysis. This considers the impact of the energy transition in Tasmania as well as regulation changes (e.g. emissions reduction and carbon pricing), technological change and evolving consumer preferences.

We analysed our Greenhouse Gas (GHG) emissions, and developed a pathway to achieve Net Zero emissions. We will develop a Climate Action Plan focused on the areas of greatest impact. We're investigating how we can improve efficiency in network assets to reduce the impact of network assets containing SF61, where suitable alternative technology is available.

TasNetworks reportable GHG emissions 2021-22 tCO2e-



In 2021-22 our total reportable GHG emissions increased 5.3%, from 93,343.5 tCO2-e in 2020-21 to 98,515.7 tCO-e in 2021-22. This was primarily due to an increase in GHG emissions from SF61 due to replacement of aging Transmission assets. There has been a 2.5% reduction in fleet emissions from the previous year and a 6% reduction in electricity use at facilities.

- 1 SF6 (sulphur hexafluoride) is an insulating gas used in TasNetworks transmission and distribution assets. SF6 has a global warming potential 23,500 times greater than that of CO2. TasNetworks uses the National Greenhouse and Energy Reporting (NGERS) **estimated** SF6 default leakage rate method: total mass of SF6 in-service x prescribed leakage rate (set by the Clean Energy Regulator) x the global warming potential of SF6 (23,500).
- 2 Transmission and Distribution line losses are calculated on an annual basis using the regional emissions factor specified by the Clean Energy Regulator (currently 0.16 for Tasmania) under the NGERS framework.

Enabling digitisation



Improving reliability and supply through microgrids

With our distribution network rapidly evolving, there are new opportunities to investigate the feasibility of microgrid solutions that benefit local customers, lower network costs, as test cases for the wider grid.

The Derwent Bridge Microgrid Feasibility Project is being run by TasNetworks in conjunction with the University of Technology Sydney, Redback Technologies and the Australian Power Institute, and is being funded by a \$1.6 million grant from the Australian Government.

The project aims to develop an innovative microgrid design solution that will improve the reliability of the power supply for residents in Derwent Bridge.

This concept has the potential to be transferred to other rural and remote communities across Australia with a similar climate.

The project is currently helping us to better understand:

- Microgrid design, especially in areas with severe weather and limited solar resources
- Customer needs and how best to engage
- New and upcoming Distributed Energy Resources (DER) technologies.



Advanced meter integration

The deployment of Advanced Metering Infrastructure (AMI) in Tasmania is an opportunity for TasNetworks to utilise AMI data to operate and plan our network in a more dynamic, proactive, and cost-efficient way.

Advanced meter take up will continue to rise in line with the Australian Energy Market Commission's 2017 ruling that all new and replacement meters must be advanced meters. Tasmania has approximately 40 per cent AMI coverage and continues to work towards reaching 100 per cent. We are developing a long-term vision for the use of AMI data with a focus on community safety, improved customer service and visibility of the distribution network (for fault detection and outage restoration).

Our people



Diversity, equity and inclusion

TasNetworks is committed to building a workplace that is reflective of the diverse community in which we live. We have created a Diversity, Equity and Inclusion (DE&I) Action Plan for 2022. To do this, we have a TasNetworks Diversity and Inclusion DE&I Consultative Group, to drive our actions forward. Our key DE&I priorities are; Understanding our current state of DE&I; building greater awareness and understanding and developing and delivering a framework for the next three years.

As part of our ongoing commitment to an equitable workplace, we have undertaken a significant review of our Code of Conduct and Workplace Behaviours Policy. We also became a member of Diversity Council Australia.

This year we recognised and promoted a number of important events such as TasPride, to celebrate our rich and diverse community. Team members also attended Domestic and Family Violence Awareness training, to help our people understand the social and personal impact of domestic and family violence and how to obtain and provide support.

Female apprentices currently represent 14 per cent of our apprentice cohort and we are taking steps to increase the participation of women within our workforce in non-traditional trades. We have set a target of increasing female participation in the apprentice program by 25 per cent, and reviewed how we attract female apprentices and the experience of our current female apprentices. In 2022-23 we will be participating in a government funded program, Career Revive, which supports businesses to attract and retain women returning to work after a career break.

We strive to build a culture of inclusion where all of our people feel valued and safe to be themselves at work.

Below: On Monday 6 June TasNetworks' Training Centre hosted ten women for training on how to work safely around our asset. This training formed part of a pre-employment program coordinated by Civil Contractors Federation Tasmania, providing participants with the skill sets, work experience and qualifications to build a career in civil construction.





Our 2022 apprentices.

Learning and Development

2021-22 saw the introduction of Centralised Learning and Development at TasNetworks. We are committed to providing learning and development opportunities that drive maximum performance, promote individual growth, and empower our people to manage their ongoing development and career progression.

We recorded almost 12000 training events which included 800 registrations in industry short courses and 121 enrolments in nationally recognised qualifications.

TasNetworks' Apprentice Program continued to deliver many highlights throughout the year for our Electrical, Transmission, Distribution and Cable Jointing apprentices across the state. We welcomed nine Distribution and two Transmission apprentices into our business in February 2022 and our dedicated Trainers look forward to being on this learning journey with them.

Our commitment to learning and development has resulted in us being named a finalist in the 2022 Tasmanian Training Awards – Large Employer category. Two TasNetworks' apprentices who qualified this year are finalists in the Apprentice of the Year category.



Electrical Safety Industry Technical Trainer Rodney Cruse shows new apprentices the ropes.



TasNetworks Graduates attend a Project Management Training. From Left to Right: Ben Dalgarno Fixter, Mahalia White-McColl, Nancy Tran, Shai Stover, Hasitha Jayanandana, Joshua Paoli, Glen McNeill (Project Manager), Chris McMillan.

Graduate Program continues to deliver

Each year, our Graduate Program provides a unique career pathway and exposure to a range of roles across TasNetworks operations and corporate occupations. Participants rotate into various roles, from finance to engineering, over a three year period and are involved in a range of activities, mentoring and training including personal, professional and technical skills development.

In recent years, we've recruited graduates with diversity, equity and inclusion in mind. We have witnessed a lift in creativity, improved cultural awareness and greater innovation across the business. In addition, graduates' annual performance results are above their mainstream recruited counterparts. This demonstrates that the program is effectively providing participants with the skills, support and knowledge required to successfully do their job.

We are embedding these learnings across our recruitment practices with a focus on the continual improvement of team member performance, enhanced organisational culture, and responding to the challenges and opportunities of our future workforce.

Our community



Building trust with Aboriginal and Torres Strait Islander peoples

In June 2021, we proudly launched our first Reflect Reconciliation Action Plan (RAP) at the Aboriginal Elders Council in Launceston, committing us to meaningful actions to build respect, relationships and opportunities with Aboriginal and Torres Strait Islander peoples.

The Reflect RAP ran initially for 12 months from July 2021 to June 2022, and has been extended to June 2023. During this time, we have achieved positive momentum with Aboriginal engagement and reconciliation. The following highlights have been achieved:

- Implemented an Aboriginal engagement strategy
- Implemented a responsible procurement standard and procured the services of a local Aboriginal owned business
- Built relationships with utilities to enhance First Nations engagement, an Energy Charter #BetterTogether initiative

- Implemented Welcome to Country/ Acknowledgement of Country Protocols
- Conducted a gap analysis of Aboriginal Heritage procedures.

In consultation with executive management and Reconciliation Australia, we'll progress to the Innovate RAP in 2023-24, which is the next stage of the RAP framework.

We are continuing to strengthen relationships, trust and respect.



Aboriginal and Torres Strait Islander Community Engagement Advisor Graeme Gardner speaking at the NAIDOC Week Flag raising at piyura kitina (Risdon Cove).





TasNetworks Regional Youth Panel.

TasNetworks Youth Panel

Like any major infrastructure project, TasNetworks' North West Transmission Developments will impact host communities during its construction and operation. Recognising this, TasNetworks has committed to developing a community benefit sharing program to ensure the delivery of benefits to impacted communities.

In line with most contemporary benefit sharing programs, TasNetworks has committed to a community co-design process with the aim of empowering impacted communities to define how benefits are delivered and who should be eligible to access them.

TasNetworks has taken a unique approach through the development of a regional Youth Panel, which puts young people at the front and centre of the design process.

Engaging with youth as the first step in the design process recognises that young people are not often included in decisions affecting their communities, and that for the North West Transmission Developments, they are the community members who will live alongside the infrastructure for the longest.

TasNetworks final Community Benefits Sharing Framework is expected to be announced in early 2023.



Bringing community voices to the table

We advocate for customers facing vulnerable circumstances, as an important part of our Corporate Social Responsibility.

We have joined TasCollab, a partnership with the Tasmanian Council of Social Services (**TasCOSS**), our energy peers Aurora Energy and Hydro Tasmania, as well as Catholic Care, tagara lia, Alcohol, Tobacco and other Drugs Council (**ATDC**) Tasmania. This is a new cross-sector partnership exploring innovative and tangible solutions to societal issues.

The TasCollab group works with businesses, social support services and community members to share the perspectives of people facing vulnerable circumstances. The program, called 'Community Partnership Program'; creates paid opportunities and training for people on low incomes to influence services, policies, procedures, and decisions that affect them.

The program participants receive ongoing mentoring, and work with community service organisations to sit on boards, interview panels or committees and speak at business engagements and events. We're proud to be involved in an innovative and meaningful process that will help to improve the lives of Tasmanians.

Sleeping Rough to make a difference

On the night of Friday 27 May TasNetworks Executive team members Michael Chan, Andrew Davis, Seán Mc Goldrick and Renee Anderson (pictured left to right above) raised more than \$4,500 for taking part in the 2022 Hobart City Mission Sleep Rough Event.

The entire event raised \$138,664 to help combat homelessness and other hardship in southern Tasmania.

Helping our customers with simple, trustworthy energy advice

We recognise that electricity bills make up a large part of the household budget and that many of our customers often find it hard to lower their bills without sacrificing convenience or comfort.

In 2021, our partnership with the Australian Energy Foundation, supported our customers to better manage their household energy bills, by offering free, over-the-phone home energy appointments.



Bright Sparks

Our free electrical safety in schools program continues to educate primary-school aged kids about the safe use of electricity. This year we reached over 5200 children across Tasmania, including the introduction of a workshop for home school students.



Community Engagement Specialist Samantha Hepburn supports students at the Festival of Bright Ideas.

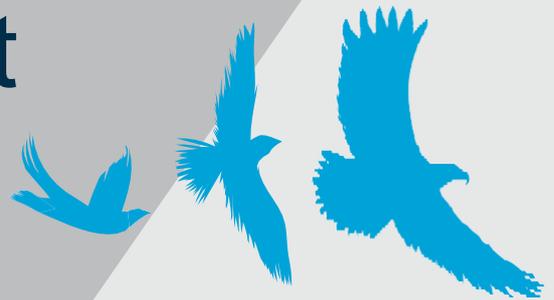


Shining a light for those less fortunate

For the past two years we have sponsored Solar Buddy, an Australian Charity with the goal of gifting six million solar lights to children living in energy poverty by 2030. At the Festival of Bright Ideas in Hobart, TasNetworks team members talked to primary school students about solar energy and how innovative design solutions can transform lives. The students worked in teams of two to build the Solar Buddy and write a personal letter to children receiving the light.



Protecting our environment



TasNetworks threatened bird incidents

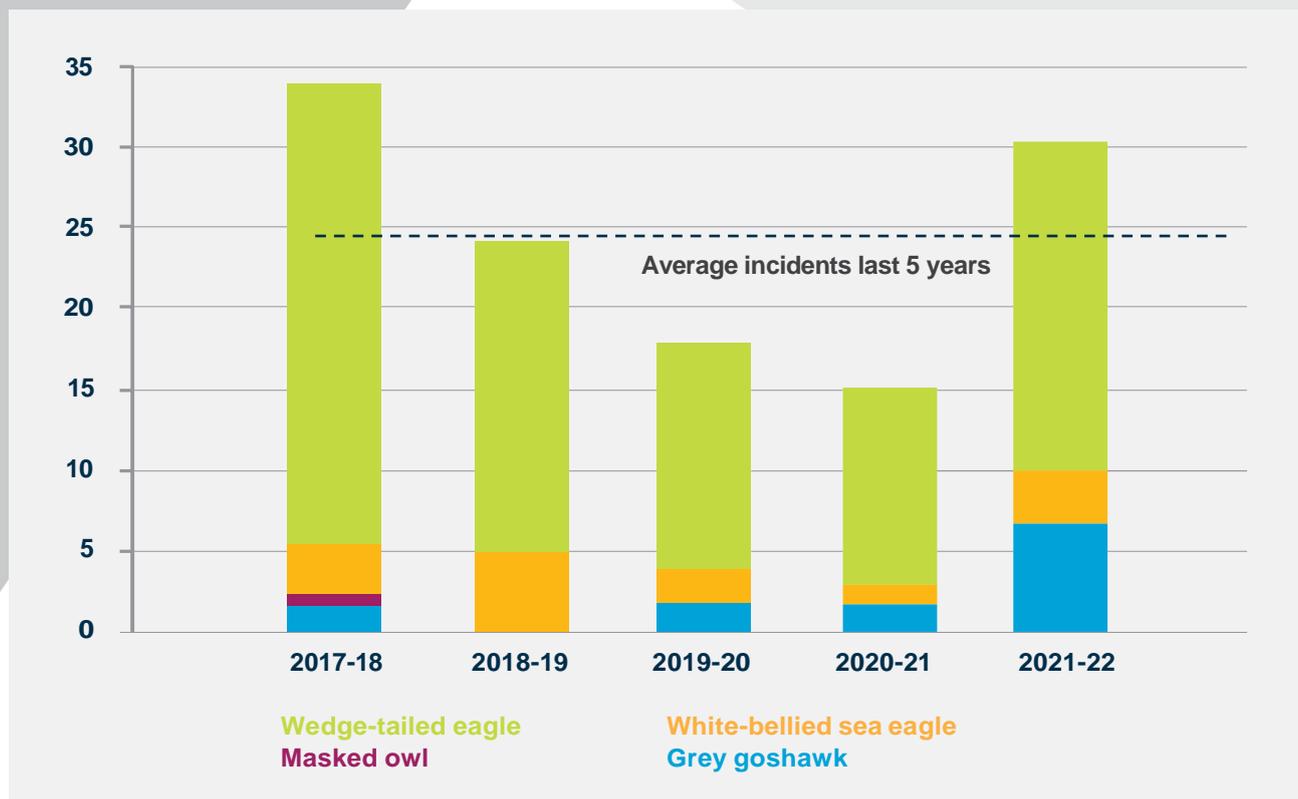
TasNetworks recorded 31 threatened bird incidents in 2021-22 (21 wedge-tailed eagles, seven grey goshawks and three white belled sea eagles). This significant annual increase in reported incidents from 2020-21 (15) has been in part, driven by greater community awareness about reporting suspected power line interactions. TasNetworks has ramped up the number of newspaper and radio ads in 2021-22 which is helping us to both better understand our impact and take action to mitigate the risks that power lines pose to large birds of prey. Improved state-wide management of all threatened bird incidents (with Tasmanian Museum and Art Gallery as the central repository for assessing all threatened raptor deaths) is assisting with the more timely determination of incident cause.

There was also a substantial rise in the number of grey goshawk deaths reported. Indicating that there has been a historic level of underreporting of this species being killed by power lines. In positive news, no reported incidents in 2021-22 occurred on previously mitigated power lines.



Our awareness campaign to educate the community about Flappers.

Reportable threatened bird incidents – last five years





Tasmanian Museum and Art Gallery's Threatened Bird Strategy Technical Officer Dr Judy Clarke studies a threatened bird specimen in the lab. *TMAG collect and stores tissue samples of all threatened birds that die through contact with our infrastructure, such as powerlines.*



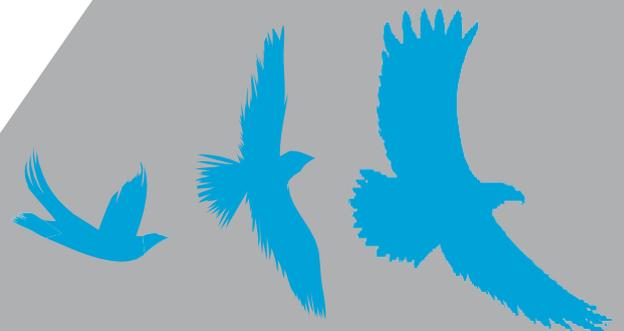
Photo credit: Thomas Webster.

Continuing the delivery of our targeted bird mitigation program

Over the last five years, we have invested over \$4 million to reduce our impact on Tasmania's threatened birdlife. This investment has primarily involved installing bird perches and fitting bird flight diverters or 'flappers' to over 300km of our distribution network considered high-risk for incidents. Areas mitigated include York Plains/Lemont, Victoria Valley Road, Fingal, Gladstone, Ross and Epping Forest and Conara. While we still have a lot of work to do, we are proud of our collaborative response based on the best available data and research.

TasNetworks also installed 110 km of bird mitigation in 2021-22 and continues to install bird mitigation measures in response to all reported incidents.

TasNetworks has completed an update of its Threatened Bird Strategy (2022-2032). Key initiatives as part of the updated strategy include work to better evaluate the effectiveness of mitigation measures, continued community outreach to maintain awareness about the need to report incidents and continued support for state-wide raptor care.





Pre – 2017



- <1% of high-risk network mitigated (bird flappers only)
- Additional bird diverters installed on an ad hoc basis, primarily to address reliability issues
- Some mitigation installed in response to incidents, primarily steel lattices poles

Current



- <3% of high-risk mitigated, primarily bird diverters
- Targeted threatened bird mitigation program installing bird diverters on high-risk network in place since 2017
- Mitigation installed in response to all reportable threatened bird incidents
- Mitigation required for new electricity infrastructure in high-strike risk areas

2022 and beyond



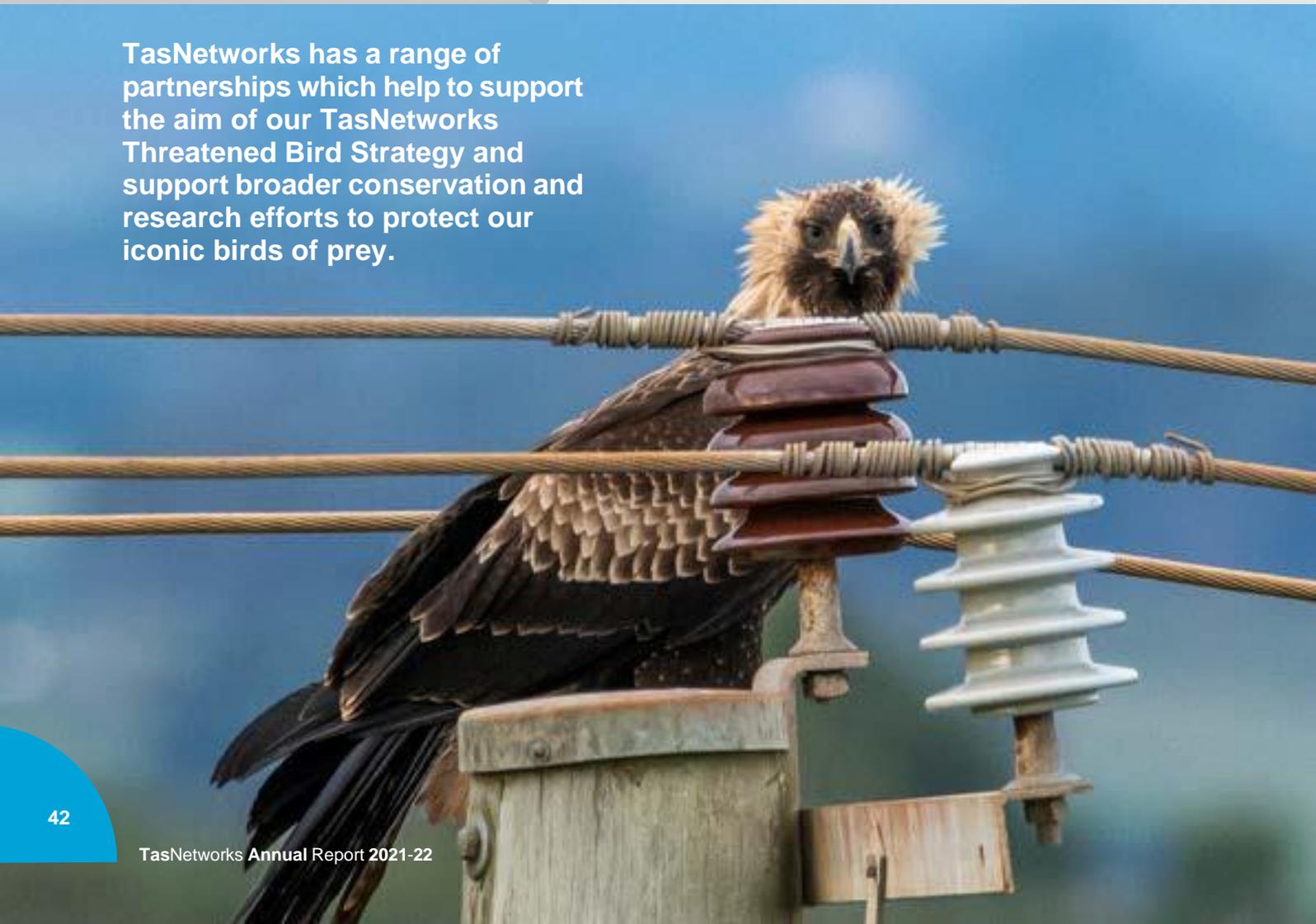
- Roll-out of intrinsically bird safe network design standard (delta with fibreglass cross arms)
- Continuation of targeted bird mitigation program of existing assets
- Mitigation deployed during the upgrade and replacement of existing assets
- All new network to comply with bird safe overhead design standard
- Mitigation installed in response to all reported threatened bird incidents

Over the long-term, TasNetworks is transitioning away from the use of bird diverters as our primary mitigation measure and focusing on making our network inherently 'bird safe' for large birds of prey. This involves increase the separation between conductors by adopting a delta conductor configuration and using fibreglass cross arms.



Below: Photo credit: Dean Hohn.

TasNetworks has a range of partnerships which help to support the aim of our TasNetworks Threatened Bird Strategy and support broader conservation and research efforts to protect our iconic birds of prey.



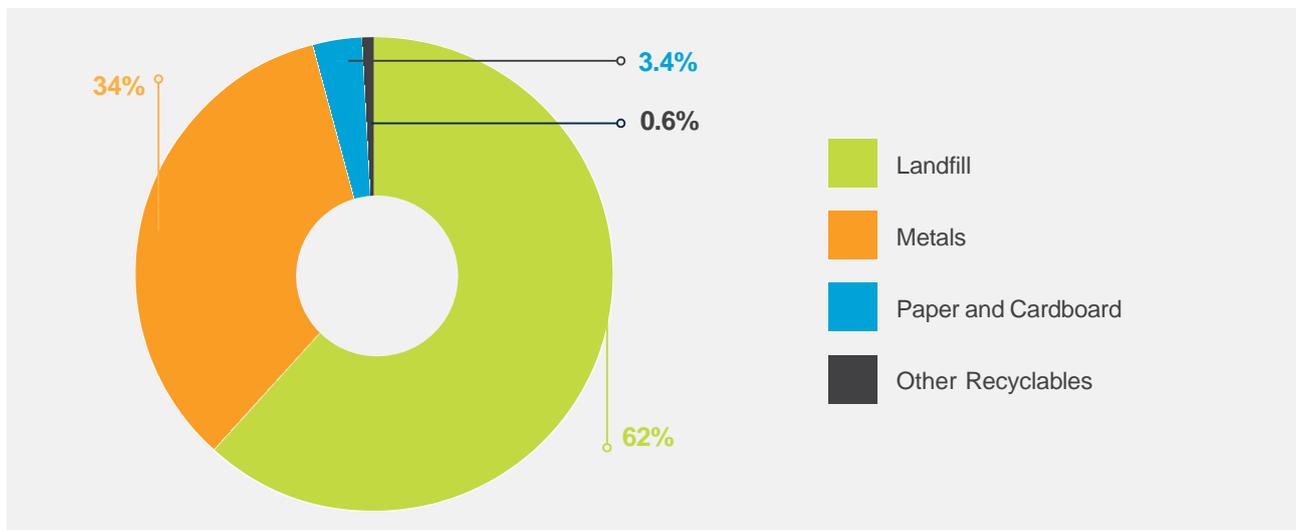
Waste Management

This year we developed a Waste Management Strategy, with the aim of minimising waste at TasNetworks and support a circular economy in Tasmania. As part of the strategy, we have undertaken a waste assessment, and identified some opportunities to reduce our waste, mainly through diversion from landfill into the correct waste streams. For example, easily diverted waste includes compostable organics, cardboard recycling and comingled recycling. The next steps for our waste management journey will be to put together an action plan to tackle this important issue over the next five years.



Our operational recycling bins at our Cambridge Depot provide facilities to recycle valuable scrap metal waste back into the Tasmanian economy.

Waste Composition Summary – 2021/2022



Managing biosecurity

TasNetworks recognises that biosecurity is a significant issue for our customers and land owners. Weeds, pests and disease pose a significant risk to Tasmania's environment, economy and community. Introduced invasive species can damage and kill crops and livestock, outcompete local native species, reducing biodiversity, agricultural production and the value of our special places.



The 'Willow Warriors' in action on the Tyenna River.

While Tasmania is relatively disease free, increasing interstate travel and the continued importation of goods and services means that all Tasmanians must remain vigilant against biosecurity threats. As a large linear infrastructure business with a high-volume program of work to maintain and operate 28,000km of network, the potential for TasNetworks operations to inadvertently spread weeds, pests and disease is significant.

TasNetworks is currently implementing a new Biosecurity Standard which sets out the businesses high-level commitments and requirements for managing biosecurity risks.

TasNetworks is also supporting collaborative weed management projects as part of its strategic weed management program to support the eradication and control of high priority weeds across multiple land tenures.

42-24

42-24 has celebrated its fourth year as a stand-alone business providing Tasmanian customers with market-leading telecommunication and technology solutions. We continue our commitment to reliability and local service, whilst growing our capability, partnerships and customer base.



Building Capability

42-24 is exceptionally proud to be contributing to Tasmania's digital transformation and creating Tasmanian jobs. At 42-24, we pride ourselves on providing a supportive and positive work environment. This has been demonstrated through our staff engagement score of 87 per cent in May 2022, with 100 per cent of staff confirming they are proud to work for 42-24.

To progress our growth strategy, 42-24 has begun our journey of building in-house capability and have doubled our workforce during the last year. This growth has largely been within our business development, product, and marketing areas. Our growth in people and capability will continue in the coming year and attracting talent and building skills will be a continued focus for 42-24.

Product Development

The 2021-22 year saw several product development projects come to fruition or advance significantly. We introduced our own internet product to the market in April 2022 and this will be a cornerstone product for increasing share of wallet. 42-24 developed our first Cyber Security product offering which is our Tasmanian Based Security Operations Centre in partnership with Ernst & Young. This opportunity will not only provide quality solutions into the market, but also develop cyber skills for the whole industry. Work is also well underway on our significant capacity upgrade which will allow 42-24 to offer a broader range of telecommunications services into the market.



In partnership with Ernst & Young (EY), 42-24 won the 2021-22 TasICT award for Best Cyber Security Initiative. Receiving the award is Kelly Walker (42-24), Stuart Mitchell (42-24), Philip Mulley (EY) and presenter Jonathon Barford.

Future Growth

Critical to 42-24's success is an agile business model that provides us access to appropriate delivery capability and resources that support our planned growth objectives. We will continue to invest in our people, attract the right talent, partner with like-minded and capable vendors and more deeply understand our customers.

This year, significant effort has been placed in choosing, onboarding, and developing partnerships with key vendors. These partnerships will form the bedrock of future product development and assist us in delivering state-of-the-art communications and technology solutions.



The Virtual TAS team.

Virtual TAS

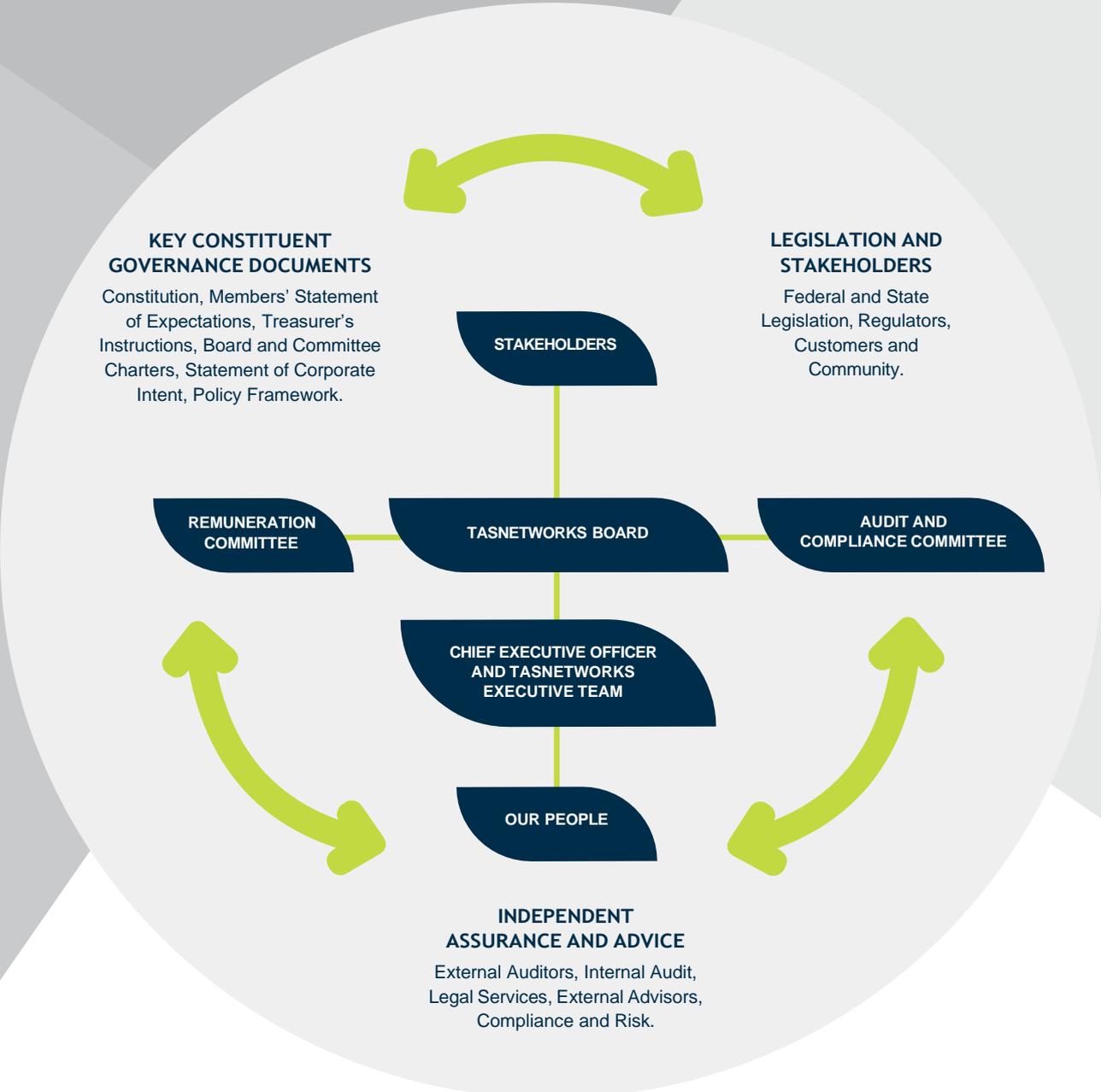
During May 2022, 42-24 entered into a Joint Venture arrangement with Enzen Australia to be known as Virtual TAS. Virtual TAS will build a 4D engineering grade digital twin of Tasmania, and this will be refreshed annually for 10 years. This is a first for Tasmania and a first for Australia and will provide a positive impact of around \$320m to the Tasmanian economy over 10 years.

Virtual TAS will service multiple market sectors including government, utilities, smart cities, agriculture, and business. Among the many use cases, notable outcomes will include the identifying and monitoring the growth and health of approximately \$2 billion individual trees, and the digitisation of Tasmania's energy distribution network asset management and maintenance programs, benefiting its anchor customer TasNetworks greatly. Virtual TAS will also play a significant role in the Disaster SMART Tasmanian Communities Project by providing three years of data making Tasmania safer and more resilient.

On the 10 June 2022, Virtual TAS was launched to media and key stakeholders in an event held at the Story Bar in Hobart. Dignitaries, including the Hon. Madeline Ogilvie (State Minister for Science and Technology) were in attendance and the event stimulated substantial enthusiasm from potential customers.

Corporate governance

Our governance structure





TasNetworks Board of Directors from left to right: Katherine Schaefer PSM, Kevin Kehl, Joanne Doyle, Roger Gill, Sarah Merridew. Absent: Dr Julie Beeby.

Board of directors

Role and responsibilities of the Board

The TasNetworks Board is responsible for the strategic guidance and oversight of the company.

TasNetworks' Board Charter provides the framework for TasNetworks' corporate governance structure and practices. The Charter describes the responsibilities of the TasNetworks Board of Directors and the TasNetworks Executive Team. The Board is responsible for:

- **OVERARCHING / PRINCIPAL GOVERNANCE:** leadership to and oversight of TasNetworks, including its control, accountability systems, setting strategic direction (including approval of corporate strategy and performance objectives) and risk appetite (including reviewing and monitoring systems of risk management and internal compliance and control);
- **WORKFORCE OVERSIGHT:** monitoring organisational culture and the implementation of strategy, appointing and removing the CEO and Company Secretary, monitoring and assessing CEO and ET performance and remuneration and ensuring succession planning for the Board, the CEO and ET;
- **DELEGATIONS AND APPROVALS:** approval of regulatory strategy, approving and monitoring the progress of major capital expenditure and capital management, and acquisitions and divestitures, approving and monitoring regular financial and other reporting and approving annual financial statements and reports; and
- **SHAREHOLDER RELATIONS:** Communication with Members about any relevant matters, including

TasNetworks' ability to achieve its objectives, purpose or financial targets, reputational risks and emerging risks.

Board composition

The TasNetworks Board comprises six non-executive directors.

At the Annual General Meeting on 23 November 2021, Daniel Norton AO's term expired and Roger Gill was appointed as Chairman for a three year period. Joanne Doyle and Sarah Merridew were re-appointed to the Board as non-executive directors, for a further one and three years each respectively, and Kevin Kehl was appointed to replace Peter McIntyre (who resigned in September 2021).

Roger Gill

BE, GAICD, F.IHA

Appointed 27 November 2017

Re-appointed 13 November 2020

Appointed as Chairman 23 November 2021

Current term expires November 2024

Roger has extensive experience in the electricity, water, and associated infrastructure construction sectors. He is an experienced company Director and consults globally providing renewable energy advice.

He is President of the International Hydropower Association (UK), Chair of the Technical Review Panel, Borumba Pumped Hydro Project (QLD), and a Non-Executive Director of Pacific Hydro (Aust.), SPIC Pacific Energy Pty Ltd and UHE São Simão Energia S.A. (Brazil).

His former extended corporate governance roles have included Non-Executive Director of Tasmanian Railway (TasRail), and Tasmanian Irrigation.

Joanne Doyle
BCom, FCA, RCA, MAICD
Appointed 1 July 2016
Re-appointed 20 November 2018 and 23 November 2021
Current term expires November 2022

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

Joanne is a past director of Civil Construction Services Corporation.

Dr Julie Beeby

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

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

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

Her executive career spanned senior roles in chemicals and natural resources, including CEO of a listed public company. Her qualifications include Bachelor of Science (Hons) in Organic Chemistry, PhD in Physical Chemistry, Graduate Diploma in Technology Management and Master of Business Administration. Julie is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Academy of Technology and Engineering.

Sarah Merridew

BEd, FCA, FAICD
Appointed 20 February 2019
Re-appointed 23 November 2021
Current term expires November 2024

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

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

Kevin Kehl

BE (Hons), GAICD
Appointed 23 November 2021
Current Term Expires November 2022

Previously an executive leader, Kevin has more than 40 years' experience in the energy industry across the distribution and transmission networks sector. Kevin has held senior leadership roles in the energy sector, including twelve years in chief and senior executive management positions across business and market development, change, policy, strategic, regulatory, finance, customer and stakeholder relations, operations and governance functions.

Kevin holds a BE (Hons) in electrical engineering and a Graduate Certificate in Electricity Supply Engineering. His former corporate governance roles have included Member Director of a range of subsidiary companies including QCN Fibre.

Katherine Schaefer PSM

BEd, MBA, GAICD, ANZSOG
Appointed 22 February 2022
Current Term Expires November 2023

Kathy is an experienced non-executive director and former senior government executive with over 30 years' experience working across Government portfolio areas of economic and industry development, infrastructure and major projects delivery, tourism, education, training and employment, land use planning and local Government.

Kathy is currently a non-executive Director on the Sustainable Timber Tasmania Board, a non-executive Director of Cradle Coast Authority, a Commissioner on the Tasmanian State Grants Commission, a Divisional Council Member for AICD Tasmania and Chair of the Audit and Risk Committee for the Department of Treasury and Finance Tasmania. Kathy holds a MBA from the University of Adelaide, a Bachelor of Education (BEd) and a Graduate Diploma in English as a Second Language Teaching from the Brisbane College of Advanced Education and is a Graduate of the Australian Institute of Company Directors. In 2016, Kathy was awarded the Public Service Medal in the Australia Honours and Awards System.

TasNetworks' statement of compliance with the Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration, along with remuneration details for the Board and Senior Executive, can be found on pages 129 - 135.

Board Committees

The Board has two standing committees:

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

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

Remuneration Committee	Audit and Compliance Committee	Project Marinus Board Committee
Dr Julie Beeby (Chair)	Joanne Doyle (Chair)	
Roger Gill	Sarah Merridew	All Directors
Katherine Schaefer PSM	Kevin Kehl	

The responsibilities of the Audit and Compliance Committee are documented in the Audit and Compliance Committee Terms of Reference and Charter. The committee oversees and monitors TasNetworks' corporate reporting, audit and compliance obligations, and oversees the company's internal control activities.

The Audit and Compliance Committee met six times during the 2021-22 financial year and provided the Board with minutes from each meeting.

The responsibilities of the Remuneration Committee are documented in the Remuneration Committee Terms of Reference and Charter. The Committee assists the Board in the oversight of TasNetworks' remuneration for the Chief Executive Officer and employees, and wider strategic workplace policy matters.

The Remuneration Committee met four times during the 2021-22 financial year and provided the Board with minutes from each meeting.

Subsidiary companies

TasNetworks has four wholly-owned subsidiary companies:

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

The directors of TasNetworks Holdings Pty Ltd are Roger Gill (Chairman and TasNetworks' Chairman), Dr Seán Mc Goldrick (TasNetworks' Chief Executive Officer) and Mr R Burrige AM (Executive, Operations), and the Company Secretaries are Michael Chan (TasNetworks' Executive, Governance) and Madeline Sheehan (TasNetworks' Corporate Counsel). During 2021-22, Dr Daniel Norton AO was also a Director of TasNetworks Holdings Pty Ltd prior to his term's expiry on 23 November 2021, at which time Roger Gill took over. Phillippa Bartlett (Company Secretary and General Counsel) was also Company Secretary for TasNetworks Holdings Pty Ltd until her resignation on 11 February 2022.

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

The directors of Fortytwo24 Pty Ltd are Dr Seán Mc Goldrick (Chair and TasNetworks' Chief Executive Officer) and Michael Ash (TasNetworks' Executive, Stakeholders) and the Company Secretaries are Michael Chan (TasNetworks' Executive, Governance) and Madeline Sheehan (TasNetworks' Corporate Counsel). During 2021-22, Wayne Tucker was also a Director and Interim Chair of Fortytwo24 Pty Ltd prior to his resignation as a Director on 6 June 2022 and Phillippa Bartlett (Company Secretary and General Counsel) was a Company Secretary for Fortytwo24 Pty Ltd until her resignation on 11 February 2022.

- **Marinus Link Pty Ltd**, which is developing the second electricity interconnector between Tasmania and Victoria (Marinus Link).

The directors of Marinus Link Pty Ltd are Dr Seán Mc Goldrick (Chair and TasNetworks' Chief Executive Officer), Mr R Burrige AM (TasNetworks' Executive, Operations), Michael Chan (TasNetworks' Executive, Governance) and Renee Anderson (TasNetworks' Executive, People), and the Company Secretary is Maryanne Young (Executive Manager, Governance & Legal). During 2021-22, Wayne Tucker was also a Director of Marinus Link Pty Ltd prior to his resignation as a Director on 1 December 2021, Michael Chan was also Company Secretary of Marinus Link Pty Ltd until his resignation as Company Secretary on 24 February 2022 and Phillippa Bartlett was also a Company Secretary until her resignation on 1 December 2021 and then a Director of Marinus Link Pty Ltd from 1 December 2021 until her resignation on 11 February 2022.

- **TasNet Connections Pty Ltd** (formerly Large Scale Renewables Pty Ltd), which was incorporated to hold unregulated transmission connection assets.

TasNet Connections Pty Ltd changed its name from Large Scale Renewables Pty Ltd on 2 June 2022.

The directors of TasNet Connections Pty Ltd are Dr Seán Mc Goldrick (Chair and TasNetworks' Chief Executive Officer) and Mr R Burrige AM (TasNetworks' Executive, Operations), and the Company Secretaries are Michael Chan (TasNetworks' Executive, Governance) and Madeline Sheehan (TasNetworks' Corporate Counsel). During 2021-22, Wayne Tucker was also a Director of TasNet Connections Pty Ltd prior to his resignation as a Director on 6 June 2022 and Phillippa Bartlett (Company Secretary and General Counsel) was a Company Secretary for TasNet Connections Pty Ltd until her resignation on 11 February 2022.

Diversity

Background

TasNetworks recognises the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the business into the future.

Policy and procedures

TasNetworks has a formal diversity and inclusion policy, which was launched to all TasNetworks Team Members in September 2019. The policy details TasNetworks' commitment to diversity and promotes diversity in every part of TasNetworks' business in conjunction with:

- our Code of Conduct;
- our Workplace Behaviour Policy (covering workplace harassment, discrimination, bullying, equity and equal opportunity);
- our Zero Harm Policy;
- grievance resolution procedures;
- the Employee Assistance Program;
- formal inductions;
- flexible work arrangements; and
- email and internet usage policies.

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

- endorsing and approving the policy;
- supporting the development of strategies and initiatives that support the policy;
- leading and championing the implementation of the policy and related initiatives; and
- modelling behaviours that promote inclusivity and diversity.

Legislative compliance

TasNetworks is committed to complying with all relevant legislative and regulatory obligations. To achieve this commitment, TasNetworks adheres to the Australian/ New Zealand Standard of Compliance Program and has instituted a Compliance Policy and Framework, incorporating:

- active and visible engagement in compliance by the Board, CEO and the TasNetworks Executive Team;
- the alignment of compliance policy and business strategy; and
- appropriate compliance resourcing.

Further details in relation to some of TasNetworks' compliance obligations are set out below.

Right to Information

TasNetworks is subject to the *Right to Information Act 2009* (Tas) (**RTI Act**). TasNetworks' Right to Information Policy was first approved by the Chief Executive Officer in June 2014, and was reviewed in 2019.

During the 2021-22 financial year, four formal applications for Assessed Disclosure were received. In three out of the four formal applications received, most of the information sought was provided to the applicant. In one application none of the information sought was provided as the information was exempt under s 29 of the Act. In the three applications where exemptions were also claimed s36, s37 and s39 of the Act were invoked. As at 30 June 2022, none of the decisions had been appealed. TasNetworks has embraced the objectives of the RTI Act by routinely publishing information that it considers to be of interest to the public, which is significant, appropriate, accurate and not otherwise exempt. TasNetworks' preferred method of disclosure of information is proactive disclosure via its website and Customer Service Centre. It has also set up a separate email inbox for the lodgement of RTI applications.

Public Interest Disclosures

TasNetworks is subject to the *Public Interest Disclosures Act 2002* (Tas) (**PID Act**).

TasNetworks has a Whistleblower Policy covering both the PID Act and the Corporations Act 2001 (Cth), which was last reviewed in April 2022. In April 2021, TasNetworks also adopted the Tasmanian Ombudsman's new Model Procedures with minor modifications approved by the Ombudsman. A copy of these procedures is available on TasNetworks' website.

One protected disclosure was received during the year, and one protected disclosure (from financial year 2020-21) was progressed and finalised. Both protected disclosures were investigated and completed, with:

- one having the alleged conduct substantiated and disciplinary action taken; and
- one having alleged conduct partially substantiated, with remedial actions taken.

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

Privacy and Personal Information Protection

TasNetworks is subject to the *Privacy Act 1988* (Cth), the Australian Privacy Principles and the *Personal Information Protection Act 2004* (Tas). TasNetworks' Privacy Policy, which was originally approved by the CEO in June 2014 and last updated in July 2021, sets out how it collects, uses, discloses and otherwise manages personal information it holds. Given the recommendations made by the Federal Attorney General Office, it is expected that the Privacy Act 1988 (Cth) will be substantially overhauled in late 2023, and as a consequence, TasNetworks will review its statutory obligations arising from the amended Act at that time.

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

Corporate Governance principles

TasNetworks' Board Charter is based on the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, as adjusted to apply to an unlisted, State-owned company in line with the Tasmanian Government Businesses Corporate Governance Principles.

The company's corporate governance practices relating to each of these principles are summarised below.

Principle 1: Lay solid foundations for management and oversight

During the 2021-22 Financial Year, the TasNetworks Board was made up of six independent, non-executive directors.

The Board's responsibilities are summarised at page 47 of this report.

The responsibilities of individual directors and the company's expectations of them are set out in their letters of appointment and communicated to them at their induction. The role statements and contracts of employment for the positions of Chief Executive Officer, Company Secretary and other TasNetworks Executive Team members set out the terms of their appointment.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

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

The executive performance evaluation process is detailed at page 134 of this report.

Principle 2: Structure the Board to be effective and add value

All TasNetworks directors are independent of management; no directors hold shares in the company. More information about individual directors and their length of service is set out at pages 47-48 of this report. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasNetworks, which is managed in accordance with a Conflict of Interest Protocol. The Chairman is an independent director and is not an executive of the company. There is a clear division of responsibilities between the Board's Chairman and the CEO.

Directors are selected and appointed by the Government Minister Members on the basis of their skills and experience and the needs of the business. The appointment process involves the creation of a Director Selection Advisory Panel. Candidates are required to undergo probity checks prior to appointment. An executive search firm is appointed to assist the panel in identifying potential candidates. TasNetworks maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Company Secretary has a documented procedure for inducting new directors. All directors have access to the advice and services of the Company Secretary and, in consultation with the Chairman, may take independent professional advice in connection with their duties at the company's expense.

The Remuneration Committee advises and assists the Board with reviewing the performance of the CEO and setting key performance indicators for the CEO.

TasNetworks has a process for annually evaluating the performance of the Board, its committees and individual directors. Given a number of recent changes to the TasNetworks Board composition and TasNetworks Executive team, the decision was made to undertake an out of cycle external performance evaluation later in 2022, which will also accommodate for the business transformation. All identified opportunities for development from the process will be implemented with oversight by the Remuneration Committee.

An internal review will also commence for assessing the performance of the subsidiary Boards.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

TasNetworks is committed to not only complying with its legal obligations, but also to operating with the highest level of ethical and responsible behaviour.

TasNetworks' Code of Conduct applies to all our people: Board Members, Leaders, Team Members, contractors and subcontractors. The Code is published on our website at <http://www.tasnetworks.com.au/about-us/policies/code-of-conduct>. Under the Code, all people working at TasNetworks commit to:

1. work safely and in accordance with the law;
2. treat customers, the public and fellow workers with honesty, courtesy and respect;
3. perform our duties with professionalism, integrity and efficiency;
4. ensure our personal business and financial interests do not conflict with our duty to TasNetworks;
5. ensure the security and privacy of all confidential information received in the course of our work;
6. ensure we do not misuse our position;
7. ensure that TasNetworks' assets and resources are only used for proper business purposes;
8. recognise, value and effectively utilise the diversity among our people; and
9. demonstrate our care for the environment in the way we work.

TasNetworks also has a number of more specific policies that relate to our commitment to comply with our legal obligations and act ethically and responsibly. These include the Directors' Travel and Expense Policy, Directors' Conflict of Interest Protocol, Compliance Policy, Fraud and Corruption Policy, Whistleblower Policy, Workplace Behaviour Policy, Gifts and Benefits Policy, Quality Policy, Environment and Sustainability Policy and Safety and Wellbeing Policy.

A director who has a material personal interest in a matter relating to the affairs of TasNetworks must disclose that interest to the Board. The Company Secretary maintains a register of interests disclosed. To the extent that there is a conflict, this is managed appropriately in accordance with the Director's Conflict of Interest Protocol.

Principle 4: Safeguard the integrity in corporate reporting

The Board has a process for review and authorisation to ensure the truthful and factual representation of the company's financial position and to independently verify and safeguard the integrity of TasNetworks' financial reporting. This process includes:

- external audit;
- internal audit; and
- review of the company's annual financial statements by the Audit and Compliance Committee.

The Board has established an Audit and Compliance Committee to assist the Board in exercising due care, diligence and skill in relation to financial management and reporting, audit processes, business policy and practice and compliance with applicable laws, regulations, standards and best practice guidelines. More information about the Audit and Compliance Committee is included on page 49 of this report.

The TasNetworks constitution provides that the Auditor-General for Tasmania must report on and audit the accounts of the company.

TasNetworks' annual reports are tabled in each House of Parliament and are therefore subject to the scrutiny of all members of the Parliament and the community.

Principle 5: Make timely and balanced disclosure

Because TasNetworks is not a listed company, it is not required to comply with the ASX Listing Rule disclosure requirements. However, as a State-owned business, TasNetworks ensures that the Members are kept informed of all matters that may have a material impact (financial or otherwise) on the business or potential adverse implications for the State.

TasNetworks has a process for ensuring that Members are promptly advised of matters as required by the TasNetworks constitution and the Members' Statement of Expectations.

TasNetworks complies with the public disclosure obligations it has under the National Electricity Law, National Electricity Rules, TasNetworks' distribution and transmission licences and other applicable instruments.

Details about disclosures made under the *Right to Information Act 2009* (Tas) are set out at 50.

Principle 6: Respect the rights of shareholders

The Board has procedures for communication with Members to ensure that they have timely access to information about the company, including its financial situation, performance, governance and any sensitive matters about which Members should be aware.

Principle 7: Recognise and manage risk

The Board has approved and oversees the TasNetworks Risk Management Policy and Risk Framework to ensure that Management has developed and implemented a robust system of risk management and control. This includes review of material incidents and oversight of TasNetworks' insurance program.

In accordance with the Risk Management Policy, TasNetworks:

- prepared and delivered a plan for managing risk in accordance with TasNetworks' risk appetite, the expectations of its stakeholders and the law;
- integrated effective and appropriate risk management into business and management activities and TasNetworks policies;
- made available the necessary resources for effectively managing risk;
- provided regular reports to the Board detailing material business risks and the effectiveness of associated risk management strategies; and
- reported key business risks and risk management strategies to key stakeholders.

TasNetworks' fundamental, underlying risk management principles are consistent with AS/NZS ISO 31000:2009. TasNetworks' Internal Audit Group performs regular audits of mitigating actions on internal controls identified. This group has a direct line of reporting to the Audit and Compliance Committee.

Principle 8: Remunerate fairly and responsibly

In accordance with the TasNetworks Constitution, directors are paid remuneration as is resolved by the Members from time to time. That remuneration is based on the Government Board and Committee Remuneration Framework administered by the Department of Premier and Cabinet, which incorporates a scale of fees.

Directors may also be reimbursed for travel and other expenses properly incurred by them, in accordance with TasNetworks' Directors Travel and Expense Policy.

Information in relation to the indemnity arrangements provided by TasNetworks to Board members can be found on page 65 of this annual report.

The employment terms and conditions of the TasNetworks Executive Team are contained in individual employment contracts.

The TasNetworks Remuneration Committee provides advice to the Board and assists it to fulfil its governance responsibilities in relation to remuneration strategies and policies for the CEO, members of the TasNetworks Executive Team and Leaders contained within the scope of the TasNetworks Leaders Remuneration Policy and Enterprise Agreement employees. During 2021-22 the Remuneration Committee considered the performance and remuneration reviews of the TasNetworks Executive Team undertaken by the CEO and referenced against the Mercer Tasmanian General Market, for subsequent Board approval.



TasNetworks Executive team

TasNetworks' executive management team comprises a chief executive officer and eight executive managers. (Names listed left to right as shown in above photo).

Ross Burridge AM **BCom, FCPA, FAICD, FFTP**

Acting Chief Executive Officer (until 1 August 2021)
General Manager Strategy, Finance and Business Services
(from 2 August 2021 until 1 May 2022)

Executive, Operations (from 2 May 2022)

Renee Anderson

General Manager People, Culture and Community
(until 1 May 2022)

Executive, People (from 2 May 2022)

Andrew Davis **BA, MA (Marketing)**

Executive, Transformation (from 11 April 2022)

Michael Chan
BA, LLB, MEd

Company Secretary and General Counsel
(from 11 February 2022 to 1 May 2022)
Executive, Governance (from 2 May 2022)

Dr Sean Mc Goldrick
B.A., B.A.I., Ph. D, FIEAust CPEng EngExec NER
APEC Engineer IntPE(Aus)

Chief Executive Officer (from 2 August 2021)

Michael Westenberg

General Manager Technology and Performance
(until 1 May 2022)
Executive, Finance (from 2 May 2022)

Michele Percey

Executive Assistant, Office of the CEO

Michael Ash

General Manager Network, Commercial and
Major Customer (until 1 May 2022)
Executive, Stakeholders (from 2 May 2022)

Wayne Tucker
Grad Dip Eng. Maint, Ass Dip Elect Eng., MBA, GAICD

General Manager Regulation, Policy and Strategic
Asset Management (until 1 May 2022)
Executive, Growth (from 2 May 2022)

Bess Clark
BCom, Grad Dip Urb Reg Plan, GAICD

Chief Executive Officer Marinus Link

Phillippa Bartlett BA, LLB

Company Secretary and General Counsel (until 11
February 2022)

Mike Paine
BEng, Grad Dip Eng, FIE Aust, GAICD

General Manager Operations and Customer Service
Delivery (until 1 May 2022)
Executive, Digital (from 2 May 2022)

Amy-Marie Parker
B.Com, CA

Acting General Manager Strategy, Finance and Business
Services (until 2 August 2021)

Organisational structure

Governance

The Governance Group comprises Legal Services and Company Secretariat, Audit Risk and Compliance together with Information Management teams.

The group is responsible for legal, governance, audit, risk and compliance support and advice to the Board, Chief Executive Officer and the business, as well as managing TasNetworks' information assets and providing guidance to all areas of the business relating to information management. The Group aims to provide trusted advice to the business to support the achievement of the business' strategic objectives.

Digital

The Digital Group aims to provide solutions that improve performance, utilising secure, reliable and innovative technology. The group is responsible for cyber security; information technology; operational technology; and telecommunications services.

Transformation

The Transformation Group was formed to assess, prioritise and implement the recommendations provided by the external Strategic Review commissioned by TasNetworks in late 2021. It is responsible for ensuring that TasNetworks has the organisational structures, processes, and tools necessary to maximise operational efficiency and deliver on the business' core mission, while also preparing TasNetworks to effectively meet future challenges and opportunities.

Stakeholders

Stakeholder is responsible for Regulation, Revenue Reset, Customer Experience, Government Relations & Communications, Corporate Social Responsibility, Land Access & Acquisitions, & Community Engagement. The Stakeholder group aims to lead genuine engagement with stakeholders ensuring they have a voice so that the business can deliver value to our customers.

Growth

The Growth team manages TasNetworks' subsidiary businesses 42-24 and TasNet Connections. 42-24 is a provider of telecommunications, information technology and data centre services. TasNet connections provides unregulated connections services and other transmission network development services. The Growth team also manages the delivery of major transmission projects, including the North West Transmission Developments that support Project Marinus and other strategic transmission projects.

Operations

The Operations Group provides the full end to end value chain for the delivery of TasNetworks services. This includes interactions with customers, engineering, planning and design, works delivery, field operations and network operations and planning.

People

People are responsible for safety, wellbeing and environment; people and organisational development; people partnering (including performance management systems and industrial relations), recruitment, operational and technical capability (registered training organisation).

Finance

Finance's role is to enable TasNetworks' sustained financial performance by delivering independent financial advice, and governance and analysis; and by directing financial strategies, capital structure development and debt portfolio management.

Integrated supply chain functions include category management, procurement, and material management to support delivery of key commercial objectives across the value chain.

Finance is also responsible for the effective management of transactional business services and TasNetworks fleet vehicles and facilities.

Remuneration report

Remuneration levels for key management personnel are set in accordance with the Tasmanian Government's Director and Executive Remuneration Guidelines (the Guidelines), dated June 2021. Under these Guidelines, remuneration bands for Chief Executive Officers (CEO) are determined by the Treasurer and reflect the principles outlined in the Guidelines broadly and align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary. The CEO is appointed by the Board. The Board consults with the Treasurer when determining the CEO's remuneration package. The employment terms and conditions of senior executives are contained in individual employment contracts, which prescribe total remuneration, superannuation, annual and long service leave, vehicle and salary sacrifice provisions. In addition to their salaries, TasNetworks also provides non-monetary benefits and contributes to post-employment superannuation plans on their behalf.

The performance of each senior executive, including the CEO, is reviewed annually and includes a review of their remuneration package. Remuneration levels for key management personnel of TasNetworks are competitively set to attract and retain appropriately qualified and experienced Executives. The remuneration and salary

review structure takes into account the capability and experience of the relevant Executive and the achievement of measurable organisational and individual goals as per the TasNetworks Balanced Business Plan. Details of payments made to Executives are described on pages 131 - 135.

TasNetworks has complied with the Government's Director and Executive Remuneration Guidelines, applicable at the time, for the year ended 30 June 2022 with the exception of three variations. These are the confidentiality and termination provisions contained in executive contracts and the setting of initial remuneration of the TasNetworks former CEO which pre-date the June 2014 Shareholders Direction to comply with the Guidelines. For details of payments made to senior executives, refer to note D4 of the Financial Statements.

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

I, Chief Executive Officer, Dr Seán Mc Goldrick certify that TasNetworks has met its obligations under the *Superannuation Guarantee (Administration) Act 1992* (Cth) in respect of any employee who is a member of a complying superannuation scheme to which TasNetworks contributes.

Performance against our Statement of Corporate Intent

	Performance measure	2021-22 target	2021-22 result	
Safety, Wellbeing and Environment	Safety and Wellbeing Plan	Lift Safety and Wellbeing maturity to 'Established' level	'Established' level maintained	✓
	Total recordable injury frequency rate	< 5.5	4.0	✓
	Significant incidents ¹	< 8	5	✓
	Reportable incidents ²	< 55	49	✓
Our Customers	Customer net promoter score	> + 12	+ 21	✓
	Customer satisfaction	> 7.6	7.6	–
	Customer complaints – volume	< 1,950	835	✓
	Basic distribution connection applications approved in 10 business days or less	100%	100%	✓
	Basic distribution connections completed on time	> 80%	82%	✓
	Negotiated distribution customer connections – Construction Phase on time	> 80%	86%	✓
Our People	Employee engagement	> 67 %	Organisation Strategic Review undertaken in 2021-22. Engagement Survey to be conducted in October 2022	

- 1 Significant incidents are incidents with an actual or credible potential for major or severe health, safety, or environment consequences as defined by TasNetworks' risk matrix.
- 2 Incidents that require notification to a government authority, including Worksafe Tasmania for health and safety incidents, Environment Protection Authority (EPA) and Department of Primary Industries, Parks, Water and Environment (DPIPWE) for environmental incidents, and the Australian Energy Regulator (AER) for unplanned disconnection of life-support customers.

	Performance measure	2021-22 target	2021-22 result
Our Business	Network service		
	Service incentive bonuses earned – transmission and distribution ³ (\$million)	≥ 3.4	(0.8) X
	Sustained cost management		
	Operating expenditure (\$m) ⁴	< 172.7	178.5 X
	Capital expenditure (\$m) ⁵	224.7	226 –

³ Service incentive bonuses and penalties are set by the AER. To earn a bonus, service levels provided have to be above the previous long-term levels.

⁴ Excludes operating expenditure associated with Project Marinus.

⁵ Excludes capital expenditure associated with Project Marinus and North West Transmission Development

	Performance measure	2021-22 target	2021-22 result
Our Owners	TasNetworks consolidated performance		
	Revenue	≥ 458.7	513.3 ✓
	EBITDA (\$m)	≥ 294.9	322.7 ✓
	Profit after tax (\$m)	≥ 20.1	39.7 ✓
	Transmission AEMO over recoveries		(18.2)
	Underlying Profit after tax		21.5
	Return on assets (%)	≥ 3.0	3.7 ✓
	Return on equity (%)	≥ 2.0	3.7 ✓
	Dividends (\$million)	≥ 5.1	5.122 ✓
	Gearing ratio (%)	< 66.7	64.5 ✓
	Large unregulated connections		
	Revenue (\$million)	≥ 4.9	4.9 ✓
	EBITDA (\$million)	≥ 3.3	4.4 ✓
	Fortytwo24 Pty Ltd (includes unregulated telecommunications, data centre and IT services)		
	Revenue (\$million)	≥ 22.3	21.6 –
	Profit after tax (\$million)	≥ 1.1	3.4 ✓
	Project Marinus		
Project milestones	Continue activities in the Tender Preparation subphase of the Design and Approvals (D&A) phase, supporting readiness to pass the Tender Readiness Decision Gate (targeted for August 2022)	On track	✓

Performance commentary

Safety, Wellbeing and Environment

The 49 reportable incidents is comprised of 45 environmental incidents and four safety incidents. The safety incidents included two separate instances where pole mounted transformers fell unassisted to the ground and two occasions when life-support customers were not notified of planned outages.

We recorded five significant incidents where three were specifically operational safety related and two were failures to notify life-support customers of planned outages.

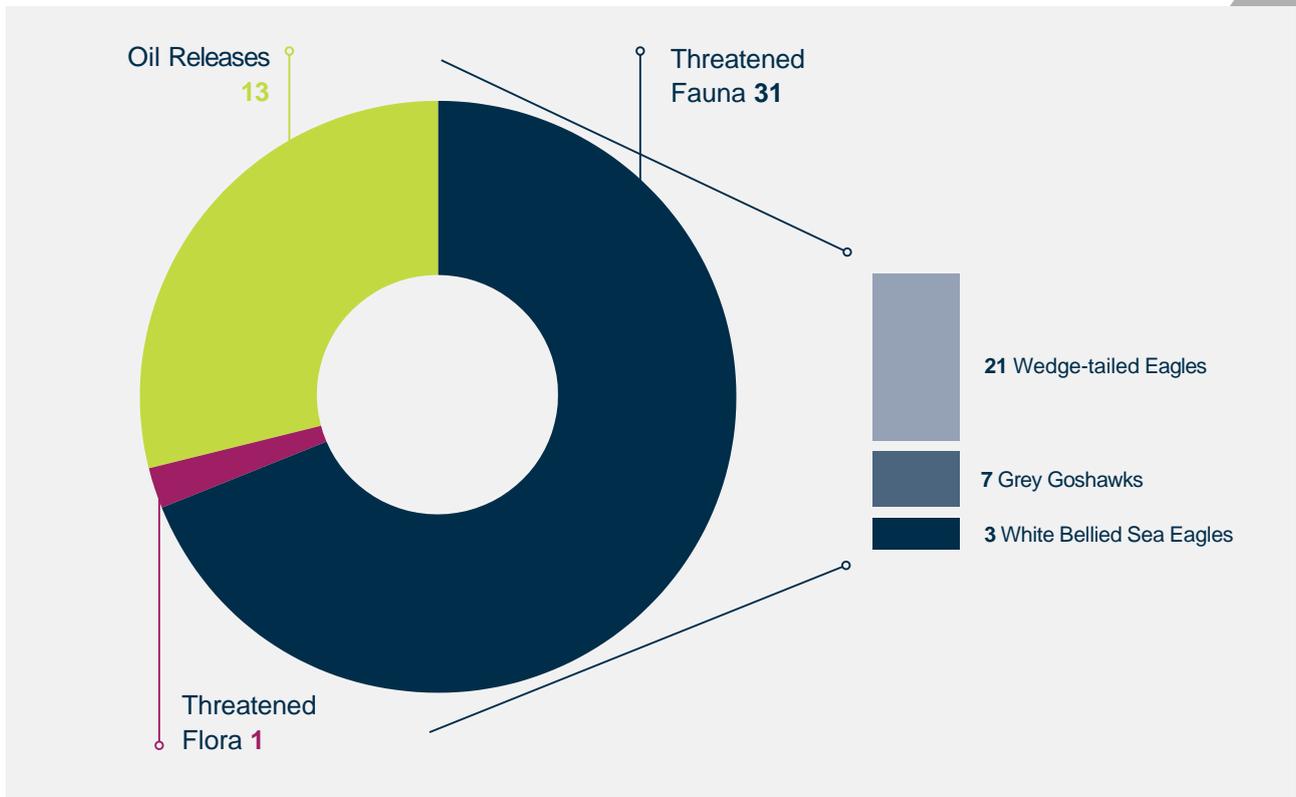
Throughout 2021-22, the focus has been on achieving incremental step changes in our safety and wellbeing plan, particularly concentrating on maintaining our safety maturity level whilst emphasising being operationally aware of different work environments. As a result, we achieved an overall positive in all our safety metrics and meeting the targets for significant and reportable safety incidents.

We have made significant improvements to our hazard capture and reporting systems that will allow us to further identify critical risks and design control measures. This is essential for us to advance onto the next safety maturity level.

The reportable environmental incidents have increased by 36% compared to last year with the majority being a rise in threatened fauna interactions. A contributing factor was the increase in incident reports received from the community when we increased public awareness of threatened bird interactions through newspaper and radio promotions.

A breakdown of the reportable environmental incident type shows 13 oil spills or leaks, one impact to threatened flora (*Eucalyptus morrisbyi*) and 31 impacts to listed threatened fauna species (comprising 21 Wedge-tailed Eagles, three White Bellied Sea Eagles and seven Grey Goshawks).

Reportable Environmental Incidents 2021/2022



Oil releases were attended to by our Oil Spill Response teams to ensure appropriate oil clean-up was achieved. Following each threatened bird incident, we have installed bird flight diverters (flappers) and/or pole top perches to reduce the risk of reoccurrence.

Our Customers

TasNetworks has performed well in the industry benchmarking program conducted by Customer Service Benchmarking Australia (CSBA) across Tasmania, Victoria and South Australia. At the conclusion of 2021-22, we ranked first overall and for interaction types of: planned outages, unplanned outages, general enquiries and complaints. We ranked second for new connections.

To enhance our customers' experience and to make it easier for them to do business with us, we have upgraded our digital channels for connections service and the new 'Talk with TasNetworks' engagement hub.

Our People

Throughout 2021-22, we have been undertaking a broader Strategic Review of our organisation's capabilities for our people to deliver solutions to customers in the evolving Tasmanian Energy market and connected National Electricity Market. Two significant milestones are the first Strategic Workforce Plan and the Refinement of the Achievement and Development process that will be implemented in 2022-23. The Engagement Survey will run in October 2022.

Our Business

Network service

The Service Target Performance Incentive Scheme (STPIS) for the transmission network which is determined on a calendar year basis will receive a bonus of \$3.32 million for 2021. The first half of 2022 has been trending positively towards a bonus payment.

In stark contrast, the STPIS for the distribution network determined on a financial year basis will be a penalty outcome of around \$4.16 million for 2021-22. Several factors were behind the negative result including equipment failure, damage to assets from vegetation, vehicle accidents and weather events. In the same period, the annual growth in electricity demand on the distribution network was 2.9 per cent compared to 0.9 per cent in the previous financial year.

Sustained cost management

The Opex exceedance were mainly attributed to the overhead program of work and other expenses that included legal settlement and associated costs, legacy herbicide action and bad debts.

The Capex underspend was mainly due to multiple projects in prescribed services affected by COVID affected equipment supply, delivery delays and labour availability constraints. The unregulated capital investment was below budget with the main drivers in the North West Transmission development and in telecommunications.

Our Owners

TasNetworks consolidated performance

The TasNetworks annual Operating Profit after Tax in June was \$39.7 million, which was \$19.6 million favourable to target. After adjusting for the impact of the higher regulated revenue recoveries (over recovery) the underlying profit result would be \$21.5 million which is \$1.4 million favourable to target. These revenue over recoveries will be returned to customers via lower revenue to be adjusted via future prices (largely in 2022-23 and 2023-24). This is to ensure TasNetworks complies with the Standard Control and Prescribed revenue allowance caps prescribed by the Regulator.

Large unregulated connections

The revenue and EBITDA targets were met.

Fortytwo24 Pty Ltd

Operating profit after tax exceeded the 2021-22 target by \$2.3 million and the prior year result by \$0.04 million. Despite significant challenges in entering the Energy and New Technology market segments, \$21.6 million revenue was generated which was nearly 97 per cent of the target. A joint venture partnership was established for the development of a Digital Twin project which will be first used to build TasNetworks' virtual model of the electricity network for multifaceted benefits including more intelligent maintenance planning and simulating cost effective opportunities in managing the network.

Marinus Link Pty Ltd

The Marius Link project is broadly on track to pass the Tender Readiness Decision Gate in August. Key activities undertaken to support passing the Tender Readiness Decision Gate included:

- secured funding support from the Tasmanian and Australian governments to the end of the Design and Approvals phase;
- conducted marine geotechnical investigations of Bass Strait - the surveys will help refine the subsea cable's design and installation methodology;
- submitted Commonwealth and Victorian environmental referrals;
- completed the pre-qualification procurement process for the high voltage direct current cable and converter station components or Marinus Link; and
- secured access for surveys to approximately 50 per cent of the Victorian land route.

Tasmanian Government reporting requirements

Purchases from Tasmanian Businesses during 2021-22	
% of Tasmanian purchases	68.9%
Value of Tasmanian purchases	\$199,668,144

Accounts due or paid during 2021-22	
Creditor days (average days)	25
Number of accounts due for payment	32,780
Number of accounts paid on time	26,975
Amount due for payment	\$299,468,106
Amount paid on time	\$244,201,206
Number of payments for interest on overdue accounts	-
Interest payable on overdue accounts	-

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

Name of Consultant	Location	Description	Period of Engagement	Amount (\$)
Engaged by Tasmanian Networks Pty Ltd for business as usual activities				
White & Case.	Melbourne, VIC	External legal advisory services relating to the operationalisation of Marinus Link Pty Ltd.	September 2021 - April 2022	600,979.69
Coughlin Advisory Pty Ltd	Malvern, VIC	Strategic diagnostic of TasNetworks' organisation structure and operating model	October 2021 - June 2022	515,300.00
Simmons Wolfhagen	Hobart, TAS	External legal advisory services - litigation	July 2021 - June 2022	255,899.30
Point Advisory Pty Ltd	Melbourne, VIC	Climate change strategy analysis and advice	April 2022 - June 2022	200,500.00
K&L Gates	Melbourne, VIC	Specialist advice for the Electronic Document Records Management System (EDRMS) project	July 2021 - June 2022	196,856.90
Ernst & Young	Melbourne, VIC	Provision of advice and recommendations for TasNetworks' Safe Systems of Work project	November 2021 - June 2022	161,500.00
Carly Sluiter.	Hobart, TAS	External legal advisory services - litigation	July 2021 - June 2022	132,732.00
Mercer Consulting (Australia) Pty Ltd	Melbourne, VIC	Advisory services to support the development and implementation of TasNetworks' Strategic Workforce Plan	October 2021 - June 2022	118,800.00
HWL Ebsworth.	Hobart, TAS	External legal advisory services - litigation	July 2021 - June 2022	118,347.51
ArcBlue Consulting (Aus) Pty Ltd	Melbourne, VIC	Procurement Diagnostic	July 2021 - October 2021	105,537.50
Ernst & Young	Melbourne, VIC	Fleet utilisation and optimisation review	July 2021 - October 2021	98,000.00
Michael McCafferty Pty Ltd	Ormiston, QLD	External legal advisory services advice relating to renewable energy zones	December 2021 - May 2022	96,309.00
Cutler Merz Pty Ltd	Sydney, NSW	Review and advice on the implementation and utilisation of Copperleaf to support TasNetworks' 2019-24 regulatory submission	March 2022 - June 2022	84,648.36
JESSICA ELIZABETH SAWYER.	Hobart, TAS	External legal advisory services - litigation	July 2021 - June 2022	70,679.00

Cutler Merz Pty Ltd	Sydney, NSW	Future Grid Strategy and Investment Review of Peer DNSP's with advice to support TasNetworks' 2019-24 regulatory submission	September 2021 - December 2021	61,691.25
Michael McCafferty Pty Ltd	Ormiston, QLD	External legal advisory services - miscellaneous advice	July 2021 - June 2022	53,874.00
Edge Legal Holdings Pty Ltd	Hobart, TAS	External legal advisory services - miscellaneous advice	July 2021 - June 2022	52,932.00
Ascension Consulting Pty Ltd	Rosny Park, TAS	PSSR Redevelopment review	July 2021 - June 2022	52,916.00
Total engaged by Tasmanian Networks Pty Ltd for business as usual activities				2,977,502.51

Engaged for Project Marinus

Engaged by Tasmanian Networks Pty Ltd for North West Transmission Development Project

Coffey Services Australia	Chatswood, NSW	Provision of environment, land use planning and heritage advisory services for the North West Transmission Development project	July 2021 - June 2022	240,897.92
MBB Group Pty Ltd	Sydney, NSW	Provision of procurement strategy advice for the North West Transmission Development project	March 2022 - June 2022	170,280.00
ConMoto Group Pty Ltd.	Hobart, TAS	Provision of legal advisory services for the North West Transmission Developments project	July 2021 - June 2022	71,242.00
JLL Infrastructure Advisory Pty Ltd	Sydney, NSW	Provision of Land Access and Easement Negotiation advisory services for the North West Transmission Development project	July 2021 - June 2022	65,908.63
Total engaged by Tasmanian Networks Pty Ltd for Project Marinus				548,328.55

Engaged by Marinus Link Pty Ltd

Herbert Smith Freehills	Melbourne, VIC	Provision of legal advice	July 2021 - June 2022	730,879.00
Ernst & Young	Sydney, NSW	Provision of commercial and regulatory advice	January 2022 - June 2022	663,423.00
Coffey Services Australia	Chatswood, NSW	Provision of strategic advice	July 2021 - June 2022	366,522.00
Total engaged by Marinus Link Pty Ltd				1,760,824.00
Total engaged for Project Marinus				2,309,152.55

Engaged by Fortytwo24 Pty Ltd

K&L Gates	Melbourne, VIC	Provision of legal and advisory services to support 42-24's growth strategy	September 2021 - June 2022	558,715.47
KPMG	Adelaide, SA	Financial advisory services supporting 42-24's growth strategy	July 2021 - June 2022	366,314.39
Mills Oakley	Melbourne, VIC	Provision of legal and advisory services to support 42-24's growth strategy	December 2021 - May 2022	204,575.60
Deloitte Touche Tohmatsu	Sydney, NSW	Financial advisory services supporting 42-24's growth strategy	October 2021 - December 2021	141,593.75
PricewaterhouseCoopers Consulting	Sydney, NSW	Services to support 42-24's growth strategy	March 2022 - May 2022	50,704.00
Total engaged by Fortytwo24 Pty Ltd				1,321,903.21
TOTAL				6,608,558.27
There were 30 Consultants engaged for \$50,000 or less totalling				768,933.98
TOTAL PAYMENTS TO CONSULTANTS				7,377,492.25

Director's report

The Directors of TasNetworks at any time during the 2021-22 financial year were:

Roger Gill Chairman and Director	Mr Gill is a member of the Remuneration Committee. Mr Gill was appointed as Chairman in November 2021. Appointed: 27 November 2017 Current Term: 23 November 2021 until November 2024
Joanne Doyle Director	Ms Doyle is the Chair of the Audit and Compliance Committee. Appointed: 1 July 2016 Current Term: 23 November 2021 until November 2022.
Dr Julie Beeby Director	Dr Beeby is Chair of the Remuneration Committee. Appointed: 20 November 2018 Current Term: 13 November 2020 until November 2023
Sarah Merridew Director	Ms Merridew is a member on the Audit and Compliance Committee. Appointed: 20 February 2019 Current Term: 23 November 2021 until November 2024
Kevin Kehl Director	Mr Kehl is a member of the Audit and Compliance Committee. Appointed: 23 November 2021 Current Term: 23 November 2021 until November 2022
Katherine Schaefer PSM Director	Mrs Schaefer PSM is a member of the Remuneration Committee. Appointed: 22 February 2022 Current Term: 22 February 2022 until November 2023
Dr Daniel Norton AO Chairman and Director	Dr Daniel Norton AO was a member of the Remuneration Committee. Appointed: 4 February 2014 Term: 20 November 2018 until expiry on 23 November 2021
Peter McIntyre Director	Mr McIntyre was a member of the Audit and Compliance Committee. Appointed: 1 November 2016 Term: 26 November 2019 until resignation on 23 September 2021

Consolidation

During financial year 2021-22, TasNetworks had four subsidiaries within its corporate group (together, the **TasNetworks Group**):

- TasNetworks Holdings Pty Ltd;
- Fortytwo24 Pty Ltd;
- Marinus Link Pty Ltd; and
- TasNet Connections Pty Ltd (formally Large Scale Renewables Pty Ltd).

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

Principal activities

The principal activities of the TasNetworks Group are to:

- build, own and operate the transmission, distribution and communication networks of the Tasmanian electricity system;
- provide telecommunications services and infrastructure as a service; and
- develop the second electricity interconnector between Tasmania and Victoria (**Marinus Link**).

Review of operations

The TasNetworks Group recorded an after-tax profit of \$39.75 million for the year ended 30 June 2022 and the company invested \$258.268 million across many capital projects.

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

Changes in state of affairs

During the financial year 2021-22, the TasNetworks Group entered a joint venture entity, Virtual Twin TAS Pty Ltd; additional funding arrangements were agreed between the Commonwealth and State to support the ongoing progression of the design and approvals phase of Marinus Link by the TasNetworks Group; and a strategic review of the business was conducted.

Environmental regulation

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

There were 45 reportable environmental incidents during the financial year and included one impact to threatened flora (*Eucalyptus morrisbyi*), 31 impacts to listed threatened fauna species (comprising 21 Wedge-tailed Eagles, three White Bellied Sea Eagles and seven Grey Goshawks) and 13 oil spills or leaks. Following each threatened bird incident, ongoing risks were reduced by installation of bird flight diverters (flappers) or pole top perches. Oil releases were attended to by our Oil Spill Response teams to ensure appropriate oil clean-up was achieved.

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

Matters arising since end of financial year

Following the strategic review conducted in financial year 2021-22, a business transformation program has been approved which is likely to achieve savings in future years.

There have been no other matters or circumstances arising since 30 June 2022 that have significantly affected, or may significantly affect, the TasNetworks Group's future operations.

Likely developments and future results

Other than as already noted in this report, TasNetworks does not foresee any other material changes or likely developments in its operations.

Dividends

TasNetworks paid to its shareholders a dividend of \$5.122 million on 31 December 2021 from after-tax profits during the financial year 2020-21.

In respect of the financial year ended 30 June 2022 TasNetworks' current proposed approach is to pay a dividend based upon 90 per cent of Net Profit after Tax adjusted for contributions from distribution customers for capital works, in accordance with the dividend Policy and methodology agreed with shareholders.

Indemnities and insurance

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

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

The TasNetworks Group has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of a group company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No applications for leave under section 237 of the Corporations Act 2001 to bring, or to intervene in, proceedings on behalf of a group company were made during the financial year.

Rounding of amounts

Amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated, in accordance with ASIC Class Order 2016/191.

Auditor's independence declaration

The auditor's independence declaration is included in the Annual Report and forms part of this Director's Report.

Directors' meetings

The following table sets out the number of TasNetworks directors' meetings (including committee meetings) held during the financial year and the number of meetings attended by each TasNetworks director who held office during the financial year ended 30 June 2022. Director and Company Secretary qualifications are set out in the Corporate Governance section of the Annual Report.

Director	Board (Regular and Special)		Audit and Compliance Committee		Remuneration Committee	
	Eligible to Attend as a Member	Attended	Eligible to Attend as a Member	Attended	Eligible to Attend as a Member	Attended
Roger Gill	15	15	-	3	4	4
Joanne Doyle	15	15	6	6	-	-
Dr Julie Beeby	15	15	-	3	4	4
Sarah Merridew	15	15	6	6	-	-
Kevin Kehl	10	10	3	3	-	-
Katherine Schaefer PSM	6	6	-	2	2	2
Dr Daniel Norton AO	5	5	-	1	1	1
Peter McIntyre	4	4	3	3	-	-

Signed in accordance with a resolution of the TasNetworks directors.



Mr Roger Gill

Chairman

Date: 10 August 2022

Auditor's independent declaration



Level E, 144 Macquarie Street, Hobart, Tasmania, 7000
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Web: www.audit.tas.gov.au

10 August 2022

The Board of Directors
Tasmanian Networks Pty Ltd
PO Box 606
MOONAH TAS 7009

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Networks Pty Ltd for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- (b) any applicable code of professional conduct in relation to the audit.

In accordance with *the Corporations Act 2001* a copy of this declaration must be included in the Directors' Report.

Yours sincerely

A handwritten signature in dark ink, appearing to read "R Whitehead".

Rod Whitehead
Auditor-General

Independent 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
<p>Network assets <i>Refer to note A2(b) and B2</i></p>	
<p>At 30 June 2022, the Group's network assets, which comprised transmission assets valued at \$1.31 billion and distribution assets valued at \$1.82 billion. Fair value was determined in accordance with the Australian Energy Regulator (AER) Regulated Asset Base (RAB) methodology.</p> <p>This is on the basis that under a fair value approach a market participant would have its revenue requirement determined using the building block model of regulation.</p> <p>This methodology is similar to an income approach, as regulated revenue is determined under the National Electricity Rules according to the income earning capacity of the assets. Under this approach the AER makes an annual determination of the applicable weighted average cost of capital applied to asset values.</p> <p>Network opening asset values are indexed annually in accordance with the RAB methodology based on the Consumer Price Index movement. Revaluation can also occur if the asset base is adjusted by the AER via the regulatory process.</p> <p>The validity of assumptions used in, and underpinning, the valuation framework requires particular audit attention.</p>	<ul style="list-style-type: none"> • Evaluating management's judgement that a market participant would value the network assets by reference to the RAB. • Evaluating, on a sample basis, inputs into the RAB valuation and confirming the accuracy of calculations. • Evaluating management's assessment of useful lives of network assets. • Performing a substantive analytical review of depreciation expense for each class of asset. • Assessing the adequacy of disclosures in the financial report.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<p>The determination of the useful lives of networks assets has a significant impact on the annual depreciation expense. Management exercises judgement in the selection of the depreciation method and estimation of the useful lives of assets.</p>	
<p>Capitalisation of Marinus Link projects costs under AASB 138 <i>Intangible Assets</i> Refer to note B1</p>	
<p>The Group, on behalf of the Tasmanian and the Australian Governments, is progressing investigation into a 1500 megawatt capacity undersea and underground electricity connection between Tasmania and Victoria, known as Marinus Link.</p> <p>In October 2021, the Group commenced capitalising development costs associated with Marinus Link, resulting in the recognition of an intangible asset totalling \$31.71 million at 30 June 2022.</p> <p>The capitalisation of Marinus Link development costs was a key audit matter due to significant management judgements, including:</p> <ul style="list-style-type: none"> • whether it meets the capitalisation criteria of AASB 138 <i>Intangible Assets</i> • whether the costs incurred relate to costs which are required to be expensed or costs that are eligible for capitalisation • the assessment of future economic benefits and recoverable amount of the capitalised development costs. 	<ul style="list-style-type: none"> • Evaluating the status of Marinus Link through examination of project documentation and discussion with various stakeholders. • Assessing management’s decision to capitalise development costs, including evaluating whether the capitalisation criteria under AASB 138 had been met. • Testing, on a sample basis, the appropriateness of capitalised development costs in accordance with AASB 138. • Evaluating the recoverable amount of capitalised development costs by examining: <ul style="list-style-type: none"> - the pricing report of Marinus Link as at 31 October 2021 prepared by management’s expert - the Federation Funding Agreement between the Australian and Tasmanian Governments, signed on 3 April 2022, which provides financial support for Marinus Link to progress to a Final Investment Decision stage of the project. • Considering the reasonableness of associated disclosures in the financial report in light of the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2022, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

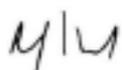
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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



Rod Whitehead
Auditor-General
 Tasmanian Audit Office

17 August 2022
 Hobart

Consolidated financial statements

Consolidated Statement of Profit or Loss For the financial year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue	A1	501,212	456,297
Grant revenue – Project Marinus*	A1	12,117	22,883
Total revenue		513,329	479,180
Operating expenses			
Employee benefit expenses		(132,050)	(123,749)
Employee benefit expenses – Project Marinus*		(2,979)	(7,932)
Other operating expenses		(46,464)	(46,059)
Other operating expenses – Project Marinus*		(9,138)	(14,951)
Total operating expenses	A2(a)	(190,631)	(192,691)
Depreciation and amortisation expenses	A2(b)	(185,797)	(179,002)
Finance costs	A3	(79,905)	(81,748)
Total expenses		(456,333)	(453,441)
Profit before income tax equivalent		56,996	25,739
Income tax equivalent expense on profit	A4(a)	(17,251)	(8,828)
Net profit for the year		39,745	16,911

*Project Marinus is the project name encompassing the Marinus Link and North West Transmission Developments (Tasmania), the project is supporting Australia's continuing transition to a clean energy future by progressing the Marinus Interconnector.

The consolidated statement of profit or loss is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Comprehensive Income For the financial year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Net profit for the year		39,745	16,911
Items that will not be reclassified subsequently through profit or loss:			
Net fair value movements on property, plant and equipment	D3	87,751	24,000
Superannuation actuarial gains/(losses)	F2	34,066	10,191
Income tax equivalent expense on items that will not be reclassified subsequently through profit or loss	A4(b)	(36,545)	(10,257)
		85,272	23,934
Items that have or may be reclassified subsequently through profit or loss:			
Hedge reserve			
– Gain/(loss) recognised in equity	D3	44	40
– Reversal of prior year losses	D3	-	359
Income tax equivalent expense on items that have or may be reclassified subsequently through profit or loss	D3, A4(b)	(13)	(120)
		31	279
Total comprehensive income for the year		125,048	41,124
Total comprehensive income for the year attributable to:			
Owners of TasNetworks		125,048	41,124
		125,048	41,124

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position For the financial year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	C5(a)	8,638	6,455
Trade and other receivables	E1	86,429	74,731
Inventories	E2	33,039	32,497
Tax asset	A4(c)	-	4,593
Other assets	E3	7,310	9,779
Total current assets		135,416	128,055
Non-current assets			
Intangible assets	B1	122,069	92,097
Property, plant and equipment	B2	3,538,621	3,408,721
Right-of-use assets	B3	5,989	2,271
Investment in joint venture	B4	2,000	-
Other assets	E3	1,166	360
Total non-current assets		3,669,845	3,503,449
Total assets		3,805,261	3,631,504
Current liabilities			
Trade and other payables	E5	74,604	63,856
Borrowings	C1	220,550	203,700
Lease liabilities	C2	590	394
Employee benefits	F1	38,483	36,729
Provisions	E4	497	962
Tax liabilities	A4(c)	2,454	-
Contract liabilities	E6	41,094	33,974
Total current liabilities		378,272	339,615
Non-current liabilities			
Borrowings	C1	1,871,300	1,846,300
Lease liabilities	C2	5,992	2,434
Net deferred tax equivalent liabilities	A4(d)	218,068	197,856
Employee benefits	F1	149,831	183,875
Provisions	E4	421	-
Contract liabilities	E6	34,450	34,423
Total non-current liabilities		2,280,062	2,264,888
Total liabilities		2,658,334	2,604,503
Net assets		1,146,927	1,027,001
Equity			
Retained earnings	D1	199,665	141,196
Contributed equity	D2	62,724	62,724
Reserves	D3	884,538	823,081
Total equity		1,146,927	1,027,001

The consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Change in Equity For the financial year ended 30 June 2022

	Note	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2021		62,724	823,081	-	141,196	1,027,001
Net profit for the year		-	-	-	39,745	39,745
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	87,751	-	-	87,751
Superannuation actuarial gains/(losses)	F2	-	-	-	34,066	34,066
Hedge reserve	D3	-	-	44	-	44
Income tax relating to components of other comprehensive income	A4(b)	-	(26,325)	(13)	(10,220)	(36,558)
Total comprehensive income for the year		-	61,426	31	63,591	125,048
Transactions with owners in their capacity as owners:						
Dividends paid	D1	-	-	-	(5,122)	(5,122)
As at 30 June 2022		62,724	884,507	31	199,665	1,146,927
		Contributed Equity \$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2020		62,724	806,281	(279)	143,889	1,012,615
Net profit for the year		-	-	-	16,911	16,911
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	24,000	-	-	24,000
Superannuation actuarial gain/(losses)	F2	-	-	-	10,191	10,191
Hedge reserve	D3	-	-	399	-	399
Income tax relating to components of other comprehensive income	A4(b)	-	(7,200)	(120)	(3,057)	(10,377)
Total comprehensive income for the year		-	16,800	279	24,045	41,124
Transactions with owners in their capacity as owners:						
Dividends paid	D1	-	-	-	(26,738)	(26,738)
As at 30 June 2021		62,724	823,081	-	141,196	1,027,001

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows For the financial year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities:			
Receipts from customers		552,880	525,998
Interest received		20	102
Payment to suppliers and employees		(231,437)	(251,320)
Interest paid		(65,241)	(68,045)
Guarantee fee paid		(6,963)	(7,157)
Income tax equivalents paid		(26,550)	(35,849)
Net cash provided by operating activities	C5(b)	222,709	163,729
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		3,569	2,774
Payment for property, plant and equipment		(205,532)	(196,663)
Payment for intangible assets		(21,029)	(15,932)
Payment for Marinus Link development intangible asset		(31,707)	-
Payment for joint venture		(2,000)	-
Net cash used in investing activities		(256,699)	(209,821)
Cash flows from financing activities:			
Proceeds from borrowings		609,365	802,846
Repayment of borrowings		(567,515)	(730,446)
Payment of lease principal		(555)	(566)
Dividends paid	D1	(5,122)	(26,738)
Net cash provided by financing activities	C3	36,173	45,096
Net increase/(decrease) in cash and cash equivalents		2,183	(996)
Cash and cash equivalents at the beginning of the financial year		6,455	7,451
Cash and cash equivalents at the end of the financial year	C5(a)	8,638	6,455

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

Tasmanian Networks Pty Ltd is a for profit proprietary company, incorporated and operated in Australia. TasNetworks' registered address and principal place of business is 1-7 Maria Street, Lenah Valley, Tasmania, Australia 7008.

1. Statement of compliance and basis of preparation

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB), and the requirements of the *Corporations Act 2001*. These consolidated financial statements comprise the financial statements of Tasmanian Networks Pty Ltd and entities controlled by Tasmanian Networks Pty Ltd (note H3) the group of companies is referred to as TasNetworks in these financial statements. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on a going concern basis.

TasNetworks' working capital other than short term debt maturities is \$22.308million (m) deficit (2021: \$7.860m deficit). Short term debt maturities of \$220.550m (2021: \$203.700m) will be refinanced in line with TasNetworks' Treasury Risk Management Policy and within the Tasmanian Public Finance Corporation (TASCORP) Master Loan Facility Agreement limits and covenants. TasNetworks held \$108.150m of undrawn borrowing capacity at 30 June 2022 (2021: \$150.000m) (note C1). The financial statements were authorised for issue by the directors on 10 August 2022.

(a) Basis of preparation

The financial statements have been prepared as consolidated financial statements. The financial statements have been prepared on the basis of historical cost except financial instruments and certain non-current assets. Network assets are recorded in accordance with the Regulated Asset Base (RAB) methodology. Cost is based on the fair values of the consideration given in exchange for assets.

In accordance with Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191 amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated. All values are expressed in Australian dollars.

Where there has been reclassification of items in the financial statements, the prior year comparatives have also been reclassified to ensure comparability with the current reporting period. Details of the reclassification are disclosed, where applicable, in the relevant note to the financial statements.

(b) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the consolidated financial statements

For the financial year ended 30 June 2022

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

(c) Judgements, estimates and assumptions

In the application of TasNetworks' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following notes contain key assumptions and other key sources of estimation uncertainty during the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Note Assumption and estimates

A1	Unbilled use of system
A4	Recovery of deferred tax assets
B2	Asset useful lives
B3	Lease terms
B5	Impairment testing results
C2	Lease liability
E1	Expected credit losses
E4	Workers compensation provision
F1	Long service leave
F2	Defined benefit superannuation plan

(d) Notes to the financial statements

The notes to the financial statements include information that is required to understand the financial statements and is material and relevant to the operations, financial position and performance of TasNetworks. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of TasNetworks;
- it helps explain the impact of significant changes in TasNetworks; or
- it relates to an aspect of TasNetworks' operations that is important to its future performance.

The notes have been grouped into sections to help readers understand how TasNetworks' strategy is reflected in the financial performance and position of TasNetworks.

These sections comprise:

- A TasNetworks' performance
- B TasNetworks' assets
- C Financing TasNetworks' business
- D TasNetworks' equity
- E Other assets and liabilities
- F TasNetworks' people
- G Commitments
- H Other information

Notes to the consolidated financial statements For the financial year ended 30 June 2022

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

The accounting policies as set out in these notes, have been applied in preparing the financial statements for the financial year ended 30 June 2022 and the comparative information presented in these financial statements for the period ended 30 June 2021. The policies have been consistently applied by each entity in the consolidated group. Any changes made to these accounting policies for the financial year ended 30 June 2022 are detailed in note H6.

COVID-19 Impact

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

Global environment

TasNetworks has undertaken a review of its assumptions and estimates used in preparing the financial statements taking into account the current economic conditions and instability in the global environment including the conflict in Ukraine. TasNetworks has determined that there have been no material impact to its financial statements.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

TasNetworks' performance

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

A1. Revenue	Note	2022 \$'000	2021 \$'000
(a) Revenue from contracts with customers			
Provision of regulated distribution services*		281,876	259,361
Provision of regulated transmission services*		160,058	148,091
Provision of other non-regulated services		27,233	26,160
Customer contributions		21,338	16,041
		490,505	449,653
(b) Other revenue			
Rent and lease income		1,862	1,859
Interest received		20	102
Grants received – Project Marinus	A1	12,117	22,883
Other grants and subsidies		2,410	712
Gain on disposal of property, plant and equipment		2,817	633
Other revenue	A1	3,598	3,338
		22,824	29,527
Total revenue		513,329	479,180
Revenue from contracts with customers by timing of revenue			
Services transferred at a point in time		37,763	32,894
Services transferred over time		452,742	416,759
		490,505	449,653

*The current year result includes \$18 million of regulated revenue over recoveries attributable to higher AEMO settlement residues received, and higher network use of system charges. As per the application of the regulated revenue cap rules this amount is required to be adjusted and passed back to customers in future years via annual pricing, which will lower revenue and resulting profit in the years this adjustment occurs, this ensures TasNetworks manages its revenue in accordance with the revenue cap.

Information about major customers

Included within revenue received from the provision of regulated distribution services are revenues of approximately \$246 million (2021: \$238 million) from TasNetworks' largest electricity retailer customer. These charges are the mechanism for the recovery of network use of system. No other single customer contributed 10% or more to TasNetworks' revenue in either 2022 or 2021.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

A1. Revenue (continued)

Recognition and measurement

TasNetworks derives its revenue from contracts with customers for the transfer of goods and services both over time and upon completion of performance obligations. The revenue is recognised at fair value of the consideration received or receivable net of the amount of GST payable.

Provision of regulated services

Regulated services revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to TasNetworks and the revenue can be reliably measured. Revenue earned from the use of the distribution system and from customers connected to the transmission network is recognised at the time of the provision of the electricity to those customers. Revenue earned from the provision of electricity is the value of electricity units supplied to electricity customers during the year. Included in this amount is accrued revenue for unbilled use of system charges.

TasNetworks operates under a revenue cap with total allowed revenue to be charged for regulated distribution services for the 2019-2024 regulatory period of \$1,276.400m. The total allowed revenue to be charged for regulated transmission services for the 2019-2024 regulatory period is \$736.100m. TasNetworks does not accrue or defer amounts that are allowed to be recovered from customers (or credited to them) in future years under regulatory pricing mechanisms. Revenue will be adjusted in future financial years, via resetting of revenue and prices, which may cross multiple regulatory periods.

Key estimate

Unbilled use of system

Included in regulated revenue from contracts with customers, TasNetworks recognises an accrual for the unbilled use of system. Unbilled use of system is an estimate of charges to retailers between the date of the last meter reading and the year end. The estimate of the units supplied is based on the historic usage profile at the relevant tariff prices.

Provision of non-regulated services

Non-regulated services revenue is income received for services that are not economically regulated, including telecommunication services, operating and maintenance, connections and external work. The majority of this income is for the provision of services over time.

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

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

Notes to the consolidated financial statements

For the financial year ended 30 June 2022

A1. Revenue (continued)

Customer contributions

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

Rent and lease income

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

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

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

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

Interest

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

Grants received

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

Grants received – Project Marinus

In 2020 the Commonwealth Government committed \$56.000m to the State of Tasmania to fund activities for the Design and Approvals phase of Project Marinus, \$50.000m of these funds were provided to TasNetworks. During the 2019-20 financial year TasNetworks undertook preparation activities for the Design and Approvals phase and \$15.000m of funding was received from the State, in line with the achievement of qualifying conditions. TasNetworks commenced the Project Marinus Design and Approvals phase on 1 July 2020 and for the year ended 30 June 2021 \$22.883m was recognised as revenue in line with expenditure incurred. The balance of this grant was exhausted during the year ended 30 June 2022 recognised in the statement of profit or loss along with the expenditure. Further grant funding to progress the Development and Approvals phase of the project was announced in April 2022 (see note G3).

Other grant revenue

TasNetworks receives grant and subsidy revenue for apprentice wage subsidies and training as well as grants for research and development projects.

Other revenue

Other revenue includes the profit or loss on sale of assets and inventory and is recognised in the statement of profit or loss when control passes to the customer or performance obligations are met.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

A2. Expenses	Note	2022 \$'000	2021 \$'000
(a) Operating expenses			
Employee benefits	A2(c)	132,050	123,749
Services ¹		38,257	46,640
Information technology and communications		13,282	12,444
Property costs		6,801	6,867
Materials		4,848	5,514
Licence fees		8,653	7,570
Insurance		4,629	4,587
Claims and payments ²		6,019	3,229
Other		14,414	11,696
Capitalised indirect costs ³		(50,439)	(52,488)
		178,514	169,808
Operating expenses – Project Marinus⁴			
Employee benefits	A2(c)	2,979	7,932
Services ¹		7,748	11,143
Other		1,390	3,808
		12,117	22,883
		190,631	192,691
Total operating expenses			

- Services expenditure comprises the provision of both the cost of professional services and services incurred in maintaining TasNetworks' assets.
- Claims and payments are increased in the 2021-22 financial year due predominately to major storms in June 2022 which led to widespread power outages in the North West of Tasmania leading and an increased level of payments under TasNetworks' customer charter and guaranteed service level agreements.
- Capitalised indirect costs includes the portion of overheads and indirect costs that have been capitalised to the statement of financial position in accordance with TasNetworks' Australian Energy Regulator (AER) approved cost allocation methodology.
- All costs relating to Project Marinus until October 2021 have been expensed to the profit or loss with the exception of land and building assets. During October 2021 an assessment was undertaken in accordance with the capitalisation criteria of AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to determine the likelihood of the project progressing and generating a future economic benefit to TasNetworks (see note B1). This was determined to be highly probable and as a consequence expenditure from this date has been capitalised.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

A2. Expenses (continued)

	Note	2022 \$'000	2021 \$'000
(b) Depreciation and amortisation expenses			
Depreciation of property, plant and equipment	B2	162,630	154,545
Amortisation of intangible assets	B1	22,764	24,051
Amortisation of right-of-use assets	B3	403	406
		<u>185,797</u>	<u>179,002</u>
(c) Employee benefits expenses*			
Post employment benefits			
Defined benefit plan	F2	8,028	8,366
Superannuation Guarantee Contributions		12,556	12,172
		20,584	20,538
Termination benefits		615	1,126
Other employee benefits (salary and wages)		119,617	115,958
Total employee benefit expenses		140,816	137,622
Net interest cost on defined benefit plan	F2	(5,787)	(5,941)
Employee benefits expenses in profit or loss	A2(a)	<u>135,029</u>	<u>131,681</u>

*includes Project Marinus employee expenses of \$2.979m (2021: \$7.932m).

A3. Finance costs

Finance costs incurred during the financial year		65,776	67,218
Government guarantee fee*		6,816	7,042
Net interest costs on defined benefit plan	F2	5,787	5,941
Interest on finance leases and long term revenue contracts		1,526	1,547
Total finance costs		<u>79,905</u>	<u>81,748</u>

*Government guarantee fees are applied on borrowings of government businesses to ensure competitive neutrality with private sector counterparts with respect to the true cost of debt.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

A4. Income tax equivalents

(a) Recognised in profit or loss

	2022	2021
	\$'000	\$'000
Income tax equivalent (expense)/income comprises:		
Current income tax expense	(33,597)	(28,221)
Net (increase)/decrease in deferred tax equivalent liability	16,346	19,393
Total income tax equivalent (expense)/income	(17,251)	(8,828)

Numerical reconciliation between income tax equivalent expense and pre-tax net profit:

Profit before income tax equivalent	56,996	25,739
Income tax equivalent calculated at 30%	(17,099)	(7,722)
Increase in income tax equivalent expense due to:		
Non-deductible expenses	(8)	-
Prior year under/over provision	(101)	(261)
Other changes	(43)	(845)
Total income tax equivalent (expense)/income	(17,251)	(8,828)

(b) Recognised in other comprehensive income

Items that will not be reclassified subsequently through profit or loss:

Income tax equivalent on fair value movements	D3	(26,325)	(7,200)
Income tax equivalent on superannuation actuarial (gains)/ losses	D1	(10,220)	(3,057)
Total recognised in other comprehensive income		(36,545)	(10,257)

Items that have or may be reclassified subsequently through profit or loss:

Income tax equivalent on hedge reserve	D3	(13)	(120)
Total recognised in other comprehensive income		(13)	(120)
Total income tax equivalent recognised in other comprehensive income		(36,558)	(10,377)

(c) Current tax equivalent assets and liabilities

Current tax equivalent payable/(receivable)	2,454	(4,593)
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Notes to the consolidated financial statements For the financial year ended 30 June 2022

A4. Income tax equivalents (continued)

(d) Deferred tax equivalent balances	2022	2021
	\$'000	\$'000
Deferred tax equivalent liabilities comprise:		
Temporary differences	(292,549)	(284,772)
Deferred tax equivalent assets comprise:		
Temporary differences	74,481	86,916
Net deferred tax equivalent liabilities	(218,068)	(197,856)

(e) Movement in temporary differences during the current financial year

	Balance 1-Jul-21 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-22 \$'000
Deferred tax equivalent liabilities:				
Property, plant and equipment	(284,772)	18,548	(26,325)	(292,549)
	(284,772)	18,548	(26,325)	(292,549)
Deferred tax equivalent assets:				
Employee benefits	72,931	658	(10,220)	63,369
Provisions	1,201	305	-	1,506
Derivatives	-	-	(13)	(13)
Inventory	467	(2,860)	-	(2,393)
Other items	12,317	(305)	-	12,012
	86,916	(2,202)	(10,233)	74,481
Net deferred tax equivalent liabilities	(197,856)	16,346	(36,558)	(218,068)

(f) Movement in temporary differences during the current financial year

	Balance 1-Jul-20 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-21 \$'000
Deferred tax equivalent liabilities:				
Property, plant and equipment	(293,451)	15,879	(7,200)	(284,772)
	(293,451)	15,879	(7,200)	(284,772)
Deferred tax equivalent assets:				
Employee benefits	74,568	1,420	(3,057)	72,931
Provisions	1,270	(69)	-	1,201
Derivatives	121	(1)	(120)	-
Inventory	402	65	-	467
Other items	10,218	2,099	-	12,317
	86,579	3,514	(3,177)	86,916
Net deferred tax equivalent liabilities	(206,872)	19,393	(10,377)	(197,856)

Notes to the consolidated financial statements For the financial year ended 30 June 2022

A4. Income tax equivalents (continued)

Tax consolidation

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

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

Recognition and measurement

Under the National Tax Equivalents Regime (NTER), TasNetworks is required to make income tax equivalent payments to the State Government. The charge for current income tax expense is based on the sum of tax currently payable and deferred tax not recognised in other comprehensive income or directly in equity. It is calculated using the prevailing tax rates at the balance date.

Current income tax

Current tax equivalent is calculated by reference to the amount of income tax equivalent payable or recoverable in respect of the taxable profit or loss for the period using the legislated income tax rate. Current tax equivalent is recognised as a liability/(asset) to the extent that it is unpaid/(recoverable).

Deferred tax liabilities and assets

Deferred tax equivalent is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax equivalent assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates and laws enacted at the reporting date. The measurement of deferred tax equivalent liabilities and assets reflects the tax consequences from the manner in which TasNetworks expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax equivalent assets and liabilities are offset when they relate to income tax equivalents levied by the same taxation authority and where TasNetworks intends to settle its current tax equivalent assets and liabilities on a net basis.

Current and deferred tax equivalent for the period is recognised as an expense or income in the statement of profit or loss except when it relates to items of other comprehensive income, in which case the tax equivalent is also recognised directly in other comprehensive income.

Key assumption

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

TasNetworks' assets

This section highlights the investments made by TasNetworks into its asset base as well as providing a summary of the impairment assessment.

B1. Intangible assets	Note	2022 \$'000	2021 \$'000
Internally generated intangible assets – at cost			
Marinus Link			
Work in progress opening value		-	-
Additions for year		31,707	-
Marinus Link work in progress closing balance		31,707	-
Other Intangible assets – at cost			
Gross carrying value			
Opening balance		202,267	192,507
Transferred from work in progress		27,836	9,760
Closing balance		230,103	202,267
Accumulated amortisation			
Opening balance		(120,471)	(96,420)
Amortisation expense	A2(b)	(22,764)	(24,051)
Closing balance		(143,235)	(120,471)
Capital works in progress – at cost			
Opening balance		10,301	4,129
Additions for the year		21,029	15,932
Transferred to assets		(27,836)	(9,760)
Closing balance		3,494	10,301
Other intangible assets carrying amount – at cost			
		90,362	92,097
Total intangible assets			
		122,069	92,097

Recognition and measurement

Computer software, identified as intangible assets, is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives and amortisation methods are reviewed annually for appropriateness. Amortisation expense is included in the line item of depreciation and amortisation expenses in the statement of profit or loss.

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
- 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.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B1. Intangible assets (continued)

Post October 2021 costs associated with Project Marinus have been capitalised on the basis that the criteria have been met to capitalise the assets under AASB 13 *Intangible Assets* including the assessment of the project proceeding and it is highly probable that TasNetworks will receive a future economic benefit from the ongoing work on the Project. The Marinus Link component of Project Marinus design and approvals phase is being recognised as an intangible asset recognising the intellectual property, licences and other assets that are being created. The costs associated with Marinus Link remain in the works in progress account as at 30 June 2022.

Intangible assets are tested for impairment whenever there is an indication the asset may be impaired. Intangible assets with an indefinite life and those not yet available for use are tested for impairment annually (note B5).

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B2. Property, plant and equipment

	2022	2021
	\$'000	\$'000
Network assets – Transmission		
Network assets – at fair value	2,424,609	2,305,607
Accumulated depreciation	(1,119,177)	(1,018,056)
Carrying amount	1,305,432	1,287,551
Network assets – Distribution		
Network assets – at fair value	4,131,146	3,895,795
Accumulated depreciation	(2,310,136)	(2,158,056)
Carrying amount	1,821,010	1,737,739
Communication assets		
Communication assets – at fair value	82,138	74,358
Accumulated depreciation	(53,299)	(47,034)
Carrying amount	28,839	27,324
Easements		
Easements – at fair value	85,212	82,331
Accumulated impairment	(50)	(49)
Carrying amount	85,162	82,282
Land		
Land – at fair value	52,608	47,360
Buildings		
Buildings – at fair value	121,136	117,644
Accumulated depreciation	(44,215)	(40,257)
Carrying amount	76,921	77,387
Other plant and equipment		
Other plant and equipment – at cost	208,288	194,090
Accumulated depreciation	(143,843)	(136,338)
Carrying amount	64,445	57,752
Capital works in progress – at cost	104,204	91,326
Total property, plant and equipment	3,538,621	3,408,721

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B2. Property, plant and equipment (continued)

Recognition and measurement

All assets acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. TasNetworks capitalises assets that meet the capitalisation threshold of \$500 and values under this limit are treated as expenses in the current period.

The cost of assets constructed includes the cost of contracted services, materials and direct labour, and an appropriate portion of overhead costs. Costs incurred on an asset subsequent to the initial acquisition are capitalised when the original capacity of an asset has been enhanced, or the life of an asset has been extended.

The components of major assets that have materially different useful lives are accounted for as separate assets, and are depreciated separately.

Regulated Network assets

Regulated Network assets are categorised as Transmission and Distribution assets. Transmission assets are used to transport electricity from generators to distribution networks and directly connected transmission customers at high voltages. Distribution assets are used to transform the power from transmission high voltage and further stepping the power down via distribution transformers for supplying low voltage consumers.

Regulated network assets are valued in accordance with the AER Regulated Asset Base (RAB) methodology. They are revalued to their value in use based on the regulated revenue that the assets are allowed to earn under the National Electricity Rules which best represents their fair value and income earning capacity. These are level 3 inputs (note B2 – Assets measured at fair value) in the fair value hierarchy and their key significant unobservable inputs are detailed below.

Network opening asset values are indexed annually in accordance with the RAB methodology based on the Consumer Price Index (CPI) movement for the year in December, the CPI increase (weighted average all cities) for 2022 was 3.5% (2021: 0.9%). Revaluation can also occur if the asset base is adjusted by the AER via the regulatory process.

The AER makes an annual determination of applicable weighted average cost of capital (WACC) applied to asset values. As at balance date this was 4.76% for transmission and 4.64% for distribution post tax nominal (2021: 4.95% transmission and 4.78% distribution).

Assets completed and transferred to completed works during the current year are valued at cost.

Communication assets

Communication assets are recorded at fair value based on the AER RAB methodology to best represent their fair value and income earning capacity.

The RAB methodology requires the opening asset values to be indexed annually based on the CPI movement for the year.

Easements

Easements are recorded at fair value based on the AER RAB methodology to best represent their fair value and income earning capacity.

The RAB methodology requires the opening asset values to be indexed annually based on the CPI movement for the year.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B2. Property, plant and equipment (continued)

Land

Land is carried at fair value, less any subsequent impairment losses where applicable. Revaluations occur periodically at least every five years, or when management initiates a review due to the existence of an indicator that movement in valuation has occurred.

TasNetworks' primary operational land sites are valued in accordance with an independent valuation conducted by Opteon in February 2021. TasNetworks' land in many instances is zoned as 'public utility' which is rarely transacted. Valuations do however factor in some market evidence of land with similar features, topography and location.

Where no formal valuation has taken place fair value is considered to be the value as determined by the Valuer-General.

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

Buildings

Buildings are carried at fair value, less any subsequent accumulated depreciation and impairment losses where applicable. Revaluations occur periodically at least every five years, or when management initiates a review due to the existence of an indicator that movement in valuation has occurred.

TasNetworks' primary operational buildings are valued in accordance with an independent valuation conducted by Opteon in February 2021. The valuation is based on a notional lease at current market rates.

Where no formal valuation has taken place fair value is considered to be the value as determined by the Valuer-General.

Other plant and equipment

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

Capital works in progress

Capital works in progress are recognised at cost.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B2. Property, plant and equipment (continued)

Disposal of assets

The gain or loss on the disposal of assets is calculated as the difference between the carrying amount of the assets at the time of disposal (less cost of disposal) and the proceeds on disposal and is included in the statement of profit or loss in the year of disposal. Any revaluation surplus remaining in the revaluation reserve is recognised in the statement of comprehensive income.

Revaluations of non-current assets

Any revaluation of property, plant and equipment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same assets previously recognised as expenses in profit or loss, in which case the increase is credited to the statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve in relation to a previous revaluation of those assets.

Useful lives and depreciation

Depreciation on property, plant and equipment other than land is based on the straight-line method so that assets are written off over their expected useful lives. The estimated useful lives, residual values, depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in the current and future periods.

Key estimate

Asset useful lives

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

The useful lives assigned to TasNetworks' assets are listed below and have not changed from the prior year:

Transmission Network assets:

Transmission lines	45-60 yrs
Underground cables	45 yrs
Substation establishment	60 yrs
Transmission substation switch bays	45 yrs
Transmission capacitors	45 yrs
Transmission transformers	45 yrs
Control and protection schemes	15 yrs

Distribution Network assets:

Distribution overhead lines and poles	35 yrs
Underground cables	60 yrs
Distribution substations	40 yrs
Zone substations	40 yrs
Meters	30 yrs
Service connections	35 yrs

Communication assets:

Communication equipment	10-40 yrs
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Buildings:

Buildings	40 yrs
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Other plant and equipment:

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

B2. Property, plant and equipment (continued)

	2022								
	Trans- mission network	Distri- bution network	Commu- nication assets	Easements	Land	Buildings	Other plant & equipment	Capital works in progress	Total
	at fair value	at fair value	at fair value	at fair value	at fair value	at fair value	at cost	at cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value									
At beginning of financial year	2,305,607	3,895,795	74,358	82,331	47,360	117,644	194,090	91,326	6,808,511
Additions during the year	-	-	-	-	-	-	-	205,532	205,532
Disposals	-	-	-	-	-	-	(4,259)	-	(4,259)
Transfers of WIP to non-current assets	40,160	120,120	5,177	-	5,248	3,492	18,457	(192,654)	-
Net revaluation increments/(decrements)	78,842	115,231	2,603	2,881	-	-	-	-	199,557
Balance at end of financial year	2,424,609	4,131,146	82,138	85,212	52,608	121,136	208,288	104,204	7,209,341
Accumulated depreciation and impairment losses									
At beginning of financial year	(1,018,056)	(2,158,056)	(47,034)	(49)	-	(40,257)	(136,338)	-	(3,399,790)
Disposals	-	-	-	-	-	-	3,506	-	3,506
Net revaluation increments/(decrements)	(35,237)	(74,785)	(1,783)	-	-	-	-	-	(111,806)
Depreciation charge for the year	(65,884)	(77,295)	(4,482)	-	-	(3,958)	(11,011)	-	(162,630)
Balance at end of financial year	(1,119,177)	(2,310,136)	(53,299)	(50)	-	(44,215)	(143,843)	-	(3,670,720)
Carrying amount at 30 June 2022	1,305,432	1,821,010	28,839	85,162	52,608	76,921	64,445	104,204	3,538,621
Carrying amount of assets had they been recognised at cost									
Balance at 30 June 2022	1,168,515	1,697,532	27,678	73,690	44,284	66,466	64,445	104,204	3,246,814

B2. Property, plant and equipment (continued)

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B2. Property, plant and equipment (continued)

Assets measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised with the fair value hierarchy as shown below:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, TasNetworks determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Level 3 significant valuation inputs and relationship to fair value

Asset	Fair Value as at	Fair Value as at	Significant inputs	Range of inputs	Relationship of inputs to fair value
	30 June 2022 \$'000	30 June 2021 \$'000			
RAB assets (including Network assets, Communication assets and Easements)	3,240,443	3,134,896	CPI	+/- 5%	A 5% increase in CPI increases the fair value of assets by \$162m
			AER Determination	N/A	AER determination of the asset values via regulatory revenue reset process
Buildings	76,921	77,387	Notional lease for 10 years at a current market rent	+/- expected rental growth and occupancy rates	The higher the expected rental growth and occupancy rates the greater the fair value

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B3. Right-of-use assets

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

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

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

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

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

	Telecommu- nication sites	Substation sites	Depots	Equip- ment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021	224	229	357	1,461	2,271
Revaluation of leases	(2)	19	6	219	242
Depreciation charge for the year	(16)	(8)	(91)	(288)	(403)
Additions to right-of-use assets	-	-	-	3,879	3,879
Balance at 30 June 2022	206	240	272	5,271	5,989

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

Recognition and measurement

Right-of-use assets

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

B3. Right-of-use assets (continued)

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

Key assumption

Lease terms

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

B4. Investment in joint venture

	2022	2021
	\$'000	\$'000
Measured using the equity method	2,000	-
	2,000	-
Share of profit or loss of joint venture	-	-
	-	-

On 18 May 2022 TasNetworks' Subsidiary Fortytwo24 entered into a joint venture with Enzen Pty Ltd to create Virtual Twin TAS Pty Ltd. The joint venture did not trade during the 2022 financial year.

Recognition and measurement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise TasNetworks' share of the profit or loss and other comprehensive income of the joint venture. When TasNetworks' share of losses of a joint venture exceeds TasNetworks' interest in that joint venture TasNetworks discontinues recognising its share of further losses. Additional losses are recognised only to the extent that TasNetworks has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over TasNetworks' share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of TasNetworks' share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Investments in joint ventures are tested for impairment annually and whenever there is an indication that the asset may be impaired.

When a Group entity transacts with a joint venture of TasNetworks, profits and losses resulting from the transactions with the joint venture are recognised in TasNetworks' financial statements only to the extent of interests in the joint venture that are not related to the Group.

Notes to the consolidated financial statements

For the financial year ended 30 June 2022

B5. Impairment of assets

Recognition and measurement

At each reporting date, TasNetworks reviews the carrying amounts of its tangible and intangible assets, including leases to determine whether there is any indication that those assets may have suffered an impairment loss. An impairment calculation is performed if an indication of impairment exists. Intangible assets with an indefinite useful life and those not yet available for use are tested for impairment annually. The recoverable amount of the asset is estimated to determine the extent of any impairment losses. Where the asset does not generate cash flows that are independent from other assets, TasNetworks estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value-in-use.

Value in use is calculated based upon management's most recent cash flow forecasts for five years using a terminal growth rate and a discount rate which reflects the risks specific to TasNetworks' assets and prevailing market conditions at the time of the calculation.

Impairment testing amid the current global economic environment

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

The impairment factors due to current economic conditions considered for property, plant and equipment include:

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

Key estimates and assumptions

Impairment testing results

TasNetworks undertakes an assessment for impairment of all assets at each reporting date. If an indication of impairment exists, an estimate of the recoverable amount for each cash generating unit is made. This estimate is based on the revenue allowance as determined by the AER or other non regulated revenue contracts to determine future recoverable cash flows if any.

Internally generated intangible assets are reviewed annually to ensure the future expected value of the assets based on future expected sale/use is assessed to determine if the asset needs to be impaired.

Significant events

During the year there were no significant asset impairment events.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

Financing TasNetworks' business

This section provides information relating to TasNetworks' capital structure and exposure to financial risks and how those risks are managed.

C1. Borrowings

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

	2022 \$'000	2021 \$'000
Current:		
Overnight borrowings	40,550	38,700
Borrowings	180,000	165,000
	220,550	203,700
Non-current:		
Borrowings	1,871,300	1,846,300
	1,871,300	1,846,300
Total borrowings	2,091,850	2,050,000

TasNetworks' Treasury Risk Management Policy is to benchmark the debt portfolio to the Australian Energy Regulator's benchmark used in determining the revenue allowance, which is to have 1/10th of the portfolio repricing each year from year 1 to 10. The current borrowings of \$180m (2021: \$165m) that are classified as current will be refinanced in line with this policy. See below for details of the borrowing facilities. In 2015-16, in recognition of the low interest rate environment, the Board resolved to exclude the \$100m of 30 year long term debt to 2046 from the benchmark debt portfolio.

Unused borrowing facilities at balance date

	Limit 2022 \$'000	Drawn 2022 \$'000	Un- drawn 2022 \$'000	Limit 2021 \$'000	Drawn 2021 \$'000	Un- drawn 2021 \$'000
Unsecured bank overdraft facility	1,000	–	1,000	1,000	–	1,000
Corporate MasterCard	1,500	325	1,175	1,500	230	1,270
Guarantee facility	1,000	–	1,000	1,000	23	977
TASCORP Master Loan Facility	2,200,000	2,091,850	108,150	2,200,000	2,050,000	150,000

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Non-current borrowings are those borrowings that have a maturity beyond one year of the reporting date. All borrowings that are not non-current borrowings are current borrowings.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C2. Lease liability

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

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

Lease of equipment not in the legal form of a lease

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

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

Finance lease liabilities

The maturity analysis of lease liabilities is as follows:

Present value of future minimum lease payments

	2022 \$'000	2021 \$'000
Year 1	590	394
Year 2	482	226
Year 3	427	165
Year 4	423	159
Year 5	425	135
Ongoing	4,235	1,749
	6,582	2,828
Analysed as:		
Current lease liability	590	394
Non-current lease liability	5,992	2,434
	6,582	2,828

Recognition and measurement

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C2. Lease liability (continued)

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

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

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

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

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

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

A lease for office equipment was extended for 12 months beyond the original term and will expire in October 2023. The right of use assets and liabilities were remeasured to reflect the extension of time.

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

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

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

	Borrowings	Finance leases	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021	2,050,000	2,828	141,196	2,194,024
Changes from financing cash flows:				
Proceeds from borrowings	609,365	-	-	609,365
Repayment of borrowings	(567,515)	-	-	(567,515)
Principal lease payments	-	(555)	-	(555)
Payment of dividend	-	-	(5,122)	(5,122)
Total changes from financing cash flows	41,850	(555)	(5,122)	36,173
Non-cash changes				
Liability changes				
Lease modifications, new leases and interest	-	4,309	-	4,309
Total liability changes	-	4,309	-	4,309
Equity related changes:				
Net actuarial gain/(loss)	-	-	23,846	23,846
Profit for year	-	-	39,745	39,745
Total equity related changes	-	-	63,591	63,591
Closing balance at 30 June 2022	2,091,850	6,582	199,665	2,298,097

	Borrowings	Finance leases	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2020	1,977,600	2,885	143,889	2,124,374
Changes from financing cash flows:				
Proceeds from borrowings	802,846	-	-	802,846
Repayment of borrowings	(730,446)	-	-	(730,446)
Principal lease payments	-	(566)	-	(566)
Payment of dividend	-	-	(26,738)	(26,738)
Total changes from financing cash flows	72,400	(566)	(26,738)	45,096
Non-cash changes				
Liability changes				
Lease modifications, new leases and interest	-	509	-	509
Total liability changes	-	509	-	509
Equity related changes:				
Net actuarial gain/(loss)	-	-	7,134	7,134
Profit for year	-	-	16,911	16,911
Total equity related changes	-	-	24,045	24,045
Closing balance at 30 June 2021	2,050,000	2,828	141,196	2,194,024

Non-cash financing activities

During the year TasNetworks entered into 1 new lease which resulted in the recognition of right-of-use assets of \$3.879m, and a corresponding lease liability of \$3.879m (2021: \$0.263m).

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C4. Financial instruments

(a) Classification and fair value measurement of financial instruments

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

Note	2022			Fair value		
	Carrying amount			Level 1	Level 2	Level 3
	Hedging instrument	At amortised cost	Other liabilities			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at amortised cost:						
Cash and cash equivalents	C5(a)	-	8,638	-	n/a	n/a
Trade and other receivables	E1	-	86,429	-	n/a	n/a
Financial assets measured at fair value:						
FX forward agreements (at fair value through comprehensive income)	E3	44	-	-	44	-
Total financial assets		-	95,067	-	-	-
Financial liabilities measured at amortised cost:						
Trade and other payables	E5	-	-	74,604	n/a	n/a
Borrowings – fixed rate		-	2,051,300	-	1,852,076	97,837
Borrowings – floating rate		-	40,550	-	40,582	-
Total financial liabilities		-	2,091,850	74,604	1,892,658	97,837

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

Note	2021			Fair value		
	Carrying amount			Level 1	Level 2	Level 3
	Hedging instrument	At amortised cost	Other liabilities			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at amortised cost:						
Cash and cash equivalents	C5(a)	-	6,455	-	n/a	n/a
Trade and other receivables	E1	-	74,731	-	n/a	n/a
Total financial assets		-	81,186	-	-	-
Financial liabilities measured at amortised cost:						
Trade and other payables	E5	-	-	63,856	n/a	n/a
Borrowings – fixed rate		-	2,011,300	-	2,052,052	128,478
Borrowings – floating rate		-	38,700	-	38,717	-
Total financial liabilities		-	2,050,000	63,856	2,090,769	128,478

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C4. Financial instruments (continued)

Fair values of financial instruments

The carrying amount of financial assets and liabilities recorded in the financial statements, except for the borrowings from TASCORP, approximate their fair values.

The fair value of derivative instruments is calculated using quoted prices, or where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Derivative transactions are for the purpose of managing financial exposures that arise from underlying business positions. Therefore fair values should not be assessed in isolation. The overall impact should take into account the underlying exposures being held.

The fair value disclosed in note C4(a) for borrowings is the market value provided by TasNetworks' external borrowings provider TASCORP. The market value for level 2 fair value amounts is determined as the discounted cash flows of the instruments using the applicable yield curve.

The valuation methodology of the level 3 borrowings are disclosed below:

Valuation technique and key input(s)	Significant input(s)	Relationship of inputs to fair value
Discounting the expected future cash flows using TASCORP's valuation curve derived from market yields of TASCORP's as well as other Central Financing Authority (CFA) bond issuances.	Market yields of TASCORP's and other CFA bond issuances.	Fair value represents an estimated market yield of the 2046 bonds.

Derivative financial instruments

TasNetworks enters into various financial instruments including interest rate swaps, forward start borrowing agreements, forward rate agreements and foreign exchange contracts in order to manage financial exposures arising from its operations. In accordance with its Treasury Risk Management Policy, TasNetworks does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is immediately recognised in profit or loss on the statement of comprehensive income unless the derivative is designated and effective as a hedging instrument.

The fair value of a hedging instrument is presented as current or non-current based on the timing of the contractual cash flows, with cash flows expected to be realised or settled after 12 months classified as non-current and cash flows expected to be realised or settled within 12 months classified as current. Other derivatives are presented as current assets or current liabilities.

Compliance with policies and exposure limits are reviewed on an ongoing basis and any breaches are reported in a timely manner to the Board. Compliance is also reviewed by TasNetworks' internal auditors in accordance with TasNetworks' internal audit program.

Foreign currency transactions

Realised and unrealised gains and losses on foreign currency exposures are brought to account in the year to which they apply. Transactions in foreign currencies are initially recorded in Australian dollars by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at exchange rates in effect at that date. The gains and losses from hedging equipment exposures are transferred to the equipment accounts to become part of the acquisition cost of the assets. All exchange gains and losses relating to other hedge transactions are brought to account in the statement of comprehensive income in the same period as the exchange differences on the items covered by the hedge transactions. As a policy, TasNetworks hedges its exposure to foreign currencies in excess of AUD \$1m.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C4. Financial instruments (continued)

(b) Financial risk management objectives

Exposures to market, credit, interest rate and liquidity risks arise in the normal course of TasNetworks' business. Financial instruments and management policies are used by TasNetworks to manage these risks in a manner that is consistent with TasNetworks' risk appetite and policies.

Capital management

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

Debt to total capital ratio	Note	2022	2021
		\$'000	\$'000
Debt (borrowings)	C1	2,091,850	2,050,000
Cash and cash equivalents	C5(a)	8,638	6,455
Net debt		2,083,212	2,043,545
Total capital (net debt + total equity)		3,230,139	3,070,546
Debt to total capital ratio		64.5%	66.6%

Notes to the consolidated financial statements

For the financial year ended 30 June 2022

C4. Financial instruments (continued)

Risk management

TasNetworks does not enter into financial instruments for speculative purposes. Any foreign exchange or interest rate hedging is undertaken for the risk management of TasNetworks' business activities. The risks arising from TasNetworks' financial instruments are recognised and managed as discussed below:

Credit risk

Credit risk represents the potential loss at reporting date due to the change in fair value of credit exposure to a group of counterparties due to a change in the market perception of credit quality of that exposure, and the potential for credit default i.e. the probability that a counterparty to a financial instrument or contract will not adhere to the terms of the contract when payment is due. TasNetworks is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments.

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

Liquidity risk

The liquidity risk management parameters contained in the Treasury Risk Management Policy establishes a framework that has been developed to ensure there are sufficient funds to meet TasNetworks' financial commitments in a timely manner. It is also associated with planning for unforeseen events which may impact on cash flow and cause pressure on liquidity.

TasNetworks manages its liquidity risk by regularly reviewing its short term cash flow forecasts to ensure it has sufficient cash to meet its day-to-day operations and by matching the maturity profiles of financial assets and financial liabilities.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. TasNetworks' foreign exchange risk arises from the purchase of goods and services from overseas parties. TasNetworks uses forward exchange contracts to hedge its currency exposure where the exposure is in excess of AUD \$1m in line with the Treasury Risk Management Policy.

Interest rate risk

The objective of TasNetworks' interest rate risk management is to manage within TasNetworks' approved risk appetite. The potential adverse financial impact from unfavourable movements in interest rates. This is primarily achieved through setting an interest rate exposure profile for the portfolio aligned to the regulatory regime within which TasNetworks operates. The AER uses a benchmark portfolio to determine the revenue allowance for the return on debt. The benchmark portfolio has 1/10th of the portfolio face value repricing each financial year from year 1 to 10 and therefore has a weighted average term to repricing (WATR) of 5 years.

Master loan facility agreement

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

All MLFA covenants are closely monitored with all requirements met for the 2021-22 year.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C4. Financial instruments (continued)

Interest rate exposures and liquidity for the current financial year

TasNetworks' exposure to interest rate risk on financial instruments and contractual maturity of financial liabilities and expected maturity for financial assets as at 30 June 2022:

	Note	Weighted average effective interest rate	2022				Non-interest bearing	Total
			0 to 1 year	1 to 2 years	2 to 5 years	5+ years		
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Cash and cash equivalents	C5(a)	1.35%	8,638	-	-	-	-	8,638
Trade and other receivables	E1	n/a	-	-	-	-	86,429	86,429
Total financial assets			8,638	-	-	-	86,429	95,067
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	74,604	74,604
Borrowings – fixed rate		3.17%	245,111	294,601	677,580	1,239,333	-	2,456,625
Borrowings – floating rate		1.20%	40,550	-	-	-	-	40,550
Finance leases		4.63%	590	482	427	5,083	-	6,582
Total financial liabilities			286,251	295,083	678,007	1,244,416	74,604	2,578,361
Net financial assets/(liabilities)			(277,613)	(295,083)	(678,007)	(1,244,416)	11,825	(2,483,294)

This disclosure is presented on an undiscounted basis and therefore will not agree to amounts presented in the consolidated statement of financial position as they incorporate principal and associated future interest payments. TasNetworks is able to manage these borrowing exposures within the Master Loan Facility Agreement with TASCORP and the covenants it has in place. Amounts maturing in 5+ years include principal and interest amounts to year 2046.

Interest rate exposures and liquidity for the previous financial year

TasNetworks' exposure to interest rate risk on financial instruments and contractual maturity of financial liabilities and expected maturity for financial assets as at 30 June 2021 was as follows:

	Note	Weighted average effective interest rate	2021				Non-interest bearing	Total
			0 to 1 year	1 to 2 years	2 to 5 years	5+ years		
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Cash and cash equivalents	C5(a)	0.10%	6,455	-	-	-	-	6,455
Trade and other receivables	E1	n/a	-	-	-	-	74,731	74,731
Total financial assets			6,455	-	-	-	74,731	81,186
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	63,856	63,856
Borrowings – fixed rate		3.25%	230,388	239,240	833,323	1,119,271	-	2,422,172
Borrowings – floating rate		0.55%	38,700	-	-	-	-	38,700
Finance leases		3.98%	394	226	165	2,043	-	2,828
Total financial liabilities			269,432	239,466	833,488	1,121,314	63,856	2,527,556
Net financial assets/(liabilities)			(262,977)	(239,466)	(833,488)	(1,121,314)	10,875	(2,446,370)

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C4. Financial instruments (continued)

Interest rate sensitivity analysis

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

	Profit before tax	
	2022	2021
	\$'000	\$'000
1.0% increase in interest rates	406	270
0.10% decrease in interest rates	(41)	(27)

(c) Hedging

Forward Foreign Exchange Contracts

TasNetworks enters into forward foreign exchange contracts to manage the exchange rate risk on future vendor payments. These hedges of foreign exchange on firm commitments are accounted for as cash flow hedges.

The following table details the foreign currency forward contracts outstanding at the end of the reporting period. Foreign currency forward contract assets and liabilities are presented in the line 'Derivative financial instruments' (either as assets or as liabilities) within the statement of financial position.

TasNetworks held no hedges at 30 June 2021.

Outstanding contracts	Average Exchange Rate	Notional value: USD	Notional value: AUD	Carrying Amount of the hedging instrument
	2022	2022	2022	2022
		\$'000	\$'000	\$'000
Buy:				
greater than 6 months	0.72	708	987	44
		708	987	44

Recognition and measurement

TasNetworks enters forward foreign exchange contracts on firm commitments.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gains or losses relating to ineffective portions are recognised immediately in profit or loss. Amounts deferred in equity are charged to the profit or loss as a classification adjustment in the statement of comprehensive income in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

C5. Notes to the consolidated statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and 11 am cash (investments), net of outstanding bank overdrafts.

Cash and cash equivalents at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the balance sheet as follows:

	Note	2022 \$'000	2021 \$'000
Cash at bank		8,638	6,455
		<u>8,638</u>	<u>6,455</u>

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

Net profit for the year		39,745	16,911
Depreciation and amortisation of non-current assets	A2(b)	185,797	179,002
(Gain)/loss on sale of property, plant and equipment	A1(b)	(2,817)	(633)
Increase/(decrease) in tax equivalent liabilities		(9,286)	(26,901)
(Increase)/decrease in trade and other receivables		(11,698)	(1,637)
(Increase)/decrease in inventories		(542)	(4,607)
(Increase)/decrease in other assets		1,883	(5,959)
Increase/(decrease) in trade and other payables		10,748	(2,618)
Increase/(decrease) in provisions		(44)	778
Increase/(decrease) in employee benefits		1,776	4,918
Increase/(decrease) in contract liabilities		7,147	4,475
Net cash provided by operating activities		<u>222,709</u>	<u>163,729</u>

Recognition and measurement

Cash and cash equivalents are highly liquid cash investments with maturity less than three months and comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents are carried at face value of the amounts deposited. Under AASB9 cash and cash equivalents and trade and other receivables are classified as financial assets at amortised cost.

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

TasNetworks' equity

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

D1. Retained earnings	Note	2022	2021
		\$'000	\$'000
Balance at beginning of financial year		141,196	143,889
Net profit for the year		39,745	16,911
Superannuation actuarial gains/(losses)	<i>F2</i>	34,066	10,191
Deferred tax effect on actuarial movement	<i>A4(b)</i>	(10,220)	(3,057)
Dividends paid during the year		(5,122)	(26,738)
Balance at end of financial year		199,665	141,196

Retained earnings comprises the transfer of net profit for the year and characterises the profit available for distribution as dividends in future years.

D2. Contributed equity

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

D3. Reserves	Note	2022	2021
		\$'000	\$'000
Reserves comprise:			
Asset revaluation reserve		884,507	823,081
Hedge reserve		31	-
		884,538	823,081
Asset revaluation reserve			
Balance at beginning of financial year		823,081	806,281
Revaluation of assets during the year		87,751	24,000
Deferred tax liability arising on revaluation	<i>A4(b)</i>	(26,325)	(7,200)
Balance at end of financial year		884,507	823,081
Revaluation of assets during the year			
Revaluation of gross carrying value	<i>B2</i>	199,557	52,363
Revaluation of gross accumulated depreciation	<i>B2</i>	(111,806)	(28,363)
Net fair value movements on property, plant and equipment		87,751	24,000

The revaluation reserve comprises revaluation increments and decrements arising from property, plant and equipment, measured at fair value in accordance with applicable Australian Accounting Standards. The reserve can be used to pay dividends only in limited circumstances.

The revaluation of assets during the year reflects the increase in CPI. The CPI movement for the year as at December (weighted average all cities) for 2022 was 3.5% (2021: 0.9%).

Hedge reserve

Balance at beginning of financial year		-	(279)
– Gain/(loss) recognised in equity		44	40
– Reversal of prior year losses		-	359
Deferred tax asset arising on hedges	<i>A4(b)</i>	(13)	(120)
Balance at end of financial year		31	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

D4. Issued capital

TasNetworks issued two \$1 fully paid ordinary shares which are held in trust for the Crown in Right of the State of Tasmania. One share was issued to each of the Treasurer and the Minister for Energy.

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

Other assets and liabilities

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

E1. Trade and other receivables

	2022	2021
	\$'000	\$'000
Current:		
Trade receivables	7,900	6,839
Accrued receivables	9,336	2,529
Accrued income	51,378	44,016
Unbilled use of system (UoS)	18,330	21,615
Allowance for impairment	(515)	(268)
	86,429	74,731
Movement in the allowance for impairment of debts		
Balance at beginning of financial year	(268)	(199)
Impairment gain/(loss) recognised on receivables	(581)	(153)
Amounts written off as uncollectable	339	86
Previously written off amounts recovered	(5)	(2)
Balance at end of financial year	(515)	(268)
Ageing of trade receivables that were past due but not impaired		
Less than 30 days overdue	346	808
Between 31 and 60 days overdue	105	405
Between 61 and 90 days overdue	420	-
Greater than 90 days overdue	599	424
	1,470	1,637

Recognition and measurement

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

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

Analysis of ageing and collectability

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E1. Trade and other receivables (continued)

Impairment of financial assets

Key judgement

Impairment of financial assets

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

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

Credit risk

The Credit Risk Management Policy establishes credit limits for parties depending on their credit rating. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents TasNetworks' maximum exposure to credit risk.

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

For the current financial year

	Trade receivables days past due					Total
	Current	Less than 30 days	More than 30 days	More than 60 days	More than 90 days	
Expected credit loss rate	0.64%	3.66%	24.40%	15.75%	61.61%	
Gross carrying amount \$'000	6,430	346	105	420	599	7,900
Lifetime expected credit loss \$'000	41	13	26	66	369	515

For the previous financial year

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

Impact of global economic factors

TasNetworks has undertaken detailed analysis on the impact of current economic conditions including COVID-19, inflation and increased interest rates on its expected credit losses model and the expected credit loss rate in the table above reflect any changes identified.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E2. Inventories	Note	2022 \$'000	2021 \$'000
Inventory		33,578	34,053
Allowance for impairment on inventory		(539)	(1,556)
		33,039	32,497

During the financial year ended 30 June 2022 \$1.448m (2021: \$1.093m) of inventory was expensed in the statement of profit or loss including inventory issued to non-regulated services.

Due to global and other economic factors including the war in Ukraine and COVID 19, TasNetworks has reviewed its inventory strategy and increased minimum stock on hand holdings to mitigate the impact of supplier risk and material shortages.

Movement in the allowance for impairment of inventory

Balance at beginning of financial year	(1,556)	(1,339)
Impairment gain/(loss) provided for	(47)	(834)
Inventory written off during the year	1,064	617
Balance at end of financial year	(539)	(1,556)

The impairment provision in 2021 includes some obsolete items that were identified for disposal increasing the impairment provision for that year, the items were disposed of in 2022.

Recognition and measurement

Inventories are carried at the lower of cost or net realisable value, with an allowance being maintained for loss on disposal of surplus and obsolete stock.

The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of the stores. Inventories are not held for the purpose of resale and are used primarily in the maintenance and construction of the distribution, transmission and telecommunication networks.

Costs are assigned to inventory using the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average basis. Inventory is valued at net realisable value where it has been determined that inventory is surplus to requirements. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E3. Other assets

	Note	2022 \$'000	2021 \$'000
Current:			
Prepayments		7,181	9,719
FX forward agreements	C4	44	-
Other		85	60
		7,310	9,779
Non-current:			
Prepayments		1,166	360
		1,166	360
Total:		8,476	10,139

Forward foreign exchange agreements

Derivative contracts are foreign currency forward contracts. See note C4 for TasNetworks' exposure to risk and fair value information for these hedges.

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E4. Provisions

	2022 \$'000	2021 \$'000
Workers compensation		
Opening balance	962	184
Provision increase/(decrease) during the year	1,661	1,084
Provision used during the year	(1,705)	(306)
Closing balance	918	962
Total provisions	918	962
Shown as:		
Current provisions	497	962
Non-current provisions	421	-
	918	962

Recognition and measurement

Provisions are recognised when TasNetworks has a present obligation (legal or constructive) as a result of a past event, it is probable that TasNetworks will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Workers compensation

TasNetworks' workers compensation is insured by an external insurance provider. The policy provides for a minimum premium (fixed component paid in the insured year) and a variable component up to an agreed maximum premium. The variable component of the premium is paid in arrears and will vary depending upon TasNetworks' workers compensation performance. TasNetworks is provided an estimate of the outstanding premium at 30 June each year based upon latest available information. This estimate forms the basis of the workers compensation provision that is required at 30 June 2022.

Key estimate

Workers compensation provision

The workers compensation provision is based on an estimate provided by the insurance broker of claims that are expected to be settled.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E5. Trade and other payables

	2022	2021
	\$'000	\$'000
Current:		
Trade payables	16,854	15,725
Accrued payables	26,561	16,897
Accrued expenses	3,321	3,414
GST payable	989	1,329
Accrued interest	26,879	26,491
	74,604	63,856

Recognition and measurement

Trade payables and other accounts payable, including accruals for services not yet billed, are recognised when obligations to make future payments have occurred for goods received or services provided. Due to their short-term nature they are not discounted.

E6. Contract liabilities

Arising from connections to the transmission network	33,710	33,459
Arising from connections to the telecommunications network	3,079	4,242
Arising from connections to the distribution network	36,056	27,953
Arising from other services provided	2,699	2,743
	75,544	68,397
Shown as:		
Current contract liabilities	41,094	33,974
Non-current contract liabilities	34,450	34,423
	75,544	68,397

Recognition and measurement

Contract liabilities

Contract liabilities relate to revenue received in advance arising from connections to the transmission and telecommunications networks are predominantly regulated and unregulated services revenue that have been received from customers for a long term connection to TasNetworks' assets. The full connection charges are recognised as a contract liability at inception of the contract and allocated to revenue over the life of the agreement to which it pertains (note A1).

Contract liabilities relate to revenue received in advance arising from connections to the distribution network. A contract liability is recognised when funds are received which is prior to construction commencement, this income is recognised as revenue at the point in time when the connection is completed and the performance obligation has been met.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

E6. Contract liabilities (continued)

Contract liabilities arising from other services provided is received in advance and recognised as revenue upon completion of the service.

There were no significant changes in the contract liability balances during the reporting period.

The following table shows how much of the revenue recognised in the current reporting period that relates to the contract liability balance at the start of the year.

	2022	2021
	\$'000	\$'000
Amounts from connections to the transmission network	1,419	1,246
Amounts from connections to the telecommunications network	1,738	610
Amounts from connections to the distribution network	28,199	23,874
Amounts from other services provided	257	719
	<hr/> 31,613	<hr/> 26,449

Notes to the consolidated financial statements For the financial year ended 30 June 2022

TasNetworks' people

This section provides information relating to a range of employment and post employment benefits provided to TasNetworks' people, as well as information on the key management personnel of TasNetworks.

F1.	Employee benefits	Note	2022 \$'000	2021 \$'000
	Current:			
	Annual leave		13,355	12,583
	Long service leave		13,524	13,589
	Defined benefits superannuation	F2	6,778	6,013
	Other employee benefits		4,826	4,544
			38,483	36,729
	Non-current:			
	Long service leave		4,664	4,952
	Defined benefits superannuation	F2	144,416	178,151
	Other employee benefits		751	772
			149,831	183,875
			188,314	220,604

Impact of COVID-19

The number of hours of leave taken during the past 3 financial years was less than previous years predominately due to COVID-19 and subsequent travel restrictions. This has resulted in an increase to annual leave liability balances at 30 June 2022. The leave balances are being actively managed by TasNetworks.

Recognition and measurement

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. The provision represents the amount that TasNetworks has an obligation to pay resulting from employees' services provided up to the balance date.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by TasNetworks in respect of services provided by employees up to reporting date. These amounts are discounted to determine their present value.

Salaries, annual and long service leave

Annual leave and long service leave provisions are classified as current where the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. This does not imply that there is an expectation that the current provision will be paid out within the next twelve months.

Movements to these provisions are included in the cost of labour and charged directly to capital jobs or cost centres, and correspondingly, the provisions absorb the cost when employees utilise their benefits.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F1. Employee benefits (continued)

Key estimates

Long service leave

The long service leave provision requires management judgement of the key assumptions including:

- future increases in salaries and wages;
- future on-cost rates;
- experience of employee departures and periods of service; and
- application of an appropriate discount rate where liabilities are more than 12 months due.

Termination payments

Termination payments are calculated in accordance with the relevant employee agreements. Provisions are made when it is probable that settlement will be required and they are capable of being measured reliably.

Sick leave

No provision for sick leave is allowed for in the financial statements as sick leave is non-vesting and employee benefits only exist when employees become sick.

Accumulation superannuation plans

TasNetworks makes contributions for employees to an accumulation superannuation plan in accordance with the Commonwealth's Superannuation Guarantee (Administration) Act 1992. Contributions are expensed when incurred.

Defined benefit superannuation plans

The balance of employees are provided with superannuation benefits through a defined benefit superannuation scheme.

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, net of the fair value of the plan's assets. The net assets, operating costs and investment returns of the Fund are allocated to TasNetworks based on the percentage of funded past service liabilities for TasNetworks compared to the funded past service liabilities for the whole of government. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan

The Retirement Benefits Fund (RBF) is a defined benefit fund that pays lump sum benefits on resignation and lump sum or pension benefits to members upon retirement, death or invalidity, or upon reaching preservation age after resignation (which are calculated as a multiple of the members' final average salaries). The RBF has contributory members, compulsory preserved members and pensioners. The defined benefit section of RBF is closed to new members.

TasNetworks employees who joined the Tasmanian public sector, Hydro Electric Commission (subsequently Hydro Electric Corporation) (Hydro Tasmania) or one of TasNetworks' antecedent businesses Transend Networks or Aurora Energy prior to 1 July 1999 may be members of the defined benefit fund. All other employees are provided with superannuation benefits through accumulation schemes for which TasNetworks meets its employer obligations by periodic contributions. Consequently, TasNetworks does not carry any liability for superannuation in relation to all post 1 July 1999 employees.

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

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

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

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

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

Defined benefit superannuation risks

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

- Investment risk – The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall over the long term.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions over the long term.
- Inflation risk – The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions over the long term.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan (continued)

Defined benefit superannuation risks (continued)

- Benefit options risk – The risk that a greater proportion of members who joined prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.
- Pensioner mortality risk – The risk that pensioner mortality will be lower than expected, resulting in pensions being paid for a longer period.
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

Significant events

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

Key assumptions

Defined benefit superannuation plan

The actuarial assessment and key assumptions that have been used in determining this are as per the State Actuary's (Mercer) report, dated 13 July 2022 and are set out below:

Assumptions to determine defined benefit cost and start of year defined benefit obligation	2022	2021
	%	%
Discount rate (active members)	3.20	3.15
Discount rate (pensioners)	3.20	3.15
Expected salary increase rate	3.00	3.00
Expected rate of increase of compulsory preserved amounts	3.00	3.00
Expected pension increase rate	2.25	2.25
Assumptions to determine end of year defined benefit obligation	2022	2021
	%	%
Discount rate (active members)	5.35	3.20
Discount rate (pensioners)	5.35	3.20
Expected salary increase rate	3.50	3.00
Expected rate of increase of compulsory preserved amounts	5.50	3.00
Expected pension increase rate	5.50	2.25

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan (continued)

Fair value of Scheme assets

	30 June 2022*		
	Total	Significant observable inputs – Level 2	Unobservable inputs – Level 3
	\$'000	\$'000	\$'000
Cash deposits	-	-	-
Australian equities	7,124	7,124	-
International equities	8,639	8,639	-
Infrastructure	5,282	1,351	3,931
Diversified fixed interest	9,130	9,130	-
Property	7,656	696	6,960
Alternative investments	3,112	3,112	-
Total	40,943	30,052	10,891

*Estimated based on assets allocated to TasNetworks as at 30 June 2022 and asset allocation of the RBF Scheme as at 30 June 2021.

Fair value of own financial instruments

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

- any of TasNetworks' own financial instruments; and
- any property occupied by, or other assets used by TasNetworks.

Assets are not held separately for each reporting entity but are held for the Fund as a whole. The fair value of Scheme assets for each reporting entity was estimated by allocating the total Fund assets in proportion to the value of each reporting entity's funded liabilities, calculated using the assumptions outlined in this report, with the exception of the discount rate. For the purposes of allocating assets to each reporting entity, we have used the Government Bond yield of 3.85%, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan (continued)

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

	Note	2022 \$'000	2021 \$'000
Present value of obligations at beginning of financial year		192,137	228,154
Total defined benefit obligation		192,137	228,154
RBF contributory scheme assets		40,943	43,990
Net liability at end of financial year		151,194	184,164
Movements in net liabilities			
Net liability at beginning of financial year		184,164	191,868
Expense recognised in profit or loss	A2(c)	8,028	8,366
Other comprehensive income recognised		(34,066)	(10,191)
Employer contributions paid by TasNetworks		(6,932)	(5,879)
Net liability at end of financial year		151,194	184,164
Current net liability	F1	6,778	6,013
Non-current net liability	F1	144,416	178,151
		151,194	184,164
Expense recognised in profit or loss			
Employer service cost		2,241	2,425
Net interest cost	A2(c), A3	5,787	5,941
Expense recognised in profit or loss		8,028	8,366
Other comprehensive income recognised			
Superannuation actuarial gains	D1	(34,066)	(10,191)
Other comprehensive income recognised		(34,066)	(10,191)

Employee benefits expense is included in the operating expenses line item of the statement of profit or loss and the superannuation actuarial gains/(losses) line item in the statement of comprehensive income. Interest costs are included within finance costs. Employer contributions of \$6.932m (2021: \$5.879m) reflects the amount paid by TasNetworks.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan (continued)

	Note	2022 \$'000	2021 \$'000
Fair value of plan assets			
RBF contributory scheme assets at beginning of financial year		43,990	39,274
Interest Income		1,382	1,213
Actual return / (diminution) on plan assets less interest income		(2,494)	5,045
Employer contributions received		6,932	5,879
Contributions by plan participants		729	782
Benefits paid		(9,568)	(8,198)
Taxes, premiums and expenses paid		(28)	(5)
RBF contributory scheme assets at end of financial year		40,943	43,990
Defined benefit obligations inclusive of contributions tax for disclosure purposes			
Present value of obligation at beginning of financial year		228,154	231,142
Employer service costs		2,241	2,425
Interest costs		7,169	7,154
Contributions by plan participants		729	782
Benefits paid		(9,568)	(8,198)
Taxes, premiums and expenses paid		(28)	(5)
Expected defined benefit obligation at year end		228,697	233,300
Actuarial (gain)/loss arising from changes in demographic assumptions		-	-
Actuarial (gain)/loss arising from changes in financial assumptions		(44,353)	(1,554)
Actuarial (gain)/loss arising from liability experience		7,793	(3,592)
Present value of defined benefit obligation at end of financial year		192,137	228,154

Effect of the asset ceiling

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F2. Defined benefit superannuation plan (continued)

Sensitivity analysis

The defined benefit obligation as at 30 June 2022 under several scenarios is presented below.

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

Scenario A: 1% pa lower discount rate assumption

Scenario B: 1% pa higher discount rate assumption

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

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

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-1% pa discount rate	+1% pa discount rate	-1% pa pension rate	+1% pa pension rate
Discount rate	5.35%	4.35%	6.35%	5.35%	5.35%
Pension increase rate	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (\$'000)	192,137	216,265	172,142	176,411	210,783

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

Asset-Liability matching strategies

TasNetworks is not aware of any asset and liability matching strategies adopted by the Fund.

Funding arrangements

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

Expected contributions

TasNetworks expects to pay employer contributions for the year ended 30 June 2023 of \$6.778m (2022: \$6.013m).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for TasNetworks is 12 years.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F3. Key Management Personnel compensation

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

Benefits paid	Director Remuneration		Executive Remuneration		Consolidated	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	402	403	2,948	2,871	3,350	3,274
Post-employment benefits	33	31	257	264	290	295
Other long-term employment benefits	-	-	135	(66)	135	(66)
Other non-monetary benefits	-	-	45	-	45	-
Termination Benefits	-	-	264	239	264	239
	435	434	3,649	3,308	4,084	3,742

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

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

Remuneration for the Board of Directors

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

2022 Director Remuneration¹

Name	Position	Period	Director Fees	Committee Fees	Super annuation ²	Total
			\$'000	\$'000	\$'000	\$'000
Non-Executive Directors						
Mr R Gill	Chairperson	From 23/11/2021	98	-	10	108
	Director	Full term				
Dr D Norton AO	Chairperson	To 23/11/2021	53	-	5	58
Mrs J Doyle ³	Director	Full term	64	-	-	64
Dr J Beeby	Director	Full term	59	-	6	65
Mrs S Merridew	Director	Full term	59	-	6	65
Mr K Kehl	Director	From 23/11/2021	34	-	3	37
Ms K Schaefer	Director	From 22/02/2022	20	-	2	22
Mr P McIntrye	Director	To 23/09/2021	15	-	1	16
Total			402	-	33	435

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F3. Key Management Personnel compensation (continued)

2021 Director Remuneration¹

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Total \$'000
Non-Executive Directors						
Dr D Norton AO	Chairperson	Full term	120	-	11	131
Mrs J Doyle ³	Director	Full term	59	-	-	59
Mr P McIntyre	Director	Full term	56	-	5	61
Mr R Gill	Director	Full term	56	-	5	61
Dr J Beeby	Director	Full term	56	-	5	61
Mrs S Merridew	Director	Full term	56	-	5	61
Total			403	-	31	434

Board remuneration notes and statements

- 1 Amounts are all forms of consideration paid, payable or provided by TasNetworks.
- 2 Superannuation means the contribution to the superannuation fund of the individual.
- 3 Mrs J Doyle's directors fees were paid directly to her employer in arrears. During May 2022 TasNetworks undertook a payroll system amalgamation which lead to employees being paid 1 week in advance this has led to a timing discrepancy between Mrs J Doyle and the other directors who are paid via TasNetworks' payroll system.

Non-Executive Directors

Non-executive directors are appointed by the Shareholding Ministers following Cabinet approval. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant *Guidelines for Tasmanian Government Businesses – Board Appointments*. The level of fees paid to non-executive directors is administered by the Department of Premier and Cabinet.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to directors. Directors are entitled to reimbursement of reasonable expenses incurred while attending to Board business. Non-executive Directors' remuneration is reviewed periodically with increases subject to approval by the Treasurer and Portfolio Minister.

F3. Key Management Personnel compensation (continued)

Executive Remuneration

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

2022 Executive Remuneration

Name	Position	Period	Base Salary ¹	Superannuation ²	Other Non-Monetary Benefits ³	Total Remuneration Package	Termination Benefits ⁴	Movement in leave balances ⁵	Total ⁶
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mr S Mc Goldrick	Chief Executive Officer	From 2/08/2021	417	22	45	484	-	19	503
Mr A Davis	Executive Transformation	From 11/04/2022	70	7	-	77	-	5	82
Mr W Tucker	General Manager Regulation, Policy and Strategic Asset Management	To 01/05/2022	298	39	-	337	-	14	351
	Executive Growth	From 02/05/2022							
Mr M Paine	General Manager Operations and Customer Service Delivery	To 01/05/2022	330	24	-	354	-	4	358
	Executive Digital	From 02/05/2022							
	Acting Chief Executive Officer	From 01/07/2021 to 01/08/2021							
Mr R Burrige AM	General Manager Strategy, Finance and Business Services; and Executive Operations	From 02/08/2021 to 01/05/2022	335	43	-	378	-	4	382
Mrs P Bartlett	Company Secretary and General Counsel	From 02/05/2022	174	15	-	189	264	(33)	420
Mr M Westenberg	General Manager Technology and Performance	To 01/05/2022	292	24	-	316	-	71	387
	Executive Finance	From 02/05/2022							
Mr M Ash	General Manager Network, Commercial and Major Customer	To 01/05/2022	318	24	-	342	-	30	372
	Executive Stakeholders	From 02/05/2022							
Mrs R Anderson	General Manager People, Culture and Community	To 01/05/2022	274	24	-	298	-	10	308
	Executive People	From 02/05/2022							
Mr M Chan	Company Secretary and General Counsel	From 14/02/2022 to 01/05/2022	96	9	-	105	-	14	119
	Executive Governance	From 02/05/2022							
Ms B Clark	General Manager Project Marinus CEO, Marinus Link Pty Ltd	From 01/07/2021 to 30/11/2021	327	24	-	351	-	(14)	337
		From 1/12/2021							
Sub-total			2,931	255	45	3,231	264	124	3,619
Acting arrangements									
Ms A Parker	Acting General Manager Strategy, Finance and Business Services	From 01/07/2021 to 01/08/2021	17	2	-	19	-	11	30
Sub-total			17	2	-	19	-	11	30
Total			2,948	257	45	3,250	264	135	3,649

F3. Key Management Personnel compensation (continued)**2021 Executive Remuneration**

Name	Position	Period	Base Salary ¹	Superannuation ²	Other Non-Monetary Benefits ³	Total Remuneration Package	Termination Benefits ⁴	Movement in leave balances ⁵	Total
Mr L Balcombe	Chief Executive Officer	To 25/03/2021	389	17	-	406	124	(124)	406
Ms B Clark	General Manager Project Marinus	Full year	306	29	-	335	-	4	339
Mr W Tucker	General Manager Regulation, Policy and Strategic Asset Management	Full year	297	38	-	335	-	26	361
Mr M Paine	General Manager Operations and Customer Service Delivery	Full year	320	30	-	350	-	13	363
Mr R Burridge AM	General Manager Strategy, Finance and Business Services; and Acting Chief Executive Officer	To 25/03/2021	349	41	-	390	-	18	408
Ms J McDermott	General Manager People, Culture and Community	From 26/03/2021 to 30/06/2021 Until 13/11/2020	132	22	-	154	115	(15)	254
Mrs P Bartlett	Company Secretary and General Counsel	Full year (except as noted below)	273	26	-	299	-	(9)	290
Mr M Westenber	Acting GM People, Culture and Community	From 13/11/2020 to 29/03/2021	296	22	-	318	-	11	329
Mr M Ash	General Manager Technology and Performance	Full year	296	22	-	318	-	11	329
Mr M Ash	General Manager Network, Commercial and Major Customer	Full year	317	22	-	339	-	6	345
Mrs R Anderson	General Manager People, Culture and Community	from 29/03/2021	66	6	-	72	-	5	77
Sub-total			2,745	253	-	2,998	239	(65)	3,172
Acting arrangements									
Mr M Chan	Acting Company Secretary and General Counsel	From 13/11/2020 to 29/03/2021	68	6	-	74	-	-	74
Ms A Parker	Acting General Manager Strategy, Finance and Business Services	From 26/03/2021 to 30/06/2021	58	5	-	63	-	(1)	62
Sub-total			126	11	-	137	-	(1)	136
Total			2,871	264	-	3,135	239	(66)	3,308

Notes to the consolidated financial statements
For the financial year ended 30 June 2022

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F3. Key Management Personnel compensation (continued)

Executive remuneration notes and statements

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

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

- 1 Base salary includes all forms of consideration paid and payable for services rendered, compensated absences during the period and salary sacrifice amounts.
- 2 Superannuation means the contribution to the superannuation fund of the individual. Superannuation benefits for members of a defined benefit scheme were calculated using a notional cost based on 12.95% (2021: 12.95%).
- 3 Other non-monetary benefits includes medical care, housing, free or subsidised goods or services and reportable fringe benefits. Mr S Mc Goldrick received a housing benefit on relocation to Tasmania whilst he found suitable permanent accommodation. The benefit paid of \$24k has been grossed up by the appropriate Fringe Benefits Tax Rate resulting in a total reportable fringe benefit to Mr Mc Goldrick of \$45k.
- 4 Termination benefits include all forms of benefits paid or accrued as a consequence of termination.
- 5 Movement in leave balances reflect the movement in both annual and long service leave. Long service leave is only recognised in this report once 10 years of service has been obtained and it is required to be paid.
- 6 Executive remuneration may vary year to year due to the timing of refunds or reimbursements on expired novated vehicle lease contracts.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F3. Key Management Personnel compensation (continued)

Executive Remuneration

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

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

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

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

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

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

Termination benefits

Termination payments during the current year included:

- Mrs P Bartlett ceased employment effective 11 February 2022 and was paid \$264,301 representing the balance of her accrued annual and long service leave entitlements \$34,521, plus a termination payment in accordance with the terms of her contract of \$229,780.

Acting arrangements

When members of key management personnel are unable to fulfil their duties, consideration is given to appointing other members of senior staff to their position during their period of absence.

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

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

- Mr R Burrige AM performed the duties of the CEO until the Mr S Mc Goldrick was able to take up his appointment on 2nd August 2021.
- Ms A Parker performed the duties of the General Manager Strategy, Finance and Business Services whilst Mr R Burrige AM undertook the CEO position.

Statement of compliance

TasNetworks has complied with the Government's Director and Executive Remuneration Guidelines, applicable at the time, for the year ended 30 June 2022 with the exception of three variations. These are the confidentiality and termination provisions contained in executive contracts and the setting of initial remuneration of the TasNetworks former CEO which pre-date the June 2014 Shareholders Direction to comply with the Guidelines.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

F4. Related party disclosures

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

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

Equity interest in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note H3 to the financial statements.

Key management personnel compensation

Details of key management personnel compensation are disclosed in note F3 to the financial statements.

Transactions with key management personnel and related parties

Some key management persons, or their related parties, transacted with TasNetworks in the reporting period as residents or owners of properties to which TasNetworks provides network services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

Apart from the details disclosed in note F3, no director or executive has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' or executives' interests subsisting at year end.

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

There are no material related party transactions requiring disclosure in accordance with the Tasmanian Government Business Guideline.

Controlling entity

The shares of the parent entity of Tasmanian Networks Pty Ltd are held in trust for the Crown in Right of the State of Tasmania.

The group transmits and distributes electricity and provides telecommunication services and undertakes other transactions with government entities on an arm's length basis in the normal course of business and on commercial terms and conditions.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

Commitments

This section contains information about the commitments TasNetworks has made.

G1. Leases

Leases as lessee

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

(a) Amounts recognised in the profit or loss

	2022 \$'000	2021 \$'000
Interest on lease liability	(191)	(151)
Amortisation of lease assets	(403)	(406)
Expenses relating to short-term leases	(55)	(8)
Expenses relating to low value assets	(32)	(25)
	(681)	(590)

(b) Amounts recognised in the statement of cash flows

Total cash outflow for leases	(555)	(566)
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(c) Extension options

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

Operating leases as lessor

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

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

	2022 \$'000	2021 \$'000
Less than 1 year	3,762	3,741
1 to 2 years	3,583	3,616
2 to 3 years	3,621	3,488
3 to 4 years	3,678	3,358
4 to 5 years	3,716	3,366
More than five years	41,522	41,654
	59,882	59,223

Recognition and measurement

Operating lease payments are recognised as expenses on a straight-line basis as this reflects the pattern in which economic benefits of the leased assets are consumed.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

G2. Commitments for expenditure	2022	2021
	\$'000	\$'000
Capital expenditure commitments+:		
Marinus Link intangible assets		
Within one year	4,480	-
One year or later and no later than five years	6,626	-
Greater than five years	1,448	-
	12,554	-
Property, plant and equipment		
Within one year	85,711	90,653
One year or later and no later than five years	44,964	26,558
Greater than five years	55	228
	130,730	117,439
Operating expenditure commitments*:		
Other expenses (excluding leases disclosed in note G1)		
Within one year	76,600	58,427
One year or later and no later than five years	34,625	37,031
Greater than five years	524	1,250
	111,749	96,708

*Operating expenditure commitments relate predominately to asset maintenance services.

+Capital expenditure commitment increases predominately relate to contracts entered to purchase long-lead time materials required for the future capital program, as well as contracts relating to Project Marinus.

G3. Contingent liabilities and contingent assets

Contingent assets

In April 2022, the Commonwealth committed \$75 million in funding under the Federal Funding Agreement to progress Project Marinus to a Financial Investment Decision. Payments will be received over the next three financial years in line with completion of agreed milestones. The grant will be brought to account as contributions against the asset as the milestones are achieved.

Contingent liabilities

At the time of publication of these accounts there were no contingent claims related to property loss, where TasNetworks is the defendant, personal injury (with the exception of claims by employees for personal injuries related to legacy herbicide exposure as mentioned below), contractual and other matters with TasNetworks (2021: nil). The directors are of the opinion, based on legal advice, that no provision for a liability is required.

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

G3. Contingent liabilities and contingent assets

Contingent liabilities (continued)

TasNetworks has completed its investigation of a legacy herbicide exposure attributable to former Hydro Electric Commission (Hydro) employees spraying vegetation dating back to the 1960-70's. The possible exposure passes to TasNetworks under the respective transfer notices for business restructuring in 1998 (from Hydro to Transend Networks Pty Ltd) and 2014 (from Transend Networks Pty Ltd) respectively. An Action group was established together with a Claims Settlement Protocol and a Quantum Framework. TasNetworks currently has paid two claims for compensation in the 2020-21 year and one in the 2021-22 year. Two new claims were received and have been accrued as an expense in the 2021-22 financial year. Future claims are anticipated, however the number or quantum cannot currently be quantified.

As a result of the transformation program (see note H7) there is potential for future cash outflows in the form of redundancy payments under new Executive contracts. There have been no indications that these payments will be likely or probable and therefore no liability has been recognised.

On 30 May 2022 a loan agreement was established between TasNetworks subsidiary FortyTwo24 and FortyTwo24's 50% owned joint venture (Virtual Twin TAS Pty Ltd). This agreement provides access to a loan facility whereby Virtual TAS may utilise borrowings of up to \$1M from FortyTwo24. At the end of the financial period, no amounts from this facility had been drawn down.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

Other information

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

H1. Auditor's remuneration

	2022	2021
	\$	\$
Amounts received, or due and receivable:		
Audit of financial statements for the group	249,000	235,090
Audit of Regulatory Information Notice*	234,400	230,000
	483,400	465,090

*A Regulatory Information Notice is an annual data gathering instrument that is issued by the Australian Energy Regulator to all network businesses. This is a mandatory requirement that must be complied with.

H2. Overseas travel

There was no overseas travel undertaken in the 2021-22 year (2021: nil).

H3. Returns to Government

During the year the following payments were made to the Tasmanian Government*

	2022	2021
	\$'000	\$'000
Income Tax Equivalentents paid	26,550	35,849
Government guarantee fees paid	6,963	7,157
Dividends paid	5,122	26,738
	38,635	69,744

*Returns to Government are measured in cash payments made during the financial year.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H4. Controlled entities

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the Group, being the company (the parent entity) and its controlled entities. Controlled entities are all those entities over which the parent entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control that entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group, are eliminated in full.

Reference to TasNetworks in these financial statements is referring to the Group.

Name of entity	Footnote	Country of incorporation	Ownership interest	
			2022	2021
			%	%
Parent entity				
Tasmanian Networks Pty Ltd		Australia		
Subsidiaries				
TasNetworks Holdings Pty Ltd	1	Australia	100	100
Fortytwo24 Pty Ltd*	2	Australia	100	100
Marinus Link Pty Ltd*	3	Australia	100	100
TasNet Connections Pty Ltd*	4	Australia	100	100

* Fortytwo24 Pty Ltd, Marinus Link Pty Ltd and TasNet Connections Pty Ltd are 100% owned subsidiaries of TasNetworks Holdings Pty Ltd.

Footnotes

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

H5. Interest in associates and joint ventures

Joint Venture	Principal activity	Consolidated		Parent	
		Share Ownership	Joint Venture voting rights	Share Ownership	Joint Venture voting rights
		2022	2022	2022	2022
		%	%	%	%
Virtual Twin TAS Pty Ltd ⁵	Provide a digital twin of Tasmania.	50	50	-	-

5. Virtual Twin TAS Pty Ltd was incorporated on 18 May 2022.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H6. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2022, the parent entity of the Group was Tasmanian Networks Pty Ltd.

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

	Parent	
	2022	2021
	\$'000	\$'000
Result of parent entity		
Profit for the year	36,451	13,673
Other comprehensive income for the period	85,303	24,213
Total comprehensive income for the period	121,754	37,886
Financial position of parent entity at year end		
Current assets	126,166	116,417
Intercompany receivable	612	-
Non-current assets	3,629,836	3,498,127
Intercompany loan	29,767	5,027
Total assets	3,786,381	3,619,571
Current liabilities	368,498	332,870
Intercompany payable	-	412
Non-current liabilities	2,277,489	2,262,527
Total liabilities	2,645,987	2,595,809
Net assets	1,140,394	1,023,762
Total equity of the parent entity comprising of:		
Contributed equity	62,724	62,724
Reserves	884,538	823,081
Retained earnings	193,132	137,957
Total equity	1,140,394	1,023,762

Parent entity notes

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

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

Capital expenditure commitments+:

Property, plant and equipment	85,660	90,563
Within one year	44,964	26,396
One year or later and no later than five years	55	28
Greater than five years	130,679	116,987

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

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H7. Subsequent events

Dividends

Subsequent to the end of the financial year, the Board recommended a dividend of \$22.583m (2021: \$5.122m) in respect to the current financial year. The dividend recommended is in line with the Tasmanian Government Dividend Policy. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2022.

Tasmanian Networks Pty Ltd subsidiary company TasNetworks Holdings has recommended that no dividend be paid from their profits for the year. Retaining profits in the business will assist with investing in business growth and long term success.

Transformation

In response to a strategic review of its operations in 2021, TasNetworks has commenced a transformation program which will be implemented over a two year period. As part of the program TasNetworks is undertaking a review of its organisational design. The first phase of the organisational redesign was to move the General Managers to new Executive roles effective 2 May 2022. Further changes are expected as part of the review, however at the time of preparing these financial statements the detailed plans and the financial impact of restructuring is not yet certain.

Other

Aside from the items discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors to affect significantly the operations of TasNetworks, the result of those operations or the state of affairs of TasNetworks in future financial years.

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H8. Changes in accounting policies

Accounting standards adopted

In the current year, TasNetworks has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. TasNetworks has adopted the following relevant standards:

AASB amendment	Affected standard	Nature of change to accounting policy
AASB 2020-2	AASB 1060 General Purpose Financial Statements – Simplified Disclosures	<p>Makes amendments to numerous standards and the Conceptual Framework for Financial Reporting so they explicitly apply to:</p> <ul style="list-style-type: none"> For-profit private sector entities' required by legislation to prepare financial statements Other for-profit private sector entities required to prepare financial statements by their constituting documents <p>The effect of these requirements is that above entities are required to prepare general purpose financial statements. TasNetworks' subsidiaries will be preparing general purpose financial statements with reduced disclosures under this standard.</p>
AASB 2020-8	Interest Rate Benchmark Reform – Phase 2	<p>Amends AASB 4 Insurance Contracts, AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures and AASB 16 Leases to address issues that may affect financial reporting during interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative benchmark rate.</p>

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H8. Changes in accounting policies (continued)

Future pronouncements

The following standards and amendments were available for early adoption but have not been applied by TasNetworks in these financial statements.

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.	<p>Makes amendments to a number of standards including:</p> <ul style="list-style-type: none"> AASB 3 <i>Business Combinations</i> to refer to the new Conceptual Framework for financial reporting; no contingent assets are recognised on acquisition. AASB 116 <i>Property Plant and Equipment</i> to prohibit deducting from the cost of an item of PPE any proceeds from selling items produced while bringing that asset to location and condition for use; instead such proceeds must be recognised in the profit or loss; and AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> to specify what the costs of fulfilling an onerous contract comprise. <p>These amendments are not expected to have a material impact on TasNetworks.</p>	1 January 2022	30 June 2023
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	<p>Amends AASB Standards to improve accounting policy disclosures and clarify the distinction between accounting policies and accounting estimates; specifically</p> <ul style="list-style-type: none"> AASB 7 <i>Financial Instruments Disclosures</i>, to clarify that measurement bases for financial instruments are material. AASB 101 <i>Presentation of Financial Statements</i>, requirement to disclose material accounting policies not significant policies. AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, to clarify what are changes in policies versus changes in estimates. AASB Practice Statement 2 <i>Making Materiality Judgements</i>, non mandatory guidance of how to apply materiality. These amendments are not expected to have a material impact on TasNetworks. 	1 January 2023	30 June 2024

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H8. Changes in accounting policies (continued)

Future pronouncements (continued)

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
AASB 2020-1	AASB 101 Presentation of financial statements	This amendment clarifies the classification of liabilities as current or non-current based on the rights in existence at reporting date regardless of whether these rights will be exercised. This is not expected to have a material impact on TasNetworks.	1 January 2023	30 June 2024
AASB 2021-5	AASB 112 Income Taxes	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. This is not expected to have a material impact on TasNetworks.	1 January 2023	30 Jun 2024
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and investor and its associate or joint venture	The amendments to AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. This is not expected to have a material impact for TasNetworks.	1 January 2025	30 June 2026

Notes to the consolidated financial statements For the financial year ended 30 June 2022

H8. Changes in accounting policies (continued)

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

Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
Editorial Corrections	IFRS 9 Financial Instruments & IFRS 24 Related Party Disclosures. The editorial corrections are minor and have no impact on the previous implementation of these standards.	1 January 2022	30 June 2023

These standards and interpretations will be first applied in the financial report of TasNetworks that relates to the annual reporting period beginning after the effective date of each pronouncement.

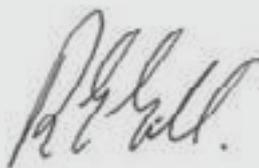
Director's declaration for the year ended 30 June 2022

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that Tasmanian Networks Pty Ltd will be able to pay its debts as and when they become due and payable;
- (b) the financial statements comply with international financial reporting standards as disclosed in these notes to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including being in compliance with Australian Accounting Standards and giving a true and fair view of the financial position and performance of Tasmanian Networks Pty Ltd; and
- (d) the directors have been provided with declarations from the Chief Executive Officer and the Executive Finance for the financial year.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Mr Roger Gill
Chairman

Hobart
10 August 2022



Mrs Joanne Doyle
Director

Hobart
10 August 2022





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